

# **Rough waters European trade unions in a time of crises**

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Edited by

**Steffen Lehndorff, Heiner Dribbusch and Thorsten Schulten**

**etui.**

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# European trade unions in a time of crises – an overview

Steffen Lehndorff, Heiner Dribbusch and Thorsten Schulten

## 1. Introduction

In today's Europe, talking about 'the' crisis can mean many different things. In some countries, most people would remember the almost-breakdown of the financial system in 2008, followed by a dramatic downturn in manufacturing industry and widespread fears about soaring unemployment, which sparked vigorous government stimulus programmes, leading to swift recovery in the second half of 2009. From the point of view of many people in, for example, Germany, today's crisis is something that is happening in other countries, notably in southern Europe. There, the term 'crisis' describes an ongoing story with long-lasting damage to the labour market, its most depressing example being Greece, with no light at the end of the tunnel even nine years after the crisis hit. Most European countries, however, should be located somewhere between these poles. While their economy began to recover in 2009, growth remained sluggish, sometimes interrupted by 'double dip' recessions, with the effect of a continuous and creeping deterioration of social and labour-market problems. The overall picture, in particular in the euro zone, is one of an ongoing crisis which has long begun to hamper the economic success of the better-off countries, too. For Europe as a whole, many economists are talking about a longer period of 'secular stagnation' (De Grauwe 2015; Summers 2016). Given the multifaceted character of the European crisis in terms of chronology and dimensions (political, economic, social, cultural and so on) the term *crises* might be more appropriate.

The importance of the 'silent revolution' (Barroso) of 2010 onwards, which gave rise to the 'New European Economic Governance', is essential here. It may be regarded as an attempt to institutionalise or even constitutionalise neoliberal policy approaches within the European Single Market and its euro-zone core (Bieling 2013). Next to prioritising austerity with its restraining effects on the economy, arguably its most important socio-economic and political impacts can be summarised as driving European countries apart. It is the link between the 'austeritarian regime' (Dufresne and Pernot 2013: 4) and its economic effects, on one hand, and on the other the political exploitation of the deepening crises of democratic representation and social cohesion by right-wing populist, nationalist and racist parties which is driving the EU into arguably its deepest crisis ever.

This dynamic is pushing trade unions in different EU member states into a peculiar situation. On one hand, they face joint and growing challenges across countries (such as unemployment, the growth of precarious labour and the rise in inequality, alongside a long-term erosion of their membership base connected to fundamental structural and cultural changes). And against the background of the New Economic Governance,



most of them are facing a much more streamlined neoliberal economic policy approach on the part of their national governments than in earlier decades. On the other hand, unions have to try and cope with these challenges under widely varying conditions. How has the crisis impacted on these conditions and on trade unions' capacities to cope with them? This is the question to be explored in the present book.

## **2. Varieties of unionism and the power resources approach**

It is a well-explored fact that European varieties of trade unionism have already differed substantially for decades (cf. among many others Ebbinghaus and Visser 2000; Hyman 2001; Frege and Kelly 2004; Erne 2008). Given the profound political, economic and social importance of the ongoing European crises, we found it interesting to take a closer look at potential impacts of the Great Recession and the consecutive euro-zone crisis (with its interactions within the wider EU) on these varieties.

### 2.1 Beyond typologies and clusters

When we gathered a group of colleagues from 11 EU countries it was taken for granted that the crises cannot have the same relevance as driver of change for trade unions' situations and their policy approaches in each of the countries covered. While in some countries, such as Greece or Spain, the crisis has obviously been a decisive factor in explaining the current state of the unions, in other countries, such as the United Kingdom, Hungary, the Netherlands or Germany, substantial changes may have taken place before the crisis, and in at least one of the countries covered here – Sweden – one might be tempted to ask whether there is any crisis-induced effect on trade unionism at all. Thus, against the background of recent well-informed analyses of European trade unionism, such as Gumbrell-McCormick and Hyman (2013), the focus of the present book is on the differing or even contrasting relevance of the crises and their varying impact on trade unions.

Given the potentially wide scope of the various pictures, we agreed that the country chapters should cover the following subjects:

- What have been the main features and drivers of trade unions changes over the past one or two decades (depending on the time span regarded as most useful for the respective country-specific analysis)? To what extent is the development of trade unions related to the country-specific socio-economic development path?
- What are the most important impacts of the Great Recession, the ongoing euro-zone crisis and the overall reinforcement of neoliberal policy approaches in the EU in this respect (whatever we find most relevant for the respective country)?
- How have trade unions reacted to the challenges described above? Are there indicators of new strategic approaches or initiatives for union revitalisation? How relevant are policy initiatives at EU level?

Further to these country level analyses, trade unions initiatives and strategies at EU level are the subject of the final chapter in the present book.

The choice of countries to be presented in this book was guided by the idea of reflecting the varieties of European trade unionism. In comparative industrial relations research there has been a tradition of categorising unions by identifying clusters such as the Nordic, Central, Southern, Eastern and Anglophone groups of countries. While clustering is helpful as a starting point it should not be regarded as an analytical typology. The specific purpose of the ‘varieties of unionism’ approach (VoU) in comparative industrial relations literature, as Frege and Kelly (2004: 183) have it, is an analysis of the ‘national embeddedness of union strategies’. That is, it is about their embeddedness in country-specific sets of institutions and socio-economic development models or varieties of capitalism (Hall and Soskice 2001; for a discussion of the different concepts cf. Bosch *et al.* 2009), but also in formative historical experiences which altogether shape trade unions and their practices. This is why the distinction between ‘the telescope and the microscope’ in comparative trade union research, as proposed by Gumbrell-McCormick and Hyman (2013: 6), are useful instruments in cross-national comparisons.<sup>1</sup> While the first allows us to classify countries along broad contours, the second helps us to identify differences between seemingly similar cases (*ibid.*). In fact, as demonstrated by the country analyses in the present book, in today’s Europe the country-specific ‘mountains’ within each cluster of countries resemble each other less than ever. The cleavages between unions *within* the groups of countries are deepening. The European crises are driving the countries apart, and the unions, too, are subject to this process of ‘divisive integration’ (Lehndorff 2015a).

## 2.2 Sources of trade union power: a brief overview

Union strategies and tactics develop in interaction with members and constituents, employers, the state and civil society (Gumbrell-McCormick and Hyman 2013). So does the power of unions. The discussion of the sources of unions’ power has a long tradition in union research. Visser (1995) identified ‘organizational’, ‘institutional’ and ‘economic power’ as the three major sources of union power which, however, would require additional union capacities to become effective. He pointed also to the influence of the structure of the union movement – that is, the degree of internal cooperation or ideological divisions – on its potential power. The more recent literature on union power resources draws on the concept used by Silver (2003) – building on Wright (2000) – in her analysis of the forces of labour in a long-time global perspective. It is a heuristic concept which has been widely applied and developed further over recent years, if not in a uniform way, as a useful approach in trade union research (Brinkmann *et al.* 2008; Schmalz and Dörre 2013; Gumbrell-McCormick and Hyman 2013). Drawing on this

1. ‘In any cross-national comparison one can use the telescope or the microscope. The first reveals broad contours rather than fine details, and from a sufficient distance one mountain may resemble many others. On this basis, comparativists create classifications of country groups, proposing a parsimonious catalogue of types rather than insisting on the uniqueness of each national case (which would make comparative analysis virtually impossible). But there is always a trade-off between parsimony and accuracy. Through a microscope, the differences between seemingly similar cases become all too apparent’ (*ibid.*).

literature we distinguish, for the purposes of the present book, four major sources of union power, namely *structural*, *organisational*, *institutional* and *societal*.

*Structural power* (i) is based on the bargaining power of workers on the labour market, as well as in the labour process. Wright distinguishes two subtypes of structural power. The first, ‘marketplace bargaining power’ (Silver 2003: 13), results from the scarcity of workers in the labour market. The second, ‘workplace bargaining power’, results from the strategic location of workers within the labour process; that is, the more difficult workers are to replace due to their skills, a tight and regulated labour market and their particular position in the value chain, the stronger their structural power. While structural power can be influenced by unions only indirectly, it is directly shaped by the particular national socio-economic development model, as well as by economic and social politics and employers’ strategies in restructuring value chains and labour processes.

*Organisational power* (ii) is based on numerical strength, as well as on the unions’ ability to successfully mobilise the membership. The distinction between these two aspects is important as a large number of members in itself is not necessarily a sufficient base of organisational power. Organisational power is the power resource that is most strongly influenced by unions’ own activities. There is a mutual relationship between the size of union membership and unions’ financial capacities. These depend in a range of countries first and foremost on membership contributions, while in some countries direct or indirect subsidies based on collective agreements or legislation play an important role. This points to the crucial role of the institutional environment and its sometimes ambiguous implications (Hassel 2007).

*Institutional power* (iii) is ‘a result of bargains and conflicts that are based on structural and organisational power’ (Brinkmann *et al.* 2008: 25). Albeit in many different ways, its distinctive feature is to ‘codify or fix basic social compromises across business cycles and short-term changes in the balance of powers’ (*ibid.*). It includes institutions of economic governance that shape not only the capacity of unions to organise and represent workers (for example, Ebbinghaus and Visser 1999; Dribbusch 2003), but also their position in collective bargaining and corporatist arrangements. Institutional power may be supported indirectly by labour market regulations, such as a statutory minimum wage and the level and type of unemployment benefit, which influence the level of the ‘reservation wage’, and the nature and extent of statutory dismissal protection and other legal minimum standards. In some countries, institutions such as unemployment insurance impact on the capacity of unions to organise workers (the ‘Ghent system’). Institutional power tends to be eroded when the underlying balance of power on which it is based fundamentally changes and it is very sensitive to legislative intervention. The importance of the ‘shadow of the law’ for autonomous collective bargaining (Bosch 2015: 64) was underscored by the EU Directorate-General for Economic and Financial Affairs (DG ECFIN) in its quest for ‘employment-friendly reforms’ which ‘result in an overall reduction of the wage-setting power of trade unions’ (European Commission 2012: 104).

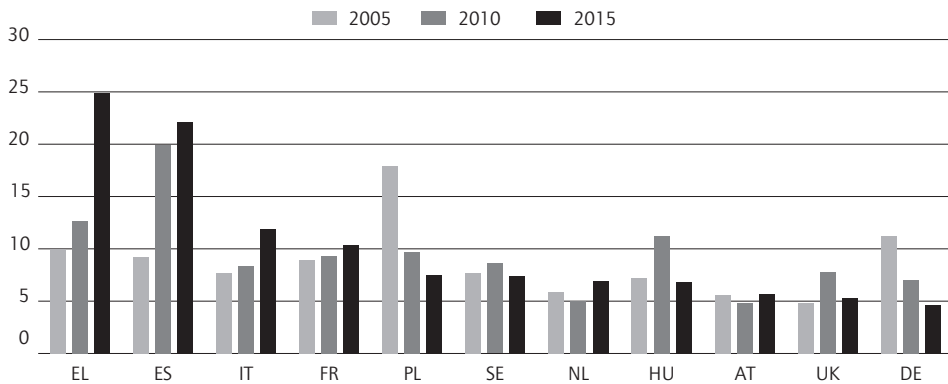
Structural, organisational and institutional power are complemented by what can be summarised as *societal power* (iv). Two main components may be distinguished here.

The first is coalitional or collaborative power, which is based on the capacity of unions to build coalitions and to act within civil society networks and includes the important link to political parties, which from the early decades of the labour movement have been a crucial channel for unions in many countries to represent workers' interests in the political sphere. The second has been termed discursive or communicative power (Urban 2015), namely the capacity of unions to successfully influence the public discourse and agenda setting. The latter is very much based on their ability to mobilise their members or even sections of the wider society for political ends.

### 2.3 Overall trends in the development of union power: some indicators

In order to get a rough impression of the overall trends in union power, a number of indicators of the respective power resources in the countries covered by the present book are of particular interest. In terms of overall structural power the unemployment rate is arguably a key figure. Figure 1 shows a fairly differentiated picture. Comparing pre-crisis levels with more recent ones, in almost half of the countries there have been only minor changes for better or worse. In Poland and Germany unemployment actually dropped, while it rose dramatically in Greece and Spain. Although the impact on unions' power resources in the latter two countries is obvious, it should be noted that the situation is not necessarily more favourable for unions in countries with much lower unemployment, such as Hungary or the United Kingdom.

Figure 1 **Structural power: unemployment rates, 2005 and 2015**  
(percentage of total workforce)

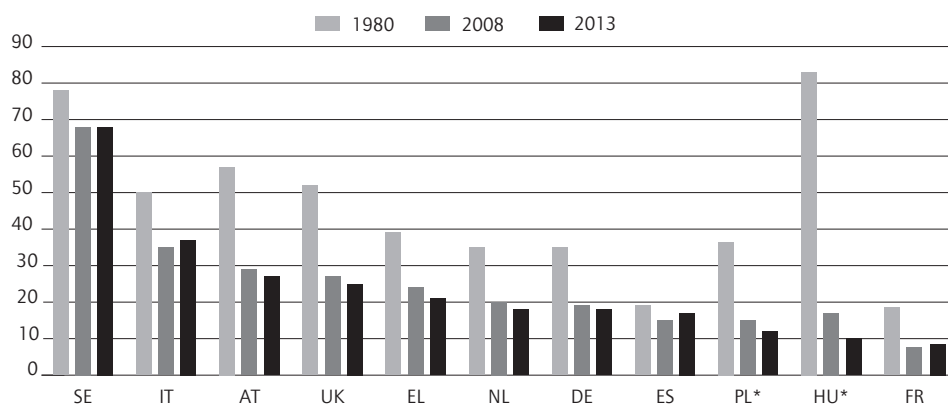


Source: Eurostat.

The country chapters provide more comprehensive pictures of the changes in structural power resources, including the importance of precarious labour (cf. also European Parliament 2016) and changes in the economic structure of the respective country. The latter can be crucial because even when employment is on the rise trade union membership may be concentrated in dwindling sectors, while growing sectors, and sections of the workforce, are scarcely organised.

Union density is commonly used as an indicator of *organisational power*. Relevant for the subject of the present book is that union density has decreased since the 1980s in all the countries under review. As Figure 2 shows, this long-term decline has at least not been reinforced or sped up by the Great Recession.<sup>2</sup> As of 2013 union density was below 20 per cent in six of the countries covered here. The major exceptions were Sweden, with a still impressive more than two-thirds of workers unionised, and Italy, with the highest density rate of all countries without a so-called Ghent system. Detailed figures about the composition of membership by industry, sex and age can be found in the country chapters. This gives an idea of potential strongholds of union power (or deserts, for that matter), including the observation that union density and mobilising capacity do not necessarily correlate. The latter may be more developed in some countries with limited organisational power, such as France, but such traditional capacities may have become exhausted in the course of the present crises.

Figure 2 **Organisational power: net trade union density, 1980\*/2008/2013 (percentage of all workers)**



Note: \* 1990 for Poland and Hungary.

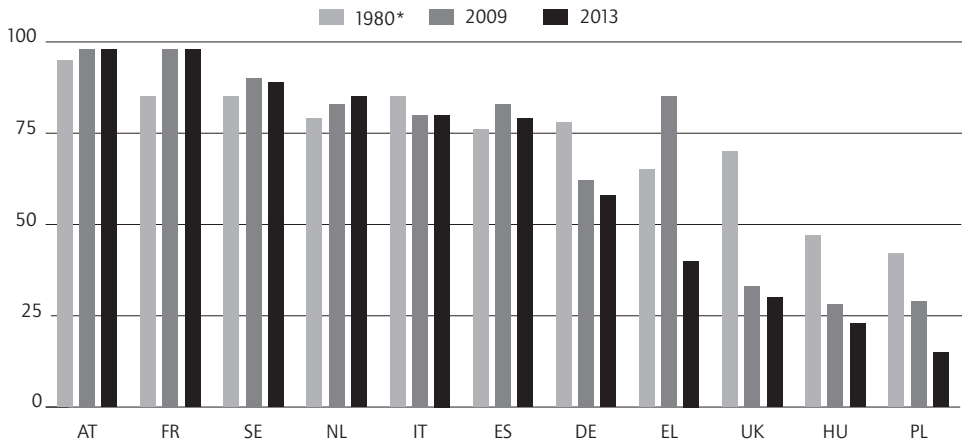
Source: ICTWSS Database; European Commission (2016).

A widely accepted indicator of *institutional power* is collective bargaining coverage. The comparison between long- and short-term changes in coverage rates as depicted in Figure 3 with changes in union density points at the ever increasing importance of the existence or non-existence of statutory extension practices (or their functional equivalents) in a number of countries (Schulten *et al.* 2015). As for the potential impact of the current crises, the comparison between the coverage rates of 2009 and 2013 demonstrates that a notable impact is observable most dramatically — as is to be expected — in Greece and, to a minor but still important extent, in Poland.<sup>3</sup>

2. Note that the recent, if modest, rise in union density in Spain may be regarded as a statistical artefact as it reflects the uneven impact of the ongoing crisis on the labour market; that is, industries with low union density, such as construction, have been hit more dramatically than other sectors. For more details, cf. the contribution by Leonardi for the exceptional case of Italy.

3. Note that earlier reports about similar important recent decreases of collective bargaining coverage in Spain draw on preliminary statistics which are amended periodically by the Spanish Ministry of Labour (cf. <http://www.empleo.gob.es/estadisticas/ect/welcome.htm>).

Figure 3 Collective bargaining coverage, 1980\*, 2009, 2013 (percentage of all workers)



Note: \* 2000 for Greece, Poland and Hungary.

Source: ICTWSS Database; European Commission (2016).

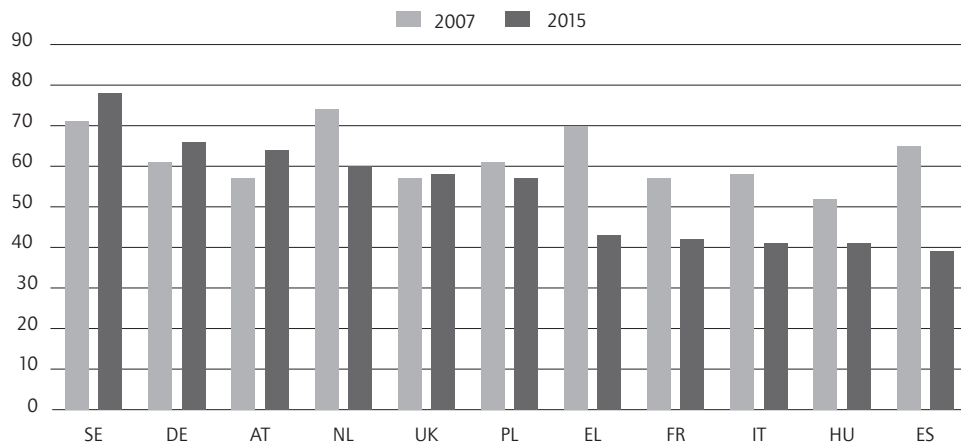
*Societal power* is particularly difficult to capture in quantitative terms. As a proxy we use here data from the Eurobarometer survey, which includes the question ‘whether the term [trade unions] brings to mind something very positive, fairly positive, fairly negative or very negative?’ Figure 4 gives a flavour of changes from shortly before the crisis until a (preliminary) peak of contrasting dynamics in the course of the European crises in 2015. The striking observation here is the contrast between countries such as Sweden,<sup>4</sup> Austria or Germany, on one side, where unions’ reputation has improved over recent years, and some other countries – most notably Greece – where it declined dramatically. It is probably fair to assume that the reason behind this contrast is the perception of the actual impact of trade unions’ activities and policy approaches geared to buffer or even curtail the negative social effects of the economic crisis. As for the collaborative side of societal power the country chapters provide interesting insights that help us to understand the respective political dynamics evolving from the interaction of unions with political parties and governments, but partly also from the turn towards campaigning on key policy issues either independently or in cooperation with social movements.

To conclude this brief overview, it is important to recall that union power is always relative to the power of employers or the state. As mentioned above the power resources approach is a heuristic concept. It helps us to understand the country-specific dynamics of trade union development. It is an open concept which takes into account that important elements of power resources include overlapping features and are mutually dependant. Thus, as we see in the following chapters, its interpretations and applications may differ in detail but, as the contribution of *Müller and Platzer* to this book demonstrates, it can

4. The data for Sweden differ substantially from national surveys which yield much less favourable results for the unions (cf. Bengtsson and Ryner in this book). Similarly, Köhler and Calleja Jiménez refer to Spanish surveys that reflect a rapid decrease in trade unions’ public reputation over recent years.

also be helpful for an analysis of the interaction between trade union power at national and European levels.

Figure 4 Trade unions bring to mind something 'very or fairly positive' to EU citizens, 2007 and 2015 (%)



Source: Eurobarometer.

It is equally important to note that the concept involves *resources* that have to be *utilised* and *activated* when unions want to benefit from them. Lévesque and Murray (2010: 333) emphasise that 'resources alone are not enough; unions must also be capable of using them', and identify a number of 'strategic capabilities central to union capacity building'. As we will see in some of the country analyses, this subjective factor becomes crucial once traditional ways of utilising power resources have been undermined by rigid neoliberal and deregulatory approaches.

Nevertheless, this brief overview has already demonstrated that some of the overall trends, as reflected in the chosen key indicators, display some similarities across the board. The 'levels' of power resources, however, continue to differ in many respects. That is, despite some similarities in overall trends there is no convergence towards generally powerless unions. What is more, in some aspects the trends not only differ by country, but reflect contradictory developments also within countries, as demonstrated for example by the contrast between falling union density and rising union reputation in Germany, and the opposite development in Italy. Last but not least, the brief overview has already shown that the crisis years from 2008 to 2015 matter in very different ways, if at all, for trade unions power. While in some countries they have actually worked as a catalyst of *change*, what applies to all countries covered here is that they have worked as a catalyst of *challenges* which have affected trade unions already long before the current crises.

All in all, when it comes to understanding the specific trajectories of trade unions by using a 'microscope' when looking at their power resources, the country analyses in this book will show that what really matters in the end are the country-specific *interactions*

between individual power resources, or *country-specific configurations* of power resources. The following overview of the country chapters highlights changes of these configurations over time, and the extent to which or in what way the present crises are relevant for these changes.

### 3. The crises as catalyst of change and challenges

In what follows we highlight the most important changes in the country-specific configurations of power resources, either before or in the course of the present crises. As the look at the overall trends has shown, in many countries discrepancies have grown over past decades between structural and organisational power resources, on one hand, and institutional power resources, on the other. Most unions could rely on institutional power resources which have, to a greater or lesser extent, helped them to outweigh the loss in organisational and structural power. While some unions were confronted with a more or less substantial weakening of these institutional power resources before the present crisis, others have been hit suddenly by a virtual demolition of institutions connected with the collective bargaining system. These interactions and mutual dependencies in relation to broader changes in national and international power structures are spelled out in the country analyses, of which the following overview gives a flavour geared to stimulating their analysis. The aim behind the grouping of countries in this overview is not to establish any new cluster or typology. Rather, it is to point at interesting challenges to familiar country-specific configurations of power resources across existing country clusters. We begin with countries in which the crises have triggered an imminent threat to unions' ability to act.

#### 3.1 Imminent threat

In Greece and Spain, the institutional anchors of trade union power were destroyed or at least, as in Spain, severely damaged. *Köhler and Calleja Jiménez* describe the trajectory of trade unionism in *Spain* from the late 1970s up to the current crisis as a combination of weak union density, occasional mass mobilisations and a strong focus on unions' role in labour market institutions. Their structural and organisational power was concentrated in large manufacturing plants, the banking sector and public services, while the impressive employment growth was concentrated in sectors with much weaker trade union presence and went hand in hand with the rise of the precarious segments in the labour market in which trade unions are scarcely present. Nevertheless, unions were able to draw on extensive bargaining potential at sectoral and national level, and based on the 'erga omnes' principle industry-level collective agreements laid down minimum social standards for all dependent employees. Based on occasional mass mobilisations, important social pacts could be negotiated in bi- or tripartite concertation at national level.

When Spanish governments turned towards an increasingly harsh austerity and deregulation approach, the collective bargaining system was weakened substantially, following exactly the blueprint of DG ECFIN (European Commission 2012), and tripartite concertation was marginalised. This put unions in an awkward position, as



*Köhler and Calleja Jiménez* emphasise, because they had ‘neglected to maintain and develop independent sources of union power’ in the years before the crisis, while being ‘overconfident about their growing institutional power’. After some important general strikes and mass demonstrations these traditional instruments were exhausted and the emerging movement of the ‘*indignados*’ largely regarded unions as part of the establishment. New forms of trade union action had to be developed. At some regional or local levels unions have taken steps towards decentralised bargaining, but the arguably most prominent – and successful – revitalisation attempt was the active role of public sector unions in the social movements against privatisation and cuts in public services (the so-called ‘civic tides’). Altogether, the two authors observe a contradictory mixture of revitalisation initiatives (sometimes contested from within the unions) and an ongoing ‘desperate bid to regain past certainties’ in trade unions’ policy approaches.

The ruptures and challenges experienced by the trade unions in *Greece* are even more dramatic. Compared with Spain, trade union density used to be higher, but the configuration of power resources was even more one-sided. Hence a much greater vulnerability as analysed by *Vogiatzoglou*, which popped to the surface in 2010 in the course of the execution of the Troika’s dictates. With regard to structural and organisational power resources, union membership did not keep pace with the employment increase before the crisis, and it remained very weak among precarious and young workers. On the other hand, unions could draw on an important structural and organisational power in public services and utilities, in which union density was more than 80 per cent. These strongholds used to be the key pillar of trade union influence as unions could mobilise their membership base in support of top-level bargaining, but also for more general policy issues within the realm of the ‘close links between the political system and trade unions’. But public services and utilities also used to be the pace setters in wage bargaining in general, and in setting the national minimum wage in particular. Thus, while employees in the public sector enjoyed significantly higher levels of social protection, unions’ bargaining power in these strongholds had positive spin-off effects for large parts of the working population.

This key anchor proved fragile when social standards in general and the whole of the collective bargaining system in particular – including its relevance for the national minimum wage – were virtually dismantled by diktat from 2010 onwards. The traditional union–party links became ineffective as the allies of the political majority in the unions executed the Troika’s will. The remaining weapon was the political strike. The 30 days of general strike in 2011 and 2012 were an important contribution to the anti-austerity mass movement but, similar to Spain, their concrete effects were minimal. As a consequence, the institutional power resources were crushed, and societal power resources (including unions’ political standing amongst young people but also in a wider public) were weakened substantially. As *Vogiatzoglou* has it, ‘employers no longer need trade unions to secure labour peace’.

In a quite gloomy way this description applies to trade unions in *Hungary*, too, with the exception that over recent decades they have not benefited from the level of respectability among a wider public comparable to that of their Greek or Spanish counterparts. *Neumann and Tóth* describe the extremely difficult situation of the

fragmented Hungarian union movement since the 1990s. Structural power resources tend to be limited due to the high share of precarious employment. Weak representation of low skilled, precarious and in particular young workers, on one hand, and the rapid drop in union density in formerly well represented (public) sectors, on the other, had reduced the organisational power resources substantially already before the crisis. As for institutional power resources, sectoral bargaining had been scarce from the beginning, while decentralised bargaining was limited to state or municipality owned companies and parts of the private sector, primarily larger manufacturing companies. Thus, the remaining crucial anchor for institutional power was top-level tripartite negotiations dealing primarily with the national minimum wage, which rose faster than average wages. The social democrat MSZP who were in government most of the time used to be the main political ally of the leading trade unions.

This system crumbled and was eventually dismantled in 2009. In the case of Hungary, it was not the European Commission or the Troika but the IMF that dictated the turn to austerity. Similar to Spain and Greece the beginning of this turn was executed by social democrats (MSZP). But other than in the two Southern countries it was not confronted by a left-wing or grassroots mass movement. The opposition was led by the right-wing Fidesz party, which won a landslide victory in the 2010 elections. The fact that unions' opposition to social retrenchment was supported only by the political right wing was a first step towards a political split within the union landscape, which has been used by the current government to establish exclusive relations 'with one or two preferred confederations', as *Neumann and Tóth* put it. Key labour market policy measures of the Orbán government have been — next to massive public works programmes — an anti-strike act, the abolition of the favourability principle in collective bargaining and a substantial weakening of tripartite negotiations, which have led to an 'institutional vacuum' for trade unions in the private sector. While over recent years important mass movements for the defence of social rights and of public services, such as education, were initiated or supported by the more radical and activist unions, attempts to organise a civil movement- and union-based political opposition to the right-wing government have failed so far. For the time being, attention is focused on the outcomes of a current merger process of the more left-wing and activist unions which 'are having to fight for their very survival'.

Such bleak experiences are light years away from those in countries where trade unions with strong power resources present a picture of continuity. But as we will see, the road has become more bumpy in these antipodes, too.

### 3.2 Behind continuity

In our set of countries, the two antipodes to the trade unions in the most crisis-ridden countries are those in Sweden and Austria, which are widely perceived to be two flagships of stability and continuity in European unionism.

As far as *Swedish* unions are concerned, the analysis of *Bengtsson and Ryner* supports this view for the years 2008 onwards as no perceivable change in the role of the unions

was caused by the crisis. As the two authors argue, the change had happened much earlier, in the late 1980s and early 1990s when Sweden suffered from its deepest economic crisis for decades, which turned out to be a crisis of the socio-economic model which had previously shaped the country. In the 'Rehn-Meidner' decades, trade unions' 'solidaristic wage policy' had played a key role in guaranteeing an economically and socially balanced development path. In this era, unions could draw on a mutually supportive interplay between their strong structural, organisational, institutional and societal power resources: high and rising rates of employment, high union density within the 'Ghent' framework, high collective bargaining coverage and strong links between unions and the Social Democratic Party.

The two authors analyse the restabilisation – if on different foundations – of the system following the turmoil of the 1980s. The unions retreated gradually from their leading role in macroeconomic policy and established the so-called 'Europe norm' in wage bargaining: the share of profits claimed by leading export-oriented manufacturing companies has been accepted ever since as an 'exogenously given' condition of the annual corporatist framework agreements on a 'wage corridor' for all sectors. Against the background of the rise of public and private services in union membership and the persisting gender wage gap, the ongoing dominance of the blue-collar LO in setting this guideline has sparked increasing inter-union tensions and conflicts. Nevertheless, the 'decided shift towards supply-side oriented competitive corporatism' is still being widely regarded as 'the best within the limits of the possible', which is attributed by *Bengtsson and Ryner* to the fundamental shift in the balance of power: the rise of international financial market capitalism, which entails a dramatic increase of foreign (mainly US- and UK-based) ownership by institutional investors, which has changed fundamentally the terms of corporate strategy, including the required rate of return on capital. The two authors assess this fundamental structural change to be more important than a certain weakening of institutional and organisational power resources in the 2000s triggered by right-wing governments.

*Austria* is another example of unions 'standing on shaky ground, despite their strong position and surprising institutional stability', as analysed by *Astleithner and Flecker*. The structural power resources of Austrian unions have traditionally benefitted from low unemployment rates, but began to come under pressure in the 1990s. Furthermore, the organisational power resources have shrunk substantially as union density rates dropped continuously from, originally, almost 60 per cent in the early 1980s to less than 30 per cent today. Nevertheless, the institutional power resources have resisted these challenges most of the time. Due to the institutionalised Austrian 'social partnership' system sectoral agreements continue to provide for exceptionally high coverage rates. Moreover, corporatism includes strong links between the social partners and the political system, which for decades has provided trade unions with important societal power resources.

The foundations of this building were shaken in the early 2000s when a conservative-extreme right-wing coalition government took over. This period proved that 'the institutionalisation of social dialogue rests on a fragile system of reciprocal acceptance between social partners and politicians', with the implication that unions lost large

parts of their institutional and societal power. What is more, financial scandals at a union-run bank in the mid-2000s put the unions' organisational and societal power resources under additional pressure. The return of a new 'corporatist' government on the eve of the crisis, however, and the following management of the crisis provided a platform for unions 'on which to get back into the game of concertation'. The newly gained political tail-wind was used by the unions for a more confrontational wage policy based on greater membership involvement, and for a reactivation of their capacities to influence public discourse. However, as in some other countries, the soaring support for an extreme-right party among workers is pushing the unions into an awkward situation. But trade unions' main 'strategic dilemma', as summarised by *Astleithner and Flecker*, is reflected in the widely shared view that 'losing the commitment of employers' interest groups to social partnership would probably undermine the foundations of the Austrian system of industrial relations'.

These two authors characterise this dilemma as the 'gilded cage' of Austrian unions. In some other countries, however, the social outcomes of similar tightrope acts are definitely much worse than in Austria or Sweden. This is why the crises have worked, in one way or another, as a catalyst that has either brought long-term problems of unions to the surface or has fostered new strategic approaches. In most cases, as we will see in what follows, it is a mixture of both.

### 3.3 Between corporatism and activism

The *Netherlands* may be regarded as a typical example of this mixture. As *de Beer and Keune* summarise, the economic crisis 'has not led to profound changes in the position of the Dutch trade unions, but it has nevertheless reinforced particular long-term tendencies in Dutch industrial relations'. The trends in structural and organisational power resources are similar to those in many other countries: labour market power did not benefit from employment growth, which has halved union density since the 1970s. However, the collective bargaining system with its high coverage rate and usual practice of extension has remained untouched. Taken at face value the same applies to top-level tripartite concertation which has been at the core of the 'Polder model' since the early 1980s. Given the key role of wage moderation in this setting real wages have on average stagnated over recent decades.

This system only experienced a serious challenge in the aftermath of the crisis and the reinforcement of austerity policy. In 2011 the two largest FNV union federations refused to accept a social pact in 2011 on a radical reform of the pension system, which had been signed by the leadership of the FNV confederation. This conflict brought the confederation to the brink of break up. The difficult process of 'reshuffling' the confederation by rebalancing the internal weights was also reflected in the unusual fact that the 2013 social pact did not include the traditional wage moderation paragraph. The partial strategic reorientation included a more confrontational and membership-based approach to wage policy, organising initiatives, campaigns addressing precarious labour and the partly successful 'Young and United' campaign against the low minimum wage for young people. Given the growing tensions between employer federations and

trade unions and the uncertainty of better outcomes based on more confrontation, in particular in wage bargaining, *De Beer and Keune* underline that the more activist approach continues to be a controversial issue within and between the unions and is seen by many 'as a departure from unionism based on social partnership and collective bargaining'. The strategic dilemma mentioned above pops up again.

Interestingly, the question about how to deal with tripartite concertation under current conditions has triggered new dynamics in the *Polish* trade union movement, too. *Bernaciak* analyses the limited structural and organisational power resources of the two biggest unions against the background of long-term problems of the Polish economy and labour market, with its low employment rate, soaring precarious labour and a virtually 'union-free' SME sector. The union landscape has been characterised by a low density rate and cleavages between the unions. Societal power resources, too, have tended to be weak in terms of both mobilisation capacities and public prestige. Similar to Hungary, these limitations could not be offset by collective bargaining, which is weak beyond the remnants of the public sector. Hence the strong interest of the two biggest unions in top-level tripartite concertation.

This fragile configuration was seriously shaken by the reinforcement of neoliberalism in the course of the European crisis. While Poland remained untouched by the first phase of the crisis, its long-term social problems were exacerbated, most importantly the prevalence of precarious 'junk contracts', in particular among young people. A tripartite anti-crisis pact negotiated in 2009 included a set of social elements that were not taken up by the Tusk government. Now trade unions began to mobilise for a higher minimum wage and against 'junk contracts'. After its re-election in 2011 the government did not carry on the practice of tripartite negotiations which in the meantime had already come to be regarded by the unions as 'PR corporatism'. Now for the first time ever the three unions joined forces for campaigning and mobilisation efforts that reached their peak in a general strike in Silesia and mass demonstrations in Warsaw in 2013. *Bernaciak* emphasises that next to the anger of all unions about being rebuffed by the government, the driving force behind this convergence of union action has been more fundamental: it reflects the 'limits of collective patience' in Polish society, given the disappointment about the lack of social improvements after decades of trust in the benefits of 'belt-tightening' policies.

What followed, however, resembles the problems faced by the Hungarian unions. In the run-up to the 2015 election the PiS party, which has been the traditional political ally of *Solidarność*, campaigned for social justice. While the sweeping victory of this party brings 'social problems from the streets back to political cabinets', as *Bernaciak* puts it, it 'has 'disarmed' the unions and significantly lowered their mobilisation potential'. Thus, disappointment among all unions about the limited social engagement of the new government has so far not led to a revival of union activism, and their absence from pro-democratic mass protests against the PiS government signals their hesitance to endanger regained union-government links.

The tensions between corporatism and activism have shaped recent changes in Italian and French unionism, too, if in very different ways.

### 3.4 Decline and defence of institutional power resources

Trade unions in France and Italy share a challenge which is at the centre of the respective analyses: the decentralisation of collective bargaining systems in the course of current mainstream policy approaches.

*Pernot* analyses the structural and organisational power resources of trade unions in France as a process of long-term continuous decline. Nevertheless, there has been a longstanding capacity of mass mobilisation able to ‘force social and political demands and issues into the public arena’. This exceptional combination of organisational and societal power resources, which used to go far beyond the low share of union members, has been most effective whenever the politically splintered and competing unions acted in unison. Given the characteristic French ‘statism’ collective bargaining coverage continues to be among the highest in Europe, and the periodical hike of the statutory minimum wage works as a pace setter and equaliser across sectors for the lower and medium parts of the wage scale. This makes France another example of the anchor function of unions’ institutional power resources as a main target of ‘reforms’ in the course of the crises.

Initially, the crises since 2008 and of the euro zone drove French governments to an intensification of top-level bipartite and tripartite concertation which, at face value, gives the impression of ‘crisis corporatism’. However, as *Pernot* argues, its single most important effect has been a deepening political cleavage between the trade union federations as some insist on the chance to influence legislative projects, while others regard these events as something that *Bernaciak*, for the Polish experience, calls ‘PR corporatism’. In fact, most important labour market legislation initiatives were not subject to previous consultation in tripartite meetings, most notably the highly contested ‘*loi travail*’ imposed by the government in 2016. The most controversial issue within this substantial reform of the Labour Code has been the new approach to the decentralisation of collective bargaining. While up to the crisis decentralisation aimed to activate the local basis of collective bargaining, the concept enshrined in the new labour law is to give local bargaining on important subjects priority over sectoral agreements. Given the weakness of the collective bargaining capacities of union representatives at establishment level, *Pernot* expects that decentralisation may turn institutional resources into a trap that keeps local union representatives busy without being able to get a grip on actual working conditions.

Similar tendencies towards the fragmentation of collective bargaining by decentralisation and the levering out of the favourability principle were pushed forward in Italy, but unlike in France they could be stopped due to the resistance of the biggest union. By and large, there has been a great deal of continuity over time regarding the structural and organisational power resources of Italian unions. Even though labour market power has long been hampered by sluggish economic and employment growth, as well as by the high share of precarious workers, union density has been almost stable in the course of the 2000s, the highest level among countries without a Ghent system. Like their French counterparts, but drawing in addition on their strong and well-funded organisations, Italian unions have high mobilisation capacities. The two-tier bargaining system established by a top-level social pact in the early 1990s had proved stable up to the

crisis, too. The dissolution of the old party system, however, gave way to what *Leonardi* calls a ‘progressive marginalisation’ of trade unions by the political system.

In Italy, as in other Southern European countries, the euro-zone crisis was taken by the national government, at the behest of the EU institutions (in this particular case it was the ECB) as grounds on which to try to hollow out the collective bargaining system. The government triggered several framework agreements from 2009 onwards, which included, among many other things, a clause about the possibility for company-level agreements to deviate to the worse from a national contract. Supported in its opposition by labour court rulings, FIOM-CGIL went into conflict with employers and the other unions and campaigned against the potential reversal of the hierarchy of norms. It eventually achieved another framework agreement in 2011 that confirmed the primacy of industry-level agreements. Shortly after this agreement, however, the government passed a law that levered out the favourability principle. Nevertheless, the main employers’ associations and trade unions stuck to their 2011 compromise. While using this example, as well as insights into the revitalisation initiatives of Italian unions to draw a much less pessimistic picture than his colleagues from other Mediterranean countries, *Leonardi* points at the gap between the power resources ‘Italian trade unions can still formally rely on – members, financial resources, bargaining coverage, ability to mobilise – and the results they have been able to achieve over the past 25 years’ in terms of basic social and employment conditions. One key aspect of his explanation, besides the ever deepening structural deficiencies of the Italian economy, is the lack of reliable partners in the policy arena.

While in the cases of Italy and France the importance of the European crises as a catalyst of challenges has popped up more recently, the power resources of UK unions – to which we now turn – have suffered from substantial setbacks since long *before* the crisis.

### 3.5 After the setbacks

From the 1980s, trade unionism in the *United Kingdom* has developed against the background of the historic defeats in the Thatcher era. Nevertheless, as *Coderre-LaPalme and Greer* emphasise, ‘trade unions remain an important presence in Britain’. To some extent, their structural and organisational power resources reflect the dramatic deindustrialisation of the United Kingdom, as well as the more recent growth of the public sector under New Labour. Today the public sector is the single most important stronghold of British unions. In spite of the rise in female union membership overall union density dropped continuously but is still at a higher level than in, for instance, Germany. British unions’ institutional power resources, however, are very limited. Roughly speaking, sectoral collective bargaining has survived only in public services, while local bargaining in the private sector is more the exception than the rule. As a consequence, *Coderre-LaPalme and Greer* conclude that ‘British unions increasingly rely on their discursive power in their campaigning in the public sphere’.

This is exactly what has become crucial since the radical turn of UK governments towards harsh austerity from 2010 onwards. Unions face the dilemma that resistance against the dramatic cuts in public services, most notably against the retrenchment of the

National Health Service, have found support in public opinion, but strikes in the public sector continue to be regarded by many as a fight for public sector privileges. Without refraining from targeted industrial action, trade unions have tackled this dilemma by large-scale campaigning and coalition building, including mass demonstrations based on the mobilisation of their members, as well as on broader alliances, which have contributed to an image of unions as defenders of the welfare state. Campaigning has been successful in particular regarding the defence of the NHS but the overall situation of trade unions continues to be difficult, given the ongoing attacks of the government against their structural and organisational power resources (job cuts in the public sector), and against their remaining institutional power resources (including an anti-strike bill and reductions of institutional rights in the public sector). Given the lack of political allies important parts of the union federations decided to join the efforts to renew the Labour Party in the support of Jeremy Corbyn.

Maybe surprisingly, the challenge to become ‘more political’ faced by British unions has been shared, if under substantially different conditions, by their counterparts in *Germany*. While the structural and organisational power resources of German unions have traditionally been more evenly distributed across sectors than in some other countries, since the 1990s the gap has widened between large parts of manufacturing industry and the public sector, on one side, and much of the private service sector, on the other. In a short period of time overall union density in Germany dropped more than in virtually all other Western European countries, before the unions managed to slow down or halt the decline over recent years. What proved crucial is the interplay between falling union density and fragmenting structural and institutional power resources, which is reflected in the continuous decline of collective bargaining coverage and the rise of precarious employment in the aftermath of labour market deregulations in the early 2000s. The fact that these ‘reforms’ were implemented by a Social Democrat-led government alienated many trade union members from their traditional and closest political ally. Thus, all major unions’ power resources were painfully reduced up onto the mid-2000s.

This experience led to important revitalisation initiatives already before the 2008/2009 crisis, but the crisis itself triggered a remarkable turn of events. It was not just the well-known ‘crisis corporatism’ which helped unions to regain public reputation but also their more confrontational and self-confident activism in wage bargaining, in industrial action aimed to upgrade social services and in public campaigning, most prominently for a statutory minimum wage. One, if mostly implicit, side-aspect of this approach has been the increasing awareness that German unions are facing the particular responsibility, as we put it in our country chapter, ‘to regard proactive approaches to primary *and* secondary distribution as one major contribution to fight the imbalances in Europe’. That is, any progress in re-regulation of the labour market and in public social investment strengthens the domestic market in Europe’s biggest economy, which is particularly important for the other countries in the monetary union.

While our analysis describes major differences in cultures and policy approaches between the two largest unions IG Metall and ver.di, it points at an interesting commonality: similar to the campaigning approach of their British counterparts German unions have



managed to demonstrate that they not only care about their core constituency, but about society as a whole, fighting for equality and decency on the labour market. Irrespective of this paradoxical revitalisation of German trade unions against the background of the crisis, our analysis points at persistent problems in union density and challenges to structural and institutional power resources, including the need for re-regulation of precarious employment and for strengthening the collective bargaining system that 'entail the need for unions to decide upon their capacities and willingness to act as autonomous political actors'.

As will be highlighted in what follows, the latter can arguably be regarded as a cross-cutting challenge for European unions.

#### 4. Contrasting parallels

European trade union trajectories over recent years present a picture of increasing divergence. This calls to mind Italian industrial relations scholar Mimmo Carrieri's reference to Tolstoy's *Anna Karenina*, quoted by *Leonardi* (in this volume): while in good times all trade unions are fairly similar, in hard times they all suffer in their own different ways. This is why the country clusters frequently used in comparative trade union analyses make less sense today. While the North–South cleavage in European unionism has become even deeper than before, the cleavages *within* at least part of the respective groups of countries have grown, too. This applies at any rate to the 'Mediterranean' group when comparing France, Italy and Spain (not to mention Greece). Divergences are growing within the CEE group of countries, too, as the analyses of Polish and Hungarian unions in the present volume demonstrate. And looking at Austria, Germany and the Netherlands, it is arguably more doubtful than ever whether it makes sense to regard these unions as belonging to one group.

Given the ever increasing diversification within European unionism, the most interesting question is what *connects* them. When Katz and Darbishire (2000) found 'converging divergences' when comparing challenges to trade unions around the world they emphasised the persisting importance of labour market institutions for the ability of trade unions to cope with these challenges. Looking at the unions analysed in the present book this view appears more relevant than ever. Given the stark contrasts between labour market institutions across EU countries and the aggravation of these differences in the course of the present crises, it should be underscored that institutions continue to matter. But equally important is the observation that unions share some basic problems in dealing with these institutions irrespective of the extremely different institutional settings. That is, the ongoing process of crises in Europe operates as a catalyst for challenges that are fairly similar across borders, while the capacities to tackle these challenges differ substantially.

In what follows, we will argue that the relationship between institutional power resources — or what is left of them — on one hand, and the role of trade unions as politically autonomous actors (which is part of their societal power resources), on the other, has become apparent as the single most important cross-cutting challenge. It

is shared by all trade unions analysed in the present book and has been reinforced considerably by the economic and political upheavals in the past decade, irrespective of the very different ways unions have been affected by the crises. It is a contradictory development that can be described as ‘contrasting parallels’.

#### 4.1 Institutional power resources

As our overview of the country analyses shows, labour market institutions can matter in very different ways within country-specific configurations of trade union power resources. Hence the importance of the interaction between institutional and other power resources.

One aspect of this interaction is the observation that, if institutional power is not buttressed by continuously renewed organisational and societal power, it may give rise to unjustified illusions of power and will in the long term become hollowed out and fragile (Dörre 2008). This is a problem that is increasingly being experienced by many unions, but which came to the surface most dramatically within a very short period of time in Greece: *Vogiatzoglou* argues that ‘all the elements that explain the failure of the Greek trade unions to cope with the crisis and austerity challenge were already present in 2010’. This harsh assessment may be put to the test in 2017. After the de facto destruction of the Greek collective bargaining system in the course of implementing the Troika’s diktats the 2016 ‘Memorandum’ stipulated that an international expert group be commissioned to elaborate proposals for future labour market regulations. Arguably against the expectations of the EU Commission the recommendations of this group of experts are very much in favour of re-establishing strong social minimum standards and a viable collective bargaining system (Expert Group for the Review of Greek Labour Market Institutions 2016). At the time of writing it still remains to be seen what will be the outcomes of the negotiations between the Greek government and the notorious ‘institutions’ on this topic. But in case the recommendations of the expert group actually serve as a basis for reshaping Greek labour standards the challenge entailed for the unions will be to actually benefit from these regained power resources.

Another aspect of this interaction relevant for most unions covered in the present book is the way trade unions cope with the challenge of decentralisation of collective bargaining, or with the attempt to virtually demolish it by abolishing the favourability principle and providing opt-out clauses for individual employers (Keune 2015; Visser 2016). Albeit in different ways, many unions face this problem. To take an example apart from the very specific juggernaut experience of the Greek unions, the Spanish unions had to cope with a severe blow when the right-wing government entered office in 2012. While Spanish unions, unlike their Greek counterparts, managed to encourage some employers to maintain the previous hierarchy of standards and to refrain from opting out of the sectoral agreements, the effectiveness of collective bargaining has been weakened significantly, as is demonstrated by the evolution of collectively agreed wages and salaries (Fernández Rodríguez *et al.* 2016). While acknowledging this approach to be ‘moderately successful’, *Köhler and Calleja Jiménez* point at the underlying limitation that organisational and societal power resources are ‘very difficult to mobilise for trade unions after decades of

an almost exclusive orientation towards institutional power resources and representative forms of collective action'. The latter refers to the practice of general political strikes, which proved to be crucial at important stages in the making of the Spanish welfare state but exhausted their potential more recently in the opposition against austerity.

As compared to Spain, trade unions in Italy – most notably CGIL-FIOM – have been able to draw on a larger set of power resources in defence of collective bargaining. The disobedience and mass mobilisation of the biggest union against top-level compromises that might have hollowed out the existing architecture of collective bargaining proved to be effective; to date, new framework agreements have disregarded the government's decision to abolish the favourability principle. *Leonardi* regards the greater decentralisation involved as manageable for Italian unions due to their comparatively strong membership base and their active role in the interest representation bodies at company or establishment level. The latter aspects are worth mentioning when looking at France, where unions will face – to some extent – a similar challenge in the implementation of the '*loi travail*' with its 'reversal of the hierarchy of norms' on important issues. *Pernot* highlights the problem of local union representatives being absorbed by obligatory regular negotiations with limited impact. Given the weak trade union density, his assessment is that these institutions will work as a trap, rather than a power resource, for French unions.

A *first* conclusion from these differing experiences is that unions are in a position to curb the fragmentation of collective bargaining systems, and to turn disorganised or destructive decentralisation into organised decentralisation if they can deploy or develop power resources *beyond* their links to the established political sphere.

The example of the British unions, which have a long-standing experience in being deprived of most of their former institutional power resources, is telling in this respect. *Coderre-LaPalme and Greer* insist that in spite of all their problems 'trade unions remain an important presence in Britain'. One may have the impression that the more difficult it gets for unions to pursue their objectives within an established institutional setting the more likely it gets that they are inclined to try and find their way as autonomous political actors. As recent experiences of trade unions in Hungary demonstrate, however, this view requires important qualifications – most crucially, as the UK example shows, regarding organisational and associational power resources, including the development of campaigning capacities. Maybe surprisingly, there are parallel experiences in Germany where unions since the mid-2000s have resorted to political campaigning as a reaction to dwindling institutional power resources. Unlike in the United Kingdom, however, these campaigns have been focused on repairing or replacing damaged or broken institutional anchors (such as the campaign for a statutory minimum wage). Moreover, even classic revitalisation activities such as organising initiatives have been linked with these attempts to re-strengthen institutional power resources, in particular by establishing works councils (Haipeter and Dörre 2011).

These observations lead us to our *second* conclusion. While it has been widely accepted in trade union research that combining organisational and discursive power resources has become a crucial element in revitalisation strategies, Gumbrell-McCormick and

Hyman (2013: 146) rightly point out that even when acting within broader social movements unions cannot escape the choice between ‘coalitions of influence’ and ‘coalitions of protest’. Obviously these two options depict a tightrope act. As observed by *Köhler and Calleja Jiménez* in relation to Spanish unions, there is a ‘desperate claim for past securities’ on the one side, which makes union leaders anxious not to miss any opportunity to be accepted as a partner in the political system, while important parts of the organisation together with social movements worked successfully as ‘key pillars’ of the ‘civic tides’ mentioned earlier.<sup>5</sup>

The challenge of tightrope acts is equally relevant for the well-known distinction between the ‘logic of membership and logic of influence’ made by Schmitter and Streeck (1981), to which de Beer and Keune and Astleithner and Flecker refer in their analyses of Dutch and Austrian trade unions. As both analyses suggest, these two logics entail a strategic dilemma, but they are not mutually exclusive and – in contrast to what was originally conceived by Schmitter and Streeck – can even be mutually supportive. Presumably, any attempt to develop a mutually supportive interaction between these two logics will not be possible when the ‘logic of influence’ is understood as identical with a ‘logic of institutions’. But as the country studies in this volume demonstrate it still remains an open question how both logics can be developed in practice, and not just in theory, as mutually supportive drivers of union revitalisation.

In one way or another, this question is addressed as a strategic dilemma in most country chapters of the present book, most prominently regarding bi- or tripartite top-level concertation which in a number of countries has been established as either a formal or a de facto institution over past decades.

## 4.2 Political autonomy

Irrespective of its formal institutionalisation, once governments abandon established corporatist approaches everything depends on trade union capacities to mobilise their membership and beyond, and their discursive potential to influence the political agenda.

*Vogiatzoglou’s* critical assessment that the agenda of Greek unions continues to be dominated by a certain ‘nostalgia with regard to the pre-crisis period’ describes a situation in which counterbalancing power resources are available or mobilised to a limited extent only. *Bernaciak*, in turn, describes a contrasting parallel with the case of the Polish unions. The experience of being rebuffed by the government and teased with a mere ‘PR corporatism’ triggered an activation of Polish unions which, for the first time in decades, turned towards politically autonomous action. Given the fact that they confronted their national government only, which could not excuse itself with being pressured by the EU Commission and powerful ‘partners’, as could the Spanish

5. In this context it is worth recalling the suspicion expressed by Hyman (2007: 206) shortly before the crisis that unions may become ‘outsiders in a terrain where until recently the role of insiders was comforting and rewarding’ and have to seek ‘cooperation, often uneasy, with other social movements which have never acquired the respectability gained by trade unions in most countries’.

government, the balance of power was more favourable for Polish than for Spanish unions. Nevertheless the comparison is telling due to the lack of at least obvious nostalgia in the case of Polish unions (even though it has become an open question to what extent they are willing and in a position to go further down this road under the conditions of the present government). What is more, when comparing the upheavals in tripartite concertation in Poland with those in the Netherlands, the interesting observation is that the Dutch union confederation almost split over the issue, while the Polish unions joined forces. But the core issue was the same: *How to become both politically and practically a more autonomous actor?*

If in a different way, the challenge to regard 'logic of membership and logic of influence' as mutually supportive in practice is most relevant in those countries in which unions can still benefit from high levels of institutional support. *Astleithner and Flecker* raise the question of the extent to which the institutions of social partnership in Austria have turned into a 'gilded cage' for unions, while appreciating the reasons for regarding the present situation as the most feasible solution. Nevertheless, they observe the search for greater union activism and political independence, which reflects the awareness of this problematic in parts of the unions. It is in the same vein that *Bengtsson and Ryner* describe the pragmatic strategy of Swedish unions in the face of the fundamental shift in the balance of power towards international capital (with increasing inter-union tensions), while acknowledging the effective mobilisation activities of unions for the defence of labour law and social service provision. Nevertheless, they perceive that 'these objectives were achieved through a tactical retreat from policy domains in which the unions did not consider themselves strong enough to be recognised as a serious policy actor.'

In the case of Sweden, these policy domains include macroeconomic policy. In other countries this may be regarded as far away from unions' everyday core business. Nevertheless, they, too, confront the same problem. When CGIL presented a strategy for sustainable economic and jobs growth in Italy it tried to respond to this challenge, even if it is not clear how to put this into practice. The same applies to British or German unions which try to connect their campaigns with positive alternatives for greater social justice. But in many cases trade union demands are primarily 'defensive in objective' (Bernaciak *et al.* 2014: 40) even when supported by radical action, as sometimes in Southern Europe, and some give the impression of 'complaining about a "lost paradise"', as *Neumann and Tóth* describe it for Hungary.

Thus the challenge for unions of how to become a more autonomous actor — regarding their political and practical stance, as well as their programme and strategy — has arguably become the most prominent parallel amidst contrasting environments across Europe. All country chapters address the uneasy situation entailed by the weakening, sometimes close to disappearance, of the traditional political allies of unions, most notably the Socialist and Social-Democratic parties, which is in many cases linked with the latter's political adaptation to the neoliberal mainstream. As Bernaciak *et al.* (2014: 51) summarise, 'little is left of a social-democratic "project" to inspire either parties or unions and to bind them together.' In some countries the situation becomes even more complicated when right-wing parties are the only ones to take up social claims

of trade unions without reservation (at least as long they are in opposition, as is the case with the extreme-right Jobbik party in Hungary and its parliamentary activism in support of issues relevant for the trade unions). In Poland as well as in Hungary, to take two prominent examples, this has shifted unions into an awkward position, which has tempted them to avoid major political engagement and, as *Neumann and Tóth* have it, ‘try to keep the movement away from political parties’. It is more than obvious that this approach may provide for some short-term relief but is no viable answer to the more fundamental challenge of political autonomy.

Of course, political autonomy does not mean that trade unions could or should try and act as a substitute for political parties (Deppe 2012: 53). But where unions once had political allies there is now in many cases a political vacuum, which in some countries is being partly filled by right-wing parties. Thus, if under extremely different country-specific conditions, in today’s Europe, unions’ societal agenda-setting power is more and more required for the defence or recovery of trade unions’ everyday core business, that is, the improvement of working conditions.

Thus, when looking at parallels amidst contrasts, at *commonalities* in the rough European trade union landscape, here they are: if unions don’t find a way to develop the capacities of politically autonomous actors, their long-standing institutional power resources are in a permanent and increasing danger of being dismantled, or of losing their effectiveness within a seemingly undamaged shell. This new requirement for ‘strategic capabilities’ (Lévesque and Murray 2010) referred to above is a cross-cutting challenge — or new territory of unionism — whose difficulties are reflected most prominently at the European level.

## 5. Europe — the elephant in the room

The relationship between trade unions and Europe is contradictory. In a way, ‘Europe’ is like the unspoken elephant in the room: it is obvious for everybody how crucial it is, but there is a great deal of insecurity about how to address the problem effectively and in some countries unions are reluctant to address it at all. As a consequence, the European trade union movement has not managed so far to *practice* a joint policy approach against austerity and labour market deregulation (Busch 2016). In a nutshell, the cleavage between (objective) challenges and (subjective) capacities at EU level — or the ‘painful gap in European policy strategy’ as Urban (2015: 286) calls it — has widened. *Müller and Platzer* in their chapter on European trade union federations describe the situation as paradoxical because, on one hand, ‘the transnational nature of the crisis has created overarching, similar or complementary problems that can foster and promote joint European approaches’, while on the other ‘the crisis has created nationally specific and at the same time divergent problems and contexts for trade union action’.

As to the former aspect, the undisputed fact is that the European Single Market and most notably the euro have made the development of European national economies increasingly dependant on each other. Before the economic crisis Europe saw a growing divergence between account deficit and account surplus countries. While many countries

in Southern Europe but also the United Kingdom have followed a ‘debt driven’ growth model, most countries in Northern Europe have relied on an ‘export-driven’ growth model (Hein *et al.* 2016; Stockhammer *et al.* 2016). This was already true before the crisis when the common currency gave a boost to the mutual reinforcement of these two unsustainable growth models, namely Germany’s increasingly surplus driven economy, on one side, and some deficit driven economies on the other. At the macroeconomic level this worked as a doomed-to-fail ‘symbiosis of core and periphery’ (Lehndorff 2015b: 163), while at industry and workplace levels it confronted — and continues to confront — unions and works councils on either side with the permanent challenge of labour cost dumping along and across value chains unfettered by exchange rates (Hürtgen 2008). It was the logic of a ‘competition union’ which collapsed temporarily when the bubble burst. Since the EU launched its austerity- and deregulation-focused ‘new economic governance’ after the near breakdown of the common currency in the aftermath of the Great Recession, the intertwinement of national economies on one hand, and of European economic policy on the other has become even closer than before. So has the link between trade unions’ national or industry-specific areas of conflict and the issues at stake at EU level. As Müller and Platzer reason, ‘in principle, a shift in the locus of political decision-making from the national to the European level should have strengthened the political role of the European trade union federations in representing the interests of their affiliates in the new arenas created by the new system of economic governance.’ But they add: ‘In practice, this did not happen — on the contrary.’

The reasons behind what these two authors call a ‘crisis-induced re-nationalisation of union policies and activities’ are manifold. The arguably fundamental one is the more and more predominant neoliberal policy approach and re-forming of EU institutions which makes the rise of any labour-based European agency and identity increasingly difficult. As Wickham (2016: 250) summarises, ‘the failure of the EU to secure any meaningful economic and social rights for ordinary Europeans increasingly undermines any legitimacy for the European project. We face the paradox that European elites are now destroying the only real basis for a distinctive popular European identity.’

It is on this basis that the problems highlighted in the present volume come into play. The most obvious one is what Müller and Platzer call the ‘divergence in the experience of the crisis’. Workers and unions on the ‘periphery’ are facing increasingly different problems as compared with their counterparts in the so-called ‘core’ countries, and vice versa. As a consequence, trade unions across European countries may feel like they are acting in different worlds, even though the roots of the problems they are facing are closely interrelated. The political barriers are even more difficult to overcome under the conditions of European economic governance which, while being a supranational regime, ‘simultaneously supports a nationalization of economic policy discourses as it puts member states in competition with one another’ (Erne 2015: 353). This has opened the doors for right-wing nationalism, which has turned into a serious challenge for trade unions cross-border solidarity in particular (if not exclusively) in the ‘core’ countries, while massive European campaigning against austerity and labour market deregulation is desperately needed, and ETUC resolutions legitimately demand a social turnaround in EU level economic policy.

What comes on top of this in a couple of EU countries is the weakening of trade unions' power resources which, as *Müller and Platzer* underscore, are also 'an essential prerequisite for the European trade union federations' capacity to act at European level.' In a nutshell, economic policy decisions are more and more shifted towards European bodies, which requires powerful trade union players at this level, while within the same move trade unions' legs are being cut from under them in the most crisis-ridden countries. In the same vein, unions need to coordinate their wage policies more than ever, but the authoritarian decentralisation or even dismantling of collective bargaining systems in some countries undermine their capacities to do so.

The trade union policy gap between European needs and national resources is particularly large in countries where the capacities of trade union headquarters are more than exhausted by domestic conflicts. The picture of Hungarian unions drawn by *Neumann and Tóth* may serve as a particularly dramatic example here. But *Pernot's* look at France, too, shows how unions which used to be major contributors to joint European action can be absorbed by national campaigns, such as the one against the 'loi travail' under conditions of continuously weakening power resources. Last but not least, in many countries unions find it more and more difficult to deal with soaring right-wing nationalism which makes any justified and pro-European criticism of current EU policies a political tightrope act. In the same vein, it would be misleading – and provide a further tailwind for right-wing nationalism – to blame 'Brussels' for the full scale of anti-social policies in Europe. To take just one telling example, 'Agenda 2010' in Germany was quite obviously not following any 'Memorandum of Understanding' dictated by EU authorities. An equally obvious case is the United Kingdom, where 'the proximate cause of the unions' problems is the UK government rather than the European Commission', as stated by *Coderre-LaPalme and Greer*, with the consequence that 'the international context is at present a remote concern of the unions.' However, as the Brexit vote – and its support by many union members – demonstrated, unions cannot escape from this context.

But as argued in the chapters on Swedish and Austrian unions, there are even deeper reasons behind the difficulties or even reluctance to engage at EU level. *Bengtsson and Ryner* raise the question why of all unions it is the strongest ones that engage so little for a social Europe. They underscore the relevance of this question by arguing that a turn towards a macroeconomic policy approach at EU level informed by the Swedish Rehn-Meidner model could arguably be the best possible remedy to cure the worsening ills of the EU. The answer they give is that unions, too, prefer to focus on the defence of social achievements in their own country. The two authors describe this attitude as following the tradition of a 'strong welfare-nationalist character of the Swedish left and the labour movement' – an assessment which fits very well with Erne's (2008: 41) more general assumption that 'if organized labor still has confidence in its national power resources and believes that it can pursue national economic and social policies, it will tend to reject the European integration process as a capitalist project and try to pursue a welfare state renationalization strategy.' A similar line of argument, if against a different political background, is presented by *Astleithner and Flecker*. Austrian trade unions are definitely more active at the European level than their Swedish counterparts, but they, too, see 'hardly any possibilities to influence policies within the neoliberal framework of



the European Union'. They consider the nation state 'the only field in which unions have the ability to fight neoliberalism and to defend the social security and wage bargaining systems'.

It is true that since the Maastricht Treaty — and with an increasing dynamic since the establishment of the New Economic Governance — the priority of the 'free market' has been made a contractual and even constitutional cornerstone of the EU (Oberndorfer 2014; Lechevalier and Wielgoths 2015). The devastating effects of the policies based on this institutional enshrinement are reflected in the sluggish and precarious economic development of the euro zone and in the serious and long-lasting social damage in numerous EU countries. As a consequence, 'Europe' is regarded by more and more people as a threat to the social achievements of past decades. The seemingly most realistic response is to barricade behind the walls of the nation state. But behind these walls trade unions' room for manoeuvre is shrinking continuously even in Sweden, as *Bengtsson and Ryner* argue, due to the structural shift in the economic and political balance of power under the pressure of international financial capital. If one follows this analysis, the consequence is the need for greater supra-national counterweights. This is where a fundamentally reformed European Union *should* and *could* come into play. It is a policy turn, however, that 'needs to be transnationally coordinated or it will not take place' (Schulten and van Gyes 2015: 410).

The ETUC and also some national unions (cf. *Leonardi* for Italy's CGIL and our chapter on Germany for DGB) have developed important programmatic contributions to social alternatives to the current predominant course of action in the EU. But as the final chapter on European trade union action demonstrates, there is a long and bumpy road from programmes to practical policies. Nevertheless, there are also important starting points to learn from (cf. Bieler *et al.* 2015). *Müller and Platzer* highlight the importance of successful multi-level campaigns such as the ones against the Bolkestein directive and against the privatisation of water. More recently, the TTIP/CETA/CISA campaign has added to this experience in a particularly impressive manner as it encouraged a growing number of social actors to take up this issue in their own countries.

One common feature of these campaigns has been an approach which links trade union action — to varying degrees — with other social movements. Another, if largely unspoken of, characteristic has been the fact that not the whole range of trade unions across Europe has been involved. It has always been joint action of those unions most affected or most interested (without interfering in the activities of other unions which are less affected or interested), and it has been this joint action which has supported the case of unions and the respective social movements both at European and national levels. Thus, when ETUC Secretary General Luca Visentini (2016) calls for a discussion about 'how to strengthen, relaunch and renew the European trade union movement', there are not only weaknesses to overcome but also positive experiences to be taken as starting points.

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# France's trade unions in the aftermath of the crisis

Jean-Marie Pernot

## 1. Introduction

France's industrial relations system has traditionally been pluralist, with extensive government intervention. The trade union movement has become splintered, with low membership, but is still able to exert power through non-traditional means, in particular its ability to mobilise more than just its members and to force social and political demands and issues into the public arena, giving the unions legitimacy beyond the sphere of collective bargaining.

The unions' ability to take action appears diminished, however, after a period of 20 years or so in which there has been a succession of confrontations with the authorities about government reforms. While they have won some of these battles, they have lost most of them. It may be suggested, however, that this ongoing social tension stems partly from the flow of economic liberal reforms, even though they have made less progress in France than in other countries. There has been no dramatic sea change in France, either in 2008–2009, before it or since: there has been no Agenda 2010 or involvement of the Troika, at least not until the time of writing (2016).<sup>1</sup> However, since the mid-1980s neoliberal policies have gradually been implemented, step by step, even though a number of welfare safety nets have been retained.

This aspect of trade union power appears to be running out of steam. Instead of clashing with them, the Hollande governments since 2012 have been trying to involve them – or at least some of them – in shaping social policies. The internal splits within the union movement have widened, and the Confédération Générale du Travail's (CGT or General Confederation of Labour) attempts to oppose the policies that have been introduced have shown how much the balance of power has shifted. The 2008–2009 crisis did not in fact play a significant part in this slow process of decline in union power, except that it triggered increasing unemployment and inequality, with all their knock-on effects on the conditions for collective action.

In this chapter, we shall review various aspects of the unions' ability to operate. We will look first (Section 2) at changes in French capitalism, or at least some that have affected the unions. The reshaping of the conditions for collective bargaining has also weakened the unions' institutional power (Section 3). We will then examine (Section 4) the period 2008–2009, before reviewing (Section 5) the causes of and stages in the weakening of

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<sup>1</sup> However, the government's imposition in spring 2016 of the El Khomri Law reforming the labour market suggests an authoritarian hardening of social policy.

the trade union movement. Finally, we will discuss the prospects (Section 6) for trade unionism, given the situation in France.

## 2. Changes in French capitalism

Far from reducing government action, neoliberalism entails more state intervention to ensure the rule of ‘the market’. In France, government intervention is part of a long tradition of a strong state presence in both the economic and social fields. The role of the public authorities changed, however, from the 1980s and 1990s, when French capitalism underwent a huge transformation. Here are just a few aspects that have directly affected the unions’ power to take action.

### De-industrialisation or financialisation?

The French economy has undergone a number of transformations that have led to talk of the country’s ‘de-industrialisation’. French industry in the strict sense saw its share in GDP decline from 18 per cent in 2000 to 12.5 per cent in 2011, while its share in employment fell from 26 per cent in 1980 to 12.6 per cent in 2011. The share of French exports in Europe also fell from 12.7 to 9.3 per cent between 2000 and 2011 (Gallois report 2012). These findings are disputed because the dividing line between industry and services is difficult to define. Many sectors such as energy and telecommunications are classified as market services even though they rely on the provision of large-scale physical infrastructure, and industry supplies a certain quantity of services with its products. In addition, ‘market services’ have been boosted by a massive trend towards outsourcing by industrial groups, as well as by the use of temporary work, which now accounts for around 8 per cent of industrial employment.<sup>2</sup> All in all, between jobs in the industrial sector and those in industry-related services, more than 40 per cent of workers in the market sector actually work in or for industry (Colletis 2013: 21). The fact remains, however, that industry’s share in GDP has fallen considerably, whereas the financial sector’s share in GDP in the broad sense grew from 30.7 per cent in 2000 to 34.1 per cent in 2010 (Sauviat and Serfati, 2013).

These developments are due to a number of factors, but in particular the restructuring and financialisation of large CAC 40 companies, which have shifted their centre of gravity towards the international market.

During the 1990s many of these large groups underwent mergers and acquisitions, often alongside total or partial privatisation of public groups. Most of their turnover and investments are now outside the country (Sauviat and Serfati 2013). Job relocations have been part of this process (although they have still affected 10 per cent of the industrial workforce). Most of this outward turn takes the form of foreign direct investment (FDI),

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<sup>2</sup> Temporary work is classified among services, whereas most temporary contracts are in industry. The ‘services’ sector now has more workers than industry in the strict sense. Outsourcing and temporary contracts accounted for a quarter of industrial job losses over the period 1980–2007 (Demmou 2011).

focusing on production in the host country in order to acquire market share there or to export from it. In 2009 France was in second place behind the United States in terms of FDI and although the added value of French industry is half that of Germany, French FDI has been 2.6 times greater than that of German groups.<sup>3</sup>

Relying on their presence in other countries, these large companies seek to drive down domestic labour costs, keeping a stranglehold on their own workers and often forcing their sub-contractors to relocate in order to bring costs down.

Their strategy is more financial than industrial; it is more important to them to pay large dividends to their shareholders than to become more competitive: at the height of the crisis (2009), they paid out 60 per cent of their profits in the form of dividends or share buybacks, while their investments, particularly in research and development (R&D) declined.<sup>4</sup> Establishing the 'power of finance' was more important than coordinating productive activity (Coriat 2008).

These changes went hand in hand with a decline in government initiatives across the productive board (privatisations, reduction of public services) and a weakening of the unions' structural power. Their means of bringing pressure to bear, linked to their presence in certain strategic sectors, were bypassed or considerably reduced by these two developments. We will look later at the reforms introduced in large companies where the unions had particularly important strategic resources (transport, energy and so on).

### Competitiveness: a debate cut short

The debate about the competitiveness of French industry is not new. Competitiveness has been the subject of a considerable number of reports since the 1980s, highlighting its multidimensional nature. A (new) report on the state of industry commissioned by the prime minister in 2012 identifies four structural causes of France's industrial decline: a series of handicaps arising from inadequate research, innovation and training; investment not sufficiently targeted on industry; and two important factors for the trade union movement: the lack of structure and solidarity in the industrial fabric, and poor industrial relations in companies (Gallois report 2012). In the main, these are factors that were clearly identified some time ago (Sauviat and Serfati 2013).

Despite all these reports, the public debate has focused on the cost of labour, which is presented as the main cause of the country's industrial decline. Despite a major campaign organised by the CGT on the 'cost of capital', the measures taken by the government still tend to be steered by the employers' organisations or aligned think-tanks. The guaranteed minimum growth wage (SMIC) and social security contributions

<sup>3</sup> UNCTAD World Investment Report (2010). Cited by Colletis, 2012.

<sup>4</sup> Dividends paid to shareholders by CAC 40 companies were as follows: 57.2 billion euros in 2007, 54.2 billion euros in 2008, 35.5 billion euros in 2009, 35.4 billion euros in 2010, 40 billion euros in 2011, 40.9 billion euros in 2012, 42 billion euros in 2013 and 56 billion euros in 2014 (various press sources). R&D spending as a percentage of dividends was 25 per cent in 2008 compared with 35 per cent in 1995 and 43.8 per cent in 1992 (Husson 2012).



have been labelled ‘handicaps to competitiveness’: a number of attempts to undermine the minimum growth wage (by having a minimum wage for young people, for instance) have been foiled hitherto, but the pressure on social security contributions has produced results. For the past twenty years low-skilled labour costs have fallen steadily: in 2004, a first package of measures reduced social security contributions between the minimum growth wage (zero contribution) and wages up to 1.6 times the minimum growth wage (costing 27 billion euros); companies’ labour costs were further reduced in 2012 by the introduction of a ‘competitiveness and employment tax credit’ (*crédit d’impôt pour la compétitivité et l’emploi* or CICE, costing 11 billion euros), and again in 2015 by a responsibility and solidarity pact increasing total tax exemptions to 30 billion euros, equivalent to 1.5 per cent of GDP.<sup>5</sup>

The focus on cutting labour costs makes it possible to duck a number of questions: first, how effective such reductions are for employment, which many studies, particularly by the Court of Auditors, have disputed; and second, the impact of other factors of competitiveness. The European Commission itself says that more than 60 per cent of the differences in performance between countries cannot be explained by price competitiveness (European Commission 2010). Other factors tend to be ignored, such as lack of investment, poor innovation, research delays and the reliance on debt leveraging as groups become financialised; the debate also shuns a more systemic approach to competitiveness, looking at inter-business relations or relations between businesses and a banking system focusing more on speculation and not enough on stimulating the productive fabric (particularly through support for SMEs). The relationship between main contractors and sub-contractors in France is one of vassalage, in which large companies constantly outsource to their sub-contractors in order to boost flexibility (Perraudin *et al.* 2014).

Lastly, the argument highlighted in the Gallois report on the state of industrial relations in companies is nothing new. Many economists have already pinpointed this factor as a handicap for the competitiveness of French businesses (Philippon 2007). A report on collective bargaining delivered to the prime minister in October 2015 again mentions the complete lack of trust between the actors involved in collective bargaining in France (Combrexelle 2015).

### **3. Dynamics of collective bargaining**

Traditionally, trade unions and employers’ organisations have tended not to reach agreement on their own initiative, and collective bargaining in France takes place as a statutory requirement. Collective agreements were covered by three laws (1919, 1936, 1950) before they came into effect at the end of the 1950s, which was extremely late. In reality, trade unions and employers’ organisations have always turned to the government

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**5** On 1 January 2016, the gross monthly minimum growth wage received by a worker on a 35-hour week was 1,467 euros. The worker paid 339 euros in social security contributions, giving a net wage of 1,128 euros. With the reductions agreed by successive governments since 2004, the cost to the employer was 1,574 euros, including 107 euros in social security contributions (6.8 per cent).

and put pressure on it to arbitrate in their favour. For three decades after the Second World War the government was also central to the country's economic reconstruction, in charge of much of the investment that was going on, and nationalising banks and insurance companies, energy, transport infrastructure and part of the industrial sector. Orders placed by the major public contractors (directorates-general for transport, energy, telecommunications, armaments and so on) helped to develop essential industries, with knock-on effects on many smaller SMEs. The Commissariat général du Plan (National Planning Commission) was a forum for discussing the country's chief requirements and which sectors needed to be stimulated in order to meet those needs.

At that point the unions were stakeholders in the discussions and were even able to forge alliances around the Plan with modernisers among senior civil servants and some employers. This type of regulation began to decline in the 1970s before disappearing altogether in the 1980s.

The 1950 law institutionalised branch-level collective bargaining and also a statutory minimum wage indexed to the minimum subsistence level. As a result of the general strike in 1968 the SMIG (minimum guaranteed interprofessional wage) was transformed into the SMIC or 'minimum growth wage', indexed to wage growth among skilled workers, but also able to be 'nudged up' by a government decision if it wanted to stimulate demand, for example. At that point wages were set – and the minimum growth wage still plays this role today – through the twin public devices of the minimum growth wage and the extension of collective agreements. The unions thus possessed considerable institutional capacity through the extension of collective agreements, which guaranteed all workers greater rights – particularly in terms of wages – and political clout through the pressure on the government to increase the minimum wage. The balance of power with employers has changed considerably since the 1990s, but so has government policy, which is intent on reducing the wage bill for businesses. Figures published every year by the Ministry of Labour paint a picture of a country heavily engaged in collective bargaining, at enterprise, sectoral and national level. The question remains whether all this is helping to produce social compromises, which is far from certain.

## Return of interprofessional bargaining and sectoral decline

In the period after May 1968 a number of national agreements were reached between employers and unions, sometimes resulting in the adoption of new legislation benefiting workers: monthly pay for production workers, supplementary social protection, vocational training and job security. This method of pre-legislation bargaining subsequently tailed off and few national agreements were concluded between the early 1980s and late 1990s. Between 1998 and 2002 the employers were behind seven national agreements promoting 'social refoundation', which MEDEF (Mouvement des entreprises de France, French employers' federation) wanted in order to combat the left-wing government policy of the time. The practice stopped in 2002, before restarting in spectacular fashion from 2007. Since then numerous national inter-occupational agreements have been signed, resulting in the production of a huge quantity of labour

market legislation. This change has had little to do with the international crisis and a lot to do with the crisis in ‘French-style social dialogue’.

Until the 1980s sectoral bargaining accounted for most collective bargaining. In France it has two features: first, it results in fairly automatic extension by the Ministry of Labour, and second, it is the employers’ organisations alone that determine how far a sector extends (Le Crom and Maggi-Germain 2011). The rate of workers’ coverage by collective agreements is more than 90 per cent and remains unaffected by the huge reduction in union affiliation in the 1980s and 1990s. It therefore seems appropriate to look at this indicator and the content of these sectoral agreements, because although the coverage rate may not have changed, that does not mean that what is negotiated has remained the same.

In 2011 there were around 460 ‘active’ occupational sectors, some of them involving a few thousand or in some cases a few hundred workers (Combrexelle 2013). The 75 largest agreements alone cover almost 80 per cent of workers. A stated aim for a number of years has been to reduce the number of sectors to a hundred or so, by merging existing sectors (Combrexelle 2015). But the problem is not just quantitative, because the development of occupational sectors indicates for the most part that they have become significantly less meaningful (Jobert 2003; Poisson 2009).

Their role varies when it comes to wage determination. For a quarter of private sector workers, wages are determined in relation to those negotiated in the sector, but for the others this is no longer the case (Castel *et al.* 2013). In some sectors, company-level bargaining has clearly taken over, while in others this is less obvious (Meurs and Skalli 1997). In the latter, the low minimum sectoral wages are used by employers to keep their wage levels very low. Many of these sectors have minimum levels below the minimum growth wage: businesses in these sectors (such as commerce, the largest occupational sector, with over 600,000 workers) use compensatory bonuses to meet their statutory obligation. Most of the bargaining is then merely about redefining the minimum wage for the sector after publication of the annual decree increasing the minimum growth wage.

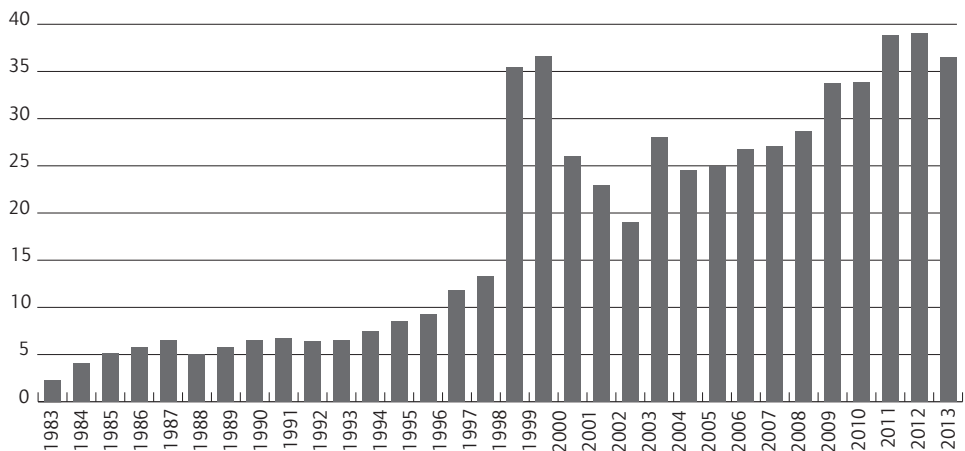
## Businesses win out

The development of company bargaining has contributed more than any other factor to the changes in collective bargaining and explains why sectors have become more ineffective.

Although generally unimportant until the 1980s, company bargaining has expanded rapidly in several stages. As a result of the Auroux laws (1982) mandatory annual negotiations with workers were introduced in companies with more than 20 workers. For the new left-wing government this was all about giving the unions greater power in companies. Company bargaining made slow progress in the 1990s, then took off in 1999 when, with the first legislation on the 35-hour week, the number of companies involved rocketed. After the 35-hour week period, the number of company agreements fell before beginning a steady increase from 2005 (see Figure 1).

Although the 1982 legislation introduced a requirement to negotiate wages and changes to working time, it also made it possible to derogate from higher-level rules on such changes. Later, more issues were added to those that have to be negotiated in companies: the 35-hour week in the years 1999–2001, professional equality between men and women and save-as-you-earn schemes (profit-sharing, sharing in the benefits of growth), jobs for disabled workers and jobs for older workers. Companies with more than 300 workers have other three-yearly requirements. A law of 18 August 2015 provides for the rationalisation of the imposing schedule of negotiations required by these obligations every year.<sup>6</sup>

Figure 1 **Company bargaining, France, 1983–2014 (number of annual agreements)**



Source: Dares, Ministry of Labour.

Company bargaining covers just under 7 million workers in the private sector (out of some 17 million).<sup>7</sup> Because they are weak and divided, the unions have not been able to coordinate this move towards decentralisation. At best, they are currently managing to handle links between establishments within the same company, but in most cases this is made difficult by the fact that union configurations often differ between establishments.

In addition to this lack of coordination, the development of company bargaining has changed the scope of sectoral bargaining. Previously, having union representatives in large companies, which tend to dominate sectors, meant that standards were pushed up, but such companies have gradually made sure that sectoral standards are now kept to minimum levels in order to give themselves the scope that they need for their own company policies. Consequently, 10 million workers who have no negotiations in their companies now have no more than minimum standards.

<sup>6</sup> Company agreements not involving the unions are also on the rise: in 2014, some 31,000 agreements were signed by shop stewards, 5,600 by staff representatives where there were no shop stewards and 11,400 agreements were ratified by staff referendum. The latter mainly concerned save-as-you-earn schemes.

<sup>7</sup> Public services (5.2 million workers) have different rules, but there have been numerous instances of local bargaining in regional and local government and public hospitals.

Despite the large number of agreements reported, company bargaining is actually far from commonplace. In fact, only 10 per cent of eligible companies sign agreements. The existence of negotiations does not necessarily lead to a peaceful climate, because one-third of all negotiations end without agreement. In many cases, union delegates who negotiate without reaching agreement are penalised in their own pay packets (slower career progression, moved to lower-paid posts and so on) (Bréda 2016). Even official reports comment on the weak content of company bargaining (Combrexelle 2015).

### Sea change in 2016: the El Khomri Law

The shrinking importance of sectors resulting from the development of company bargaining has been confirmed in a law imposed by the government in 2016 that substantially reorganises the Labour Code. Company bargaining is now how decisions are taken on the main wage ratio issues. It is circumscribed by certain public policy rules (international norms, the minimum growth wage, the 35-hour week and so on), but everything else is negotiated at company level. Where agreement cannot be reached, if it is rejected by the unions or if there is no union, then 'back-up' sectoral rules apply: in most areas these offer poorer protection than the previous Labour Code.

These changes in legislation also mark the end of a period in which, since 1982, derogations were possible. The previous hierarchy of norms meant that the substance of sectoral agreements had to be more favourable for workers than the Labour Code, and company agreements had to be more favourable for workers than the sectoral agreements. A number of derogations were allowed, particularly on the 2008 changes to working time, under which company agreements were responsible for setting the rules about overtime pay beyond the 35-hour week. Now, the whole concept of derogation is meaningless, because the norm is set by the company, putting employers in a position to create their own private labour law, which, although negotiated and circumscribed by statutory regulation, is aligned most closely with the needs of the company.

Within twenty years the centre of gravity of the collective bargaining system has thus shifted radically towards the company, with sectoral bargaining shrinking to minimal levels. This decentralisation has been totally uncoordinated, with the trade union units at grassroots level cutting themselves off from their sectoral structures and gradually retreating into their company or establishment.

## **4. The 2008–2009 crisis: reorientation rather than dramatic change**

The 2008–2009 crisis did not produce an economic collapse in France. The measures taken at the time protected the interests of the financial system, but there was no widespread reduction in social rights or massive rise in poverty. The subsequent government debt crisis had less to do with the economic crisis and more to do with the lost tax revenue that had accumulated in previous years because of the tax breaks given to the most wealthy (Assemblée Nationale 2010). It was acknowledged at the very start of the crisis that the scale

of social transfers in France had limited any dramatic drop in demand from households, which would have made imbalances even worse. Industrial decline, as already mentioned, dated from well before and had nothing to do with the crisis.

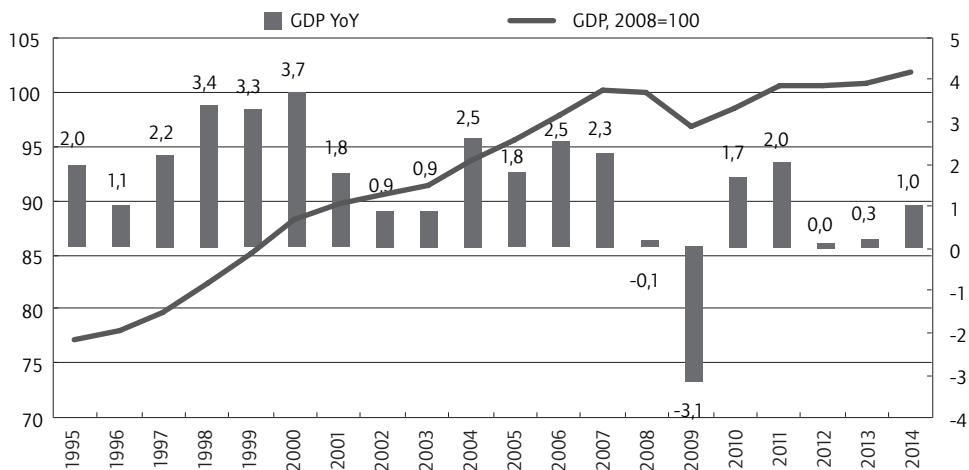
This period also saw the return of a centralised form of ‘social dialogue’ involving trade unions in discussions on government policy in the employment field. There was thus no question of any sea change, either in 2007–2008 or even in 2010.

### Crisis centred on employment and government debt

The 2008–2009 crisis had little impact on the banking system, which was less exposed than those of other countries to American subprime mortgages and was, above all, sheltered from the outset by government guarantees. There was no collapse in consumption or investment: GDP fell by 0.1 per cent in 2008 and 3.1 per cent in 2009 before starting to grow again the following year, returning to pre-crisis levels within two years (Figure 2). Large companies resorted to short-time working less than in Germany, but 23,000 crisis agreements were signed with the unions. In particular, they made full use of external flexibility, with a considerable reduction in temporary work and fixed-term contracts (Jany-Catrice and Lallement 2010).

This relative stability is generally ascribed to social transfers, which acted as shock-absorbers, and to the (then) fairly high savings ratio of French households, which therefore also had lower levels of debt than in other European countries. These factors helped to maintain a certain level of demand from households; the scale of public investment was also a smoothing factor, while the private sector reacted very quickly to the economic slow-down.

Figure 2 GDP level and growth rate, France

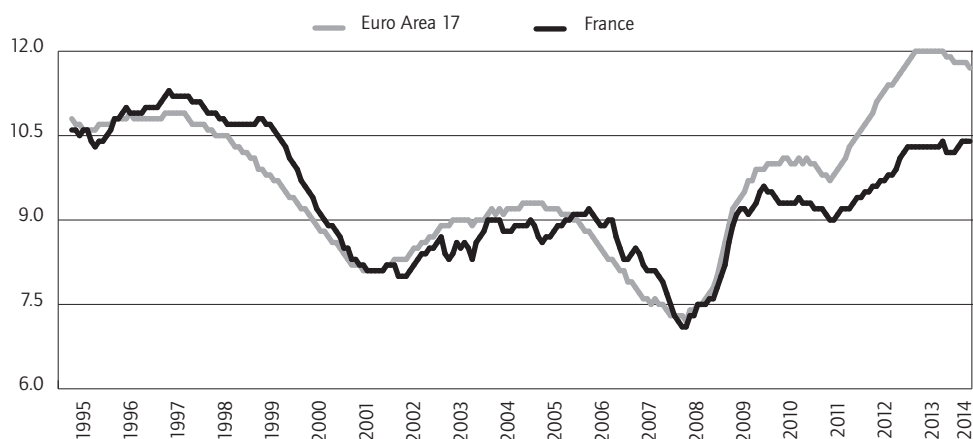


Sources: INSEE, Macrobonds, Ires.

The rapid return of GDP to pre-crisis levels was followed by a long period of economic stagnation, still ongoing in 2016. Unemployment has continued to rise steadily well beyond 2009 (Figure 3): the number of long-term unemployed has doubled, showing how hard it is to find work after the age of 50.

The structure of paid employment shows that indefinite contracts have remained fairly stable, accounting for just under 87 per cent of total employment. Fixed-term contracts have remained stable at 13 per cent, but the trend is towards more precarious employment (COE 2014). Precarious and part-time employment involve over 50 per cent of young people aged 15–24 in work and also 30 per cent of production workers. Although France is one of the countries least affected by precarious employment overall, it does tend to be very much focused on certain categories in the world of work.

Figure 3 **Harmonised unemployment rate, France**



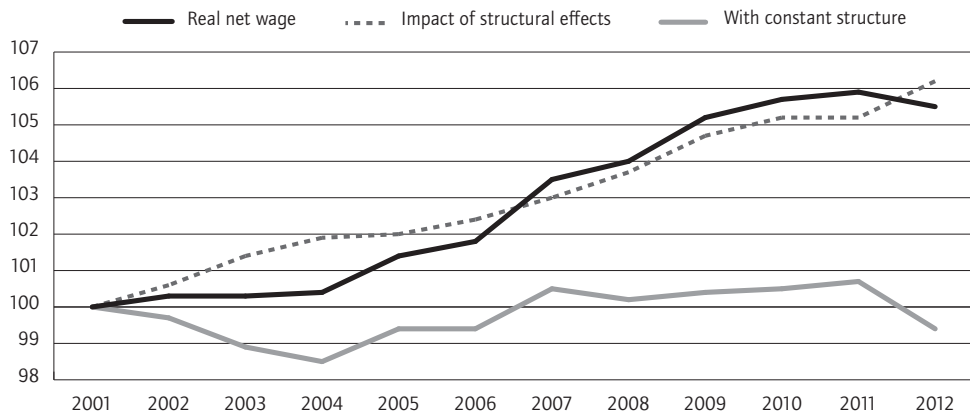
Sources: Eurostat, Macrobonds, Ires.

Women are the main category affected by changes in the labour market. Part-time work involves 18 per cent of workers but 6.9 per cent of men and 30.2 per cent of women (Insee 2012), while their average pay is still 19.2 per cent lower than men's (Pinel and Wilner 2014). They are also affected by pension reforms, in particular the longer period of activity required for a full pension and the introduction of severe pension penalties.

Since 2012, the Hollande governments have doggedly pursued a policy of restricting public spending both for central and local government. Local public spending accounts for 11.3 per cent of GDP (7.7 per cent in 1978). Public procurement has fallen by 22 per cent between 2012 and 2015 (down 13 billion euros), which has thrown certain sectors (construction, business equipment) into economic difficulties, leading to large job losses (*Le Monde*, 23 February 2016). Although businesses have received major financial transfers, investment in France has remained weak and economic activity is not creating jobs or helping with government debt, which has only just begun to level off.

Mainstream (neoclassical) economists explain the sluggish growth and employment situation by what they call a 'French preference' for unemployment. They highlight wage increases, which grew by 2 per cent on average, both before and after the crisis. This rate has subsequently slowed (after 2011), but is rooted in two factors: first, (unlike in Germany) there is no disconnect between wage trends in industry and services – particularly thanks to having the minimum growth wage as a safety net – but above all the growth in the average wage increase is due mainly to the continual changes in the composition of the working population. Job losses tend to affect those on low wages and in precarious employment, which automatically increases the average wage: the Banque de France estimates that the 2 per cent increase in wages after 2008 is entirely due to structural changes in the working population (Verdugo 2013, cited in Husson 2015; Pinel and Wilner 2014). Correcting for this structural effect, Figure 4 shows the average net wage trend since 2001.

Figure 4 **Average net wage, France, 2004–2012**



Legend (top to bottom): Real net wage, Impact of structural effects, With constant structure  
Source: Altereco +.

Civil service salaries did not change between 2010 and 2016; during the crisis, 27 per cent of private sector establishments said that they applied wage restraints between 2008 and 2010 and 13 per cent applied a wage freeze or reduced wages (Pérez *et al.* 2015). In reality, although household demand remained buoyant during the crisis, this was mainly thanks to the minimum growth wage and came at the cost of higher debt. The level of household debt<sup>8</sup> grew from 59.5 per cent in 2005 to 85.5 per cent in 2015, by which date one million households were overindebted (Banque de France 2015).

<sup>8</sup> The ratio of household debt to disposable income.



## The return of social dialogue, a new 'crisis corporatism'?

We mentioned this paradox earlier: whereas information exchange procedures, social pacts and other methods of centralised consultation/negotiation seem to have been in decline in the rest of Europe since 2010, France, on the other hand, has seen a proliferation – even frenzy – of national interprofessional agreements. Might this suggest that there has been 'crisis corporatism', as was mentioned when other settlements were reached in Europe between 2008 and 2009?

As already pointed out, there has been a long history of national interprofessional agreements, but they fell out of favour between 2000 and 2007 apart from in the sphere governed by what is known in France as the 'parity principle'.<sup>9</sup> The so-called 'Larcher Law' was adopted in 2007, mirroring the Social Protocol to the Maastricht Treaty (1992), which was incorporated into the Treaty of Amsterdam in 1997 (Articles 154 and 155 of the new European Treaty, formerly Articles 138 and 139) (see Box 1).

### Box 1 **Law of 31 January 2007 (extracts from amended Article L 101-1 of the Labour Code)**

The spirit of the reforms is summarised in the first few sentences:

'Every draft reform envisaged by the Government which relates to individual and collective labour relations, employment and vocational training, and which falls within the scope of national and interprofessional negotiations, shall be the subject of prior consultation with the trade unions and employers' organisations that are representative at national and interprofessional levels with a view to the possible opening of such negotiations.'

This new procedure is designed to prevent the government from simply forcing decisions through in areas in which social negotiations might be seen as bringing a more effective and democratic approach. It was adopted as a result of the social movement in 2006 triggered by the determination of the then Prime Minister (Dominique de Villepin) to impose without consultation a 'first employment contract' (*contrat première embauche*, CPE) for young people.

The Law now requires the government to hold dialogue on certain reforms before putting them before Parliament. It was applied in 2008 and 2009, was rather neglected in 2010 at the time of the pension reforms and then took off again in the final months of the Sarkozy presidency. In 2012, François Hollande turned this requirement to advantage

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**9** The workers' supplementary pension funds and the unemployment compensation scheme have been managed since their introduction (in 1945 and 1958, respectively) by institutions whose management boards are made up of equal numbers of employers' and trade union representatives. This management method was extended to certain areas of social security (1967) and vocational training (1971). It is used in many other fields: industrial tribunals, the Association pour l'emploi des cadres (Employment Association for Executives and Professionals), the management of funds for the integration of the disabled, the employers' 1 per cent housing contribution, retirement provision institutions (now social protection groups) and so on.

by involving the unions in the preparation and implementation of his employment policies at social conferences, large staged events at that were widely covered by the media. The procedure at these conferences is as follows: the government gives the unions and employers' organisations a 'roadmap' that sets out the issues to be discussed, the deadlines and the outcome that the government expects from the negotiations. The final wording is always the same: if the outcome is not as expected, 'the government will do its duty'. Three social conferences along these lines were held between 2012 and 2015. They resulted in a number of national interprofessional agreements that led to legislation promoting social democracy and reforming the Labour Code.

However, this Law has not really weakened the government's overriding power with regard to employment: trade union leaders heard about the Responsibility Pact in January 2014 only when it was announced on the radio. One year later negotiations on 'social dialogue' failed to reach agreement and the government unilaterally introduced a law (17 August 2015) which was unfavourable to union rights in companies. At the same time, the Minister for the Economy imposed a law containing numerous provisions affecting labour rules (extension of Sunday working in particular) without any union consultation or even parliamentary debate. In January 2016, the law reforming the Labour Code and collective bargaining (El Khomri Law) was announced without complying with the 2007 legislation and adopted using the same procedure that sidelined Parliament.<sup>10</sup>

It is thus inaccurate to talk about French-style (neo)corporatism or 'crisis corporatism'. All the theoretical models of political exchange require certain conditions, including two fundamentals that have never been satisfied in France: first, each actor needs to be able to ensure that its side has uniform representation, and second, they need to be independent, particularly when it comes to setting their own agenda. The situation in France is further away from this than ever: first, the trade union side is more divided than ever, and second, the independence of its components is far from guaranteed, whether in terms of material independence (and particularly their dependence on public aid) or cognitive independence, with some trade union confederations expressing views more in line with those of employers (or with some social-liberal trends) than with their union 'partners'.

In fact, social dialogue in France is still characterised, as it has always been, by the heavy hand of the state, the composer, conductor and lead singer on the social stage. Recent developments have strengthened the interconnections between 'tripartite confrontation-cooperation' and public policy (Freyssinet 2010) over which the government keeps control. The over-use of the term 'social dialogue' by all actors is a symptom of the lamentable inconsistency of political exchange in France. The unions' role as a cohesive and integrating force now tends to be discernible more in the sphere covered by the parity principle (Hyman 2010) than in the rather pathetic performances at social conferences.

<sup>10</sup> The French Constitution contains a provision (Article 49-3) allowing a law to be declared adopted unless the opposition succeeds in having a 'censure motion' adopted, which is equivalent to overthrowing the government. It was used three times during the adoption of the Macron Law, twice in Parliament and once in the Senate, and three times again in the adoption of the 'labour' law in spring and summer 2016.

## 5. Trade unionism in France: a declining force

The trade union movement in France is famous for having a large number of organisations and a small number of members. Divided by strong ideological differences, it is anything but strengthened by the collective bargaining institutions, which are weak, unstable and unsuited to compromise. Exploiting this fragmentation, the employers' organisations tend to deal with only one union or another to avoid conceding too much, and when they have to make concessions, to obtain something in return they appeal to the government to overturn what they had to accept in the negotiations. The notion of compromise is alien to employers, who are backward-thinking in social terms and often unentrepreneurial in economic terms.

There are eight union organisations in France – of varying importance – plus a number of independent unions with little influence. The three main organisations are the CGT (General Confederation of Labour), the CFDT (French Democratic Confederation of Labour) and Force ouvrière (FO, literally: 'Workers' Force'): the first two account for 65–70 per cent of trade union members; FO brings the figure to 80 per cent. Then there is a small Christian confederation (CFTC, French Confederation of Christian Workers) and a sectoral organisation representing some managerial employees (the CFE-CGC, French Confederation of Management – General Confederation of Executives). Two more recent organisations, UNSA and Solidaires, describe themselves as union federations, but are not recognised as representative at an interprofessional level. Finally, the FSU (United Trade Union Federation) includes most unionised teachers. The shifts in union power over the past thirty years can be broken down into structural, organisational and institutional powers, as well as their influence in the public arena (Dörre *et al.* 2009; Gumbell-McCormick and Hyman 2013).

### Structural power and changes in the production system

Structural power is defined as unions' having at their disposal forces in strategic locations within the production system (primary industries, export industries and so on) or in services vital to the domestic economy (education, health, public transport). It should be added, however, that this type of power must be assessed relative to the dynamics of the production system. The massive trend towards outsourcing and subcontracting has transformed the foundations of paid employment in France over the past thirty years. While in the past those working on the production of a good or service were more or less contained within a single company, now they are stretched along a so-called 'value chain' involving many participants and workers from different companies, covered by different collective agreements and with every possible status (permanent contracts, fixed-term contracts, temporary or self-employed, full-time or part-time).

Production organisation in today's capitalism is based on the principle of the separation of workers (Pech 2007). Structural power must no longer be seen solely from the point of view of presence in companies within the production system. It also requires a distribution of forces that guarantees a minimum level of cohesion between workers working on production of the same goods or services; in other words there must also be a presence on the periphery.

In France, the trade unions have a presence in main contractors but rarely or to a much lesser degree among subcontractors. Because sectors have ceased to provide guarantees, collective bargaining centred on the company has ceased to be inclusive: for example, unions in the main undertaking have no control over the possibility that costs may be passed on to subcontractors, or rather to subcontracting workers. The Airbus 'system', for instance, is tightly controlled around the powerful Force Ouvrière union, which is able to conclude major corporatist agreements in exchange for guaranteeing industrial peace, because tensions are passed on to subcontractors.

The main factor of structural power for the French trade unions used to be the strategic position they held in public infrastructure, and particularly the CGT in energy and the railways. Their ability to bring the country to a standstill was demonstrated at various points, particularly in 1995 and 2003, when huge strikes paralysed part of the country's economic activity. The reforms to SNCF and EDF<sup>11</sup> in the years that followed partly neutralised this power, depriving the unions of an important weapon.

A number of reforms divided SNCF into separate businesses, sometimes in legal terms (separation of infrastructure management and commercial activity), and sometimes within its commercial activity (between freight and passenger transport). Today it is a group of over 650 subsidiaries attached to one holding company (SNCF Participations). Burdened with debt which the government is reluctant to relieve (36 billion euros which the government could pay off in the infrastructure section), the track part of the company is rushing through one reform after another, reducing its workforce as quickly as it can (–30 per cent between 1984 and 2000, –16 per cent between 2000 and 2016). Line closures are concentrating activity on profitable lines, while the SNCF group is, through its subsidiaries, opening up new road transport lines. The professional benchmarks for staff have been watered down as public service has slipped down the agenda, and the trade unions which used to uphold those benchmarks have lost much of their influence, both within the various entities that now make up the company and in public opinion. Train users have clearly registered the fact that SNCF is no longer a public service but a commercial company like any other.

EDF has also undergone transformation with a change in status in 2004 into a public limited company with part of its capital listed on the stock market. The former state-owned company was broken up into subsidiaries on the basis of its different areas of expertise: electricity production (EDF), high voltage transmission network (RTE), network for domestic and business customers (ERDF) and so on. The production section, which manages the nuclear power stations in particular, has made huge use of subcontractors, so that the company has effectively become a control centre managing the work of outsourced operators, where most staff are temporary workers or on fixed-term contracts. Although the company has kept public service duties and although it is still mainly state-owned, it is increasingly managed according to private-sector criteria and the status of staff is increasingly trivialised. This change in the reference values

<sup>11</sup> SNCF, Société nationale des chemins de fer français (French Railways); EDF, Électricité de France (French electricity). Gaz de France (French gas), which used to be part of the group, was hived off and privatised in a merger with the Suez group in 2008.

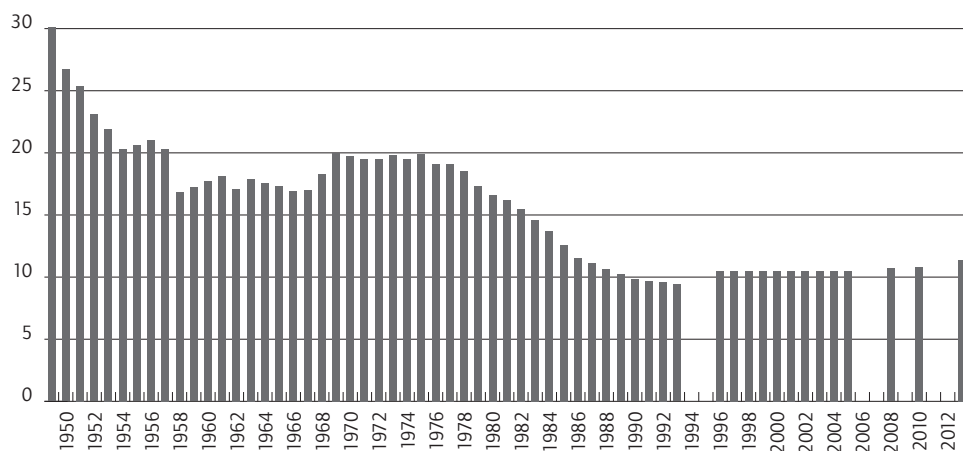
for which the CGT was such a standard-bearer has destabilised union representation; membership has fallen considerably and it has lost much of its ability to take action within the archipelago which France's main energy supplier has become.

As for the strategic positioning achieved by the unions among lorry drivers, there was hardly time for this to be effective: in the dispute against the 2003 pension reforms, when the lorry drivers tried to block the roads, the police immediately headed for the blockades and withdrew many of their driving licences.<sup>12</sup> In 2010 and still on the subject of pensions, some oil refinery workers also tried blockades, which regional prefects immediately nipped in the bud by issuing orders requiring the striking workers to go back to work.

## Organisational capacity and institutionalisation

The unions' organisational capacity has also declined in the past two decades. The rate of union membership since the post-war period has fallen, as shown in Figure 5. Having long been put at around 8 per cent, the rate was recalculated in 2016 using new surveys conducted by INSEE (National Statistical Institute) and the Ministry of Labour. It is now considered to be 11.2 per cent and to have been stable at that level since the early 1990s (Pignoni 2016).

Figure 5 **Rate of union membership, France, 1949–2013**

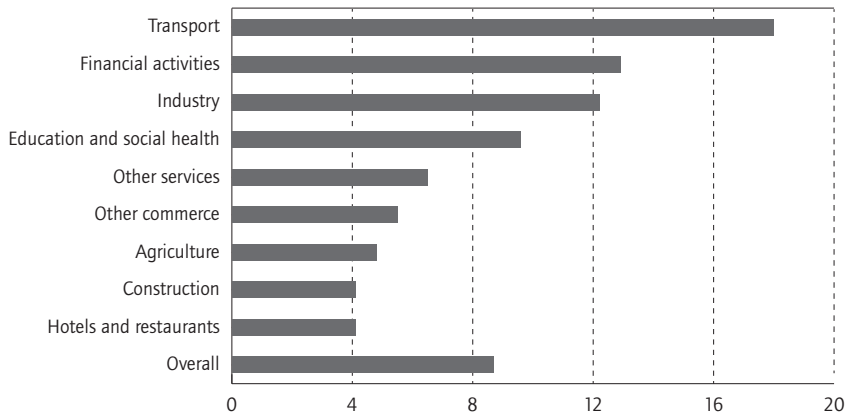


Note: Until 1994, union membership was assessed on the basis of known or estimated union dues. From 1997 to 2006 calculations were based on a direct survey of individuals, which was used as a reference in international comparisons. The Ministry of Labour and INSEE have conducted two new surveys in the 2010s, which found that previous figures had been underestimated. The figures given here have been taken from this new calculation (Pignoni 2016).

**12** Road blocks have traditionally been used by lorry drivers and had never previously been punished in this way. Until 1996, these disputes were by self-employed drivers or road haulage bosses. Since that date they have been by employees, which makes all the difference.

There are two very different faces of union membership, which stands at 19.8 per cent among civil servants (central government, local and regional authorities, hospitals) and 8.7 per cent in the private and voluntary sector. The sectoral breakdown for the latter is shown in Figure 6.

Figure 6 **Sectoral breakdown of union membership in the private and voluntary sector, France (%)**



Source: Dares Analyse.

Table 1 **Trade union membership by category, France, 2013 (%)**

	Private and voluntary sector	Public institutions and civil service	Overall
Managers	7.2	23.4	11.8
Intermediate professions	10.7	18.6	12.9
Employees	7.4	18.5	10.5
Production workers	9.2	20.6	10.1

Source: Dares Analyse.

It should be noted that there is no system in France linking employment with union membership (closed shop, open shop) or check-off. The provision of services is not tied to union membership and social agreements benefit all workers because collective agreements apply even where there is no union presence in the company, and there is no system by which employers can opt out (Bévort and Jobert 2011). The rate of union membership stood at over 20 per cent in the 1970s, fell by half between 1978 and 1990 and has remained at that level ever since. However, this apparent stability masks internal fluctuations, with membership ebbing away in traditional industries while new pockets are appearing in other areas, particularly services. The low membership makes the unions highly dependent on public funding, which 'supports' many of their activities: training, information and economic analysis and so on.

Union membership first started to decline around 1977–1978 with the first major industrial restructurings. The collapse of the steelworking industry reduced both the numerical strength and also the symbolic strength of the labour movement. In the early 1980s the arrival of the left-wing government (1981) launched a period of reforms giving the unions greater power. This reflected the momentum gathered in previous years, when the trade union movement had enrolled younger generations eager to take collective action post-1968 (Artous *et al.* 2008). At the time there was a competitive spirit between the CGT and the CFDT, founded on social protest and collective mobilisation. This trend was reversed within a very short time, for economic, political and ideological reasons (Pernot 2010). In 1984, the left-wing government reversed its macroeconomic policy, disappointing the hopes of a population facing a dramatic rise in mass unemployment. The breakdown in the united front between the CGT and the CFDT and the major changes in their ideological reference systems ended up by confusing workers and eliminated recognition processes within union action altogether.

Strikes became scarce. Apart from the occasional major industrial action (1995, 2003, 2006, 2009 and 2010), conflicts tended to decline, as they did in all OECD countries. Concentrating collective bargaining at company level reduced the scale of any industrial action, which today tends to be confined within the company or even establishment. A number of conflicts became more radical in 2009, with employers unlawfully confined and workers threatening to ‘blow up the factory’. These have been recurrent events in France’s social history and concern only a few situations highlighted by the media (Bérout and Mouriaux 2001). Nevertheless, there has been a reduction in the number of strikes: in 2005, 2.7 per cent of companies with over 20 workers had a strike, but after peaking at 3.3 per cent in 2010, the rate fell back to 1.3 per cent in 2012.<sup>13</sup> Other less dramatic forms of conflict have continued, however (stoppages, demonstrations, collective refusals to work overtime, work-to-rule and so on).

Although France is in second-last position among the EU countries for its rate of union membership, it is in tenth place for its rate of union presence at the workplace (Wolff 2008). In 2011, 47 per cent of establishments with 20 or more workers stated that there were union delegates present in the establishment or company. This union presence concerns 70 per cent of employees in companies with more than 20 workers (Pignoni and Raynaud 2013). However, this indicator tells us nothing about the type of presence, which may be no more than one union delegate, useful for signing agreements but otherwise irrelevant in terms of collective action.

The French system of representation within companies has two strands: representatives provided by the unions and elected representatives within institutions ‘representing the staff’ (works councils for establishments with more than 50 workers, staff representatives for those with more than 11 workers and health, safety and working conditions committees for those with more than 50 workers). The decline in union membership coincided with the development of compulsory annual negotiations within companies.

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**13** Similarly, the number of days not worked (because of strike action) fell from 165 days per 1,000 workers in 2005 to 60 in 2012 (318 in 2010). Source: Dares Analyse, No 089, November 2014.

Taking on multiple responsibilities and having to spend more and more of their time on compulsory negotiations, activists became a body of professional representatives, often at the risk of cutting themselves off from the workers. The few studies available on the content of these company negotiations show that they have become routine and just a way of complying with a legal requirement (Naboulet 2011; Béthoux *et al.* 2015).

Institutional rights give the unions the power and means to intervene in the field of occupational health or if there is a jobs crisis in the company. Often, however, these rights are too concentrated in the hands of a few specialists, and institutional over-investment can mean that, rather than giving them greater legitimacy in the eyes of the workers, they widen the gap between representatives and represented. Locally, French workers have become used to relying on their union representatives if they have a problem, but they have little interest in making that sort of commitment, particularly as it remains at risk of reprisals from employers.

Because collective bargaining has been decentralised, trade unions in companies have often lost some of their links with the general interests of the workforce, and sometimes even their connection with their own organisation. Surveys conducted by the Ministry of Labour asked union representatives in companies about their relations with their organisation: in 2005 they admitted to having little contact with union structures outside the company (Amossé and Jacod 2008). Very often, union presence is confined to a single delegate, isolated from the organisation that is supposed to have chosen him, and sometimes totally incorporated into and barely distinguishable from the company's own institutions. The low level of union membership is also due to a union presence that does not always give a sense of a collective identity.

### Discursive resources and planning resources

There are many forums in which the trade unions are involved in social debate: the Economic, Social and Environmental Council (Conseil économique social et environnemental, CESE) and equivalent institutions in each region, for example. As well as the joint institutions mentioned earlier, they sit in an impressive number of commissions, monitoring bodies and committees requiring them to give opinions on economic or social issues.

The weight of history has a decisive influence here. From the very beginning, the CGT rejected any idea of being subordinate to political parties (the Socialist Party on that occasion). It regarded the cultivation of a political vision as part of its responsibility. That decision left its mark on all forms of trade unionism that developed after the CGT. Although, subsequently, the CGT and the Communist Party had a close relationship until the 1990s, FO and the CFDT had only intermittent relations with a Socialist Party that cared little about its relationship with the unions.

Trade unions across the spectrum consider that it is part of their responsibility to get involved in general issues affecting workers' lives, such as housing, transport and public



infrastructure of all types (health, culture, childcare, education).<sup>14</sup> Because of their poor structural and organisational resources, the unions have had to employ numerous ideological references in order to bolster class consciousness, unite workers and engage them in campaigns that differed from one organisation to another. In the 1970s the CFDT's support for the idea of worker self-management resulted in an 'ideological debate' with the CGT based on joint action in companies and sectors.

Although the unions have scaled down their political 'vision' since the crisis of the 1980s, they have retained a few political resources. Thus, in 2009, after the government announced its plan to combat the crisis, eight trade unions (CGT, CFDT, FO, CFTC, CFE-CGC, UNSA, Solidaires, FSU) produced a joint document entitled 'For an alternative policy: urgent measures to promote employment, better pay and government policies supporting economic recovery'. Although their efforts had no direct effect on the policy being pursued by the government at the time, they nevertheless brought the debate on inequality, fiscal policy, wealth distribution and so on into the public eye.

Since then, and particularly since 2012, the unions have appeared powerless to influence government policy. Their planning resources are certainly not defunct, but they are today hamstrung by their divisions on fundamental issues such as health, pensions and even competitiveness.<sup>15</sup>

Their institutional resources could be catching them out. Institutions tend to reflect the balance of power at a given point in history. If the balance of power changes structurally and over a sufficiently long period, the substance of the institutions gradually alters: behind the unchanging form their ability to influence arbitration becomes weaker and the compromises reached tend to be closer and closer to the employers' positions. How should such a situation be handled? This is the question on which opinions differ most widely. The CFDT is ideologically close to President Hollande and accepts more or less every compromise. The CGT, on the other hand, rejects them all but does not have the capacity in practice to oppose them. Its weakness means that it is no longer a key player in areas where it used to have a certain influence. It has lost the hegemony that it used to have over the union movement up until the 2000s, but none of the other unions has taken its place. The CFDT is gradually becoming the leading organisation because of the CGT's decline, but is not particularly influential. There is no alternative hegemony taking up the baton and in a very splintered union landscape fragmentation dominates. This critical situation could change, however, in the face of danger. The rise of the Front national (National Front) and its ideology and the threat it poses now that it has entered France's political institutions could lead the trade union movement to close ranks, as it has done at other points in history. The unions' historical involvement in politics might be reinvigorated, leading to a strategic reconciliation. The first signs are already there, given that seven out of eight organisations (Force ouvrière declined to be involved)

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**14** Even the CGT, which was for a long time an 'offshoot of the Communist Party', retained its own capacity to draft proposals on government policies (Dreyfus 1995).

**15** The CFDT with the CFTC and the CFE-CGC spent many months drafting a joint document with the employers' organisations (MEDEF, CGPME, UPA), 'Approche de la compétitivité française' [Approach to competitiveness in France], June 2011. There has been no work between the confederations on this issue, or on any others.

signed a document in June 2015 'to oppose the rise of populism, the extreme right and its ideas, xenophobia, sectarianism and fundamentalism, and also to seek and demand responses to the economic and social crisis'.<sup>16</sup>

## 6. Prospects

In France, as elsewhere, there are a number of reasons why the trade union movement is finding it difficult to chart a course for the future, such as globalisation, the move to the digital age and, overall, the shift in the balance of power between capital and labour imposed by the financialisation of capitalism. In Europe, the development of a new 'governance', with neoliberal economic principles now institutionalised in treaties, is creating tensions on various registers, both economic and political, raising fresh questions about the relationship between capitalism and democracy.

These common factors have had different effects on the various societies making up the European Union and also on the crises occurring as the power of capital undergoes this reorganisation. They have had different effects on the trade union movements, because path dependence still tends to be the key feature of socio-economic trajectories. Political resources drawn from social democracy are redundant at present because of the political crisis faced by social democratic parties. Their inability to establish a separate identity from the neoliberals raises questions, in every country, about trade union freedom and freedom of thought and action – and for there to be that freedom, there needs to be action as well as thought.

In France the unions have retained some of their discursive ability, but today this is increasingly employed by sectoral social movements to sound warning bells about the huge inequalities caused by neoliberal policies. The unions are trapped by their own divisions, strategic deadlock and bureaucracy: their leaders are taken up with their involvement in government policy, while union representatives in companies are taken up with 'social dialogue' steered by the management, and the apparent abundance of social agreements masks the fact that their substance is actually fairly meagre and nothing like genuine social compromise. The lack of a coordinated strategy has made negotiations a management tool for employers and grassroots trade unionists have been left in the hands of companies, where their role is to manage 'competitive adjustment'.

There is little talk of a union revival among French researchers, and even less within the union movement itself. But this does not mean that nothing new is happening. Experiments are taking place involving new forms of organisation: by site, by labour market region, seeking geographical challenges to widen the scope beyond conflicts confined within the company. Trade union membership in industry may be declining, but a presence has been created in commerce and retail distribution, among lorry

<sup>16</sup> FO cites apoliticism to justify its rather lax approach to members or activists whose names appear on the political lists of the Front national, whereas all the other organisations expel them. The Front national vote among FO supporters is particularly high (33 per cent in the 2014 local elections) compared with 27–29 per cent for the other unions. These are worrying figures.

drivers and care workers. There has been new cooperation with associations: the CGT's campaign to regularise the position of illegal immigrants is a benchmark for this new type of mobilisation, as is the growing (and sometimes rather bumpy) cooperation with the environmental movement, such as around the protracted dispute concerning the construction of Notre Dame des Landes airport near Nantes. These experiments are still fragmented and intermittent. The CGT's close involvement with the nuclear industry prevents it from being more open to the environmental movement or associations such as Attac. The CFDT has turned its back on all social movements and is opening up only slightly to like-minded organisations. The issue of alliances is obviously important, but this alone will not be the answer to certain strategic questions that are not being adequately addressed in the context of trade union revitalisation.

The unions' representation of workers was built on professional foundations established in the early twentieth century, when most union movements in continental Europe started to focus on the product rather than the occupation. This way of dividing up the movement mirrored the structure of the sectoral regulation that gradually took shape, but the question now is whether these organisational divisions are still adequate for creating identity and solidarity in groups of workers. In France, the concentration of union activity and collective bargaining in the company has come at a paradoxical time when the company itself, as a place of production, is dissolving into a series of outsourced and subcontracted relationships, in addition to the fact that the internal restructuring of companies is tending to make labour less cooperative in nature. New social identities are being created with the transformation of occupations and the removal of boundaries between sectors, which the union movement is finding it difficult to cope with in its present organisation. On this point, the French unions have not changed (except marginally) the scope of their professional federations, and they remain, the CGT especially, locked into partial identities often inherited from the past.

The question of worker unity and the differences between them was resolved (subsumed) a long time ago by giving them recognition in a political vision that allows occupational identities to be transcended. This 'solution' is not working at the moment, and the question is how the union movement could use its own resources to provide cohesion and a political vision, which may be what is needed if there is to be renewed faith in collective action.

This is not just a French issue, and it should lead to closer union relations and more European responses. In the meantime, the French unions need to find a response to a number of domestic challenges: first and foremost, they need to be able to resolve some of the differences they have inherited from the past, but they also need to be able to deal with their other differences in a way that will not deter French workers from returning to their ranks.

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# Spain: a peripheral economy and a vulnerable trade union movement

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## 1. Introduction

In this chapter we outline, in a historical institutionalist perspective, the main structural features of the Spanish economy, the welfare regime and the industrial relations system as the principal interlinked institutional setting in which to analyse the current strategic dilemmas of the trade unions. The origin of the deep and long economic downturn from 2008 to 2015 lies in the economic growth model established during the late-comer industrialisation in the second period of the Franco dictatorship (1959–1975) within the framework of an authoritarian development regime. The sectoral profile and structural weaknesses of this model still shape the Spanish economy and limit its recovery and growth expectations. Among other factors that we will present, these basic conditions of the Spanish model influence to a large extent the current situation and available strategies of the trade unions.

Following the dictator Franco's death in 1975, the democratic transition enabled the establishment of modern social welfare institutions and democratic industrial relations with free trade unions. The crisis- and conflict-driven institution-building process in the context of a fragile political democratisation led to a fragmented, incoherent institutional system, unable to deal with the new challenges of globalisation and economic competition, new social risks and increasing social inequality.

The Spanish trade unions developed their organisation and representation model in accordance with this economic model and the dynamics of the democratic transition period (1975–1982). Based on electoral representativeness and occasional mobilisation power with low membership figures, the two major confederations – the post-communist Workers' Commissions CCOO (Comisiones Obreras) and the socialist General Workers' Union UGT (Unión General de Trabajadores) – consolidated their hegemony against smaller radical, regional or corporatist organisations during the long-lasting real estate bubble (1994–2007), focussing primarily on institutional power sources, such as all-encompassing collective bargaining, bipartite and tripartite concertation and institutional participation in public administration bodies. The impact of the economic crisis since 2008 weakened all these institutional power sources and confronted the unions with difficult strategic dilemmas with uncertain outcomes. The analysis of these dilemmas is the object of our concluding section.

This chapter is grounded in an institutional historical analysis that seeks explanations for the character of the economic crisis and the dilemmas of trade unions in Spain, emphasising processes unfolding over time and involving causal analysis. Institutions usually tend to condition social actors and policymakers but do not determine them

entirely as they are the outcome of political struggles and power relations and thus change over time. It is to be assumed that trade unions always maintain a certain ability to strategise. However, to understand the strategic choices in the context of multiple constraints, it is indispensable to analyse the institutional setting and its historical legacies.

The interrelations among historically shaped economic profiles and regulatory mechanisms, social welfare regimes and industrial relations are analysed in a dynamic perspective to identify not only the causes of the current social order and conflict, but also historically lost or still available alternatives. The processes of globalisation and Europeanisation have led to extended commodification, increased external dependence and significant disruptions in the national-based Spanish economy. Nevertheless, the specific articulation of a semi-peripheral economic growth model, the mixture of elements of distinct social welfare state models and the historically bounded industrial relations system with particular trade unions still allow us to speak of a Spanish version of modern capitalism. We agree with those comparative studies that present Spain as having a low degree of institutional coherence and thus unable to exploit the benefits of institutional complementarity (Höpner 2005).

To underscore the relevance of political struggles and asymmetrical power relations, two dimensions often neglected in institutionalist approaches, we refer to the extended trade union power resources concept as developed and applied by Gumbrell-McCormick and Hyman (2013: 30–31). Trade unions have four traditional power sources, achieved during the struggles and conflicts of the nineteenth and twentieth centuries:

- (i) structural: possessing scarce skills or occupying strategic positions in the production process;
- (ii) associational: membership, willingness to pay;
- (iii) organisational: unity to collectively support its policies, willingness to act;
- (iv) Institutional: Legislative support, administration of social welfare, tripartite corporatism.

Regarding potential revitalisation strategies in times of crisis and weakness, these traditional power sources require three complementary sources that are not necessarily new, although they may have been slightly forgotten:

- (a) moral: a mission and identity based on achieving social justice;
- (b) collaborative or coalitional: seeking allies and sharing resources;
- (c) strategic: intelligent use of scarce resources.

The current economic and political crisis entails a twofold challenge for trade unions: to develop efficient strategic action against the social cutbacks and attacks on workers' rights and revitalise their own organisational structures and power resources. These challenges have been transformed into contradictory strategic dilemmas of collective action in an extremely hostile environment, characterised by the political and ideological hegemony of neoliberal globalisation, the particular vulnerability of the Spanish economic growth model, the fragmentation of the Spanish labour force and the distance from other social protest movements.

The chapter is organised as follows. Section 2 develops the institutional evolution of the Spanish economy from authoritarian late-comer industrialisation towards a European peripheral economy and the related development of the Spanish welfare regime as the principal institutional context for the current trade union strategies. To complement the institutional framework, Section 3 analyses the Spanish trade unions and the industrial relations regime, including the basic labour market regulations, while Section 4 focuses on the current crisis. Section 5 examines the impact of the long economic downturn and neoliberal crisis management. Having laid out the enabling and constraining context conditions for strategic action in the current European crisis, in Section 6 we deal with the difficulties of the Spanish trade unions in developing efficient alternatives and resistance against the dominant neoliberal austerity policy and the corresponding loss of traditional trade union power resources. Reflections on the structural dilemmas and strategic options for Spanish trade unions close the chapter.

## **2. Spain's economy and welfare regime**

Spain is a latecomer to the industrialised world with about 40 per cent of the workforce still employed in agriculture in 1960 when industrialisation was being pushed by the new technocratic elite of the Franco regime. It was during the Spanish 'economic miracle' (1960–1973) that the main foundations of the current economic structure were established. Spain had joined the Western system during the 1950s after reaching an agreement with the United States in 1953 and could henceforth benefit from financial and technical support from the Bretton Woods organisations (IMF, World Bank). This facilitated a turnaround in economic policy towards a sort of indicative planning with growth poles, attracting foreign investment, export subsidies, currency devaluation, fiscal consolidation and additional development measures, all aimed at economic modernisation in the context of a favourable economic environment in western Europe. All this was packaged in a new discourse of productivity and rationalisation, thus marginalising the former fascist and national Catholic ideology. The renewed Franco dictatorship was converted into an authoritarian-technocrat development regime.

During this period Spain developed some modern consumer industries, while tourism became a leading economic sector and millions of Spaniards left the rural areas for the growing urban agglomerations or northern European countries. However, the authoritarian economic modernisation project established various structural weaknesses that still harm the Spanish economy today and have never been tackled by subsequent democratic governments. Spain depends on imports of foreign capital, know-how and technology and lacks domestic industrial capital. It also depends on oil imports and has unsustainable energy-consuming equipment. There is a constant inflationary pressure and a trade deficit and the Spanish banking system lacks a effective controls and has undergone several severe crises with state financed bailouts and forced concentration. The high proportion of low-skilled employment in the service and construction sectors, the underdeveloped vocational training and innovation



system, the dominance of very small micro-enterprises<sup>1</sup> and the large informal sector are additional factors in the structurally weak competitiveness of the Spanish economy.

The Spanish governments of the democratic period, dominated in alternation by the Socialist Workers' Party PSOE (1982–1996, 2004–2011) and the conservative Peoples Party PP (1996–2004, 2011 onwards), have never tried to tackle the structural deficits of the Spanish economy but nurtured a speculative real estate bubble with impressive growth rates from 1994 to 2007. Low interest rates, excess liquidity in international financial markets, the security of the euro zone, falling public debt and public policy incentives created the conditions for private debt and a prolonged demand-driven growth cycle centred in housing and real estate. In this period, unemployment fell from 25 per cent (1993) to 8 per cent (2007) and the economic sectors related to construction and tourism created nearly eight million new jobs. The aforementioned structural weaknesses, however, were intensified by the huge low quality employment sectors, speculative financial activities, unsustainable construction projects and the corruption networks around the municipal management of licenses and allowances.

Spain's economy depends on a few strongholds, mainly the tourist sector and the automotive, chemistry, food and beverages industries under the control of foreign multinationals and the commercial sector. The few big Spanish multinationals operate mainly in Latin America while others have become part of larger foreign transnational corporations. In the European context, Spain may be considered a peripheral economy lacking strong European companies and dominated by small local firms and subsidiaries of foreign multinational companies. R&D and innovation are low and a large part of the labour market is characterised by low quality and precarious employment.

An additional structural problem of Spain's economy is the inefficient and poorly constructed state whose regions (17 autonomous communities) and especially its municipalities have no clear financial basis. Twenty years of transferring competences to the autonomous communities have led to enormous growth in the bureaucracy but not to improved public services and the constant wrangling over financing and financial balance between the regions and the central state is threatening Spain's political cohesion. An inefficient tax system with high portions of hidden economic activities and tax evasion completes a public state deficit and the country's poor capability of coming up with effective economic policies.

The uneven economic development has also conditioned the evolution of industrial relations and the welfare regime. Esping-Andersen (1990) distinguished between three welfare models: the liberal Anglo-Saxon, the conservative-continental and the social democratic-Nordic. Spain combines elements of all three models and shares some features with other southern European countries and therefore has often been included in a fourth type of welfare system or social policy model, the 'Mediterranean' (Sapir 2005: 6). This regime is characterised, among other things, by fragmentation of benefits

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<sup>1</sup> The medium size of Spanish firms is 4.9 employees and more than 30 per cent of the workforce belong to micro-enterprises (fewer than 10 employees) (CREO 2015).

and programmes, low social expenditure and low levels of redistribution, strong ties between family members and importance of other welfare providers, for example the church. Spain's single most characteristic trait is the crucial role played by the family as an institution of welfare production and distribution of income and services (Esping-Andersen 2002). Moreover, Spain has one of the lowest fertility rates in Europe, which can partly be explained by the labour situation (youth unemployment, deficient employment security, precarity and so on).

From the 1990s until 2004, under pressure of the crisis (1990–1993) and the stability pact criteria of the Maastricht Treaty (1992), the principles of rationalisation and containment determined social policies. The long economic growth period from 1994 to 2007 was not used to further consolidate the welfare system, but was built on the extension of precarious low quality employment, increased social inequalities, segmented labour markets, discriminating young, female and immigrant work forces, and reduced levels of protection.

The consolidation of democracy and industrial relations during the two final decades of the twentieth century, as well as the reform of social security and the fiscal system, led to further growth in social expenditure and coverage. This was also possible due to the access to EU social, structural and cohesion funds. At the same time, social contributions became insufficient to finance the system and so the state had to use more resources from general taxation. Behind all these advances in health care, unemployment benefits and pensions stood the pressure of the democratic unions, sometimes bargaining with the governments, sometimes applying pressure with general political strikes (Carreras and Tafunell 2005: 894; Santidrián Arias 2014). The pressure of social mobilisation, namely the huge general strike in December 1988, and the political struggles between the central state and the autonomous regions were behind the progress in social welfare.

Today, the Spanish social protection system is characterised by a mixture of principles regarding social provision. Income maintenance (pensions, unemployment benefits) has remained conservative-corporatist, health care and education have become social-democratic and social services and social assistance have become liberal/means-tested (Guillén 2010; Guillén and González Begega 2015). The Spanish social protection system deals successfully with pensions and health care problems, but in other policy areas improvements are still necessary. Except for contributory pensions, all welfare benefits and minimum income schemes are below the relative poverty threshold. Regarding the reduction of income inequality and poverty, the Mediterranean countries exhibit the lowest rate compared with Nordic or continental countries (cf. Sapir 2005).

The Spanish welfare system is thus a hybrid model, with the Bismarckian strand still in a dominant role as the position in the labour market determines social rights to a large extent. Coverage is wide but uneven and protection levels are low. The system is ill-prepared for the new challenges such as an aging population, integration of immigrants and refugees, female integration into the labour market, flexibilisation of working times and contracts, and changes in family structure.

The role of trade unions in the Spanish welfare system has always been a mixture of social pressure group and social dialogue partner, including institutional participation.

In the 1980s and early 1990s social protest and pressure led by the unions motivated the establishment and extension of social welfare institutions. Since the mid-1990s a network of tripartite social dialogue and institutional participation in public administrative bodies has been established and the unions participated in the main reform acts on pensions, health care, minimum income and social services. Since the outbreak of the financial and economic crisis in 2008 and the crisis of social dialogue the unions find themselves again taking a social protest stance against cutbacks and privatisation of social services.

In our approach, the Spanish welfare regime is one element of the hybrid and fragmented structure of the institutional system, which is characterised by low coherence. The hybrid and uneven outcome of the Spanish welfare model implies structural weaknesses, such as high rates of unemployment and relative poverty, low levels of protection and social services, rigid labour market segmentation and centrifugal tensions in the governance of social policies. The twenty-first century has brought new challenges, notably immigration, an ageing population and increasing social inequality for the ill-prepared Spanish welfare state.

Due to the factors outlined above concerning the main features of the Spanish economy and welfare regime, the structural power of Spanish trade unions has never been very high. They have been concentrated mainly in large manufacturing plants, banks and savings banks and the public sector. These sectors have always represented a regionally concentrated minority in the Spanish economy and exposed to severe downsizing processes since the democratic transition. Public industries and savings banks have been privatised and the banks and manufacturing plants have been restructured, with high employment losses. The recent economic and institutional transformations have diminished trade unions' capacity to impose their views even more. Loss of structural power means loss of effectiveness with negative effects on the ability to recruit and retain members and this also reduces the associational and organisational power of trade unions. In consequence, their social and political influence is fading away. In the past two decades, Spanish unions have neglected to maintain and develop independent sources of union power and have been overconfident about their growing institutional power. With the onset of the economic crisis from 2008, a neoliberal and anti-union crisis management approach has made unions extremely vulnerable, as will be discussed later.

### **3. Trade unions and industrial relations**

Trade unions in Spain are traditionally assigned to the Latin European model, which differs from the Anglo-Saxon and the corporatist central and northern European types in terms of its low union density, frequent mobilisation and strike activities, fragmented unions with particular ideological or party political links, competing collective bargaining levels and a high level of state intervention in employment relations (Köhler and Calleja 2013). Over the 1990s and 2000s, while other national union movements were looking for ways to halt their decline, Spanish unions were 'politically' revitalised by the government through institutional integration and bi- and tripartite concertation (Hamann and Martínez-Lucio 2003: 63).

The origin of Spanish labour unions is twofold. Some of them were founded in the late nineteenth or early twentieth century; others emerged with the 'new labour movement' of the 1960s, leading the clandestine democratic opposition against the Franco regime in the context of authoritarian industrialisation (Köhler 1993 and 2004). After the turbulent transition years when hundreds of workers' organisations were competing for hegemony in the new democratic union arena, a bi-union model with regional nuances (mainly in the Basque Country and Galicia) was consolidated, with the socialist UGT and the post-communist CCOO being the two dominant unions at the national level. In several (mainly) public sectors – health care, public transport and administration, education – there are also strong corporatist organisations.

#### Box 1 Main Spanish trade union confederations

**CCOO (Comisiones Obreras – Trade Union Confederation of Workers' Commissions):** The Workers' Commissions emerged as clandestine and spontaneous groups during the late 1950s, leading the so-called 'new labour movement' (in reference to the old pre-dictatorial organisations in exile) and the democratic anti-Francoist opposition. At the end of the dictatorship they came under the strong influence of the Communist Party (although never completely) and represented the union most embedded among Spanish industrial workers during the democratic transition. During the course of the democratic transition and the following crisis of political communism they converted into a modern social democratic – although somewhat heterogeneous – trade union organisation, affiliating to the European Trade Union Confederation in 1991. Their political and ideological differences from the social democratic UGT are today only minor. The organisational basis of CCOO comprises eight industrial federations in all important branches and regions, with around 1 million members.

**UGT (Unión General de Trabajadores – General Workers' Union):** Founded in 1888, the UGT is the oldest Spanish trade union confederation and since its founding has had close ties with the Spanish Socialist Workers' Party PSOE. Virtually absent in Francoist Spain and reduced to a few exile groups, the socialist organisations re-emerged strongly after Franco's death (1975) with considerable support from the German and Swedish social democratic organisations. Since the 1980s the UGT, with the CCOO, has formed a dual trade union hegemony in the fragmented Spanish trade union spectrum and since the 1990s the two majority trade unions have acted in unison. Currently, UGT is involved in an ongoing process of concentration and merger towards three federations (industry, private services, public services) with around 900,000 members.

**USO (Unión Sindical Obrera – Workers' Trade Union Confederation):** The USO was formed in the left-wing Catholic milieu of the democratic opposition from the end of the 1950s. It participated very actively in the anti-Franco underground in the early workers' commissions and thus differentiated itself from the communist majority. In the course of the democratic transition it lost a lot of influence as member groups switched to the UGT and CCOO. Since 2006 the USO has been a member of the ETUC and the ITUC. Its influence today is limited to individual large enterprises and administrations, such as the Catholic education sector, and its membership is around 120,000.

Besides these 'representative' national confederations there is a broad spectrum of smaller local and sectoral trade unions. In the public sector (officials, doctors, nursing care, education, flight and transport personnel) there are strong corporatist organisations, with the union CSIF (Central Sindical Independiente y de Funcionarios – Independent and Civil Servants' Union) achieving good representation. The two confederations in the once important Spanish anarcho-sindicalist

tradition, the **CNT** (Confederación Nacional del Trabajo – National Confederation of Labour) and the **CGT** (Confederación General de Trabajadores – General Confederation of Workers) today no longer play a significant role, apart from a few local exceptions.

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**ELA-STV (Euzko Langilleen Alkartasuna-Solidaridad de Trabajadores Vascos – Basque Workers' Solidarity):** ELA-STV is the strongest and oldest regionalist trade union, founded in 1911 and linked to Basque nationalism with a strong social Catholic influence. Already affiliated to the European Trade Union Confederation in exile, ELA-STV soon recovered union leadership in the Basque Country and, to a lesser extent, Navarra during the democratic transition. These are the two Spanish regions in which Basques form a majority of the population. ELA-STV is traditionally characterised by pragmatism and well-organised union practice and negotiation capability. Since

the 1990s it has been aligned with the radical separatist LAB and has distanced itself from the CCOO and UGT. It has around 100,000 members.

**LAB (Langile Abertzaleen Batzordeak – Assembly of Basque Patriotic Workers):** LAB emerged as part of the radical Basque nationalist movement in the 1970s maintaining an ideological affinity with ETA terrorism. With a strong grassroots orientation LAB developed into an effective trade union organisation which now has around 18 per cent of the works committee seats in the Basque Country and participates actively in collective bargaining and interest representation activities with its 45,000 members.

**CIG (Converxencia Intersindical Galega/Confederación Intersindical Galega – Galician Trade Union Confederation):** CIG is a coalition of several quite heterogeneous Galician regionalist trade union groups, which combined to reach the statutory representativeness threshold of the Trade Union Freedom Act (15 per cent of the works committee seats). Loosely associated with the Galician nationalist party, the Bloque Nacionalista Galego (Galician Nationalist Bloc), CIG today represents around a one-third of organised labour in Galicia. They declare a total membership around 80,000.

In Spain the concept of *representation* is generally linked to three criteria: (i) the ‘associative’ criterion, based on the number of trade union members; (ii) the criterion of electoral strength, which is based on the principles of democracy and proportionality; in other words, the election of union delegates as workers’ representatives to workers’ committees; and (iii) the ‘legal-organisational’ criterion, in terms of social power.

The high participation in electoral processes, together with the low membership figures has motivated the labelling of the Spanish case as ‘voters’ trade unionism rather than members’ trade unionism’ (Martín Valverde 1991: 24; Martínez Lucio 1998: 436), as well as ‘more audience than presence’ (Köhler and Martín Artiles 2010: 487). It is their electoral strength rather than their membership that is regarded as the source of their legitimacy and representativeness.

In terms of the results of workplace elections (workers’ delegates and workers’ committees), the leading organisations since 1978 have been CCOO and UGT (see Table 1). Since the elections of 1986, these two trade union organisations have obtained more than 70 per cent of the delegates, at the expense of non-union members and small independent unions. However, since the beginning of the crisis they seem to have been losing delegates in favour of minority unions, especially CSIF, the union for civil servants. The nationalist trade unions, such as the Basque ELA-STV and LAB and the Galician CIG, have increased their number of delegates progressively since the late 1970s in parallel with the growth of the workforce, although this seems to have reached a plateau recently.

Table 1 Results of works committee elections in Spain

Year	CCOO	UGT	USO	ELA-STV	LAB	CIG	Others
1978	34.45%	21.69%	5.56%	0.99% (18.9%)		0.55% (22.3%)	20.85%
1980	30.86%	29.27%	8.68%	2.44% (25.6%)	0.48% (4.7%)	1.01% (17.4%)	11.94%
1982	33.40%	36.71%	4.64%	3.30% (30.2%)	0.68% (5.9%)	1.17% (18.9%)	8.69%
1986	34.27%	40.19%	3.83%	2.92% (34.9%)	1.06% (10.7%)	1.34% (21.2%)	9.95%
1990	37.60%	43.10%	3.00%	3.2% (37.8%)	1.27% (13.1%)	1.5% (23.4%)	9.70%
1995	37.74%	35.51%	3.56%	2.97% (39.7%)	1.22% (15.4%)	1.91% (26%)	17.09%
1999	37.63%	37.17%	3.49%	3.06% (40.5%)	1.33% (15.2%)	1.62% (26.2%)	15.62%
2003	38.74%	36.80%	3.11%	3.24% (41%)	1.37% (15.2%)	1.62% (26.2%)	15.12%
2007	39.09%	37.15%	2.95%	3.13% (40.2%)	1.39% (16%)	1.82% (28.6%)	14.45%
2011	38.38%	36.33%	3.43%	3.03%(39.8%)	1.39% (17.2%)	1.63% (26.4%)	15.77%
2015	36.17%	33.30%	3.89%	2.58%(40.6%)	1.24% (18.9%)	nd	22.25%

Note: The figures in brackets refer to the proportion of delegates achieved by regionalist trade unions in their respective territories.

Source: Informe de Elecciones Sindicales (CCOO 2012) and ABC-Economía (González Navarro 2015).

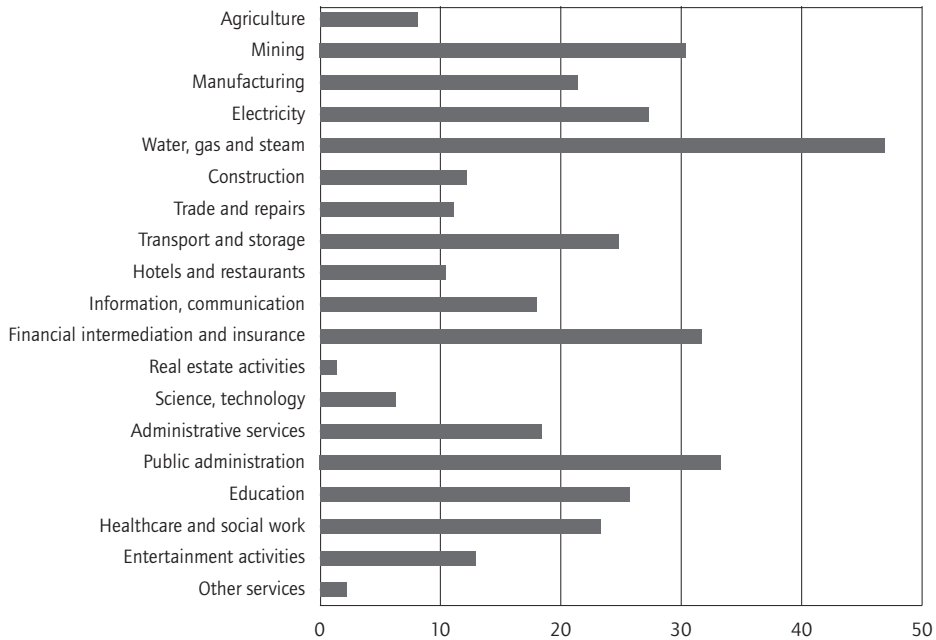
The development of trade union membership in Spain follows a pattern very similar to the evolution of employment. During the democratic transition, membership rose to about 18 per cent of the wage-earning population. This growth was thought to be due mainly to political reasons associated with major industrial conflict and the euphoric climate of the transition. Most of the 1980s was characterised by a sharp fall in trade union membership due to a serious economic crisis and at the end of the decade membership again grew moderately, stimulated by the improvement of economic prospects and employment. From 1990 to 2008, there was a substantial rise in the number of members, but union density has remained relatively stable at around 16–18 per cent. The employment boom from 1994 to 2007 brought thousands of new members and the composition of membership changed towards a younger and more female profile, although both groups, together with the immigrant workforce, are still underrepresented in union membership. As Figure 1 shows, union density is concentrated in the public sector, banks and some industries. In much of the tertiary sector, characterised by small firms and enterprises employing small workforces, the union density rates are particularly low.

Table 2 Union density among women, young and temporary workers, 2010

	Union members	Workforce
Temporary	15,5%	25,0%
Female	40,7%	46,1%
Under 30 years	15,8%	21,7%

Note: Carried out by the Spanish Ministry of Employment and Social Security until 2010 (most recent data available).

Source: Quality of Working Life Survey (Encuesta de Calidad de Vida en el Trabajo).

Figure 1 **Union density by sector (2010)**

Source: Quality of Working Life Survey (Encuesta de Calidad de Vida en el Trabajo).

The relationship between the two main union confederations has developed towards a quite smooth and cooperative level after long years of tough competition. The consolidation of an articulated bargaining and representation structure and social dialogue, together with a general de-ideologisation of the political and union culture in Spain have contributed to this phenomenon. Fundamental differences between UGT and CCOO have disappeared and both have converged towards a modern pragmatic union organisation. However, a merger of the two is not on the agenda, for several reasons. Among the militants, the experience of bi-unionism is deeply rooted in their identities and at workplace level competition and inter-union conflict is still frequent. A merger would also strengthen smaller radical or corporatist alternatives and would imply innumerable organisational difficulties and conflicts, leading to a weakening of unionism.

In the international arena, Spanish unions have increased their participation, mainly in Europe. The initial enthusiasm for the development of supra-national bodies such as European works councils among unionists led to a feeling of frustration and disappointment. Unions are nation-based organisations and consequentially they tend to carry out strategies based on their particular interests. Frequently, those supranational representation bodies turn into a scenario for inter-union and inter-plant competition. Furthermore, the asymmetrical power relations between capital and labour are now plainly evident in European political institutions. Spanish unions are very aware of the importance of developing international union power to counteract pro-capital policies.



However, the lack of associational and organisational power directly linked to the international level is a major challenge with regard to achieving a successful strategy. Since the 1990s a far-reaching system of institutional participation by the social partners in institutions such as employment offices, social security, occupational training, universities and economic and social councils has developed. The main trade unions are thus involved at all levels (national, regional, local, sectoral) in a multitude of political negotiation processes. The climate of social dialogue has led to many tripartite social pacts (concertation) concerning economic and employment policy, pension reform, the health system and social dialogue in the public sector. Last but not least, this institutional participation provides public funding for unions that makes up around 30–40 per cent of their total budget and is essential to maintain their actual organisational structures.

Coverage by collective agreements in Spain is generally high (at around 80 per cent of all employees) because of the automatic generally binding rule (*erga omnes*), in the sense that all establishments, regardless of membership, are subject to the currently applicable branch collective agreement. In the 1997 labour reform a clear structure of levels was introduced into the collective bargaining system for the first time by reserving certain issues for the national branch level and tasking the social partners with reaching agreement on a hierarchy of competences for the other issues. Since that time it has been normal practice for the central confederations to sign collective framework agreements stretching over several years, which not only cover wage guidelines, but have also introduced new issues, such as gender equality, reconciliation of work and family life, health and safety, and part-time working for older workers into Spanish collective bargaining.

Spanish labour markets have changed greatly since the democratic transition in the 1970s. The labour force has become more heterogeneous, more qualified, less industrial, more precarious, more female, more immigrant and more flexible. The heritage of dictatorship was a rigid employment system with stable open-ended contracts, very low rotation, narrowly defined job classifications and lifelong employment. The labour market reforms in the democratic period opted for a deregulation of external labour markets, introducing a wide range of fixed-term contracts that have been used extensively by employers. Spain soon became a 'leader' in terms of fixed-term contracts in Europe. Open-ended contracts became the exception and the labour market has become strongly segmented into older male workers with high stability and protection and younger and female workers with high rotation and low protection. On the other hand, internal labour markets remain unchallenged by politics and collective bargaining, thus delaying the necessary modernisation of work organisation and skill and career schemes.

The employment boom that increased the working population from 16 million (1993) to 23 million (2008) had some particular and problematic features. The major part of employment creation occurred in sectors such as personal services, construction, retail, hotels and restaurants with high proportions of low-quality, low-income and low-stability jobs. This explains why Spain was the European economy with the highest employment creation in the period from 1994 to 2007 and the one with the highest employment destruction since the inception of the economic crisis.

Table 2 Structural data on the Spanish labour market

	1990	1992	1996	2000	2002	2007	2009	2011	2013	2015	2016
Unemployment rate	16.3	18.4	22.2	14.2	13	8.6	18.3	21.6	27.2	20.9	18.6
Proportion of long-term unemployed	51.4	46.6	54.6	44.6	37.7	22.6	34.5	50	56.3	59.5	56.5
Women's unemployment rate	24.2	25.5	29.6	20.5	16.4	11	18.4	23.3	27.6	22.5	20.3
Youth unemployment rate	33	35.7	42	28.1	22.3	18.1	39.6	46.4	57.2	46.2	42.9
Unemployment rate of Spaniards	nd	nd	nd	nd	nd	7.9	16.8	20.6	25.1	19.9	nd
Unemployment rate of foreigners	nd	nd	nd	nd	nd	12.3	29.7	34.8	39.2	28.3	nd
Proportion of fixed-term employment	30.3	33.5	33.8	32.9	31.6	30.9	25.4	25	22.1	25.7	26.5
Proportion of part-time employment	4.6	5.9	7.4	7.5	8	11.6	13.3	13.8	16	15.7	16.6
Activity rate	nd	nd	nd	65.43	66.6	71.7	73.1	73.9	74.3	74.3	75.1
Female activity rate	nd	nd	nd	52	53.8	61.9	65.1	67.3	68.8	69.1	70.1

Source: Spanish Labour Force Survey (Encuesta de Población Activa) carried out by the National Statistics Institute on a quarterly basis and Eurostat.

Similar to the economic and social welfare regime, the Spanish labour market is characterised by a number of incoherent and contradictory institutional features that contribute to the high rates of unemployment, precarity and inequality. There is a clear mismatch between the education and the production system, with an underdeveloped vocational training system and difficulties facing young academics seeking initial employment and career path entry. The polarisation between the huge number of micro-enterprises and the few big public and private employers corresponds to an insider–outsider polarisation between well-protected, stable employees and a high proportion of precarious workers. Active labour market policies increased with the EU social funds but the results were highly ineffective and often ended in opaque trade union and employer’s association entities.<sup>2</sup>

Labour market policies in Spain illustrate the continuous force of failed neoliberal ideas. Socialist and conservative governments alike swallowed the argument that deregulation goes hand in hand with employment creation. Since 1980 more than 50 ‘reform’ acts have been adopted that all pointed in the same direction: increase of temporary and atypical contracts, reduction of employee protection and costs of layoffs, decentralisation of collective bargaining and opt-out clauses and reduction of unemployment benefits. The evolution of employment in quantitative and qualitative terms has never confirmed this argument; on the contrary, it clearly indicates the high vulnerability and low quality of employment with strong incentives for hire and fire policies and disincentives for long-term investments in human capital on the part of employers. Despite all the evidence against it, the neoliberal approach is stronger than ever and currently counts on the support of the Troika (IMF, European Commission, European Central Bank).

<sup>2</sup> The management of continuous training funds by employers and trade unions has been at the origin of several corruption scandals since its foundation in the late 1980s.

#### **4. Current crisis: bursting of the bubble and outbreak of structural weaknesses**

Our institutional historical analysis so far has outlined the structural weaknesses and vulnerability of the Spanish economic growth model and its welfare and labour market regime. The bursting of the real estate bubble in the context of the international financial crisis in 2008 moved the Spanish economy back to a state of chronic underdevelopment and a lack of competitiveness. The private debt of enterprises and households reached nearly 300 per cent of GDP, which was refinanced in international credit markets. The public deficit increased sharply due to falling tax revenues and increasing social spending. The inflated construction and housing sector crashed, the savings banks that had financed the bubble had to be rescued and converted into private banks with huge amounts of public money and unemployment rose over 20 per cent, with a youth unemployment rate near to 50 per cent. The Troika-led neoliberal crisis management, which perversely doubled down on labour market deregulation, pension cuts, cutbacks of public services, privatisations and downsizing of the public sector served merely to intensify the social harm of the crisis without tackling the structural problems of the Spanish economy.

During the crisis years 2008–2014 GDP shrank 9.3 per cent and Spain lost nearly 18 per cent of its employment and became the euro-zone country with the highest income inequality, unemployment and youth unemployment rates. After the EU enlargement towards central and eastern Europe, the exceptional conditions responsible for economic growth periods in the second half of the past century, have disappeared and there are no substitutes in sight. Spain thus seems to be condemned to suffer its structural economic weaknesses for a long time and so far no political alternatives likely to initiate a change of the outdated economic model have emerged.

The economic, financial and debt crisis since 2008 has led to significant changes in the industrial relations and social welfare regimes of the southern European countries, but left the dominant economic and financial regime largely untouched. The hegemonic neoliberal discourse has transmogrified the failure of deregulated financial markets and the ill-constructed European currency into an alleged crisis of the social welfare state and labour market regulation. Since 2010 Spanish governments have followed the neoliberal Troika's instructions obsequiously.

The severe impact of the bursting of the credit and housing bubble, together with the related economic and financial crisis thus encounter a vulnerable, not fully articulated welfare regime. Public budget restraints, Troika-led neoliberal 'reform' agendas and high unemployment and poverty rates have resulted in severe cutbacks in social spending in a time when rationality dictates that it is more necessary than ever. Cutbacks in health care, a growing number of long-term unemployed without benefits, elimination of early retirement schemes, elevation of retirement age, cutbacks in public pensions, restrictive labour market and education reforms, the paralysation of long-term care policies and more indicate the extent to which the Spanish welfare state has been left prostrate by neoliberal capitalist crisis management in the context of a European Social Model in crisis. Spanish society, however, has developed an admirable capacity for self-defence

and response in terms of new social protest movements and political parties, which leaves the future of the welfare regime open.

Since 2015, after seven years of depression, a new optimistic discourse emerged with Spain growing out of the crisis and creating jobs. These more favourable statistics, however, are the result of exceptional external factors and in no way indicate a reduction of its huge structural deficits. First of all, the statistical growth rates are relatively higher as Spain had shrunk much more than the rest of Europe during the crisis years. The expansive policy of the European Central Bank and the low interest rates make the refinancing of the still huge private and public debt easier. The fall in the oil price and the depreciation of the euro have benefitted the export sector and the trade balance. All these factors have also stimulated a modest recovery of domestic demand. The major part of new jobs are part-time and fixed-term contracts, however, while Spain continues to destroy stable employment and the number of long-term unemployed is increasing.

## **5. Trapped in strategic dilemmas: deliberate revitalisation or conservative recovery?**

The economic crisis since 2008 has hit the Spanish economy extremely hard. Nevertheless, this dire situation has been met with a policy response that is undermining many of the social and political institutions that have stabilised Spanish society since the democratic transition at the end of 1970s. One of the most prominent victims of this neoliberal crisis management is the institutional power of trade unions. Thus, the weakness of other power sources makes the search for new union strategies an urgent issue for Spanish workers' organisations.

The consequences of the current economic crisis and the drastic austerity programmes and two anti-trade union labour market reforms (2010, 2012) have brought social dialogue to a standstill at many levels and it is currently uncertain whether and when it can be revived. The recently signed agreements on extended subsidies for the long-term unemployed (2014, tripartite) and collective bargaining (2015, bipartite) after three years of silence among the bargaining agents have opened a debate between two interpretations. The signatory parties see a revitalisation of social dialogue as part of the economic recovery at the end of the prolonged crisis. More critical voices, however, consider these agreements as another 'headline concertation' (Avdagic *et al.* 2005: 8) among three weakened and delegitimised partners (Köhler and Calleja 2015). The bipartite agreement aims at saving collective bargaining against the damaging impact of the Labour Reform Act 2012, which incentivises employers not to renew collective agreements and instead to leave the workforce without protection. Increasingly powerless employers' and workers' associations thus try to regain bargaining capacity. Similar motives have moved the government after years of losing electoral and social support to sign an agreement on benefits for the huge number of long-term unemployed without any social assistance. Concertation and social dialogue have proved moderately successful with regard to the distribution of increasing public resources, but have come to grief with regard to a fair distribution of the consequences of the crisis.

As indicated in the introduction, the inherent asymmetry in capital–labour relations becomes even more evident in times of economic downturn with shrinking institutionalised power resources for trade unions. Following our power resources approach, since 2008 Spanish trade unions have lost structural power in the internal and external labour markets due to high unemployment and constant company restructuring and downsizing. Even in highly unionised sectors, such as the automotive or steel industries, works councils and unions have had to make significant concessions in terms of wage cuts, working time and contract flexibility to safeguard employment. Shrinking membership and bargaining power are weakening the associative and organisational power sources and the conservative political climate, together with the power shift towards employers, are undermining institutional power and the willingness to maintain effective concertation and social dialogue. With trade union backs against the wall revitalisation strategies through the mobilisation of complementary power resources in terms of social movement unionism, alliances with other civic movements and an ideological and organisational renewal towards a recovered ‘sword of social justice’ (Köhler and Calleja 2015) have emerged on the agenda, but face high barriers of conservative inertia and risk-avoiding strategies. Moral, coalitional and strategic power resources are very difficult to mobilise for trade unions after decades of an almost exclusive orientation towards institutional power resources and representative forms of collective action.

Regarding our initial concepts of historical institutionalism Spain proves to be a case of incoherent and non-strategic institution-building, within the framework of which corporate structure and governance lack a complementary occupational and training system; banks are not sufficiently controlled and not interlinked with the companies; management–labour relations tend towards unproductive conflict; collective bargaining remains poorly articulated and fragmented; different administrative levels produce redundancies and inefficiencies; and the welfare regime remains underdeveloped and family dependent. In this situation of structural institutional weakness and vulnerability, the social and political actors in general, and the trade unions in particular, have been unable to develop strategic power and resources to intervene in the deterioration of social and economic institutions. These institutions often block each other instead of creating complementarities and coherent growth strategies (Royo 2014).

Trade unions are thus suffering the new political priorities of tackling the public deficit and cutbacks in social services and labour costs to regain productivity and attract foreign investment (‘internal devaluation’). Institutional union power is being further reduced through labour market reform acts that foster the decentralisation of collective bargaining towards the firm level (Köhler and Calleja 2013: 15) and a reduction of political concertation (Nogueira *et al.* 2015). Inertia and lack of strategic reorientation in the Spanish unions are shifting the model from ‘neo-corporatist concertation’ to ‘crisis concertation’ (Luque Balbona and González Begega 2016; Molina and Miguélez 2013) in response to external factors and unstable relations. This line of social dialogue does not help to achieve any revitalisation objectives. On the contrary, in the current state of this mechanism unions are being instrumentalised by the government for its own interest to give the appearance that policies are being negotiated with social actors. The trade union side has maintained the inertia of concertation as the strategy chosen by a leadership that is increasingly dissociated from the rank and file members.

Furthermore, Spanish unions are highly dependent on public funding. Given their ability to modify these financial allocations governments are able to put pressure on union structures and bureaucracies. As a result, trade union independence and the scope of their strategic discretion is compromised.

Spanish unions have stood by passively as their membership base has been eroded, receiving organisational resources from the government. This has generated a sense of a lack of representativeness in Spanish society. ‘They don’t represent us’ is a central claim of the new social protest movements against the established political and trade union organisations (Köhler and Calleja 2015). Union leaderships follow the tradition of ‘pale, male and stale’ and public confidence in union organisations is pitifully low. In the periodic CIS<sup>3</sup> surveys inquiring about public confidence in institutions, unions rank third last out of sixteen (CIS 2015a: 8), ranking above only political parties and the government, but all besmirched by corruption scandals. According to another CIS survey, corruption and fraud are the second most important problems facing Spain as perceived by its population, after unemployment (CIS 2015b: 4). The institutional role of the unions has provoked Spanish society in general – and social protest movements in particular – to identify them as insiders or as part of the political system at a time of great political disaffection. However, there are a few experiences of mutual collaboration. Cutbacks in social expenditure have been perceived as important enough to develop shared actions among trade unions, social movements and other organisations of civic society. These actions took the form of so-called *Mareas ciudadanas* (waves of citizens) in 2012 and 2013. The new and innovative potential was the common collective action of trade unions, corporatist professional organisations and recipients of public services. The aim was to defend public services and to develop political measures to protect certain groups (such as those affected by subprime mortgages). Priority has been given to action and all participants have adopted a low profile with regard to its primary organisations. The structures that the largest trade unions have within the public sector functioned as key pillars of these successful actions.

Spanish unions are losing influence as they are suffering from a deterioration of their institutional and social legitimacy. With other sources of power neglected in the past two decades, the social and political effects of the economic crisis are becoming a major challenge for their future role. The outbreak of new social movements, such as the *Indignados* and *Mareas ciudadanas* expressing popular indignation about the causes and consequences of the crisis, has acquired great social and political importance. This situation provides an opportunity as well as a serious threat to Spanish unions. The opportunity comes from the possibility to develop revitalisation strategies such as coalition-building, whereas the threat is related to the possibility that these new social movements may displace or marginalise unions, thus contributing to their decline (Köhler *et al.* 2013).

The competition among the two big union confederations and a considerable amount of small regional and more radical unions, often very active in the social protest movements,

<sup>3</sup> The surveys carried out by the the *Centro de Investigaciones Sociológicas* (CIS – Sociological Research Centre) are the primary means of measuring Spanish public opinion (2,500 interviews, margin of error +/- 1.9 points and a confidence level of 95.5 per cent).

make coalition-building difficult. Unions that are playing a role in the institutional arena try to form ‘coalitions of influence’ (Gumbrell-McCormick and Hyman 2013: 146), while unions outside institutional participation try to form ‘coalitions of protest’ (ibid.). In the past few years, small but radical Spanish unions have attained greater social visibility by allying with social protest movements. Particularism and poor relationships between Spanish unions are increasing the divisions and blocking some of the possibilities of union revitalisation. Thus, structural power as the capacity to influence employers but also political decisions is being weakened. This is evidently having negative effects on membership or associative power and resulting in decreasing organisational capacities. In our view, union revitalisation is an interconnected and accumulative process of developing sources of union power using several strategies aimed at gaining influence in social, industrial (labour processes), political and economic processes. But in order to achieve revitalisation objectives for the entire union movement a minimum degree of coordination is desirable and a comprehensive, long-term vision of the process is essential.

Spain largely confirms the common trajectories of institutional change identified by other comparative studies (Baccaro and Howell 2011). Capitalism is being deregulated, welfare states are being downsized, trade unions are being weakened, collective bargaining is being decentralised, but – interestingly – tripartite macro-concertation remains a nationally specific divergent indicator. Spanish unions are facing large and diverse challenges both at the internal (membership, structure, democracy, representation) and the external levels (relationship with society and other institutions). To continue being a relevant actor in Spanish society, they depend on a certain degree of success in confronting those challenges. Specifically, they should transform their constant internal debates about the future of unionism into real actions leading to effective transformation.

The latest confederal initiatives, however, indicate the renunciation of deliberate renewal strategies and a desperate bid to regain past certainties. The two main confederations, together with the employer’s association CEOE, are trying to renew the social dialogue with the government (CCOO 2015; Noceda 2016) and called on the main political groups for stability pacts after the general elections in December 2015 and the re-elections in June 2016, which resulted in new, more fragmented parliaments with two new important parties, the left-wing social movement party Podemos (We Can) and the liberal technocrat Ciudadanos (Citizens). The deep divides among the four main parliamentary groups make stable government coalitions impossible and everything points toward weak minority governments. In an unprecedented initiative CCOO and UGT met in February 2016 with the president of the newly elected parliament to demand a new stable coalition government, thus expressing their inability to act without public support. Out of the four dominant political parties only the very much weakened and divided socialist PSOE has traditional links and affinities with trade unions. Regarding the results of the workplace elections in 2015, where the two main confederations suffered losses but maintained their hegemonic position, the union leaders expressed with a certain pride that bipartism had ended only in the political but not in the trade union sphere (Europa Press 2016). So far, as Gago says, the Spanish unions are like a captain refusing to abandon the sinking ship ‘Concertation’ (Gago 2012: 1100).

Institutional power resources have operated in Spain mainly as a trap as they have been used by governments to co-opt and tame the unions. Showing little overall strategic vision, the unions have accommodated themselves to the products of the institutional power provided by the government. These products in the form of political concertation, institutional participation and public funding to develop union structures have been embraced, while other sources of union power are being neglected. From a revitalisation perspective, it is necessary to develop more independent sources of union power, whether associational, organisational or structural. In Spain, structural power has traditionally been weak and the other two have been diminished since the beginning of the recession in 2008. Recovering a sense of the importance of complementary trade union power sources in developing new strategies can be useful for Spanish trade unions. Regarding institutional power, it is always necessary as it is an important tool for creating and consolidating an environment favourable to trade union activity and development.

Social unrest and the upsurge of new and diverse social and political protest movements in the course of the economic downturn and against the neoliberal crisis management have opened up new spaces and possibilities for civil society organisations in Spain. Trade unions need to use these new possibilities for an effective revitalisation strategy and overcome their accumulated organisational diseases. To this end, unions need to undertake deep structural and strategic transformation. CCOO launched an interactive initiative with all affiliates in May 2016 under the label 'Rethink the union', although the document it has distributed does not include really innovative ideas. UGT, having celebrated its 42nd congress in March 2016, is involved in a further merger and concentration process under the new executive, leaving just three big federations: one for the private manufacturing sector, one for private services and one for public services. Revitalisation is a difficult and often contradictory process and the most conservative resistance is coming from inside trade union organisations. Besides, unions tend to develop strategies adapted to the existing political and socio-economic environment. Nowadays, the environment is increasingly hostile and the logic of adaptation is futile and should be replaced by a proactive attitude to change the environment. Renovating and expanding the unions' social base must be accompanied by an expansion of internal democracy and a rethinking of the organisational form with efficiency and feasibility criteria. Furthermore, most union strategies on membership recruiting and retention, political action, collective bargaining and mobilisation are failing and a reboot is required. To achieve this, unions should meet a series of internal and external challenges and dilemmas. Their future as relevant social actors in Spanish society depends strongly on their ability to deliver successful solutions.



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# Trade unions and collective bargaining in Italy during the crisis

Salvo Leonardi

## 1. A premise

Not unlike a significant proportion of the trade union movements developing within the fold of older industrial traditions, in Italy, too, the trade unions are facing difficulties. The reasons why Italian trade unions are under pressure remain substantially similar to those affecting, more or less severely, the international trade union movement as a whole (Bryson *et al.* 2011; Visser 2012; Gumbrell-McCormick and Hyman 2013; Bernaciak *et al.* 2014). A range of epoch-breaking transformations have occurred, changes that have profoundly eroded and cast into disarray both the objective and subjective conditions that, in the course of the twentieth century, led to the development and consolidation of strong and influential trade unions in Europe. Among others, these changes include the consequences for labour of neoliberal globalisation: financialisation of the economy, post-Fordism and deindustrialisation, precarisation of work, neo-individualism and disintermediation in the representation of social interests.

In a global and increasingly common scenario, cross-national differences – in terms of the varieties of capitalism (Hall and Soskice 2001) and representation systems (Frege and Kelly 2004; Pedersini 2014) – still matter with regard to the character and severity of the challenges confronting national trade unions. However, beyond such enduring institutional diversification and path dependency, some scholars have stressed the growing ‘converging divergences’ (Katz and Darbyshire 2000) toward a fairly common neoliberal model (Baccaro and Howell 2011). This is the result of three decades of radical and global changes in Western employment systems, lately accelerated by the deep financial and economic crisis and the measures misguidedly taken to combat it (Lehndorff 2015). Labour law has been deregulated almost everywhere and, in the Italian case – through an endless series of ‘reforms’ – has led to a dramatic decline in the OECD Employment Protection Legislation Index. Collective bargaining, too, has passed from an ‘incremental corrosion to frontal assault’ (Marginson 2014). With the *new European economic governance* (NEEG), internal devaluation has become a functional substitute for currency devaluation, whereas ‘austerity’-oriented ‘structural reforms’ are aimed at increasing the ‘flexibility’ of labour market institutions, reducing multi-employer bargaining systems, freezing extension mechanisms, cutting or freezing minimum and public sector wages, indexation, fostering decentralisation and stepping up derogations (Schulten and Müller 2014; Van Gyes and Schulten 2015). A ‘toxic austeritarianism’ (Hyman 2015) has left little or no margin for domestic democratic institutions and social actors, which have been downgraded from political to executive subjects.

The countries worst hit by the sovereign debt crises – in southern Europe – have been the targets of and laboratory for unprecedented interventionism in the sphere of labour

and industrial relations. This occurred in Italy in August 2011 when the government received a very detailed ‘secret’ letter from the ECB, calling on it to implement a series of ‘structural reforms’ and other painful measures. These included – among other things – the extension of the retirement age, deregulation of individual dismissals, decentralisation of collective bargaining and freezing of collective bargaining in the public sector.

In this chapter we intend to take a closer look at Italian trade unionism, analysing trends and the causes of the difficulties it is facing, as well as the countermeasures taken. Anticipating some of the conclusions arising from this chapter, we can affirm that the associative power of Italian trade unions is *quantitatively* more solid and stable with regard to comparable countries. Nevertheless, the situation is more critical from the structural, organisational and institutional points of view, where trade union outreach has been *qualitatively* undermined by challenges so serious as to threaten substantially its role in contemporary Italian society. One of the most impressive features here is this gap between a comparatively high level of power resources (membership, bargaining coverage, mobilisation capacity, finances) and the modest outcomes in terms of workers’ conditions (wages, employment, welfare, inequalities). This is certainly due to a number of *external* factors, such as Italy’s weak economy, structural shortcomings and current global difficulties, but also some *internal* ones, such as (i) changes in membership composition, both objective (sectors, type of workers, age, skills) and subjective (motivation, activists); (ii) the crisis of traditional voluntarism in industrial relations, with subsequent legal uncertainty and intra-union conflicts; and (iii) the eclipse of neo-corporatist political exchange, under pressure from the NEEG and complete dealignment between unions and political parties.

## **2. Italy in the turmoil of crisis and austerity**

In recent years Italy has experienced an acute economic and social crisis, characterised by stagnation and recession, with falling industrial investment and production, domestic demand and savings. From 2008 to 2015 GDP contracted by almost 10 per cent, while the government debt-to-GDP ratio – the fourth highest in the world – rose from 103 to 132.6 (2015). Export performance has remained below that of competing countries, with Italy losing its share of international markets. Productivity has barely increased and remains far behind the German, Spanish and French levels. Wage development, one of the worst among the industrialised economies, has experienced a long stagnation, aggravated by one of the heaviest tax burdens.

Government action is dictated by the Treaties and the European Semester, according to which Italy must reduce its enormous public debt and push up GDP and productivity levels, against a backdrop of a national economy affected by structural shortcomings. Through the fiscal adjustment of recent years, the government deficit fell from 5.5 per cent of GDP in 2009 to 2.4 per cent in 2016. In 2016, GDP grew by 0.8 per cent. The very low inflation rate has now turned into a very problematic deflation, reaching –0.2 per cent in March 2016. Due to monetary union, currency devaluation is no longer available. The required structural adjustment could have paved the way to fostering a ‘high road’ approach to

reshaping the country's production capacities. This has not occurred, however, because companies – enabled by new laws on labour market 'flexibility' – have opted for a mere reduction of production costs. The country's rating according to the Employment Protection Legislation Index has fallen. In a first phase, between 1995 and 2007, more than three million jobs were created, while productivity remained stagnant. Flexible employment has been characterised by fixed-term contracts, involuntary part-time working and a peculiar explosion of economically dependent 'self-employed', mostly bogus, deprived of coverage by labour law and unions. Italy stands at the top of the list in Europe for the number of informal workers in the shadow economy, to which, by its very nature, unions have no access. During the crisis, these workers were the first to be made redundant. From 2007 to 2014 unemployment doubled, from 6 to 13 per cent, although mitigated by widespread use of short-time working schemes and redundancy funds. Employment and inactivity rates are some of the worst in the EU, at 55.9 per cent (only 46.8 per cent for women) and 36.5 per cent (an astonishing 73.1 per cent in the age group 15–24), respectively. The number of NEETs and jobless people who have given up looking for a job, are some of the highest in the EU: 24 per cent and 13 per cent, respectively.

With its 'Jobs Act', approved in spring 2015, the Renzi government again reformed labour market legislation, with a large package of measures, including – after the liberalisation of fixed-term contracts – a quite definitive abrogation of the right to reinstatement in case of unjustified dismissal (only if it was proved to be discriminatory),<sup>1</sup> better public employment services, more inclusive unemployment benefits, work–life balance and equal opportunities, labour contracts and review of task regulation, wage supplementation scheme, rationalisation and simplification of inspection activities, labour services and policy, and interventions in second-level contractual bargaining. The government envisages the creation of new open-ended jobs by means of three years of tax relief on social contributions, which was initially full and then gradually reduced to the current 40 per cent of standard labour costs.<sup>2</sup> This was a very welcome incentive, thanks to which, in 2015 – when the tax relief was 100 per cent – the number of new jobs grew remarkably. In 2016, with the tax relief reduced to 40 per cent, the number of new contracts fell, trimester after trimester. These measures above all have encouraged companies to hire again, so that employment levels have improved after the loss of 1 million jobs in eight years. In January 2016 unemployment fell to 11.5 per cent (with a still appalling 39.3 per cent in the age group 15–24), after peaking at 13 per cent.

By prioritising price-driven competitiveness, the government and companies have both neglected the overwhelming importance of internal demand for GDP growth and have therefore avoided tackling the true causes of the weaknesses of the Italian production system, namely, the deep territorial divide and its historical dualism, the inadequate average size of Italian enterprises (four employees on average), poor investment in R&D, public administration inefficiency, fiscal non-compliance and widespread corruption.

1 In the case of dismissals due to economic hardship ('economic dismissals'), reinstatement in the workplace, provided for before the reform, was substituted by severance pay, based on the age of the worker and years of service.

2 Until 2015, employers could benefit from a tax reduction of 24,000 euro in three years (roughly 8,000 per year) for every new hired worker. From 2016, the discount has been limited to 3,250 euros.

If we want to understand the role and power of trade unions in Italy, beside their subjective and organisational features and capacities, we always have to keep in mind the objective constraints and structural framework.

### **3. Main features of Italian trade unionism: trends since the 1990s**

#### 3.1 Tradition and identity

Similar to other Latin countries, the Italian system is based on the principle of trade union pluralism, rooted in the ideological conflicts emerging from the ruins of the Second World War. Since the late 1940s, there have been three central union organisations: the General Italian Confederation of Labour (CGIL), the Italian Confederation of Workers' Unions (CISL) and the Italian Union of Labour (UIL). Minor unions include UGL, originally close to the post-Fascists; a plethora of professional 'autonomous' or 'extra-confederal' unions, fairly strong in banking, public services, education and transport; and radical left-wing unions (USB), relatively significant only in individual branches or plants.

All these organisations have differed in terms of their identities, ideology and purposes (Hodder and Edwards 2015; Leonardi 2016). CGIL has always been linked to left-wing parties (with a statutorily organised 'dialectic' between communist majority and socialist minority). CISL, originally close to the Christian Democrats, has had members sympathising with parties from a wider political spectrum. The third confederation, UIL, has been mainly associated with the Social Democrat left. Since the end of the 1960s, all union statutes have forbidden their officials at different levels from assuming roles of responsibility in political parties and elective assemblies. Nevertheless, their links with political parties, in terms of leaders, individual dual membership or engagement, has persisted, influencing their relationships with governments. This applies particularly to CGIL, whose members are traditionally more politicised and militant. Attempts at organising new separate unions linked to a party, as in the case of the xenophobic Northern League, have failed, although many of its voters are members of the other three confederations.

CGIL, CISL and UIL have adopted different combinations of the *logic of class* and the *logic of association*. One might mention the role of voluntarism and law in union affairs; bargaining centralisation and decentralisation; conflict and participation; militancy and accommodation; labour market regulation and flexibility. CGIL has long interpreted its role within the framework of the class struggle, practising a more political and rank-and-file kind of unionism, marshalling industrial conflict and social unrest. Favouring the primacy of the confederation over its sectoral federations and defending a centrally coordinated bargaining system, CGIL is favourable towards any form of direct and semi-direct democracy, making little distinction between members and non-members when electing works councils or in votes on collective agreements or social pacts. CISL – and to a certain extent also UIL – persists in a model of association in which members are paramount and 'come first', for example, in consultations about draft agreements. After a militant period in the 1970s, when egalitarianism and self-

management became a trait of the new CISL, the confederation gradually returned to a fairly moderate spirit, with an identity-dictated choice for *participation* in all possible forms and a more pronounced bargaining decentralisation. Traditionally reluctant to accept any legal interference, its preference is a voluntary system of collective autonomy, supported by organisational resources deriving from the provision of services and occupational welfare (Baglioni 2011). Even CGIL has not given up on developing pragmatic company-level bargaining and has revised some of its original views on the subject. Starting from the 1980s, the country's largest confederation, through a lively internal debate, has gradually accepted *codetermination*, including the long rejected board-level employee representation.

The degree of bargaining decentralisation and labour market flexibility, the role of non-members and the weight of occupational welfare are some of the main issues on which the three confederations often disagree, sometimes to the point of interrupting their usual unity of action. Cases of separate agreements – especially at peak level under the Berlusconi governments, but also at sectoral and company level – have weakened the union fortress and paved the way, in the absence of legal rules on representation and bargaining, to a quasi-anomic situation in industrial relations. This is in fact one of the most serious criticisms of the current state of Italian unionism. At the same time, such a pluralism of identities, standing and programmes is probably one of the explanatory factors of its relative success, in terms of membership at least, as it offers the possibility to represent different cultures and expectations within both the old and the new multifaceted world of labour.

### 3.2 Organisational and associational power resources

A key indicator of trade union power (Lévesque and Murray 2010) is union density, which has the advantage – although a controversial one – of being more easily monitored and compared (Bryson *et al.* 2011; Visser 2015). International statistics have highlighted a continuous and widespread decline in membership rates over the years, albeit with varying degrees of intensity. EU averages range around 23–24 per cent, a far cry from the numbers recorded in the late 1970s, when they were over 40 per cent. Union density has declined in Italy, too, but the downward trend has been slower and much more contained than elsewhere. It was 41 per cent in 1980 and is now estimated at 33.4 per cent (Carrieri and Feltrin 2016), still one of the highest rates in the world, falling behind only those recorded in Belgium and the Nordic countries that maintain the Ghent system (ILO 2015). No reliable data are available for the broad constellation of 'autonomous' trade unions, so that their members are not usually accounted for in official statistics. This means that overall figures on Italian union density are always conservative and hardly ever exaggerated.<sup>3</sup>

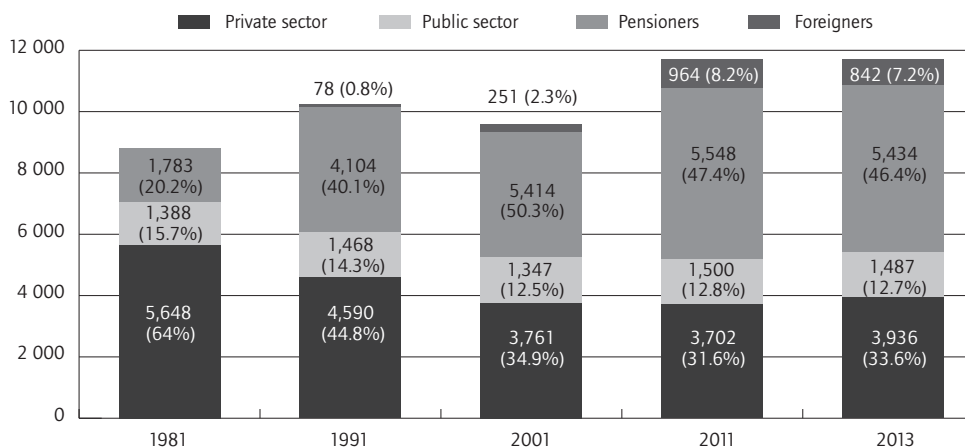
<sup>3</sup> In fact, according to the ICTWSS Database, Italian union density is estimated as higher, up to 37 per cent (Visser 2015).



Unlike what has occurred in other European countries, in Italy the increase in the number of members involved the active working population. Starting from 1998, improved membership among active workers benefited from employment rates, which grew strongly in the period prior to the 2008 crash. It is a trend that continued at least until 2012, with the performance in the last two years recording a very slight regression. The latest economic downturn does not seem to have affected membership. Taking 2008 as reference (= 100), CGIL's membership in 2014 rose slightly (+0.6 per cent) compared with an employment rate that in the same period fell by 4 per cent.

In 2015 CGIL had 5,539,472 members (5,686,210 in 2014), making it the third largest trade union confederation in Europe behind the German DGB and British TUC. While 2,938,956 of these are pensioners, among the rest an overwhelming majority (96 per cent) are wage earners, 75 per cent of the national workforce. CISL, with 4,302,352 members, is the second-largest trade union in Italy and the fourth largest in Europe, with 1,911,213 pensioners. The third is UIL, with 2,196,443 members (576,266 pensioners). Using an oxymoron, we can say that Italian union membership has been *declining alongside growth* over the years. Between 1981 and 2014 nearly 2 million members were lost among the active workforce, just when the latter was growing, in the private sector, by 2 million jobs (Carrieri and Feltrin 2016). Nevertheless, in the same period, the total number of persons affiliated to the three largest confederations grew from 8.819 million to 11.708 million, an increase of 33 per cent which – in absolute numbers – pushes Italy into first place in Europe. The explanation of this apparent paradox lies in the peculiar proportion of retirees out of the total number of union members. Their percentage rose from 20 per cent in 1981 to 50 per cent in 2001, before going down to 46 per cent in recent years, having an impact on overall union membership that has been greater than anywhere else in Europe. This success is probably because retirees do not subscribe to their old federations but their own, which is actively engaged in providing services and bargaining at territorial level, with the public administration, local services and welfare to improve the quality of life of elderly people.

Figure 1 Trade union membership and composition, in thousands (1981-2013)



Source: Carrieri and Feltrin (2016).

The massive changes under way in production have inevitably affected trade unions' sectoral and workforce map. Manufacturing has declined to less than 20 per cent of total membership (over 30 per cent if agro and food industry are included; it was 49 per cent in 1981), with a sharp downturn in branches such as textiles, chemicals and metalworking, which have almost halved in the past thirty years. At the same time, the increase in public (mostly teachers) and private services (from 5 to 15 per cent of total membership) has partially compensated such losses. Union density among public sector workers is higher than that recorded in the private sector: 38 per cent versus 32 per cent. Private services are in constant growth. Presently, the largest federation affiliated to CGIL is FILCAMS, which represents the workers in sectors such as trade, hotels and restaurants, private health care, cleaning and security services. This union alone recorded a growth of 28 per cent in the period between 2008 and 2014 (it had 470,000 members in 2015). Nevertheless, this impressive growth is far from corresponding to the employment increase in this broad and still expanding segment of the labour market, however, so that the rate of unionisation is more or less unchanged at the level of 1983, still the lowest with 17 per cent.

Today, the most unionised branches are transport (52 per cent) and construction (63 per cent), in which employees are covered by one of the most widespread and effective systems of bilateralism and occupational welfare (see below). Teachers, bankers, postal workers, industrial blue-collars and high skilled public employees are the most unionised jobs.

The incidence of female workers is on average weaker than that of males, also due to one of the worst gender gaps in the employment rate in the EU.<sup>4</sup> The contribution of immigrants is becoming more and more significant, with an overall contribution of around 8 per cent, rising to 18 per cent among all workers; 26 per cent if only the private sector is considered. The weakest groups continue to be the under-30s, casual workers and the less unionised (15 per cent), with a gap of 30 percentage points with members in the 45–60 group.<sup>5</sup> They are the most affected by the precarisation of employment, but also with an inclination to lean to the centre-right politically. It goes without saying that such a key segment represents one of the main trade union concerns. The geography of union membership is highly divergent and polarised. In CGIL, for example, approximately 2 million out of the roughly 5.6 million members come from just two regions, Lombardia and Emilia Romagna. In CISL, Campania and Sicily are particularly important.

CGIL, CISL and UIL can rely on significant financial and human resources. According to some estimates, the three confederations annually collect more than 1 billion euros in subscription fees (Feltrin 2015). Trade union sources, however, claim this sum is underestimated, with CGIL collecting this sum on its own. Since 1973, Italian trade unions have benefited from the check-off system: membership fees are deducted from wages and paid to the unions by employers. That subscription fee, about 1 per cent of the wages of a full-time worker, is renewed automatically every year, unless specifically

<sup>4</sup> In the case of CGIL, female membership is 42 per cent (47 per cent of the workforce).

<sup>5</sup> They amounted to 18 per cent of CGIL members (23 per cent of the workforce), while precarious workers (temporary and on project) account for less than 5 per cent of members (17 per cent of the employed).

revoked by the worker. Part of the Italian union membership stability can certainly be explained by this support, which provides financial continuity.

Additional revenues come from fiscal assistance services (7 million tax returns every year), retirement and welfare assistance provided by the *patronati*, individual advocacy by legal offices and occupational benefits provided by bilateral entities (see below). The grand total, including subscription fees and service charges, that trade unions receive would be nearer to 2 billion euros. This all-time high, it should be observed, also comes with low debt levels and a solid volume of real property. This financial strength allows trade unions to maintain a payroll staff of over 25,000, mostly holding regular, standard contracts. The figure was less than 10,000 in the late 1970s (Carrieri and Feltrin 2016).

Membership data are provided by the trade unions themselves. Figures are more accurate and reliable among public sector workers and pensioners, thanks to the role of public authorities in the implementation of official data. Unreliable membership data can create problems during industry-level or inter-confederate negotiations, especially when discussions are under way to establish who can take part in the bargaining and what majority to apply when a resolution needs to be passed. This is quite a sensitive issue: in the voting on the approval of a collective bargaining agreement, CISL would prefer to involve only its own members, while CGIL wants to open consultations up to all the workers interested. The compromise between the two positions has been to seek a median average between number of members and votes obtained in the elections at the workplace level, both gathered and certified by third-party public authorities. This decision was passed by law in the public sector and is now going to be applicable in part of the private sector, following framework agreements (see below).

### 3.3 Institutional support

Among the peculiarities of the Italian industrial relations system, one is the high degree of voluntarism and the abstention of the law. Key issues such as workers' representation, collective bargaining (procedures and effects), minimum wages, strikes and employee participation in the private sector are not regulated by law, but by tripartite and/or bilateral agreements.<sup>6</sup> Although the 1948 Constitution contains specific indications concerning those very institutions, their formulation has been in turn opposed by the centre-left parties, in some instances because they sounded like echoes of fascist-period corporatism, such as when the validity of an industry-wide agreement depends on the public registration of the signatory unions (Article 39). Inspired by the pluralism of Anglo-Saxon countries, CISL has always privileged collective autonomy, based on the social partners' mutual will, without any state interference. CGIL, which has a different view about the role of law, has never pressed home this demand, fearing it would undermine the already delicate relations with CISL.

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**6** This clearly distinguishes Italy from the other southern European countries, where state intervention is significantly stronger and the relations between trade unions and the political system are more deeply entrenched. It's worth mentioning that Italy is the only member state of the EU, along with Sweden and Denmark, that has neither a statutory minimum wage nor an administrative extension procedure to guarantee universal coverage of collective agreements.

The only broad-ranging law that in half a century has provided a framework of principles and general rules in the area of employees' rights was the Workers' Statute, passed in 1970, arising from the struggles and victories of the 'hot autumn' of 1969. Inspired by Roosevelt's Wagner Act, it was a case of auxiliary legislation, aimed at stabilising union liberties and power on the shop floor. The *Statuto* establishes the employees' right to elect workplace representatives and to freely exercise union rights and liberties in companies with more than 15 workers. While also setting down the right for workers to be reinstated when improperly fired, the *Statuto* prohibits the establishment of yellow

unions and prescribes penalties for companies carrying out anti-union activities. Thanks to the cross-fertilisation of collective cultures and plural identities among communists, socialists and Catholics (Cella 2008), the Italian labour movement, on the wave of a mounting cycle of class struggle (Pizzorno *et al.* 1978) experienced one of the longest periods of union growth and power in Western societies. This is indicated by the historically very high frequency of strikes and trade union mobilisations. It is important in this context that solidarity and politically-motivated strikes, under Italian law, are not banned.

Many things in Italy would change in the 1980s, as they did in the rest of the world. The balance of power started to shift and Italian academics and trade unionists started to look with growing interest at the very neo-corporatism that had long been dismissed, just when neo-corporatism was slipping into a crisis in its Nordic birthplaces and bastions. Implementation is based on the notion of 'political exchange'. Starting from the early 1990s, Italy emerged as one of those countries that stimulated what has come to be known as the 'neo-corporatist revival' (Crouch 1998) through a series of social pacts, while industrial unrest began to decline. Italy's entry into the European economic and monetary union involved a major economic overhaul, which was also achieved through the definition of a wage policy that was the outcome of a concerted effort between the government and the social partners, the aim being to cut inflation and increase output. The tripartite Protocol signed on 23 July 1993 was the crowning achievement of that phase of Italy's industrial relations. It established the framework rules for collective bargaining, workplace representation and labour policies. Other important agreements were signed all the way to 2007, heralding reforms of pensions, labour flexibility and welfare that lawmakers implemented only after having found common ground with the main social partners.

This neo-corporatist approach, which called on workers to endorse all agreements in referendums, began to ebb with the great crisis of 2008. The centre-right governments tried to break the unions' united front by co-opting CISL and UIL, while isolating CGIL, which emerged as the point of reference for the opposition to the increasingly neoliberal policies.

Unlike what occurred in some members states to enable them to claim eligibility for the monetary union, European institutions now appeared to be very impatient with the pace and procedures of social democracy, calling national governments to enforce unilateral and often draconian measures. The countries that rekindled neo-corporatism in the 1990s are those that have now declared its death, under the unilateral imposition

of governments: Greece, Ireland, Portugal, Spain, the central and eastern European countries and Italy. In August 2011, the ECB – with an unprecedented and controversial initiative – sent a secret letter to the Italian government, at that time headed by Silvio Berlusconi, demanding a list of detailed reforms. Rome was urgently required to carry out reforms in the areas of pensions, labour flexibility and collective bargaining decentralisation. This request was duly and unconditionally accepted by lawmakers, without seeking any previous agreement with the social partners, but in open conflict with the trade union side.

Berlusconi, Monti and Renzi have all expressed their dislike for the ‘old’ policy concertation – stigmatised as one of the main reasons for the country’s sluggishness – advocating the full right to govern and make laws unfettered, without being vetoed by the social partners. Trade unions and especially CGIL have been accused of being supporters of a worn-out notion of representation, concentrated on safeguarding the interests of the last bastions of the ‘protected’ workforce and increasingly out of touch with the younger generation and the new world of work. The fact that this criticism has been strongly reiterated also by a centre-left government indicates the rift that has increasingly widened between trade unions and political parties. Workers no longer seem to have a political partner they can refer to within parliamentary institutions.

One of the reasons for the widening gap between the associative power of Italian trade unions and the real power they can actually muster is their progressive marginalisation by the political system, which has been increasingly impatient with the ‘old rituals’ of political exchange and disdainful of the role trade unions can play in social intermediation.

## **4. Collective bargaining**

### **4.1 The problem of measuring representation**

Trade union representativeness has become a thorny issue as relations between the major confederations have worsened over the years, following the enforcement of some key agreements regardless of whether their signatories had a majority to back them up. This has occurred repeatedly, with the tripartite agreements on the labour market (2001) and the collective bargaining system (2009); in some industry-wide agreements, such as the tertiary sector and metalworking (2008–2010); and at company level, in some large companies, such as FIAT (2010). In all these cases, CGIL and its federations were cut out of the deal. The issue of representativeness is not something that affects only relations between the three principal confederations but also concerns the role of independent unions as well as of employers’ associations, whose acute fragmentation continues to be one of the most serious weaknesses of the Italian industrial relations system. In 2008, some 396 industry-wide agreements were recorded, of which fewer than 300 were endorsed by the large confederations; in 2016 that figure rose to 800 (CNEL 2016). The landscape is at best chaotic and without clearly-defined rules governing representation. There is also an increasing risk of wage dumping in the agreements signed within the same sector, with no involvement of the representative social partners.

This organisational fragmentation has had a number of consequences, which are often not only obtrusive but also unpopular, as when industrial action disrupts essential public services such as urban transport. In 2014 alone 2,084 strikes were announced, only a few of them by the most representative unions. While 'only' 1,233 were actually carried out, the feeling generated was one of a generalised misuse of a right considered nevertheless to be fundamental.

In a climate of trade union splits, the lack of binding and effective norms concerning the most representative unions and the results of collective bargaining gave way to uncertainty and bitter disputes, both political and in the courts. A bid to overcome this quandary occurred between 2011 and 2014, with the stipulation of three framework agreements with Confindustria that defined specific rules about (i) who has the right to participate in negotiations and (ii) when an agreement can be considered sufficiently representative to be binding for both sides. Unions need to pass a threshold of 5 per cent representativeness to take part in national collective bargaining, whereas a final agreement is binding if signed by unions representing at least 50 + 1 per cent of the relevant workforce. These thresholds are calculated as a weighted average between votes and members, gathered by public authorities, such as the National Institute for Social Protection (INPS). This is a fifty–fifty compromise between the preference of CGIL for electoral democracy and that of CISL for an associative mandate. Industrial action is barred to the workplace union representatives affiliated to the signatory confederations if they end up in the minority, a clause that has provoked discontent on the trade union left, such as the metalworkers in CGIL.

The choice once again for collective autonomy is clashing with a number of criticisms concerning scope and enforceability. Although the retail, cooperative and services social partners signed very similar framework agreements, not all sectors are still covered by these texts (banks and crafts are still outside). Besides, the data-gathering process has proved to be fraught with difficulties due to the reluctance of many enterprises to provide the required information to INPS, which is in charge of processing it.

The outcome so far has not been entirely satisfactory and the latest round of national bargaining in 2015–2016 has not yet benefitted from the new model. A debate on the need for a specific law is once again on the cards and some bills have been put before parliament. One possible way forward could be to transpose into law what the social partners have subscribed to, based on auxiliary legislation, but there is resistance in some quarters in political parties and confederations. The government declared its intention of intervening, asking the main social partner associations to put forward common positions. Employers would probably back the plan, especially if the enforcement of a statutory minimum wage could ultimately lead the way to more decentralised wage setting. All the trade unions, on the other hand, appear to be substantially united in rejecting the idea of a statutory minimum wage. As an alternative, they propose to give the industry-wide agreements erga omnes binding effect, as foreseen in Article 39 of the Constitution.

## 4.2 What kind of decentralisation?

The issue of trade union representation is linked to the theme of collective bargaining, repeatedly the object of a prolonged phase of transition that does not seem to have reached its end (Carrieri and Treu 2013). The system rests on a stratification of framework collective agreements signed since the Protocol of 23 July 1993. It is a two-tier model, coordinated centrally through a hierarchical system of specialisations and non-repetition, where the higher level establishes and demands from the lower levels competences and prerogatives. The national industry-wide level defines basic common rules, while the second, which is facultative, serves to integrate related disciplines according to the long-standing principle of favourability. The latter can be company-based or territorial (common in sectors with many very small enterprises) and aim to stimulate corporate flexibility and competitiveness.

At the industry-wide level negotiations are conducted by the most representative social partners, while second-level bargaining is the prerogative of the unitary union representative body alone, unlike the recent past, when it was assisted by the territorial sectoral unions. The representative body, whose members are elected by trade union members and non-members alike, is the exclusive workplace representation body and may be elected in companies with a payroll staff of over 15.

Industry-wide agreements must protect consumer purchasing power against erosion by inflation. According to Article 36 of the Italian Constitution, a minimum wage must be 'proportionate' and 'sufficient to allow a person and their family a free and dignified existence'. As interpreted by the courts, it consists of the minimum sum laid down by the national sectoral agreement that covers the worker in question. Because such contracts do not formally have an *erga omnes* binding effect, case law dictates that the minimum wage as laid down in sectoral agreements is commonly extended to all workers. In this way, the system achieves the dual objective of having a 'constitutional' minimum wage, elsewhere enforced by law or administrative acts, which preserves trade union sovereignty over wage bargaining, a privilege that the trade unions guard jealously. The coverage rate and the Kaitz index are both estimated as among the highest in the EU (Kampelmann *et al.* 2013). The share of the national sector-wide wages covers about 88 per cent of total earnings in the private sector and about 90 per cent in the public sector (Brindelli 2016).<sup>7</sup> The opposite is the case with regard to pay and labour productivity, which are among the lowest in the EU. The two-tier system of wage bargaining has been accused by some as being too centralised nationally, limiting the room for company-level bargaining and performance-driven wages. This has triggered a major and ongoing debate about whether a new model should contain a higher degree of organised decentralisation.

In 2009, the main social partners (CGIL excluded) signed a couple of framework agreements, with a number of changes to the system in force since 1993. The duration of sectoral agreements has been unified to three years for both their normative and economic

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7 The remaining share is variously composed of collectively or individually negotiated pay (*restricted wage gap*) and/or other elements, such as overtime pay.

parts. Wage progression has been pegged to a new harmonised consumer price index (net of imported energy costs), fixed by a third-party authority and no longer in scheduled tripartite sessions, as was previously the case. The gap between forecast and real inflation will be closed only if it is deemed 'significant' at inter-confederate and not industry level. With a view to avoiding leaving workers uncovered by company-level bargaining, the industry-wide agreement will set the minimum wage level just for them. The most controversial point – the main reason why CGIL refused to sign – was the clause that made it possible for company-level agreements to deviate from national agreements, even for the worse.

Although not signed by the largest confederation, the 2009 protocol did not prevent the unions from renewing all industry-wide agreements in a unitary way in the following years. The glaring exceptions were the industry-wide agreements in the tertiary and metal sectors, from which CGIL's affiliated federations were left out. At company level, most controversial – also because they concerned the country's most important private employer – were some agreements signed at FIAT plants in 2009 and 2010. The company left the national employers' association and signed an unprecedented first-level agreement apart from the national metal agreement, offering an example of radically disorganised decentralisation and an exit strategy from the two-tier system.<sup>8</sup>

At last, aware of the risks to the stability of the whole industrial relations system, the social partners gradually re-established cooperative relations, signing new framework agreements on collective bargaining and workplace representation. By June 2011, Confindustria and all trade union confederations (CGIL included this time) signed the first of the abovementioned three agreements on representation and bargaining: in addition to defining stricter rules on negotiating parties and procedures, they confirm the substantial primacy of the industry-wide level, while admitting the limited possibility of applying less favourable conditions in terms of performance, working hours and labour organisation.

Indifferent to the will already expressed by most representative and signatory social partner associations, in August 2011 the government – responding to the already quoted request from the ECB – enacted a law (Act No. 148/2011) with the purpose of paving the way to a drastic decentralisation of the system. In fact, Art. 8 on 'proximity contracts' envisages 'specific agreements', signed at company or territorial level by the comparatively most representative associations, which can derogate (for the worse) on all issues regulated by the higher level of bargaining and – importantly – by the law. The system would be turned completely upside down, as now decentralised agreements might become the new core of the system, with the industry-wide level, in turn, relegated to a residual role. However, such disorganised decentralisation did not take place as the main social partner associations, again, confirmed (with a sort of follow-up in September 2011, and then again in 2013 and 2014) the aims and contents of the framework agreement signed in June. According to several surveys, derogating company-level agreements account for between 5 and 12 per cent of total company agreements.

<sup>8</sup> FIOM-CGIL, expelled from all company plants, opened a broad campaign, appealing to public opinion and petitioning the courts against anti-union discrimination. Courts at different levels have repeatedly upheld FIOM's arguments.



In spite of reducing the weight of the sectoral agreements and fiscal incentives for collectively agreed productivity increases (the latter is in the stability law for 2016), the spread of decentralised-level bargaining is still very limited, – roughly 20 per cent of employers, 12 per cent by company and 8 per cent territorial bargaining, and approximately 35 per cent of wage-earners (Brindelli 2016) – covering only unionised medium to large enterprises (mostly in the north of Italy) while a substantial part of employees are not covered by this second level of bargaining, although branches such as construction, artisans and hotels and restaurants are covered by territorial agreements. In contrast to what is claimed by the mainstream narrative, the basic reason for such weak development is not the hypertrophy of national agreements, but the structural shortage of workers' representatives in small and very small enterprises, the backbone of Italian production. According to recent surveys, unitary union representative bodies operate in barely 12 per cent of all enterprises (23 per cent if non-elected union representatives are included). Presence is as low as 8 per cent in companies employing up to 50 workers (CNEL-ISTAT 2015). This fact alone justifies the reluctance of those who in Europe and in Italy – CGIL above all – oppose the full decentralisation of collective bargaining.

### 4.3 Collective bargaining under deflation

A new round of national collective bargaining started in 2015; by June 2016 bargaining involved around six million workers. After a six-year freeze – in 2015 censored by the Constitutional Court – bargaining once again got under way for the renewal of the nationwide agreement covering three million public workers. The scenario was in many ways unprecedented. Inflation fell to 0.2 per cent at the beginning of 2016. Furthermore, it was not clear which rules would apply: the protocol signed on January 2009 expired in 2014, while the new system agreed in 2011–2014 was not yet effective.

A bombshell was thrown at the opening of the bargaining session in the chemical sector by the employers, who demanded the restitution of 79 euros in wages in consideration of the fact that real inflation in the previous three-year period had been lower than forecast. In the end things improved and an agreement was reached, but the situation remains uncertain and confused. Employers claim that no provisional indicator has to be taken into consideration, abrogating all forms of automatism and taking into account only real and not forecast inflation.

While appropriate in periods of high inflation, the harmonised consumer price index – adopted in the 2009 reform – has now become pretty meaningless in the current scenario, where prolonged deflation is a key feature.

In January 2016, CGIL, CISL and UIL jointly signed an agreement to be handed to the employers' association and to the government, in which they insist on two-level agreements, with primacy being given to the industry-wide agreement. As for the latter, the relevant economic conditions will no longer be confined to recovering purchasing power, which has become a marginal issue due to deflation, but will include macroeconomic variables such as industry output or average productivity. The document includes demands and proposals concerning employee participation in work organisation and at the board level, with employee share-option plans.

A wage increase policy is required that can herald wage-driven sustainable growth. An wage increase that went beyond the mere conservation of purchasing power would act as an indispensable driver of consumption and internal demand, which is responsible for the largest portion of GDP. However, collective bargaining will increasingly be called on to counter the effects of the government's Jobs Acts (see above), in particular with regard to atypical contracts, demotions, long distance controls and disciplinary measures. Safeguarding clauses are required to prevent the erosion of acquired rights. A bitterly disappointed CGIL official sums up the situation: 'I've spent my life negotiating the enforcement of the law and now I find myself having to negotiate *against the law*, or act as if it didn't exist.'

## 5. The main features of trade union strategies for union revitalisation

The changes in production systems and the labour market have resulted in new patterns of social malaise and representation, to which the trade unions need a new response. They are thus required to act strategically (Hyman 2007), expanding and revitalising their constituency beyond their increasingly eroding traditional bastions. Trade unions, wherever they are on the defensive, are engaged in developing and implementing an array of initiatives aimed at recruiting and retaining members, considered a prerequisite for regaining organisational and structural power resources. These initiatives – which include providing services, organising, mergers, union democracy and social coalitions (Frege and Kerry 2004; Phelan 2007; Bernaciak *et al.* 2014) – are well to the fore in the actions and plans of Italian trade unions.

### 5.1 Provision of services

Beside the ideational and value-based explanations behind the decision to join a union, the instrumental driver – supposedly based on an individual utility-maximizing decision – is recognised to play a crucial role (Leonardi 2005; Frangi and Barisione 2015; Feltrin 2015). In times of de-politicisation and a crisis of traditional collective identities, with labour market and employment relationships more and more fragmented and deregulated, provision of services to individuals gives the unions an important opportunity to establish contact with both employees and non-employees.

In Italy the trade unions provide a wide range of services in the areas of pension and tax assistance, legal consultancy and advocacy, as well as with regard to welfare protection. The law recognises and supports such activities, with the unions acting as public goods providers, in a win-win situation in which the state decentralises some of its functions to qualified actors with a broad reach. Employees and citizens benefit from goods and services provided on better terms than in the 'market', while the unions increase their membership and reputation. The service system is today a pillar of Italian trade unionism, articulated in a wide range of areas, providing new members and financial resources. It includes: (i) so-called *Patronati*, (ii) centres for tax assistance and (iii)

legal advocacy offices. *Patronati* are state-recognised and regulated institutes providing assistance in applying for benefits in the areas of social security, health and safety at work, social assistance and migration. They play a key role at the end of a worker's career, when with retirement in view they provide specialist support in determining acquired entitlements and rights. The centres for tax assistance support employees and non-employees in making their tax declarations, while the legal centres provide workers with professional advocacy before the courts in cases of dispute with an employer. Most of these services are offered to both members and non-members, but once the contact is established, the latter are invited to become a union member, within the sectoral federation they belong to because of their job. CGIL alone issues some 600,000 membership cards in this way every year.

A commitment to immigrants is at present a strategic issue for trade unions and in various forms, including the setting up of local offices to provide assistance in complying with bureaucratic requirements, the translation and diffusion of collective agreements and other labour norms, the inclusion in agreements of clauses responding to the specific needs of immigrants – specific dietary needs in company canteens, celebrations and unified holidays to allow immigrant workers longer home leave – as well as support for foreign workplace delegates and officials.

Another key access point is represented by bilateral bodies and funds: joint organs made up of trade union and employers' representatives in the field of volunteer occupational welfare. Their main goal is to manage social benefits in the areas of integrative pensions and health assistance, training and income support. Such bilateral entities have been implemented mainly in sectors such as construction, crafts, tourism, retail and agency work, giving a powerful incentive to membership for people who are otherwise hard to unionise. Financed by enterprises, they collect significant financial resources, contributing to widening the range of services that trade unions provide to employees, who appreciate the unions' efforts to improve their circumstances. Among the unions, CISL has backed bilateral welfare efforts with the most conviction, elevating them as a key element of its strategic activities. Segments of the trade unions' organisational structure have been transferred to these bilateral organs, indirectly helping to boost overall trade union action and outreach. 'Bilateralism' can probably be considered the most structured form of participation achieved in Italy in the past 20 years (Leonardi 2016).

While the assumption of semi-public functions is an additional perk for trade unions, and one likely to counterbalance their membership decline, it can also be a source of problems. Subjective union membership is transformed, with a shift from collective and ideational motivations to individual and instrumental. Members increasingly become *clients* rather than *activists*, lacking a political consciousness and interest in a durable commitment. Unions, for their part, could be tempted to relax their search for legitimacy in their traditional core activities of collective bargaining and industrial democracy, taking the advantages – organisational and financial – from managing pieces of welfare provisions, abandoned by a state which no longer seeks to provide universal guarantees. Full-time union staff, outside the workplace, would then increase at the expense of grass-root militancy, whereas organisational finances would depend more on government and company subsidies than on members' fees. The recent proliferation of new associations

and national agreements could be explained by the strong financial appeal of bilateral funds. Both press and experts periodically raise the issue of trade union accounts and their alleged lack of transparency. For all these reasons, there is a need to maintain a balanced relationship between collective and individual representation, so as to not wholly to pervert the nature and functions of trade unions.

## 5.2 Organising

Many of the initiatives aimed at trade union revitalisation have focused on organising new categories of vulnerable workers, which are hard to reach through the traditional forms of union action and militancy: young and atypical employees on precarious contracts, the economically dependent (bogus) self-employed, 'knowledge workers' and immigrants. Nowadays, organising has become a key issue within a global strategy for trade union readjustment and renewal. This is already well developed in some Anglophone and Nordic countries, and Italian trade unions are committed to such efforts, which top of the list of their organisational agenda for more inclusive unionism (Pirro and Pugliese 2015). Multi-year 'readjustment plans' are laid down, mapping new social needs and demands, through campaigns targeting groups in respect of which there is potential growth in terms of stronger representation and membership.

From the late 1990s onwards, Italian unions were some of the first to create specific organisations for dependent 'self-employed' and agency workers. The aim was to improve protection for the underprotected, providing more inclusive welfare and labour rights, also through collective bargaining. Agency workers, since the category was recognised in the late 1990s, are covered by specific industry-wide agreements grounded on the principle of equal pay for equal work, enforcing trade union rights and granting continuing education financed by the bilateral funds jointly set up by employers and trade unions. Currently, Nidil-CGIL alone have 74,000 members; summing up the other two other federations, CISL and UIL, atypical unions have reached a total of 215,000 members (80,000 in 1998), which is a good trend but still far from being fully satisfying. For freelance workers, CGIL set up a national committee for professional self-employed (architects, lawyers, translators, physiotherapists and so on), thanks to which a common struggle has finally been launched to make labour rights and welfare protection more inclusive, beyond the traditional boundaries of wage earners.

In recent years there has been a constant and strong mobilisation against precarious work, for example, in furniture and fast-food multinationals, call centres, schools and cultural entities. In agriculture, the focus is on combating the plague of over-exploitation of migrant workers by providing assistance on rights and contracts, for example, with the help of mobile information units. Action aimed at combating xenophobia in society and in the workplace has been another key feature of the campaign that has been going on for a number of years, countering the allure of the chauvinism disseminated by parties such as the Northern League.

Representing and enlarging legal and social protections for young, atypical and migrant workers is today considered an absolute priority, by means of specific campaigns

and mobilising, but also – as in the case of the CGIL programme – of more *inclusive collective bargaining* with regard to their needs and conditions. A national petition for new *Charter of universal labour rights* was launched by CGIL in April 2016, gathering signatures all over Italy, with a demand for a referendum on the abrogation of the legal norms laid down in the Jobs Act (Renzi's labour market reforms), which among other things marginalise reinstatement in cases of unfair dismissal and make it permissible to pay employees in mini-jobs with vouchers worth 10 euro gross.

### 5.3 Organisational changes

Another key area of reform is the internal organisation of trade unions. While membership levels have remained substantially the same, composition has changed, with an increase in the number of lower paid workers in the tertiary sector and the decline of better paid workers who would be able to pay higher subscription fees. Workers in manufacturing sectors have been receiving lower wages that are reflected in reduced trade union membership fees. The government, in addition, has significantly reduced the budget allocated to *patronati* and tax assistance centres. It has also halved the number of public sector union representatives on full-time release to perform union duties, thereby significantly reducing the contribution of functionaries at lower cost.

All these factors have led to a thorough rethinking of budgeting as the focus is increasingly on generating savings. To this end, trade union running costs have been cut by reducing the number of industry-related federations through mergers. The number of federations affiliated to the three main confederations is between 12 and 15. The trade union confederation that has made the most effort to reduce the number of member federations is CISL: the target is to merge and reduce the number of federations to no more than five or six, to make the confederate centre matter less and to transfer 70 per cent of membership fees to the territories, where the federations will be reorganised. UIL and CGIL are also considering changes very closely and some proposals are on the table. The latest mergers in CGIL, some years ago, unified public school teachers and academics with private sector researchers and knowledge workers (FLC), whereas the old and glorious textile and clothing workers unions merged into a conglomerate (FILCTEM). The metalworkers federation has proposed a deep reform, with no more than three or four federations, unifying all the industrial unions into a single entity, as in the European IndustryAll, and a similar simplification also of the number of sectoral agreements. Nevertheless, there is strong opposition to this approach as other unions fear losing their identities and specialisations forged over many decades. CGIL's internal reforms are aimed at strengthening bottom-up procedures in the selection of its leadership, with the inclusion of more elected members in the management, and boosting the presence of young people, women and migrants in the organisation. The relationship between CGIL and FIOM has not been easy in this critical phase, especially in the areas of conflict and social coalition.

## 5.4 Political programmes

CGIL, CISL and UIL continue to be trade unions with strong European roots and outlook. Within the ETUC, they are among those that have shown more willingness to transfer some sovereignty to the European level, with a view to strengthening coordination at sectoral level, transnational bargaining and the role of EWCs. While against statutory minimum wages as a viable solution in all countries, they nevertheless agree on the need to implement a minimum wage policy in the EU, either by law or collective bargaining. And they have always had a favourable stance on immigration, combating all forms of nationalism and protectionism.

Italian unions are demanding a wage and domestic demand-driven economic policy, based supporting workers' incomes through changes in collective bargaining and fiscal reform, including a significant reduction of taxes for workers and pensioners, while increasing taxes on capital gains and combatting massive tax evasion. They are calling for a U-turn in European economic policy and approach, stating that the 'New European economic governance' and austerity policies have been the wrong answer based on a wrong diagnosis.

In 2013 a mixed group of unionists and economists came up with a fully-fledged *Piano per il Lavoro* ('Plan for Jobs') for CGIL, with a view to defining an alternative economic policy to the one that has been de facto imposed by new European economic governance. Inspired by a similar plan previously launched by CGIL in 1949, in the aftermath of the Second World War, with some similarities with the DGB's *New Marshall Plan for Europe*, the new Plan aims to boost internal demand and create new jobs through public investments in public works and infrastructure the country sorely needs. Although a key driver in certain product sectors, exports involve no more than 15 per cent of Italian enterprises, meaning that the issue of internal demand is a key factor in kickstarting the economy. The items listed are numerous but they mostly pertain to the development of a green and knowledge economy. They include investments in the environment and the national heritage, eco-sustainable housing, waste processing facilities, alternative sources of energy and logistics infrastructure, which are very poor, especially in the south. The three-year plan is aimed at creating new jobs by activating local entities and resources that would be coordinated by a national agency, not unlike the New Deal Model, and sustained by a public bank for investment and innovation. The estimated price of the operation is 50 billion euros for the three-year period 2014–2016, financed by a combination of resources generated by fiscal reform, a spending review and European funds. The plan is estimated to create 1.5 million jobs, bringing down unemployment to the pre-crisis level of 7–8 per cent and thus restarting household spending and investment. The government has ignored this, as well as other proposals that trade unions have put forward, going ahead with its own plan, which includes a proposed tax cut of 1,000 euros a year – approximately 80 euros a month – for monthly incomes of 1,500 euros.

## 6. Conclusions

Paraphrasing the famous opening lines of *Anna Karenina*, Mimmo Carrieri (2014) – one of Italy's foremost industrial relations scholars – has poignantly written that while in good times all trade unions are fairly similar, in hard times they all suffer in their own different ways. As we have observed, Italian trade unions can still rely on significant power resources, with consistent membership among workers and non-workers. The quota of pensioners, which is particularly high, gives trade unions critical mass, financial resources and staff experience, historical memory and the ability to mobilise masses of people at rallies. While membership among workers has been progressively falling since the 1980s, the pace of the decline has been slower than in other industrialised countries, with rates levelling at around 35 per cent. Trade union membership is substantially divided between the private and public sectors, and the decline in manufacturing has been made up by rising membership in services. A significant boost to membership is nowadays coming from immigrants in the private sector, where one out of four is a member. Notwithstanding comprehensive efforts trade union membership continues to be inadequate among young atypical and knowledge workers, a segment of the working population that has grown enormously in the past few years.

Although substantially unchanged in absolute terms, membership composition has fewer members among the higher-income brackets (big industry, banks, public sector, skilled and senior workers), and more members among lower-income workers (tertiary, trade, services), so that finances are fairly solid but weaker than in the past.

Collective bargaining coverage continues to be very high and, importantly, without extension mechanisms. This is due to existing constitutional and legal support, according to which the industry-wide agreement becomes the threshold of reference to establish, even during litigation, what is to count as a *dignified and sufficient wage*. Contributing significantly to this situation is also the key role of industry-wide agreements. Strenuously defended by trade unions, it is also useful for employers to provide an equitable parameter in a production system mostly made up of small and micro-enterprises, preventing wild forms of competition and social dumping or transitional and conflictual costs for company bargaining, if not yet introduced.

The overall picture that has emerged is that of a substantially resilient trade unionism, capable of resisting the onslaught of the crisis. It is even likely that the management of redundancies and corporate restructuring may actually have brought workers and unions into closer contact, with the latter providing assistance during negotiations and in defining mobility and redundancy pay plans.

Among the factors that can shed light on this relative success, some concern the institutional support trade unions can still rely on, while others concern their ability to act strategically and to revitalise themselves through reform. On the institutional side, trade unions benefit from a number of legal provisions, including freedom of action and rights in the workplace, as well as the check-off system, under which membership fees are deducted as a proportion of wages and paid by their employers to the unions. There are also prerogatives granted by the state, albeit not on an exclusive or

monopolistic basis, to the social partners as its proxies in the areas of tax and legal assistance and welfare. This aspect is a significant window for millions of employees and non-employees, who thus get the opportunity to gain first-hand knowledge of what trade unions offer also away from the workplace. It is an extraordinary incentive for individuals that brings the Italian experience closer to the Ghent system. By delegating these prerogatives, the state may be reducing the room for political exchange with the social partners, but in lieu of that gives new areas of action – complementary pensions and health insurance, income support for temporary unemployment – beyond collective bargaining and social dialogue.

While there is no doubt that institutional support is a crucial determinant of union membership stability, it is not enough to explain the continued stability of Italian unions and their power resources. Clearly, trade unions have been able to implement renovation, both cultural and organisational, by combining the core activity of collective bargaining with a more focused action on organising and servicing. Acting with a plurality of identities and associations has weakened the unity of the labour movement, but has also allowed trade unions to widen outreach and involve a broader range of workers in a sort of division of labour, unlike in other countries where trade unions are identified with one or, at most, two political-cultural cleavages. The competition among different unions has led to a greater focus on membership, engendering mutual learning, less pushing where unions benefit from very strong institutional support or where there is a substantial monopoly in workers' representation.

Last but not least, Italian organisations continue to stress the value of trade union democracy (Baccaro 2002). Albeit with some differences regarding the role and prerogatives of non-members, CGIL, CISL and UIL have invariably put collective agreements at all levels under the scrutiny of the workers concerned, regardless of whether or not they are trade union members. This is not what generally occurs elsewhere in Europe, where similar consultations normally involve only members or even, in some cases, trade union officials or representatives.

Notwithstanding this substantially positive picture, Italian trade unions face a number of serious problems, very much to the fore in the public debate, with insistent talk of a unionism that is beset on all sides and deep crisis. Comparatively, these problems appear to be more *qualitative* than *quantitative* (Leonardi and Sanna 2015). For example, there is a gap between the power resources Italian trade unions can still formally rely on – members, financial resources, bargaining coverage, ability to mobilise – and the results they have been able to achieve over the past 25 years. Results have been poor in the key areas of wage dynamics, employment rate, workers' participation, universalism in social protection, lifelong learning, gender issues and work–life balance, all indicators in respect of which the Italian workforce is at the bottom in Europe. Whether this is due more to *objective* factors – globalisation, post-Fordism, the EU's neoliberal economic policies, the nature of Italian capitalism and the death of a real political left – or to *subjective* ones (the conservatism of trade union leaders and their inability to address the changes in the world of work in the era of Industry 4.0, the exclusion from trade union bureaucracy of younger people and outsiders), this is the key topic in the current debate on the crisis of unionism, not only in Italy. While the radical left and the



neoliberal right, though from opposite directions, emphasise the latter, trade union-related or -friendly commentators are more inclined to point out the profound changes that have occurred globally in recent years for the trade unions' slide.

Another problem is the crisis of the traditional voluntarism of Italian industrial relations. In the absence of binding rules governing competitive pluralism, there is a risk of the situation descending into chaos, with the parties seeking settlements in court. The Renzi government has shown its willingness to push through labour market reform by passing a law that will regulate industrial relations as a whole: representation, bargaining, strike action and, most likely, a minimum wage. Faced with the prospect of a law that could potentially undermine what has already been voluntarily agreed, trade unions might need to put up a common front, as they did in January 2016 (see above), with the proposal of a common approach to bargaining, participation and representation. A rejection of its proposals would herald a phase of potentially dangerous conflict for the government, which could see its actions combatted by an even more consolidated trade union front. Strong opposition by an undivided trade union movement could bring about the loss of what continues to be one of the major voting constituencies of the ruling centre-left.

This topic lead us to the third critical problem, the demise of the neo-corporatist practices that have dominated industrial relations over the past couple of decades. The last social pact was signed in 2007, in the area of welfare. Following the eclipse of the historical parties and the partial absorption of the old PCI and DC by Renzi's Democratic Party, trade unions find themselves to be, in practical terms, without a reliable partner in the political fray. With the alibi of the crisis and the diktats imposed by the EU, the new political power interprets government as a combination of technocracy and neo-populism, where there is no place for intermediate bodies and their 'tired rituals'. Trade union opposition to these policies has come up against the aggressive rhetoric of emergency that has dominated the media and permeated the national consciousness and the uncertainty of trade unions as to how the crisis should be tackled. CISL and UIL initially confirmed their pragmatic approach, showing a willingness to cooperate with government. In this light, they signed, starting from 2000, a number of agreements with the centre-right government, side-lining CGIL in the role of social opposition. CGIL, on its part, has been reluctant to clash with the centre-left governments, fearing that such an antagonism could damage the country internationally, without being able – on the other hand – to count on a government that was pro-labour and friendlier to trade unions. This timidity has earned CGIL the accusation of being excessively moderate with regard to the Monti government (2011–2012) and his painful and unpopular reforms. This accusation cannot be replicated in the case of the current Renzi executive, relations with which have been very tense and openly conflictual.

Meanwhile, surveys and opinion polls on how the country's main players and institutions are perceived show that the popularity of trade unions has somewhat declined over the years. The forces more hostile to trade unions have taken this as a clear indication of the essentially conservative nature of trade unions, incapable of commanding a broader perspective, firmly entrenched in their own back yards, unable to absorb the changes under way in the labour market and in society as a whole. Trade unions, according to this vision, are just another 'caste', made up of privileged bureaucracies and financed

through channels that are not transparent, with self-seeking and residual interests, full of pensioners and distant from young people and their needs. This criticism from above (and the right), then combines with that from below (and the left), where trade unions are accused of being too accommodating and substantially unable to impede the protracted erosion of wages, job security, labour rights, welfare protection and prospects for young people. While the former approach wants a substantive and definitive sunset for the role of trade unions in twenty-first century societies, the latter hope for a deep renewal, suggesting a return to a more rank-and-file and antagonistic kind of unionism. Although from different aims and backgrounds, both these conclusions neglect a number of things: (i) falling popularity is part of a wider crisis affecting the full range of representative institutions and intermediation, including political parties, parliamentary institutions, European Union and even the church; (ii) it is not clear whether criticisms levelled at trade unions are due to an excess of conservatism, the defence of acquired rights or excessive weakness in defending them, meaning that the political consequences of one or the other are radically different; (iii) in hard times for all democratic actors, when bonds with political parties and social movements have weakened as never before, trade unions, still with over 11 million members out of a national population of 60 million, still manifest a remarkable associative vitality and presence in Italian society.

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All links were checked on 16 March 2017.



# Re-paving the path to hell: Greek trade unions amid crisis and austerity

Markos Vogiatzoglou

## 1. Introduction

The aim of the present chapter is to provide explanations of the Greek trade unions' inability to cope with the austerity challenge, which was imposed on Greece by the Troika and its Memoranda in the aftermath of the bailout of May 2010. In order to understand why the main trade union actors responded to the crisis in the way they did, we shall carry out a path-dependent analysis. More specifically, the trade union choices in terms of both political stances and concrete actions are explained in light of the Greek trade union system and logic that was established in response to important changes in the legislative framework of the early 1990s; namely, the introduction of flexible labour and the approval of Bill 1876/1990 on Free collective bargaining and other provisions (President of the Hellenic Republic 1990). As shall be depicted in the following pages, this legislation – deemed progressive when it was adopted (Danos and Bousli 2014; Ioannou 2011) – had important long-term consequences for the focus and resource allocation of Greek trade unions.

The approach employed here seeks to respond to the question of how the set of decisions trade unions faced during the important transitional points of the period under scrutiny were *limited* by the decisions they had made in the past, even though past circumstances were no longer relevant. And, given the documented failure of Greek trade unions in dealing with the crisis and austerity of 2010–2015, what conclusions can be drawn with regard to the future of the Greek labour movement? In what ways will their past decisions constrain their future options? It should be clarified that 'predictions', in the literal sense, are too speculative, given the extremely volatile and rapidly changing national context, which was further confused in the aftermath of the change of government in January 2015.

An important analytical distinction that needs to be made before we present the Greek case study findings is what constitutes a 'trade union'. I usually employ Colin Crouch's inclusive definition, according to which a trade union is 'an organization of employees who have combined together to improve their returns from and conditions at work' (Crouch 1982: 13). However, in what follows, our references shall be limited to the actions, political line and logic of Greek institutional trade unions' elites, namely the leadership of the two complementary trade union confederations, mainly GSEE (representing private sector employees) and secondarily ADEDY (representing public sector employees). This clarification is particularly relevant to the Greek case because since 2000 and – most importantly – during the crisis years, a multitude of grassroots projects, experiments and alternative proposals have emerged (see, for example:

Mattoni and Vogiatzoglou 2014; Zamponi and Vogiatzoglou 2015). But, as has been noted by several scholars, the aforementioned projects have not (yet?) managed to alter the big picture of workers' organising in Greece (Kantzara 2014; Kouzis 2014) or to secure better living and working conditions for Greek workers (Karakioulafi *et al.* 2014; Matsaganis 2014).

The structure of the Greek trade union confederations is threefold. At the base one finds the primary unions (corporate, productive sector and professional) (Fakiolas 1986). The second level of organisation consists of the labour centres and the productive sector federations (Moschonas 2003). The federations are production branch coalitions of primary unions and the labour centres are locally-oriented, based in the main city of each region (Moschonas 2003). The third organisational level of GSEE and ADEDY consists of their administration boards, audit committees, general councils and several secretariats. GSEE's board is elected at its general assembly, by representatives of the 157 second-level organisations (Zambarloukou 1997).

All three levels of the trade union movement structure in Greece are characterised by a relative pluralism; although in general the unions are politicised and closely linked to political parties, the majorities and minorities formed co-exist inside the same organisation. GSEE's decision-making procedures involve some degree of deliberation with the minority factions, but the political strategy of the confederation is ultimately decided on a majoritarian basis.

The chapter is structured as follows. In Section 2, the changes in the economic development model and labour market configurations since 1990 are examined. An analysis of their impact on trade union activity follows in Section 3.1, taking into account indicators such as the unions' organisational, discursive, disruptive and institutional powers. Section 3.2 highlights the impact the crisis and the austerity challenge on Greek labour organisations, highlighting their – perceived as inadequate – response, as well as the unions' minimal concrete achievements. Section 3.3 examines the current state of the unions' power resources. Finally, Section 4 discusses the aforementioned insights, taking a critical perspective on the Greek trade unions' nostalgic depiction of the pre-crisis period, and suggesting ways forward.

## **2. Economic and labour market developments until 2010**

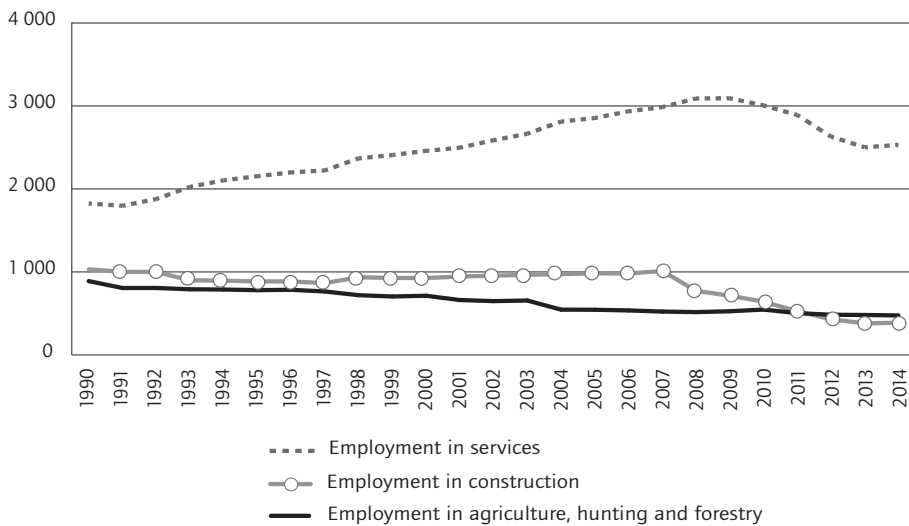
### **2.1 The Greek economic development model from 1990 to 2010**

It is impossible to understand the labour market reconfigurations that took place from 1990 to 2010 without first examining the country's development model during the same period. Not only were there significant shifts in the main economic policy priorities, but also the foundations of what would become the post-2010 public debt crisis were laid during the years preceding the Lehman Brothers collapse. First, with respect to the political scenery, the new decade (1990s) found Greece with a right-left coalition in government. It was then that the 'Free collective bargaining' bill was passed unanimously in the Greek parliament. From 1990 to 1993, a right-wing

government ruled, whose ambitious neoliberal reform agenda was undermined by strong labour resistance and dwindling popular support. The snap elections of 1993 brought Andreas Papandreou's social democratic party back to power. PASOK quickly distanced itself from its populist past, however (Lyberaki and Tsakalotos 2002). Papandreou's successors followed, broadly speaking, European social democrats' social-liberal turn (Tsakalotos 1998). PASOK stayed in government until 2004.

Its economic policy focus revolved mainly around three axes that are important to this chapter. First, a focus on the service sector: tourism, telecommunications and banking spearheaded the increase in the sector's contribution to Greek GDP, rising from around 70 per cent in 1990 to over 80 per cent in 2014 (see also: Palaiologos and Kassar 2003; Michaelides *et al.* 2013). Employment in the production sector was influenced by this shift. Figure 1 presents the changes in workforce composition.

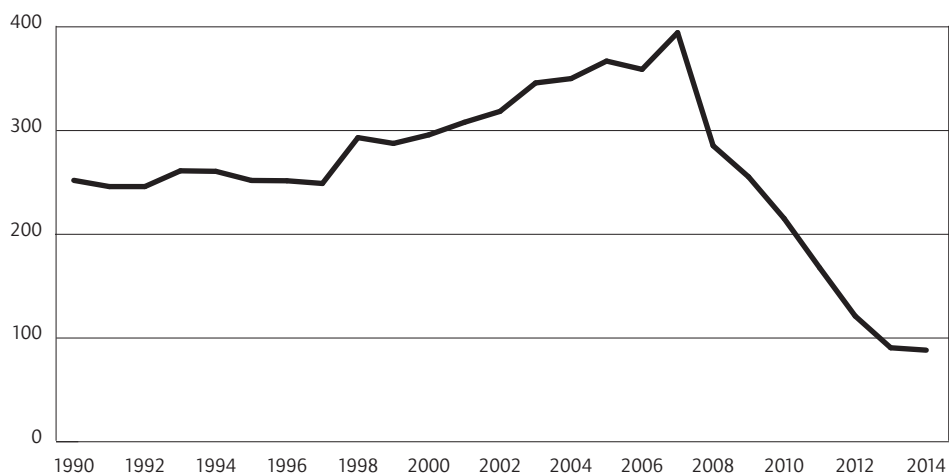
Figure 1 Employment in the production sector ('000)



Source: OECD 2014.

Second, there was a focus on major infrastructure construction, which was boosted by the country's need to prepare for the Olympic Games, from 1996 to 2004. The mechanism chosen to fund the relevant mega-projects was public-private sector joint ventures, occasionally co-funded by the EU and/or state borrowing (Kasimati and Dawson 2009; Kasimati 2003). Small-scale construction was also boosted through cheap housing loans and mortgages offered by an ever-expanding banking sector. The number of construction workers reached a peak of about 400,000 in 2008, prior to collapsing to less than 100,000 in 2014 (Figure 2). (It should be noted that the OECD data presented here are based on official registers and thus do not include the large number of undocumented, mostly central and eastern European migrants who massively entered the labour market after 1991.



Figure 2 **Employees in construction ('000)**

Source: OECD 2014.

Third, ever since the mid-1990s, a combination of mild austerity and careful monetary policies aimed at drastically reducing inflation were implemented, in order to enable Greece to become a member of the euro zone (Oltheten *et al.* 2013).

Indeed, Greece not only managed to reduce its inflation rate from 24 per cent in 1991 to below 5 per cent in 2001 – the year it adopted the euro – but it constantly outperformed euro-zone average economic growth from 1996 to 2007.

These impressive achievements, however, took a heavy toll on the country's long-term economic prospects. The notably high GDP increases during the period under scrutiny relied on external borrowing. The public debt-to-GDP ratio was below 80 per cent, but broke through the 100 per cent threshold in 1993 and exploded after 2008, reaching an all-time high of 180.5 per cent in 2014 (Trading Economics 2015).

## 2.2 Structural changes in the labour market

When it comes to labour relations, 1990 was an important threshold as two different legislative initiatives laid the foundations for radical shifts in the labour market structure. The first was the Free collective bargaining bill, mentioned in the Introduction. Perhaps for the first time, a serious effort was made by the state to construct tripartite social dialogue bodies. The bill allowed the agenda of collective bargaining to include issues beyond mere wage discussions and instituted mechanisms of arbitration and collective dispute resolution (Stamati 2013; Ioannou 2000; Zambarloukou 2006). The trade unions hailed the reform and rushed to get involved in the collective bargaining apparatus, as they correctly perceived the potential for short-term individual and collective benefits for the union elites and their organisations. As Culpepper and Regan put it, participation in collective deliberation procedures were a 'carrot' trade unions

could use to retain their institutional power, as it was accompanied by the promise of a certain degree of labour peace that the trade union elites could guarantee to their social partners, employers and the state (Culpepper and Regan 2014).

Second, labour market flexibilisation was also introduced in 1990, the year when part-time employment became officially recognised as part of the labour relations' system. Up until 2009, at least eight legislative packages made reference to flexible labour, deregulated certain aspects of the labour market and/or re-regulated others in accordance with international standards (Milo 2009; Stamati 2013). The last such initiative that took place prior to the 2010 bailout agreement between the Greek government and its creditors included various regulations on temporary agency workers and a new configuration of the status of human resource management companies (Vogiatzoglou 2010). The flexibilisation of the labour market in Greece had as an explicit aim the introduction of employment contract types that were not previously available and left untouched the working conditions of open-ended contract workers. Therefore, the main fields of contention which emerged were not so much focused on contract termination regulations, but rather questions of wages, access to welfare provisions and specific workers' rights embedded in contracts (holiday, maternity leave, payment of contributions to the social welfare system and so on).

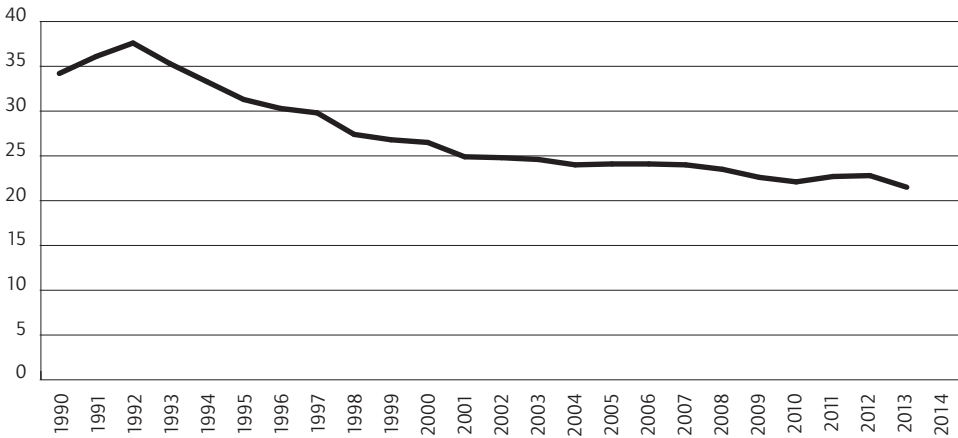
### **3. The carrot and the stick: labour market reconfigurations and their impact on trade unions**

#### 3.1 Greek trade union power resources

Union responses to flexibilisation were weak. Apart from a few angry press releases, the Greek trade unions made scarce, if any, use of their research institute's publications and findings, which consistently highlighted the risks that workers and their organisations alike would face in a deregulated and flexibilised labour market (see, for example, Georgakopoulou and Kouzis 1995; INE-GSEE 2009).

With respect to the unions' *organisational* power, the main indicator to be examined is union density. The available data paint a grim picture when it comes to the near past, present and future of the Greek labour movement. Although there are scholarly disputes concerning the proper way to calculate union density in Greece (for an overview, see Vogiatzoglou 2014), the OECD stats reveal an undisputable declining tendency, similar to the one experienced across the Western hemisphere during the same period (Figure 3). What is more, trade unions failed to find ways to mobilise the large numbers of undocumented migrant workers, as well as the ever-expanding precarious labour force which clustered around various service sector professions (telecommunications, call centres, engineering, catering and cleaning services). As shall be examined below, the unionising initiatives of precarious employees were mainly by grassroots activists (Kretsos 2011), while migrant workers remain largely unorganised. It is noteworthy that GSEE has invested no resources in organising. It does not employ professional organisers, nor has it launched any unionising campaigns.

Figure 3 Union density (%)

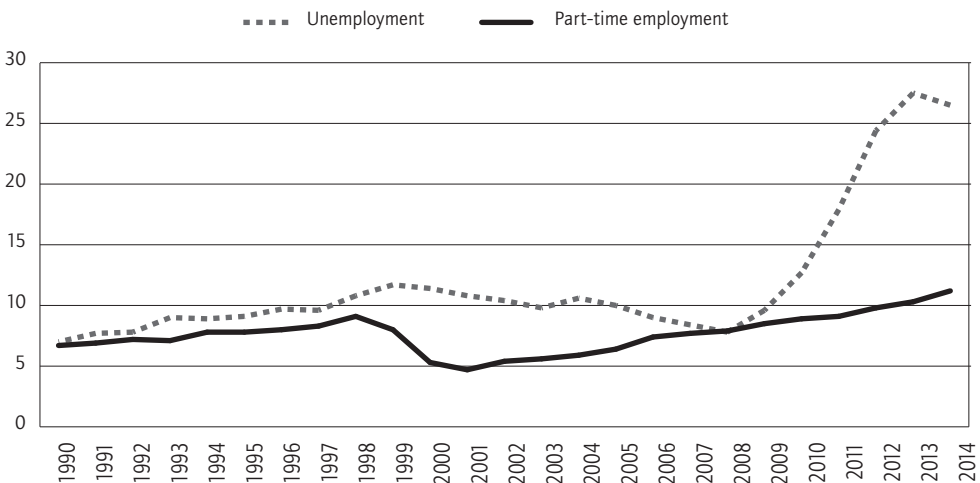


Source: OECD 2014.

These elements also offer some insight into why loss of organisational power was accompanied by a similar trend in the Greek trade unions' *structural* power. During the 1970s and 1980s, Greek trade unions had established a solid membership base in public services, public utility companies (water, electricity, telecommunications), municipality and regional employees, as well as specific industrial sectors where workers voted en masse for the Communist Party (docks, construction, shipyards, among others).

After 1990, unemployment remained fairly stable somewhat above the EU average (Figure 4). What is more, the incidence of part-time employment followed the overall employment trends, its rate turning negative at around the turn of the century, when employment demand was high.

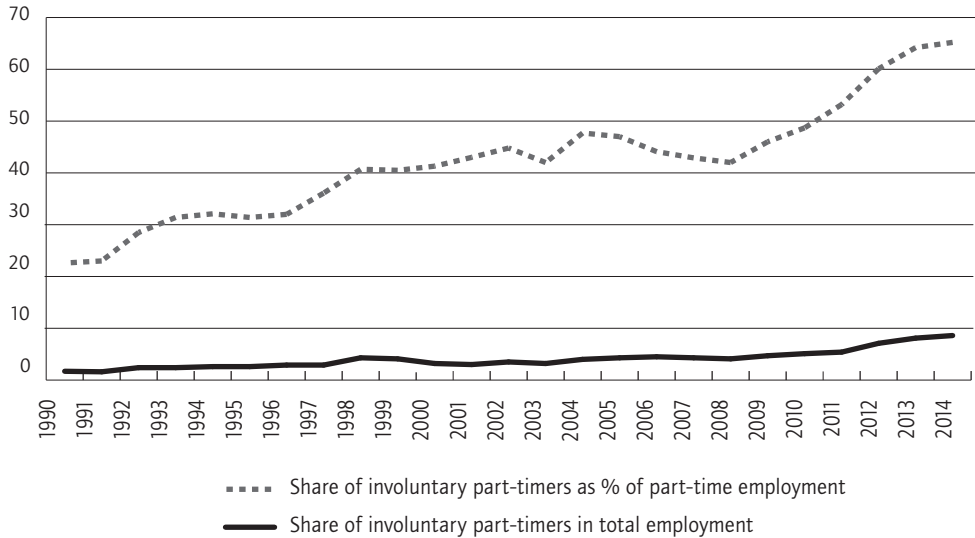
Figure 4 Unemployment (%) and part-time employment (% of total employment)



Source: OECD 2014.

However, it is important to note that the share of involuntary part-timers in the workforce (Figure 5) was constantly on the rise, as a percentage of both part-time employment and total employment. The loss of jobs in sectors characterised by relatively high unionisation was balanced by an increase in services jobs, which traditionally have low unionisation (Zambarloukou 1997; Kouzis 2007).

Figure 5 **Involuntary part-time employees**



Source: OECD 2014.

The emergence of private competitors in previously state-dominated sectors (telecommunications, banking) further aggravated the situation, as the difference between private and public sector unionisation levels is dramatic. As a 2010 EIRO report notes, in 'the public sector enterprises and public utilities and services [union density] ranges from 80 to 98 per cent. In the private it is very low, especially in small and medium-sized enterprises' (EIRO 2011). The new professions that emerged during the expansion of information technology were also non-unionised, with the exception of telecommunications' companies and call-centres, where since 2000 grassroots efforts have been made to organise enterprise- and sector-level unions (Zamponi and Vogiatzoglou 2015). However, as these initiatives were led mainly by radical activists with previous political experience (and a deep mistrust of union elites), relations between the newly-founded entities and the official trade union leadership remained tense during the whole period under scrutiny (Vogiatzoglou 2011). In sum, the period until 2010 was characterised by a weakening of the position of employment groups based in well-organised professions and sectors, while expanding professional and production categories were scarcely unionised.

When it comes to unions' institutional integration, as was noted in Section 2.2, the legislative interventions of 1990 allowed for a dramatic increase in the Greek labour movement's *institutional* power. Up until 2012, the collective bargaining system in Greece was characterised by three elements: obligatory extension of collective

agreements to all workers, unionised or not; mediation in case of industrial disputes by a tripartite body (OMED, see below) in which the state representatives could determine majority decisions; and the obligatory prolongation of collective agreements even after their expiry, should no new agreement be signed (Zambarloukou 2006).

Collective bargaining would take place at several levels. GSEE would negotiate and sign the national collective agreement with the respective national employers' associations. Professional, local and production sector unions would sign agreements with their respective employers' associations. Enterprise-level unions could sign collective agreements directly with their employers. In all these cases, the workers' personal contracts had to abide by the most positive – for workers' rights – collective agreement, regardless of whether the workers themselves were unionised or not. If a collective agreement expired and the two parties were unwilling, or unable, to sign a new one, either party could unilaterally request the intervention of OMED (Organisation of Mediation and Refereeing), whose decisions were legally binding. What is more, the expired collective agreement retained its validity for another six months, allowing the parties to successfully complete their negotiations.

According to several scholars, however, this particularly positive institutional framework further aggravated the pre-existing trade union structural and organisational problems. As Seferiadis notes, during the 1990s the Greek trade unions rushed to adopt the 'co-operative model of industrial relations. Against the background of a weak and retrenching welfare state, however, this led to concession bargaining which, instead of improving, has further worsened the problem of declining union credibility and density' (Seferiades 1999: 3).

Furthermore, during the whole period under scrutiny, the links between political parties and trade union elites remained very strong. Trade union fractions had clear political affiliations and their representatives were elected on a quasi-political ticket. All three former presidents of GSEE since 1990 moved on to become MPs, ministers or high-profile members of the PASOK central committee and governments after their mandate expired. Several other high-ranking trade unionists, associated with the right-wing New Democracy, the Communist Party KKE or the left-wing Synaspismos (later SYRIZA), followed a similar trajectory. Admittedly, the privileged interpersonal relations of trade union and party officials led to an increased influence of the Greek trade unions on the central political scene. However, this scheme also worked the other way round. Scholars acknowledge that one of the main structural problems of the Greek trade union system is so-called 'governmental trade unionism', in which the top layers of the union hierarchy actively engage in efforts to pacify grassroots mobilisation in order to maintain their privileged relations with their political affiliates and promote the policy priorities of the latter (Ioannou 2000; Kritsantonis 1992; Ioannou 1989).<sup>1</sup>

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**1** An interesting exception to this general rule came after the crisis, with the inability of SYRIZA to control the trade unions in the GSEE board elections of 2013 and 2016, despite the general election demise of its main competitor, the social democrat PASOK. The explanation lies partly in SYRIZA's weak social base; the GSEE electoral system, in which representatives to its national congress, where the board is elected, may be chosen up to four years before the congress itself, which means that sudden political scenery shifts are not well represented (Vogiatzoglou 2014b); and the collapse of the clientelist state-party-citizen relations (Lyrintzis 1984), which in the past had been a driving force of 'governmental trade unionism'.

The above elements combined explain, to a certain extent, the relative scarcity of significant worker mobilisations from 1993 to 2010. Dependent on their political party of origin, amidst a declining union density, loss of structural power and lack of young, visionary leaders, the Greek trade union leadership solely exploited the positive collective bargaining framework and proved unable to maintain their capacity for long-lasting, cross-sectoral industrial action of the kind that had characterised the labour landscape of the late 1970s, early 1980s, and 1990–1993 (Aytonomi Protouvoulia Politon 1983). The close links between the political system and trade unions, however, enabled the political strike par excellence, the 24-hour general strike, to become the main ‘stick’ in the hand of the Greek trade unions until 2010. During all these years, at least one general strike per year was proclaimed, on the day the state budget was voted on. Participation in the strikes was not particularly impressive, but the size of the demonstrations was an indicator of social discontent, occasionally totally irrelevant to the official labour demands.

Of course, noteworthy exceptions to this general labour peace were to be found, such as the 2001 protests against planned pension reform, which forced the government to withdraw it; the teachers’ strike in 1998; and several other multi-day strikes of bank employees, municipality workers and university faculty. However, throughout the period most mobilisations were spearheaded by other social groups: high-school and university students (1998–1999 and 2006–2007), young people (2008) and alter-globalisation activists (1999–2003).

Finally, the Greek trade unions’ *discursive* power remained limited. The Eurobarometer data of 1999 and 2008 show that, in both time-frames, more than 70 per cent of the population had little or no confidence in trade unions (European Commission 1999; European Commission 2008). This score is similar to many other European countries, but the situation becomes worse if one slightly changes the question, asking about ‘trade union leaders’ instead of their organisations. In a 2011 opinion poll, 93 per cent of respondents stated that they had no confidence in the trade union leadership (Laoutaris 2011). Furthermore, in a 2013 poll, 95.2 per cent of respondents stated that the unions did ‘very few things or nothing’ to block the austerity measures (Lykavitos 2013). As the crisis years loomed, hostility against the current GSEE president, Yannis Panagopoulos, rose to the extent that he was physically assaulted and injured by angry mobs twice, during strike demonstrations. The GSEE headquarters were occupied for several days on three different occasions (2009, 2011 and 2014). The grassroots activists who occupied the building accused the confederation of complacency and an unwillingness to represent the workers’ interests.

In sum, all the elements that explain the failure of the Greek trade unions to cope with the crisis and austerity challenge were already present in 2010. First, a set of deep structural problems: declining union density; bureaucratisation; the inability to reach out to young and migrant workers; and a fragmented mid-level organisational structure, hampering cross-sectoral coordination. Second, a predictable, single-weapon (the general strike) industrial action arsenal. Years of resource allocation solely to collective bargaining had caused a loss of know-how and of the ability to coordinate a long-lasting mobilisation. Finally, there was a severe leadership problem. The trade union elites were regarded

as discredited by large swaths of the employees. An outdated (if not rigged) electoral system favoured incumbents over newcomers, placing obstacles to leadership renewal. Last but not least, the majority of GSEE and ADEDY board members had close ties to a party (PASOK) that was about to be wiped off the electoral map.

### 3.2 Trade unions during the crisis

Simplifying, one can summarise Greece's economic policies in the course of the crisis in just two terms: *austerity* and *internal devaluation*. When, in April 2010, the Greek Social Democrat government announced the so-called Memorandum of Understanding signed by itself and the Troika of creditors (ECB – EU – IMF), it became immediately evident that the austerity measures the deal called for would first and foremost target the working population. The memorandum brought about mass unemployment, wage and pension cuts, tax hikes and, most importantly, the collapse of the collective bargaining system that had been adopted in 1990. The impact on the unions was twofold, both direct and indirect. The indirect consequence is related to the rapid rise in unemployment and the maximum resource mobilisation on behalf of the political and economic elites in order to counter potential reactions. The fear of unemployment provided counter-incentives to the workers at the expense of mobilising and engaging in labour action, while a series of defeats in small- and medium-scale disputes made it clear to everyone that isolated, company- or productive sector-level struggles had no chance of success. The direct consequence was that the collective bargaining system inherited from the previous period was totally dismantled, as the creditors demanded. At the national level, the collective agreement signed by GSEE was cancelled and the minimum monthly wage was reduced by legislative decree to some 540 euros gross (slashed from 751 euros per month, as laid down in the national collective agreement). At the sectoral and occupational levels, the state arbitration and mediation mechanisms were abandoned. The obligatory time extension of collective agreements after their expiry, if no new agreement was signed, was abolished. And employers were no longer bound by collective agreements signed by their respective employers' association. Today, only a handful of sectoral or professional collective agreements are in force. The vast majority of employees are covered only by the minimum wage, as defined by the state decree mentioned above.

The unions therefore lost both their carrot and (part of) their stick. The only leverage left to them was top-level political interventions. Given the lack of alternatives in their industrial action arsenal, it is no surprise that the 24-hour general strike tool was massively employed.

The first general strike against austerity was called on 5 May 2010. Protest and strike participation was exceptionally high – some 250,000 people participated in the Athens protest (Kousis 2012) – and the demonstrators turned up at the parliament, where they were confronted by riot police. Several general strikes were called in 2010, but participation was rather weak – at least compared with what would follow. Protest activity resumed towards the end of 2010 and intensified during the winter of 2010–2011.

In 2011 and 2012, more than 30 days of general strike were proclaimed. The symbolic weight of these strikes was most important in the development of the anti-austerity movement. Research has confirmed that all the major protest events occurred exactly on the days when general strikes were called (Kousis and Kanellopoulos 2013; Kousis 2012; Diani and Kousis 2014). On strike days, tens of thousands (occasionally, hundreds of thousands) of protesters would march in the streets of Athens and the other major Greek cities and clashes with the police and other violent action were frequent. General strikes were complemented by widespread discontent expressed by various social groups, mostly through acts of civil disobedience: refusal to pay newly imposed taxes, verbal and physical attacks on politicians in public spaces and protests in previously non-politicised settings and at events, such as football stadiums and military and school parades (Insider 2012; Karatziou 2012; to vima 2011).

In 2013, two major production sector strikes took place, involving metro workers and secondary school teachers. Their inability to coordinate with other professional and productive sector organisations proved fatal, as both were met with extreme state repression: apart from the ‘civil conscription’ of strikers,<sup>2</sup> riot police intervened to clear the respective workplaces of strikers and workers standing in solidarity with them. In June 2013, the announcement of the closure of the public TV/radio broadcaster (ERT) and the sacking of its employees was met with a spontaneous demonstration by some 50,000 people outside the company’s headquarters. ERT studios were occupied all over Greece, and the TV and radio stations continued broadcasting clandestinely, until the point when, once again, the riot police intervened to re-occupy them.

The concrete achievements of these actions were minimal: facing an opponent who had mobilised all resources available, was basing its actions on a very clear political strategy and was assisted by a strong propaganda mechanism launched by practically all major private media outlets, the unions failed to block any of the proposed measures. They did contribute, however, alongside the broad array of organisations and political groupings that constituted the Greek anti-austerity movement, to the collapse of Greece’s post-dictatorship political party system. In 2011, the last PASOK government resigned. The technocrat government that replaced it lasted less than a year. It took two rounds of national elections, in May and June 2012, for a tripartite coalition government to be formed. In May 2014, the left-wing party SYRIZA won the Euro-elections; the government staggered on for a few more months, and new snap elections were called for January 2015. SYRIZA won and formed a coalition government with right-wing populist splinter party ANEL.

The first six months of SYRIZA in power were relatively calm as regards labour mobilisation. The government enjoyed unprecedented popularity and its negotiations with the creditors monopolised the social and political agenda, leaving no space for major changes in the labour relations’ framework. During the feverish summer of 2015, though, negotiations reached deadlock. The Greek banks were experiencing enormous

2 ‘Civil conscription’ was a legislative provision allowing the government to break a strike on the grounds of ‘public safety’ by forcing strikers to carry on working on pain of imprisonment. The provision was cancelled in April 2015 by the SYRIZA government.



deposit flows abroad and the state treasury had reached the point at which it was unable to carry out even its most fundamental financial obligations. Capital controls were imposed and a referendum was called to decide on a new memorandum.

GSEE, which had disappeared for months, issued a statement calling on its members to *approve* the new bailout agreement by voting 'YES to our common currency and federal Europe'.<sup>3</sup> The outcome – 61.3 per cent voted 'No' – highlighted the extent to which union elites had become alienated from their base. Although no systematic research has been conducted on the referendum vote, a simple observation of regional results confirms that workers, especially the poorer ones, totally defied the trade union's suggestion, and rejected the proposed agreement by a landslide.

What followed was the capitulation of Alexis Tsipras to the creditors' demands, snap elections, re-election of a subdued SYRIZA and the adoption, by the formerly radical left-wing party, of yet another round of austerity measures. The trade unions called for a couple of general strikes against the new memorandum, but participation was minimal, due to the widespread disillusionment and despair. At the time of writing, the Greek government is still negotiating with the creditors, on potential changes in the labour legislation framework. SYRIZA is requesting the reinstatement of collective agreements, while the Troika is demanding the facilitation of mass lay-offs, the introduction of lock-outs – abolished in Greece in 1982 – and a set of legislative initiatives that would render more difficult the proclamation of company and production sector strikes.

### 3.3 Taking stock of power resources after six years of crisis

In Section 3.1, three main categories of challenges that the Greek trade unions were facing in 2010 were identified. In 2016, the structural problems remain intact, amidst a much harsher environment. Trade unions' organisational and structural powers have been weakened, due to the dramatic rise in unemployment. Employers no longer need trade unions to secure labour peace: mass unemployment works as a counter-incentive towards both unionisation and mobilisation to secure labour rights. The unions' institutional power is almost destroyed, as the pre-crisis collective bargaining framework has been dismantled. In terms of leadership, no significant changes have been noted since 2010. The current GSEE board was elected in March 2016. Panagopoulos' mandate was renewed for another four years. Table 1 shows the current composition of the GSEE executive.

Yannis Panagopoulos's PASKE (affiliated with PASOK) holds 15 seats. A split of the right-wing union fractions weakened them, but they did manage to secure a total of 12 seats. The Communist Party fraction has been strengthened, coming second and electing a total of 10 representatives. Leftist union fraction EAK is represented by seven trade unionists. Nea DAKE is a split from New Democracy affiliate DAKE. EMEIS

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**3** GSEE Press Release, unnumbered, 01/07/2015. Available at: <http://www.gsee.gr/2015/07/01/deltio-tipou-sinedriasi-olomelias-diikisis-gsee-3/>

Table 1 GSEE executive

Name	Affiliation	Votes	Seats
PASKE	PASOK (Social Democrat)	119	15
DAS	KKE (Communist)	83	10
DAKE	New Democracy (right-wing)	67	8
EAK	Left-wing	53	7
Nea DAKE	Right-wing	31	4
EMEIS	Extreme-left	9	1
TEK	Extreme-left	6	0

Source: GSEE Press release, March 20, 2016.

was a split from PASOK-affiliated PASKE, but many in its ranks allied with the extra-parliamentary leftist party Popular Alliance (Laiki Enotita), which is composed of former SYRIZA officials, MPs and Ministers who disagreed with the pro-Troika turn of their party. Finally, TEK is largely supported by ANTARSYA, an extra-parliamentary extreme-left party. It is noteworthy that the governing party, SYRIZA, has no affiliates among the trade union leadership. The reason is that the union fraction that was affiliated with Alexis Tsipras' party (Aftonomi Paremvasi – AP) dissolved in the aftermath of the Greek government's capitulation. Several trade unionists resigned, while the rest moved on to form new coalitions. It is important to note that the splits, realignments and affiliation shifts depicted above do not signify a weakening of party–trade union relations in Greece, but rather reflect the volatility of the political party system over the past few years.

#### 4. Conclusions

In this concluding section, what needs to be discussed are the prospects of the Greek labour movement, more specifically its agenda and the means employed to achieve its demands and goals. We have examined the inadequacy of the traditional Greek industrial action toolkit. For Greek workers, the 24-hour general strike has more of a symbolic than a practical usefulness. Indeed, it was noted that even in times of relative labour peace, it was common to encounter two or three general strikes per year. The quantitative change during the crisis years was deemed insufficient and indicative of the GSEE's inability to renew its repertoire. On the other hand, the alternative proposed by many radical grassroots unions, an *open-ended* nationwide general strike, was impossible, not only because of the unwillingness of the trade union elites to engage in 'the mother of all battles', but also because the trade union movement did not have the organisational capacities to sustain such a resource-intensive mobilisation. Apart from the low union density, the Greek unions lacked the experience of major labour struggles. The last recorded long-lasting, multi-sector labour actions took place in the 1980s and early 1990s (Ioannou 2000; Koukoules and Tzanetakos 1986), a period when the unions were much stronger than today and the socio-political context was totally different. Since then, macro-level union activity has been confined to representing the

workers in the so-called ‘social dialogue’ structures (Daskalakis 1995). The occasional conflicts that broke out seldom went beyond the symbolic level. Furthermore, society itself became very hostile towards the union elites, thus discouraging mobilisation that would require high levels of social support.

To cut a long story short, what the leaders of GSEE failed to perceive in 2010 and onwards was that, in the radically changed socio-political context of the crisis years, a qualitative rather than quantitative shift of industrial action repertoire, renewal of organisational practices and structures, as well as a strengthening of the membership base were required.

The – already grim – prospects of the Greek labour movement are further overshadowed by the lack of any innovative proposals and demands in the trade unions’ agenda. Six years after the unfolding of the crisis, trade unions have not been able to formulate any productive or innovative ideas concerning their own future or the future of labour relations in the country. On the contrary, their agenda is monopolised by a nostalgia with regard to the pre-crisis period: the only issues raised are a minimum wage increase to the pre-crisis level and the re-establishment of the 2009 collective bargaining framework. It is noteworthy that this lack of productive ideas is not limited to the (more moderate) majority of the Confederation leadership, but also reflects the viewpoints of the leftist forces in the union system, those who were previously affiliated with SYRIZA, as well as the extreme-left fractions.

Undoubtedly, this belated trade union ‘romanticism’ is to some extent understandable. Hardly anyone could argue against a more regulated labour market – especially upon observing the contemporary ‘job-jungle’ of labour relations in Greece – or higher wages for a labour force that has been deprived of some 30 per cent of its median income during the past six years (European Commission 2015; Kretsos and Vogiatzoglou 2015). However, one problem that cannot be overlooked is that the trade union agenda merely calls for a return to a period when – as argued above – all the structural, collective action repertoire and leadership issues were already present. How could one assume that *this time* the outcome could be significantly different?

During the crisis years, a series of proposals addressing the long-lasting, systemic trade union challenges were raised by labour scholars. Federation mergers were suggested as a remedy to mid-level organisations’ fragmentation and coordination deficit (Kapsalis 2013). Undertaking ‘specialised and measurable programmes to recruit new members in trade unions, putting the emphasis on new wage labour strata (young, female, flexible workers, migrants, new dynamic professional sectors)’ (Kouzis 2014: 16) was proposed to counter declining trade union density. Progressive changes in the GSEE–ADEDY electoral systems could open a path for medium-term trade union leadership renewal. A focus on establishing links with non-labour related social movement organisations and anti-austerity activists was also suggested (Vogiatzoglou 2013). Finally, many scholars have emphasised the need for better cross-national cooperation and collaboration between trade unions, in Europe and beyond (Bieler *et al.* 2015; Bieler and Erne 2014; Gumbrell-McCormick and Hyman 2015; Kouzis 2014). These discussions are interesting, but their usefulness could prove to be limited, insofar as they are confined

to the scholarly level. It remains to be seen whether trade union activists will grasp the opportunity to commence a sincere, in-depth assessment of the past, present and future of the Greek labour movement. If they do not, even if their organisations succeed in restoring a – supposedly glorious – *ancien regime* (a development which seems highly unlikely at this moment), what the Greek trade unions might achieve is merely to re-pave the path to neoliberal hell.

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# Hungarian unions under political and economic pressure

László Neumann and András Tóth

## 1. Introduction

Among the post-socialist countries one peculiarity of the Hungarian model is the – so far – unique U-turn it has executed (Kornai 2015). In the political sphere this has meant a shift back from a pluralist democracy to a kind of ‘majoritarian’ regime. Although the regime enjoys democratic legitimacy through free elections, the current electoral rules and various practices of the incumbent government severely limit the chances of any opposition to challenge it. Additionally, the government favours a despotic governing style:<sup>1</sup> the elected government has been relentlessly centralising decision-making and side-lining opposition forces and social partners, save those who support its position wholeheartedly. The change in governing style has been accompanied by a statist and nationalist economic-policy turn and a shift from welfare to a workfare-based social policy (Tóth, Neumann and Hosszú 2012). In this chapter, we investigate the impact of the 2010 regime change and, more broadly, the economic and political crisis, as well as their impact on industrial relations and how major industrial relations actors, especially the trade unions, have responded.

In Section 3 of the chapter we analyse the sources of trade union power (following the model of Gumbrell-McCormick and Hyman 2013), highlighting the recent trends and current positions. From 2010 onwards centralisation of political and economic power also resulted in a break with established social dialogue practices, particularly national-level tripartism, the curbing of trade union operations by legislative means (by amending the strike law and overhauling the Labour Code) and state intervention that deliberately intensified the long-standing rivalry between trade union confederations. The government has chosen one or two preferred confederations (primarily LIGA and, to a lesser extent, MOSZ, organisations established on the eve of the political changes) and has neglected the other four allegedly Socialist-oriented ones. This trend poses the question of whether the U-turn will entail a return to the monopolistic union model, with a government-friendly union confederation.

## 2. Major economic policy developments since the start of the crisis

The crisis of the Hungarian economy began in 2006, when the European Commission demanded that the country meet the criteria of the Stability and Growth Pact. The government introduced a ‘stabilisation’ package in autumn 2006, which provoked a

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1 On the despotic style of government see Montesquieu (1751/1989), p. 28.



recession. In early 2008 the economy had begun to return to growth. Nonetheless, autumn 2008 saw a deep crisis provoked by the worldwide credit crunch. Hungary had to turn to the IMF to avoid financial collapse. The IMF, in cooperation with the EU, demanded a 'stabilisation' package and the government obliged with cuts in welfare spending in the 2009 'reform' package. FIDESZ, the centre-right party then in opposition, rejected the reform package and promised the restoration of the welfare state, together with a state-induced new growth strategy. This promise was one of the main reasons for the support it then received from the majority of voters.

In 2010, after its election victory, FIDESZ declared that a 'revolution had taken place at the voting booth' and, crucially, that this entitled it to carry out a wholesale and profound re-organisation of the Hungarian state and economy, with the stated aim of replacing the failed model of post-transition Hungary. The political re-organisation of the state aimed to create a majoritarian democratic regime, in which the incumbent Parliamentary majority is entitled to create a strong government. The institutions created during the transition as checks and balances were reorganised and weakened, on top of which new, pliable leaders were nominated to run them. They were cadres of the governing party and could be trusted to follow the political line of prime minister Viktor Orbán. Re-organisation of the political system went hand in hand with reshaping the economy. The government thoroughly re-regulated and re-organised the economy within the possibilities afforded by EU regulations. This complex set of measures was labelled 'unorthodox' economic policy, as it mixed, on one hand, neoliberal measures, such as creating a more 'flexible' labour market and cutting back the welfare state, and on the other hand, measures to enhance the role of the state as economic actor and regulator of the economy at the expense of market freedom. We argue, however, that an underlying worldview – namely *economic nationalism* – explains the unorthodox economic policy measures.

The major directions of reorganisation were as follows:

- (i) A break with the IMF-sanctioned economic policy in order to pursue a state-led economic policy. As a political act this signalled to Hungarian voters the beginning of a new economic policy.
- (ii) Reinforcement of the role of the state as economic actor and regulator of the economy. The measures included scrapping the private pillar of the pension system, punitive taxes on the banking sector and selected service sectors, and imposing price controls in a number of key public utility sectors. These contributed to the stability of state budget and allowed the government to launch government sponsored re-organisation of the economy.
- (iii) Building up the domestic business class at the expense of foreign-owned firms. The government renationalised a number of key public sectors and eliminated the dominance of foreign capital in banking, in certain key public utility sectors and in retail trade. In addition, preferential treatment of certain groups of businessmen, known to be close to FIDESZ, helped to create their own business empires, mainly in sectors depending on government services and public tenders.
- (iv) Creating the most competitive economy in Europe for manufacturing and manufacturing-related business service firms, Most notably in this area the

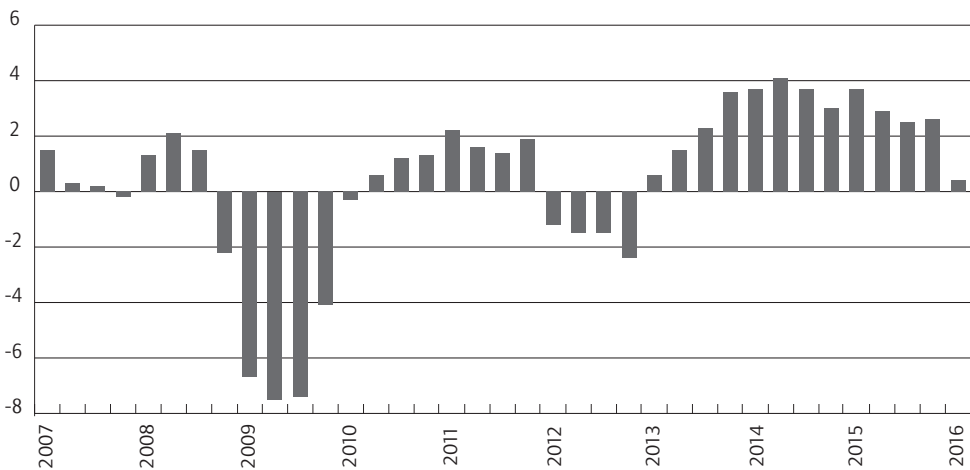
Labour Code was overhauled, with the aim of creating the most competitive and flexible labour market regulation in Europe. In its education policy, too, the government intends to serve the interests of manufacturing companies. The government also signed strategic treaties with major investors, mainly in manufacturing, to assure them that the government's sharp tone against 'foreign influence' would not harm their business prospects in Hungary.

- (v) A shift towards the model of a workfare state and to scrap the welfare state. In this area the most important measures were the reduction of unemployment benefit entitlement to three months and the introduction of compulsory public work for those whose benefit has expired and who have not been able to find a job. Other important measures provided tax reductions for working parents with children.

The reorganisation process was accompanied by a new economic slump in 2011 and 2012. This new recession and the difficulties arising due to reorganisation contributed to a new wave of protests by unions and civil movements, and also led to the formation of new left-wing political parties and protest movements. Nonetheless, FIDESZ manoeuvred skilfully through the recession period and fended off political contestation. The period 2013–2014 saw a consolidation of the new regime, accompanied by a return to economic growth. The 2014 general elections proved that the controversial and politically driven reorganisation of the economy had met with the approval of large sections of the electorate. FIDESZ gained enough votes to ensure another supermajority in the Parliament and continued its statist re-organisation of the economy.

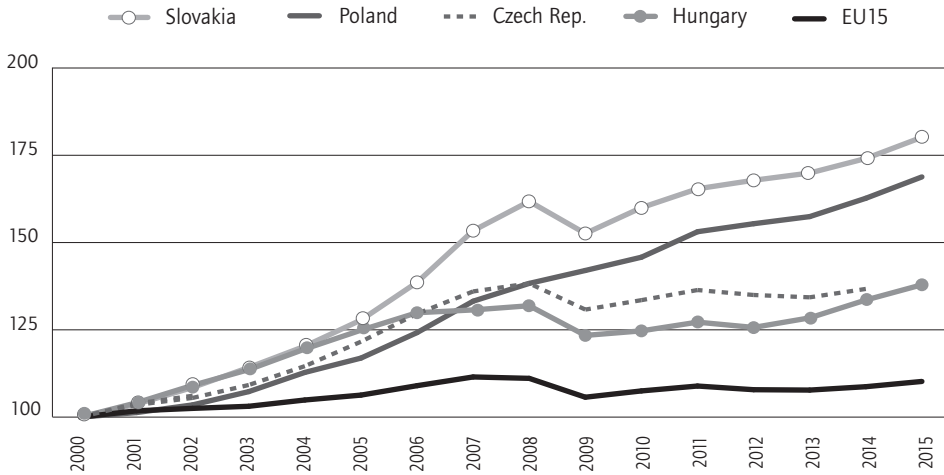
The economic impact of the new policies has been controversial. Economic trend statistics indicate that the economic development trend that began after the 2009 measures (Figure 1) had been halted by 2012–2013. Hungary's recovery from recession was also an outlier trend in the CEEC region (Figure 2).

Figure 1 **GDP growth, Hungary (2000-2014, %)**



Source: [http://bbj.hu/economy/ebrd-revises-hungary-gdp-growth-forecast-upward\\_71775](http://bbj.hu/economy/ebrd-revises-hungary-gdp-growth-forecast-upward_71775) and HCSO.

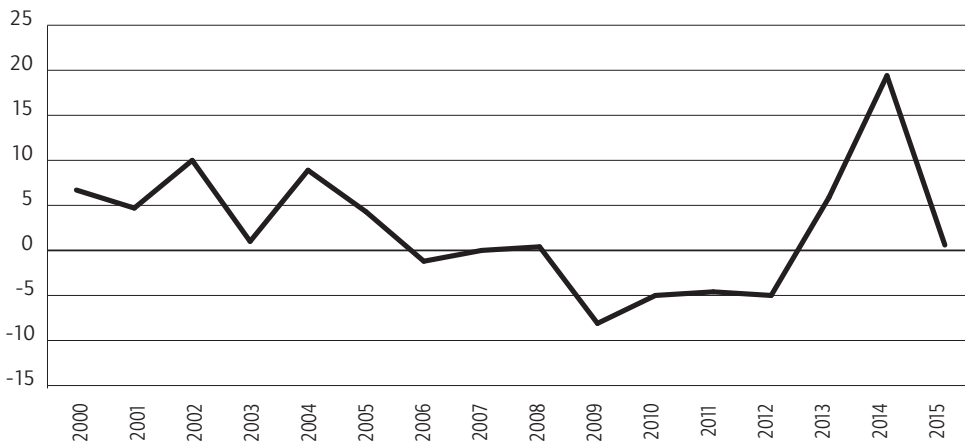
Figure 2 GDP growth in the V4 countries (2000-2014, %)



Source: [http://bbj.hu/economy/ebrd-revises-hungary-gdp-growth-forecast-upward\\_71775](http://bbj.hu/economy/ebrd-revises-hungary-gdp-growth-forecast-upward_71775) and HCSO.

The legal and economic instability caused by the punitive measures and legal uncertainties certainly contributed to the collapse of investment in the Hungarian economy by economic actors (Figure 3). The tide only turned in 2013, when GDP growth reached 1.1 per cent and picked up speed in 2014. Nonetheless, the main driver of economic growth was the use of EU funds. Apart from EU funding, each major investment project, such as the greenfield Mercedes plant in Kecskemét or the expansion of the Audi plant in Győr, and related investments of supplier companies, have provided one-off investment booms, but the trend of investment into manufacturing is more than troubling. No wonder that the fall in EU funding from 2015 onwards immediately translated into falling GDP growth.

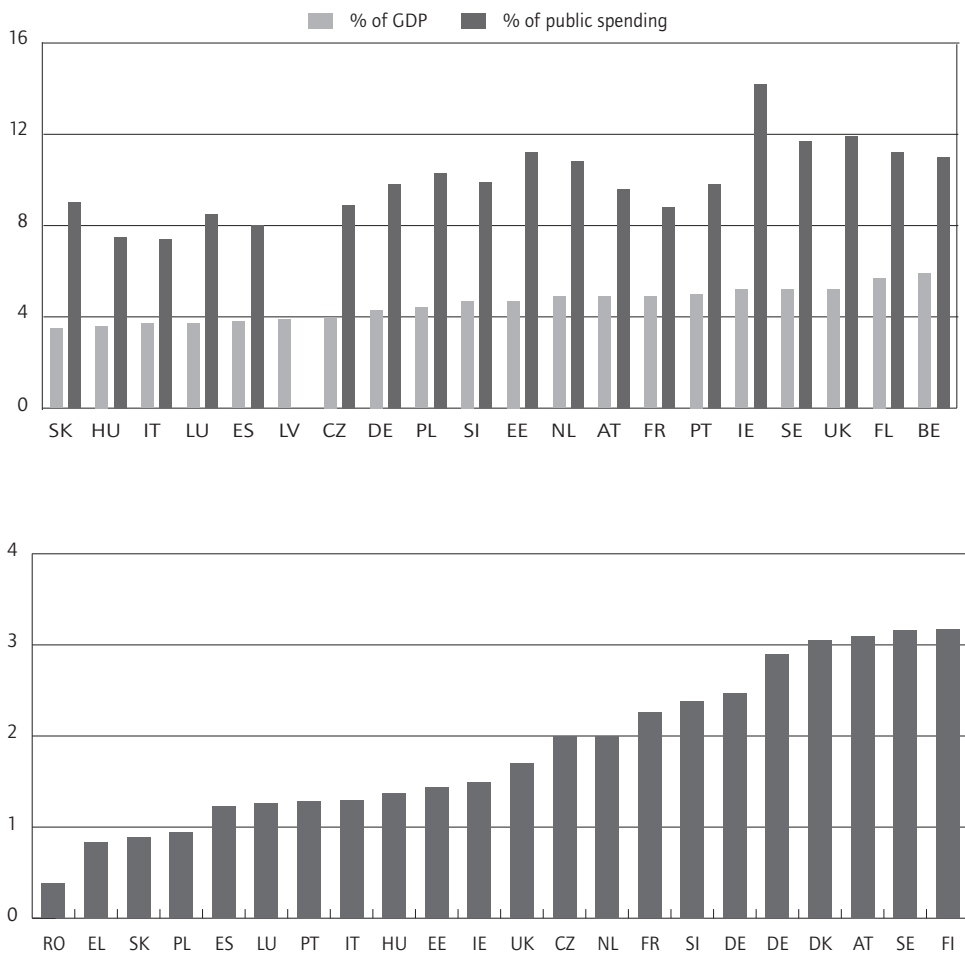
Figure 3 Investment trends in Hungary



Source: HCSO. – This source was given in the EXCEL file but is not mentioned in the references.

With regard to Hungary’s long-term competitiveness, one of the most worrying developments is the downward trend in public education. The Hungarian education system has not only undergone a government-inspired reshaping towards low quality vocational training (schools in which general subjects, IT skills and foreign language learning are missing from the curriculum), but this has been accompanied by cuts in the overall education budget. Hungary cut its education budget more drastically during the 2008–2009 crisis than any other member state. Unfortunately, the new government has not changed the trend, but has continued the cuts in the education budget. Partly related to the decline of tertiary education is the low level of R&D spending in Hungary, which is one of the lowest in the EU (Figure 4a, 4b).

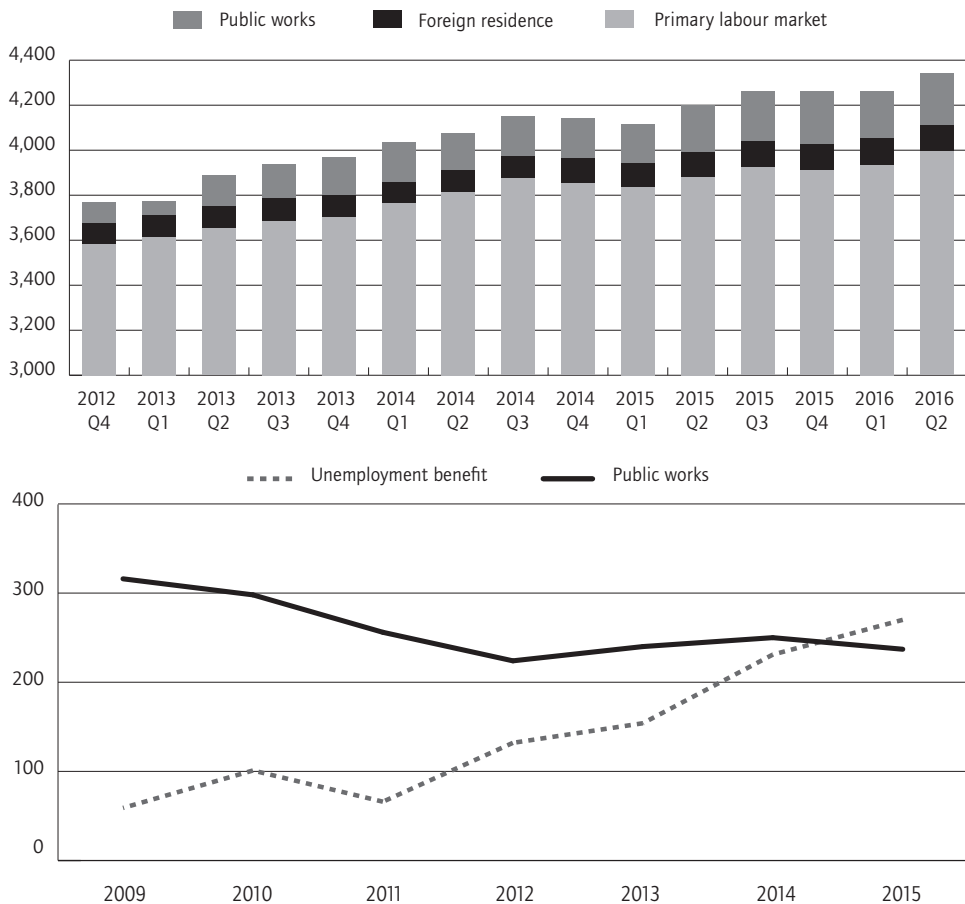
Figure 4a and 4b **Government expenditure on education and R&D as a percentage of GDP**



Source: OECD (2016); OECD (<https://data.oecd.org/rd/gross-domestic-spending-on-r-d.htm>; latest data available).

The labour market impacts of these policies are complex and controversial. In one hand, the expansion of public work schemes stabilised unemployment figures at a relatively low level within the European context. Nonetheless, the favourable overall figure is misleading on two counts. The bulk of the increase in employment is, in one hand, due to the large-scale public works projects funded by the state, which mainly substitute former welfare provisions and by no means lead to a return to the genuine labour market in most cases. Private sector job creation has been minimal and to a large extent dependent on state funding. On the other hand, in recent years Hungarian migration to the old EU member states has accelerated in response to the crisis and uncertainty in the Hungarian economy. Especially the younger, better trained and more entrepreneurial strata of the population migrate. Though outward migration has contributed to apparently favourable employment statistics, in the long term, especially the migrants do not return, this will harm Hungary’s human resource capacity (Figure 5a) and undermine the welfare state, especially the pension system in an aging society.

Figure 5a and 5b **Labour market statistics and welfare spending**



Source: Portfolio.hu; Index (<http://index.hu/gazdasag/2014/11/13/szocialpolitika/>).

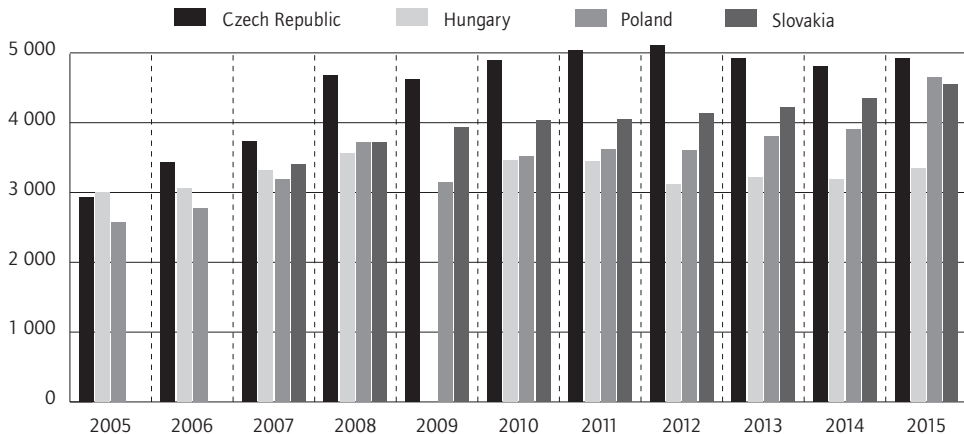
The cost of funding public works has already outpaced the welfare costs of unemployment (Figure 5b). The main concern in this respect is how the government's public works programme can be sustained as the economy slows.

From the trade union perspective government wage policy is of paramount importance. One of the key government measures was the introduction of a 16 per cent flat income tax. This in practice meant lowering the tax burden for high and middle class wage earners, while raising the tax level of low wage employees. The government tried to balance the negative impact of tax raises for lower wage strata by increasing the statutory minimum wage by 30 per cent. At the same time the government created a lot of jobs with sub-minimum wages through its large-scale public work projects. On the other hand the tax wedge for lower wage strata is one of the highest in the EU, which among other things has maintained the high level of undeclared employment, thereby hindering job creation in the business sector.

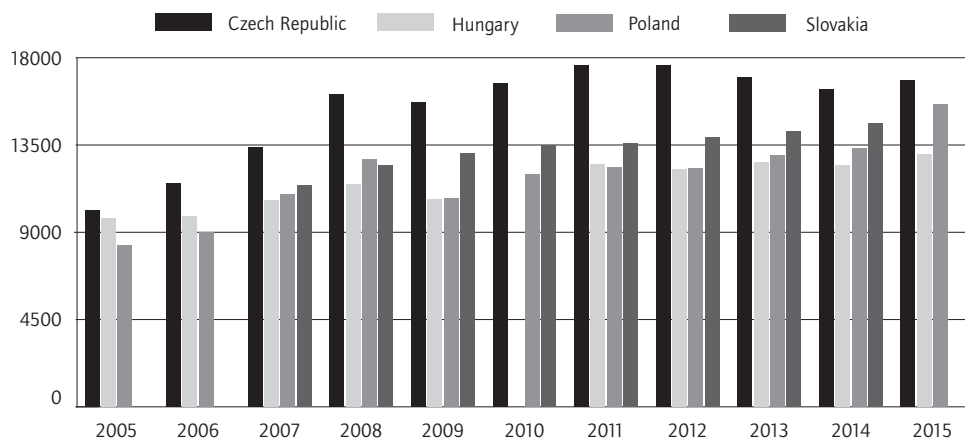
As far as net earnings are concerned Hungarian wages, despite regular huge increases in the gross minimum wage in a deflationary environment, have stagnated since 2010 due to the growing wage levies. The overall picture in Hungary is one of stagnating wages, poverty and lack of a future in many sectors. Of even more concern is the public perception of an apparent decline in Hungarian wages compared with those in neighbouring countries, such as Slovakia or Czechia. Figure 6 shows the changes in net earnings in two typical households: a young low-wage single person and a lower middle-class family of two wage earners and two children (Borbély and Neumann 2015).

Figure 6 Annual net earnings development in the Visegrad Four countries

6a Single person without children, 50% of AW (EUR)



## 6b Two-earner married couple, one at 100%, the other at 67% of AW, with two children (EUR)



Source: Eurostat (<http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>; <http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>). Note: AW=average wage.

All these developments contributed to the stagnation of real wages – they are at about the pre-crisis level – but it is largely owing to the public sector pay freeze maintained since 2008. As regards the social impact, besides the persistently low employment rate, during the years since the crisis inequality has grown continuously and the poverty rate has risen alarmingly,<sup>2</sup> from 28.2 per cent in 2008 to 33.5 per cent in 2013. Government policies have not halted the upward trend so far.

In conclusion, we could state that the new policy of ‘economic nationalism’ (Tóth 2015) has to date done very little to revitalise the Hungarian economy. The private sector is still, perhaps even more dependent on FDI and strategic foreign investors, while the outsized state and state services are increasing the need to tax private business activities. All in all, the Hungarian growth and employment model has basically remained FDI-driven and export-oriented with strong manufacturing focus. However, within manufacturing Hungary has generally shifted towards the dominance of ‘low-road’ industries and workplaces by neglecting higher education and R&D activities. The public works projects and swelling public employment only mask the problem, but in the long term they are likely to contribute to a new fiscal crisis. The real concern is the return of a new bust after the end of this state-driven and EU-funded boom. Once, Hungary was praised as the country of ‘goulash socialism’, but now it is beset by crony-capitalism.

<sup>2</sup> The Gini coefficient measuring inequality of disposable income after taxes and transfers increased significantly (from 0.252 to 0.28) between 2008 and 2013. In Hungary the percentage of people at risk of poverty before social transfers is particularly high (27.1 per cent in 2012). Also high and growing is the share of severely materially deprived people (23.1 per cent in 2011 and 25.7 per cent in 2012). Social transfers have had some mitigating effect: the figures were 13.8 per cent in 2011 and 14 per cent in 2012 (source: Eurostat data).

### 3. Trade union power resources

As for organisational structure, the post-socialist Hungarian unions have traditionally been fragmented, with weak sectoral and national centres in terms of finance and authority over their company chapters. With the split of SZOT, the monopolistic socialist trade union centre, into four successor organisations in 1989–1990, the 19 sectoral federations also broke up into smaller industrial sub-associations. Partly due to new statutory requirements introduced by the 1990 Association Law (voluntary membership, representation of workers' interests as the objective of association declared in the charter of organisation, democratic internal structures and so on) and partly in response to grassroots pressure, the previous top-down model of administration was turned into a bottom-up structure and company unions evolved as the basis for governance within the 'reformed' union confederations as well.

Even though not all company trade unions are registered as independent legal entities, they do enjoy a high degree of autonomy in the sub-sectoral federations in terms of both shaping their company-level interest representation policies and controlling membership dues. Company trade unions were free to decide which federation they wanted to join. Instead of a clear hierarchy, this resulted in a complicated web of affiliations, which makes union organising, sector-wide union actions and sectoral bargaining extremely difficult.

#### 3.1 Structural power

The economic changes during the transition in the 1990s hit unions hard at the workplace. With their formal rights curbed by the Labour Code (1992) and with their bargaining position weakened by a slack labour market, trade unions often encountered fresh employer militancy that sometimes used newly imported and sophisticated human resource management techniques to push them further back. Although by the end of the 1990s the consolidation of the economy brought about a growth in manufacturing employment and wage increases, unions have been unable to translate these improving conditions into a rejuvenation of their organisational base. Nonetheless, although company trade unions have survived in most of the larger privatised companies both in manufacturing and in public utilities, the industries that have remained union strongholds are those that remained in state ownership (transport, education, health care).

In Hungary, like the other post-socialist countries, the (economic) liberal post-socialist governments proactively reshaped the welfare state in order to pacify high-risk category groups and lower their collective action capacities and inclinations (Vanhuysse 2006). Indeed, when the country lost roughly 1 million jobs during economic restructuring in the 1990s there were few notable protest actions in the private sector or in privatised companies. During these years the government maintained almost fully the welfare provisions inherited from the socialist state. Moreover, it generously offered the escape route of early retirement for redundant workers (which later caused enormous problems in the pension budget) and 'sweetened the pill' by issuing free employee shares for those who kept their jobs in privatised workplaces (workers' participation).



We have already discussed the recent stagnation of the general employment and unemployment rates. What is new in recent years is the steeply growing outward migration, especially of the young and partly of the prime age workforce. Indeed, it entails skill shortages in certain trades, although unions have not been able to capitalise on the tight labour market. The only exception was the young doctors' action (see below), which resulted in a deal that raised physicians' and nurses' wages, separating their wages from the general salary scale of public service employees. For the rest of the workforce, however, particularly the low skilled, a labour surplus is the prevailing phenomenon, in which one cannot expect robust union action; even organising is minimal in the contingent workforce. A brand-new development is companies facing labour shortages voluntarily announcing sizable wage increases. The first notable example was Auchan, the Belgian owned supermarket chain, which reported that following negotiations with the company union, three-quarters of supermarket employees were to receive a 10 per cent raise from October 2015. The beginning of 2016 witnessed a wave of wage agreements with similar raises at major manufacturing companies exposed to the growing labour shortage.

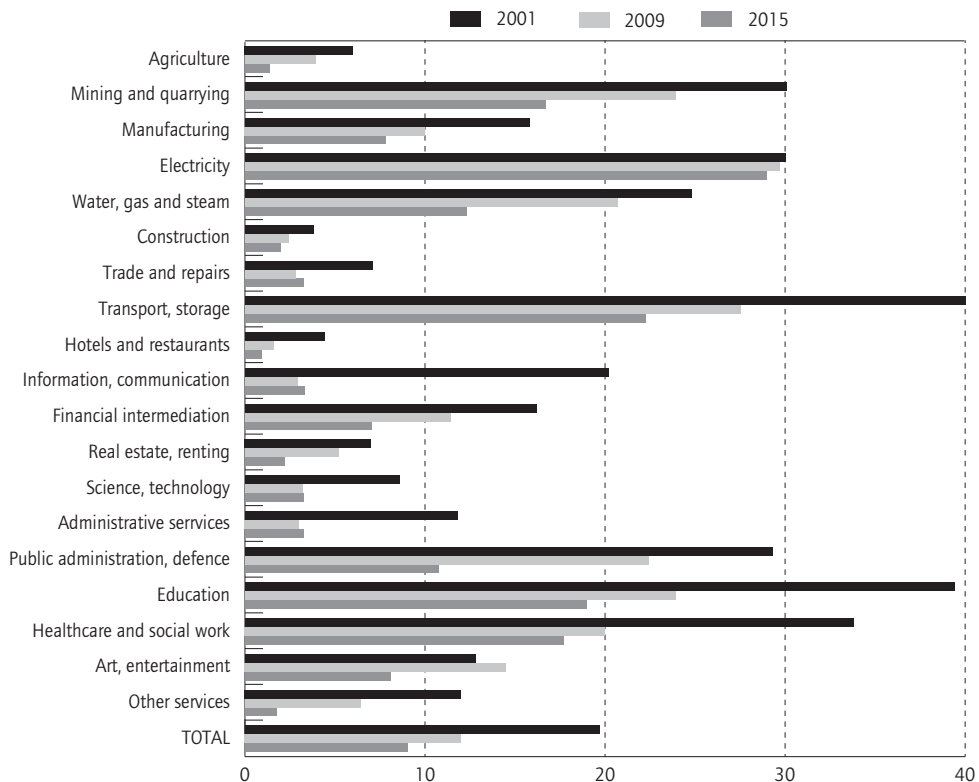
*In general, Hungarian unions represent the core workforce, not precarious labour.* This is striking, given that the share of fixed-term and temporary agency workers has been growing continuously in the past two decades, a phenomenon exacerbated during the recovery from the crisis. During the crisis, despite the decreasing importance of national-level discussions, company trade unions played an important role in fighting layoffs at certain companies. According to a case study, in order to preserve the jobs of the core workforce, trade unions were willing to bargain concessions in wages and flexibility, and often managed to reach agreement with the employer on partial compensation for loss of earnings due to shortened working hours. These accords basically served the job security of the core workers, sometimes on the expense of deteriorating the position of the contingent workforce (for example, agency workers, employees of supplying firms) (Neumann and Boda 2011). Labour economic research has found significantly lower than average redundancies in companies with a collective agreement (Köllő 2012). Temporary agency workers are hardly or not organised at all by the user company's union. Union representatives claim that temps cannot be organised as they are outside the legal boundaries of company collective agreements. This is true de jure, but the Hungarian legislation that transposed the EU's Temporary Agency Work directive requires equal treatment, including wages and fringe benefits, therefore indirectly – de facto – the user company's collective agreement is in force. It is very rare that company unions admit the real reason for non-organisation: the core workforce (represented by the union) considers temps a buffer contributing to their job security.

### 3.2 Organisational/associational power

*Union density* is now below 10 per cent. Official data from the Labour Force Survey are available for 2001, 2004, 2009 and 2015. The latest survey showed a 9 per cent overall density, with substantial differences across industries and workplaces with different company size and ownership structure (HCSO 2015). While the electricity industry (29 per cent), transport and postal services (22 per cent), education (19 per cent) and health care (18) are still trade union strongholds, while at the other extreme hotels and catering

(1 per cent), construction (2 per cent) and retail (3 per cent) are customarily barely organised. The strategically important manufacturing sector was also slightly below average with 8 per cent unionisation. Not independently of the sectoral distribution, unions traditionally fared better in larger companies and state/municipality-owned workplaces. However, since 2009 public sector unions have suffered the most serious drop in their membership. Teachers' union density has fallen by 21 per cent, unionisation in health care and social work has dropped by 12 per cent and by as much as 41 per cent in the water, gas and steam industry. The record high loss, however – 52 per cent – has occurred in public administration and defence, which was attributable to a decree of the Internal Minister which phased out the check-off system, that is, the automatic deduction of union dues by the employer. Labour Force Survey data support the results of a 2015 population survey on a smaller sample, which indicated a mere 5 per cent union density in the private sector (Dabis *et al.* 2015). Administrative data are also available for the public sector (without state/municipality owned companies and public works schemes), because unions have to report annual membership data in order to prove their representativeness in social dialogue forums. These data show a 25.5 per cent membership decrease between 2011 and 2014, which means a 19.9 per cent drop in the unionisation rate if we take the 8 per cent headcount shrinkage into account (Dura 2015).

Figure 7 Trade union density by industries (2001–2015)



Source: HCSO, various years.

The Labour Force Survey also allows the study of union membership in various demographic dimensions. While density is almost equal between women and men, age differences show an increasingly aging membership (with the highest unionisation rate, 12.2 per cent, above 55) and extremely low unionisation among the young (2.3 per cent under 25s). Concerning occupational distribution, there has been a remarkable shift towards white-collar jobs and now the highest unionisation rates are among managers and professionals (15 per cent). Accordingly, the higher the respondent's educational attainment, the higher the unionisation rate in their category. Naturally, the bigger the workplace, the higher the unionisation rate. Not so surprisingly, union density is lower among part-time workers (4 per cent) and those with a fixed-term contract (1 per cent) or employed through temporary work agencies (4 per cent). Nonetheless, one may doubt the accuracy of the latter data due to the small size of the sample (2,000 union members); they roughly show the trends of union organising patterns.

The organising activity of Hungarian unions has been very modest since the mid-1990s. (The exceptions are rare grassroots union formations and the greenfield sites of foreign companies, provided that the trade union or works council of the mother company ensured a permissive environment, notable cases being the two large German automotive plants, Audi and Daimler-Benz.) While theoretically the union leaders agreed on the necessity of an 'organising unionism' model, they generally argued that they cannot afford large-scale organising campaigns. Instead, most union leaders are convinced that enhancing union services to members (cheap mobile phones, union-organised holiday facilities, social events, financial assistance for needy members and so on) would be attractive for non-members. In this respect local union financial resources are decisive. The new Labour Code has substantially decreased support from companies. In the past 15 years or so the union confederations LIGA and, to a smaller extent, MOSZ have invented a new way of growing, poaching members from other confederations. In the spirit of 'economies of scale', they did not poach single members or challenge incumbent unions, but rather targeted whole sectoral organisations. With the right-wing electoral victory, from 2012 LIGA received huge state support, among other things, for organising purposes. Not surprisingly, it has kept on poaching large sectoral unions, which has further aggravated the long standing divide between confederations (Tóth 2013).

At both the confederation and sectoral levels, the main obstacle to an appropriate quality of interest representation is *lack of specialised staff*. Until the tripartite committees were up and running (that is, before 2010) trade unions had hardly enough experts to fill the available positions; the same people often participated in meetings that required very different kinds of knowledge and specialisations. Nowadays a confederation or an industry federation rarely has more than a dozen employees, except for LIGA, which has temporarily inflated its staff to 100 due to generous state support. Therefore the union centres persistently suffer from a lack of professional experts and organisers, which a few volunteers can hardly make up for. The available staff are obviously insufficient for organising and performing interest representation tasks in the strict sense, which in Hungary also includes assistance to company unions in decentralised bargaining.

The shortage of experts is the result of the trade unions' dire financial situation. In the decentralised union structure federations and confederations derive little benefit from

membership fees. Traditionally, union dues represent 1 per cent of a member's gross earnings, but many unions reduce this rate to attract members. Sometimes competing unions undercut each other with lower or even symbolic union dues. The majority of collected dues are utilised at company level and a substantial share is spent for assistance on occasions such as birth of a child, beginning of the school year and so on. Allegedly, members expect such union assistance because they became used to this function of local unions in the state-socialist period. Company unions in theory are supposed to transfer 40 to 60 per cent of the collected dues to higher union organisations, but in practice a smaller portion winds up in the union centres' coffers.

In addition to membership dues, in recent decades trade unions have raised revenue from two other sources: inherited or redistributed union assets (typically selling real estate) and grants from public funds. All the union confederations and a majority of sectoral federations have already consumed a large part of their assets. With extensive media coverage, they have sold their headquarters and moved their offices to smaller, sometimes rented premises. Plummeting membership, assets and collected dues forced trade unions to cut expenses and staff, including those doing the interest representation work. MSZOSZ, for example, laid-off the staff in its rural interest representation network in course of one of the 'rationalisation' waves.

Since the mid-1990s unions have increasingly become beneficiaries of public subsidies, although government support for social partners has thus far not been rendered transparently. Until 2010 public support was generally split equally between unions and employers' confederations and on each side the confederations distributed the money among themselves. The right-wing government from 2010 changed the system, which now favours one applicant only, a union–employer consortium (for details see below). These funds have sometimes been earmarked according to different functions, such as education, research, developing sectoral social dialogue and preparations for EU membership. Despite the earmarked nature of subsidies, it is very likely that union centres have been covering a growing share of their operational costs from government and EU funds.

Until 2013 mergers could be achieved at sectoral level only, where the old industry unions shrank and became unsustainable. However, in 2013 the three, allegedly 'socialist-oriented' union confederations announced a merger plan, partly in response to the government policy of abandoning them. To date, this has not been managed entirely, with the major public sector union left out from the full-fledged merger. They have thus been unable to solve one of the most serious problems, the long-standing public–private divide between the confederations.

As for the unions' *mobilisation capacity*, it has been the case since the 1990s that employees prefer a softer version of industrial action – petitions, public demonstrations, workers' assemblies and so on – to strike action, especially in the public sector. An innovative example of such soft action emerged recently among social care workers. They posted selfies on Facebook with a sheet of paper on which they listed their job position, length of service and the miserable sum of last month's take home-pay. The same lists appeared later pinned to their clothes during a public rally. In 2016

demonstrations continued in the public sector, although public demonstrations rarely reach the threshold that forces the government to take demonstrators' demands into consideration. Recently, only two mass demonstrations were able to show enough muscle to succeed, neither organised by unions. In 2002 students staged a series of rallies and occupied university halls against higher education reforms, while in 2004 an almost spontaneous mass demonstration condemned the plan to tax internet usage. In both cases the government gave in.

Under the new strike laws unions are in practice unable to go on strike due to the extremely high level of essential services laid down by law (the formerly strike prone public transport and postal services) and theoretically due to the rulings of labour courts. The latter impose effective bureaucratic hurdles on unions willing to go on strike. Moreover, a recent population survey showed that the vast majority of workers are not willing to go on strike, and a considerable part do not accept it as a legitimate means of union leverage, not to mention solidarity strikes (Dabis *et al.* 2015).

According to the statistics strike activity has been fairly low in Hungary. Between 2000 and 2009 there were 87 strike events with the participation of 172,255 workers (Hungarian Central Statistical Office). Roughly half of them occurred in 2006–2008 when the austerity measures were implemented by the increasingly unpopular socialist-liberal government led by Ferenc Gyurcsány. Not surprisingly, the figures have been even lower since 2010 when the strike law was changed. Between 2010 and 2014 there were altogether 20 precedents, of which six were warning strikes lasting two hours at most and one was a solidarity strike (Berki 2016).

Union leaders tend to explain the low strike activity by workers' insecurity, saying that they are simply afraid of losing their jobs in case of industrial actions or making their collective voice heard in any way (traumatised worker effect). Nonetheless, the social reasons are more deeply rooted in the lack of trust in unions, and more generally in workers' values, in which solidarity and willingness to partake in collective actions are played down. In addition to the everyday general feeling of political apathy, a couple of research studies addressed population attitudes to political and civil activity. According to the European Social Survey (EES), in Hungary active youth participation in political institutions is getting lower and lower. In 2000 one-third of respondents, in 2004 15 per cent and in 2012 only 6 per cent said that they were affiliated in any way to a civic, political, church-based or charity organisation, sports or cultural club and other community group. (While sport, student and leisure time organisations were the most popular, party and youth organisation membership was below the measurable level.) Civil society has thus been stretched very thin and over the time it is becoming even thinner. This is not a uniquely Hungarian phenomenon; the EES shows low levels of participation as a general feature among the 'new democracies'.

*Union-party links* are quite weak or even hidden. Following some unions' failure to ally with the Socialist Party in the 1990s and partly in the 2000s, nowadays all union confederations claim that they work independently of any political parties. However, during the crisis confederations' relationships with political parties also shifted. Although MSZOSZ, the major private sector union, and SZEF, the biggest public sector trade union did not break their traditional ties with the Socialist Party, it became increasingly

obvious that they had lost influence on the actions of the Socialist Party-led government. At the same time, the LIGA confederation became the tactical ally of the right-wing opposition. The socialist-liberal government's planned reform measures concerning mainly education and health insurance were rejected by the opposition led by FIDESZ. These reforms finally were cancelled through a referendum that was originally the idea of LIGA, which also staged a series of demonstrations against the austerity measures and threatened the government with a continuous strike alert among railway workers.

Nowadays the former socialist allies have to accept that they cannot rely on full support from any left-wing or liberal political party. This is partly understandable as even the Socialist Party, with its dramatically decreasing electorate support, aims to be a catch-all party, and thus unions and workers' issues can no longer get a privileged hearing. On the other hand, the two confederations (LIGA and MOSZ) obviously close to the governing party also claim to be independent, in an effort to disguise their privileged position. Particularly worrying is the far-right party, Jobbik, which has achieved substantial electoral success with its populist rhetoric and huge mobilisation capacity, which is ready to support and pick up unions' demands fast.

The political radicalisation of certain trade union leaders was a short-lived episode right after political change in 2011–2012. As already mentioned, during the economic slowdown civil organisations played the most important role among the forces intent on changing the government. The lack of credible democratic centre parties opened up the space for them. In 2011 civil organisations organised a series of mass demonstrations, for instance against the government's media regulation curbing freedom of speech. Shifting some of the unions' traditional focus from employee grievances to political demands was largely the result of the government's cancellation of social dialogue, implementing measures unilaterally and violating employees' interests. A notable example was that the government retrospectively eliminated the early retirement scheme of armed personnel and fire-fighters and their trade unions had no choice but to take to the streets (demonstrations, road blockades) because they were practically deprived of the possibility to strike. As an umbrella organisation of such radical unions, the Hungarian Solidarity Movement was established by a couple of union leaders. It staged huge street rallies together with the major union federations, but never received their wholehearted support (Neumann 2012). By the end of 2012 Hungarian Solidarity formally became a member of a civic umbrella organisation (Együtt 2014 – Together 2014), which later on converted into a political party running for the 2014 general election. However, with its electoral defeat in April 2014 the Solidarity Movement practically ceased to exist.

Despite the lack of clear-cut party alliances, all confederations are pursuing a sort of pro-European political strand, focussing on the European Social Model. This is not so obvious nowadays, as the Hungarian government is shifting away from mainstream European policies. It is waging what it calls a 'war of independence' against Brussels, trying to enlarge its room for manoeuvre, even at the expense of former allies, courting Putin's Russia and other autocratic regimes in the East. However, this does not mean that trade union confederations have openly condemned the government's anti-EU rhetoric. Instead, in the spirit of 'independence from political parties' they have remained silent on foreign policy issues. Pursuing such a neutral policy is more difficult

in relation to Jobbik, the far-right political party. Nonetheless, while in the 1990s avoiding partisan politics seemed to be a practical solution in order to prevent internal conflicts stemming from a politically divided membership, this internal policy has become less effective nowadays. On one hand, the far right has strengthened in terms of its electorate, including union members and even officials. On the other hand, Jobbik as a parliamentary party launches its own initiatives in labour-related issues or more often takes up union initiatives and offers alliances for lobbying. According to different confederation sources Jobbik MPs have actively sought cooperation with unions on such issues as the Labour Code, early retirement, re-legislation of student work and so on.

### 3.3 Institutional power

From 1990 the main features of Hungarian industrial relations were the *top-level tripartite negotiations* and *decentralised bipartite bargaining* in the private sector and state/municipality-owned companies. From 1988 the National Council for the Reconciliation of Interests (OÉT) provided the institutional framework for tripartite negotiations. Besides the consultations on major economic and social policy issues in the transition period, participation in the OÉT sessions with large media coverage was important to trade unions and employer associations, as it provided them with legitimacy as social partners. Among the functions of OÉT, minimum wage setting was particularly important for Hungarian unions, as it somewhat compensated for trade union weakness in sectoral and company-level bargaining. There were several years before the crisis when the minimum wage increase was far higher than the level that unions could successfully bargain at companies, especially in low-wage industries. In the heyday of tripartite institutions top-level negotiations somewhat substituted for the weak bargaining power of unions at sectoral and company levels.

In Hungary tripartism allowed the highest level of social partner involvement at the beginning of the 1990s, until the first major austerity package was introduced in 1995. Between 1998 and 2002 the first Orbán government reorganised the tripartite body in order to curb its competences, but the successor socialist government returned it to its original function and institutional framework. However, the socialist-led government later also weakened the OÉT when it established a parallel body, the Economic and Social Council (GSZT), which included civil society organisations, economic chambers and other organisations. With the landslide right-wing election victory in 2010 the second Orbán government eliminated the standing tripartite forum (OÉT) and replaced it with a quarterly convened consulting council which includes – apart from the earlier members of the GSZT – churches and ethnic Hungarians in the adjoining countries. The situation changed again in February 2012, when following the negotiations on the Labour Code (see below) a new tripartite body, the Standing Consultative Forum for the Competitive Sector and the Government (VKF), was set up to discuss employment issues on the initiative of the social partners. However, only three confederations on each side of the social partners have been invited to participate in this new body and its role and publicity are more limited than those of the former OÉT. It worth noting that so far VKF negotiations have yielded very few gains for trade unions.

The institutional and legislative changes were introduced by the government unilaterally, without any previous social dialogue and meaningful parliamentary debate with the opposition parties. (Some of them, for instance the amendment of the strike law, circumvented even the legal requirements of legislation, as the bills were submitted by MPs of the ruling party, a 'lawful' trick used so many times by FIDESZ, the current governing party, which had a super majority in the Parliament, anyway.) The only exception was the proposed amendment of the Labour Code, when trade unions asked expert opinions from international organisations (the ILO and the EU), which in the end led to negotiations with a limited set of social partners and the government was willing to make some compromises on a few issues. The trade unions, which had been used to having strong institutional power through the established social dialogue forums (most notably through the OÉT), immediately found themselves in an institutional vacuum, and they still seem to be reluctant to seek alternative channels for influencing government decisions (see below).

The unions are still doing their best to restore institutional channels – so far without any success. When the agreement on the 2014 minimum wage was concluded formally in the VÉT the government promised to open up negotiations on three issues that trade unions have kept on the agenda since 2010–2012, when the government unilaterally introduced the legislative changes already mentioned. Expectations were high at the beginning of a new round of negotiations with regard to early retirement, strike law and the Labour Code. The joint proposal of trade union confederations was completed by February 2015, but since then the negotiations have reached a deadlock. Basically, the government tends to agree only to proposals endorsed by the employers' associations. The latter agreed only a few marginal changes and so the unions declared the negotiations a failure. The bill finally proposed by the government does not include all the items the social partners agreed upon, for instance, the abolition of constraints on collective bargaining at state or local government-owned companies. In turn it contains a couple of minor amendments that have not been discussed with the social partners before. All in all, the changes in the Labour Code will be of little importance, while on the two other issues on the agenda (early retirement and the strike law) there will be no legislative changes at all.

The story of public sector social dialogue is slightly different. Here the social dialogue institutions formally remained intact, but negotiations have not led to increases in the general wage scale of public sector employees, frozen since 2008. (If there is any wage increase it is due to the regular annual minimum wage increase, which affects mainly low skilled public employees.) Instead, the government has engaged in selective negotiations with different groups with strong bargaining power and introduced separate wage scales and other incentives for these groups. A notable example is the case of young doctors. Similar to their Czech and Slovakian counterparts they threatened to resign and the government had to give in (Kohancová and Szabó 2015). In this way certain weaker groups (for instance social workers, elderly care nurses and so on) are systematically left out of wage rises and the government has successfully divided public sector employees and their unions. In 2016 there was a series of demonstrations and even strikes in the public sector, but trade unions have not really achieved anything in the prolonged negotiations with the government. In the social dialogue forums the



government has used the tactic of 'surface negotiations', to use the US term for such employer conduct, or as a last resort has announced unilateral decisions to promise certain groups small and staggered wage raises.

While under the state socialist system, almost every workplace had a company-level collective agreement, national and sectoral negotiations did not begin until 1990. Then Hungary created a three-tier system. In the course of the annual bargaining rounds, following the agreement and recommendations of the national tripartite forum, employers (or their organisations) could sign collective agreements with the respective trade unions at the sectoral and company levels. However, the company level remained dominant in the bargaining system.

Overall collective bargaining coverage fell between 2001 and 2012 from 47 per cent to 33 per cent.<sup>3</sup> The highest coverage can be found in state/municipality-owned companies. While collective agreements are valid for several years (most of them are open-ended), annual agreements on wage increases are handled in separate wage agreements. There has been a dramatic decline in the number and coverage of annual wage agreements since 2001 in company-level bargaining. There are only 19 genuine industry-level agreements with employers' organisations and despite the efforts of previous governments to strengthen industry-level social dialogue, there is no indication that the number is likely to increase. Within the framework of a lack of meaningful sectoral bargaining legally regulated extension procedures are rare; since 1992 this has occurred in only five sectors. The prevailing attitude of employers is still a reluctance to join employers' associations or to authorise them to conclude industry agreements. Moreover, the 2012 Labour Code curbed unions' rights and operating conditions at the workplace – which are very influential factors in a decentralised bargaining setting – and increased the scope of unilateral management decisions, which removes the previous 'incentives' for employers to conclude agreements at both sectoral and company level. The 2012 Labour Code authorised works councils to conclude quasi-collective agreements in the absence of local trade unions with bargaining entitlements, although these agreements cannot regulate wages. (A similar regulation was in force between 1999 and 2002 but only a few agreements were signed by works councils.)

The bargaining approach of Hungarian trade unions is largely inherited from the state-socialist era. The primary responsibility of trade unions is to develop a broad framework of working conditions. While they fight for higher wages, what they bargain for is to increase the gross wage bill at the company level, minimum wages for certain groups of employees (such as the unskilled and semi-skilled) or substantial wage increases for privileged groups of employees. Within this basic framework of collectively agreed wages and working conditions there are broad possibilities for management to make unilateral decisions based on the performance of individual employees, as well as to bargain informally with individuals and groups outside trade union control (Tóth 2006).

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**3** Data come from the compulsory registration of collective agreements. However, another data source, the Hungarian Central Statistical Office, produced much lower coverage figures: in the 2015 Labour Force Survey respondents were asked whether their workplace was covered by any collective agreement and only 21 per cent answered positively (although 22 per cent of respondents said they did not know).

The other contents of collective agreements are often weak, parts of them simply repeating regulations in the Labour Code. However, another – presumably smaller – part contains meaningful stipulations on relations between the signatories, statements on wages, terms and conditions of employment. This has proved to be fairly resilient. This is not just due to a sort of inertia; in these cases trade unions effectively bargained to mitigate the effect of the economic crisis and to ‘fend off’ the negative impacts of legislative changes. Therefore, the issues regulated by these collective agreements and their provisions remained almost unchanged. It is worth noting that the 2012 Labour Code fundamentally changed the legal philosophy of contractual deviations from the mandatory conditions: now the bargaining parties may agree upon anything that is not prohibited explicitly by the law concerning the individual employment relationship, even to the detriment of the employee. (The former Labour Code contained minimum standards and applied the ‘favourability principle’ – collective agreements and individual contracts might deviate from the legal minimum standards only to the benefit of the employee – and enumerated the rare exceptions for negative deviations.) However, in many cases even the management was moderate and took good relations with the union, human resource management objectives and the company’s reputation into consideration (Nacsa and Neumann 2013).

Thus the present Hungarian wage determination system, as well as the regulation of conditions of employment, is fairly decentralised and individualised by western European standards. Individual bargaining prevails and ‘supply and demand’ on the labour market is a crucial factor in setting wages. Little wonder sizeable wage differences across regions, industries and companies prevail. Contrary to western European experiences, decentralised bargaining does not mean that unions have a strong presence at the workplace; ‘job control’ unionism is alien to the Hungarian tradition.

The workplace presence of trade unions is controversial. Given the decentralised bargaining system, company unions enjoy great autonomy within the union organisation. However, as mentioned above, the contents of most collective agreements are fairly weak; they rarely regulate individual wages. Unions’ workplace presence has long been limited by another problem: the lack of established grievance procedures in the workplace. Furthermore, the 2012 Labour Code eliminated unions’ rights to monitor working conditions; theoretically, works councils were put in charge of ‘controlling’ the lawful operations of employers. With this legislation, together with other legislation curbing the Labour Inspectorate’s scope of action, unions are practically helpless in enforcing labour law and collective agreement stipulations.

### 3.4 Discursive power

Surveys on public trust in political institutions have always yielded a relatively low ranking for trade unions among different institutions. However, the TÁRKI (2103) survey found positive changes between 2009 and 2013, which were mainly attributable to the very low level of trust in 2009, amidst the political and economic crisis, especially in the government and political institutions. The 2010 landslide election victory of FIDESZ is reflected in the growing trust in direct political institutions, such as parties,

Parliament and government, while there was a relatively small change in the evaluation of trade unions. This is fairly understandable, as they work more independently of the government than many others in the list.

Despite the abovementioned general weakness of civil society, in public education a new civic movement emerged in 2016 with a major wave of demonstrations, strikes and civil disobedience. The actions were triggered by an open letter from a middle school headmaster in December 2015, which primarily attacked the extreme centralisation of the management of public education, the key element of the 'reform' pursued by the government since 2010, and basically demanded more autonomy for schools and teachers. Although teachers' demands focused mainly on professional issues, and salaries and working time were not highlighted on their agenda, it was obvious that the movement was born due to the dissatisfaction with the meager results of unions' ongoing negotiations with the government. It was a novelty that the teachers' movement addressed many general problems of public education and have gained support not only from parents and students but also from the wider society. The civic movement staged its major demonstration, still together with teachers' unions, on 15 March, a national holiday in Hungary commemorating the 1848 revolution. However, later on the cautious union leaders hesitated to support the unlawful actions of the teachers' movement, which indicated the unions' difficulties with the challenge posed by the social movement. The government completely neglected the teachers' position and basically maintained centralisation with only minor changes, but owing to this movement a new discourse was born, with some prospect of shifting the way in which unions formulate their positions on education.

In retrospect, trade unions have often suffered from a lack of the appropriate terms in which to formulate their positions. From the crisis onwards, austerity packages and labour law reform plans have been presented by the government mostly with the straightforward support of employers' associations. Thus trade unions have been squeezed into a defensive position and they are generally made to look as if they are complaining about a 'lost paradise'. Even if they formulate their own proposals or demands, they rarely get through in the media. Such trade union initiatives either do not reach public attention or not backed by sufficient arguments. Both shortcomings apply to the recent 'living wage' campaign conducted by several confederations. Challenging the government wage policies mentioned above, the campaign basically aimed at raising the minimum wage to the level of the subsistence minimum for a single person household. Despite the campaign's efforts, the in-work poverty issue was confined to a couple of meetings organised by the trade unions themselves, occasionally together with their allies in professional circles and the Friedrich Ebert Foundation. Unfortunately, on most of the employment-related issues on the government agenda trade unions have no robust standpoints or lack the expertise necessary to elaborate them. For instance, trade unions were practically silent during the profound reforms that introduced a dual system of education into vocational training and higher education initiated by the government and the Chamber of Economy and Trade. Even on issues raised by the unions, professional preparation of the proposals is meagre. This was the case, for instance, with the early pension schemes negotiated on a tripartite basis in 2016.

In the public sector, union demands are often formulated in the language imposed by the government. Here wages are lagging so far behind private sector wages that the very livelihoods of families are endangered, as so cleverly illustrated by the abovementioned 'selfie' campaign. However, in the unions' statements every group of public sector employees demands a 'career path' for themselves, which merely takes over – and thus is taken over by – the government's language, which refers to regular promotion across wage brackets over the lifecycle, which has already occurred for a selective set of public employees: as if employees needed some sort of vague promises for the future, not an immediate wage rise ...

One recent union initiative demanded men's universal early retirement possibility after 40 years of service, similar to the government measure introduced in 2010 which allowed the same possibility for every woman. Considering gender equality the Curia (the highest court in Hungary) has given the green light for a referendum on this issue. However, it is a very controversial question. On one hand, it is a very popular move, so much so that not only the two biggest union confederations but also political parties (the Hungarian Socialist Party and Jobbik, the extreme right party) have joined the initiative. The enthusiasm of trade union confederations was understandable; they had seemingly found the remedy for the long-lasting deadlock of negotiations with the government on early retirement schemes, which were abolished even in physically demanding and dangerous jobs and in the armed forces in 2010. Moreover, the unions may have found a cause to which the general public will pay considerable attention. On the other hand, it was obvious that fulfilling the demand would endanger the sustainability of the state-run pension system, already burdened by demographic changes and widespread undeclared work. Not incidentally, the government was swift to announce that if the referendum succeeded the costs would be covered by cuts in existing and future pension payments. Obviously, the government tried to divide pensioners and would-be beneficiaries of the initiative. The final development (in September 2015) on this issue was that right-wing civil activists petitioned the Constitutional Court to annul the Curia's decision, referring to the principle of the positive discrimination of women ensured by the Basic Law. Finally, the Constitution Court was swift to do so in an extraordinary procedure. Despite the fiasco and all the controversy surrounding the motion, this was the first action of the newly elected president of MSZSZ, the merged confederation, which managed to grab media and public attention.

#### **4. Outlook**

As we have indicated, one option was the return to a single, monopolistic, government-friendly union confederation of the kind characteristic of the state socialist period. The other five confederations have publicly blamed LIGA for poaching their member organisations, but this was a belated effort, failing to address the real problem, namely the government's favouritism. Thus the intended message hardly came through and the oppositional union forces were unable to halt this process. However, it was an open question how the LIGA would operate, for example, whether the confederation president's authoritarian style would have repercussions in the old member organisations that had been used to a different style of confederate leadership. This new

phase got under way in November 2015 when the media splashed the scandal affecting István Gaskó, LIGA president, arising from his conflicts with one of the biggest member federations, VDSZSZ Szolidaritás, a railway union. Moreover, there were palpable signs of diminishing FIDESZ support for Gaskó; presumably the ruling party was no longer satisfied with his 'efforts' to develop a monopolistic union structure. Then the conflict between the president and the member organisation escalated, and finally Gaskó was forced to resign in January 2016. At the time of writing (May 2016) the newly elected leadership was promising to rebuild the confederation, which is in deep financial difficulties, and its first efforts indicated a willingness for joint actions with other confederations.

The 'Socialist-oriented' union confederations in opposition are having to fight for their very survival. What are their strategic choices? In this respect it is crucial what the outcome of the current union merger process will be. Will there be a long-lasting effect of the current mobilisation in the public sector and will unions be able to cooperate with civic movements successfully? Will they be able to strengthen the organising drive by entering into non-union companies (perhaps by using the leverage of mandatory works council elections as they used to do in the early 1990s), or addressing new constituencies, first of all the precarious workforce? In a decentralised bargaining system the latter should imply the development of a more inclusive bargaining strategy offering certain gains for workers not belonging to the core workforce. Another issue is whether they will be able to address broader social problems (in-work poverty, minorities issues, education reforms at various level, the pension system). Although such actions have already emerged on the agenda of the newly merged confederation, the question is whether it will be able to develop them into sound actions reaching a broader constituency. In turn it is very likely that we can exclude one option: the politicisation of Hungarian unions. This is partly because there is no viable left-wing alternative political party, partly because of the spectacular failure of the Hungarian Solidarity Movement (which tried to organise a civil organisation and union-based political opposition to the right-wing government in 2010–12) and partly due to the preferences of the membership and leaders which are trying to keep the movement away from political parties.

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# Coming full circle? Contestation, social dialogue and trade union politics in Poland

Magdalena Bernaciak

## 1. Introduction

Compared with other EU member states, the Polish economy has fared fairly well during the recent downturn. Sustaining a positive GDP growth rate even in the most turbulent times, it was portrayed by prime minister Donald Tusk (2007–2014) as a recession-proof ‘green island’ amidst the European sea of crisis. The country’s resilience to macroeconomic shocks seemed to confirm the validity of its ‘embedded neoliberalism’ regime, which combined an export orientation and labour market flexibility with relatively high welfare expenditure targeting selected social groups and – in the form of subsidies – foreign investors (Bohle and Greskovits 2012).

In this chapter, it is argued that Poland’s socioeconomic model has seen few changes during the crisis: if anything, Poles have got ‘more of the same’ as the labour market and working time regulations became even more flexible. In social terms, however, the downturn has served as a catalyst for a change in the strategy of Polish labour organisations, which have turned away from social dialogue and adopted a more assertive, mobilisation-based approach. The shift has been driven partly by the unions’ disappointment with the tripartite negotiation process, in particular the government’s selective implementation of the anti-crisis pact put forward by the social partners. At the same time, it reflects growing popular discontent with neoliberal policy prescriptions and the paradigm of restraining welfare and flexibilising employment regulations ostensibly for the sake of future convergence with western European levels of economic development. The trade unions’ offensive against the neoliberal agenda was halted, however, following the October 2015 election victory of the right-wing conservative Law and Justice (PiS) party. In the election campaign, the latter professed adherence to social principles, which re-established unions’ trust in social dialogue. But given that only a few of the government’s promises have been translated into concrete policy proposals, one can expect union discontent to grow. It is unclear, however, whether Polish labour organisations will regain their momentum from the first half of the 2010s and mobilise wider sections of Polish society in the current socio-political situation.

The chapter is structured as follows. Section 2 presents selected features of Poland’s socioeconomic model, including the early adoption of the neoliberal course, the strategic use of social policies, labour exclusion and FDI orientation. Section 3 focuses on the issue of trade union power resources and shows how these have been depleting for the past quarter of a century. Section 4 briefly presents the macroeconomic effects of the recent crisis; it also traces and accounts for the shift in unions’ strategic orientation



from social partnership to open contestation of the government's policy course. Section 5 discusses recent developments in union policies following the Law and Justice election victory. Brief conclusions and outlook follow.

## 2. Poland's socioeconomic model: juggling market and welfare

In this section the elements of Poland's political economy relevant for the analysis of union strategies and power resources are presented. The account starts with the early transition, because certain institutions and policies adopted immediately after 1989 have shaped the course of the country's economic transformation and its integration with the European and global economies.

### 2.1 Peaceful transition and the Balcerowicz Plan

Poland's transition from communist rule to democracy was based on a compromise between the party elite and the democratic opposition, gathered around the *Solidarność* movement. The so-called 'Round Table talks' between the two camps, held between February and April 1989, were followed by the first partially free elections in the Soviet bloc. In the poll, *Solidarność* won all 35 per cent of the democratically electable seats in the parliament's lower chamber and 99 out of 100 seats in the Senate. The first democratic government was formed soon afterwards by Tadeusz Mazowiecki.

Already before 1989, Poland had experimented with pro-market reforms. It also hosted a relatively sizeable private sector that contributed 19 per cent to GDP (Frye 2010).<sup>1</sup> However, the economy as a whole was characterised by obsolescence and inefficiency and plagued by chronic shortages. Faced with hyperinflation and high levels of external indebtedness, the government decided to adopt a radical policy course. On 31 December 1989, it launched an economic reform package prepared by the finance minister Leszek Balcerowicz and a close group of his collaborators. Inspired by the policy agenda of the so-called 'Washington Consensus', Poland's 'shock therapy' initially involved two broad sets of measures. First, it liberalised the economy and facilitated market competition through the removal of price controls and the abolition of preferential credits and subsidies to state-owned enterprises. It also eliminated the state monopoly on external trade and allowed companies to transfer their profits abroad. Second, it stabilised the economic system by introducing a fixed exchange rate and lowered inflation by imposing a tax on wage hikes at state-owned enterprises (*popiwek*). The third pillar of the government's marketising policy – privatisation – was launched later and implemented through the transfer of state-owned enterprises into private hands and the establishment of a legal and administrative framework supporting the creation of new businesses. Even though some elements of the reform package – such as the fixed exchange rate or *popiwek* – were later revoked and Kołodko, the Minister of Finance

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1 It must be noted, however, that a large part of the private sector comprised small-scale agricultural production (Frye, 2010).

in 1994–1997, called for economic ‘therapy without shocks’ (Myant and Drahokoupil 2011: 11), the country’s basic course towards economic liberalisation and trade openness was preserved.

## 2.2 Selective compensation and lack of institutionalised access for labour

Balcerowicz put in place clear, transparent rules governing Poland’s young market economy and opened up the country to foreign trade and investors. The short-term social consequences of his ‘shock therapy’ were devastating, however. Workers’ wages fell precipitously and GDP plunged by 11.6 per cent in 1990 and by 7 per cent in 1991 (Piętka 2007). Bankruptcies of state-owned enterprises, unable to operate without state assistance and preferential treatment, entailed large-scale job losses. The unemployment rate jumped from virtually zero in January 1990 to 6.5 per cent towards the end of the year, and then doubled during the subsequent twelve months (GUS 2015).

The authorities’ response to the growing army of the unemployed was similar to that of other Visegrád<sup>2</sup> countries, in particular of Hungary: it focused on compensating parts of the dismissed labour force that could potentially disrupt the ongoing reform process through the electoral ‘punishment’ of the ruling parties or through the intensification of protest actions (Vanhuysse 2006). To this end, the government made it possible for the experienced, skilled workers who lost their jobs during the restructuring processes to permanently exit the labour market by providing them with generous early retirement and disability benefits schemes. The measure quickly caught on and in the early 1990s, 40 per cent of Poland’s new pensioners retired before reaching the formally required age (Orenstein 2001). The scheme was downscaled towards the end of the 1990s in view of their considerable impact on the state budget. Nevertheless, the welfare system has remained ‘heavily oriented towards the elderly’ (Piętka 2007: 28), with at-risk-of-poverty rates steadily declining with age (Bohle and Greskovits 2012). As for the unemployment benefits, they too were initially very generous, and amounted to 70 per cent of the person’s last remuneration. Faced with a rapid increase in the number of beneficiaries, however, the government soon introduced restrictions on the maximum duration of payments and reduced them to a mere 36 per cent of the average wage (Speiser 2007).

Much as the government was willing to assist strategically selected groups of transformation ‘losers’, it avoided granting organised labour access to the policy-making process. The initial marketisation reforms – notably the Balcerowicz Plan – were thus implemented in relative insulation from societal pressures (Greskovits 1998; Orenstein 2001). In 1992 and 1993, restructuring-related uncertainties and the rise of unemployment provoked a wave of grassroots protests. Under popular pressure, the government signed the so-called Pact on the Restructuring of State-Owned Enterprises that provided for worker representatives’ participation in privatisation decisions. It also set up the Tripartite Commission on Socio-Economic Matters, which was to serve as a policy discussion forum for labour, employer and government representatives. Since

<sup>2</sup> The Visegrád countries are Poland, Hungary, Slovakia and the Czech Republic.

the early 1990s, however, no other social pacts have been signed, despite some attempts on the side of the government (Gardawski and Meardi 2010). Tripartite negotiations have often been politicised, and governments have shunned societal consultations on difficult reforms (see also Section 2).

### 2.3 FDI orientation: targeted subsidies and labour market flexibility

Thanks to experiments with market reforms conducted in the last decade of state socialism, Poland's communist bureaucrats and managers of state-owned enterprises were better prepared than their counterparts in other central and eastern European countries to run companies under market conditions. However, the first democratic governments originating from the *Solidarność* movement were reluctant to grant them control over the country's economic assets and thus the privatisation process in Poland was initially less advanced than in the rest of the region (Bohle and Greskovits 2012). By the same token, given the centre-left coalition's (in power 1993–1997) attempts to boost home-grown economic potential, the country's integration into European FDI and trade networks proceeded at a relatively slow pace. Building a market economy from scratch, lacking capital, know-how and access to western European markets, proved a daunting task, however. Since the end of the 1990s, attracting foreign investors willing to infuse fresh funding into the economy and modernise the country's industrial base has thus become a priority for Polish governments.

The new economic policy course entailed the adoption of what O'Dwyer and Kovalčík (2005) call 'second-generation economic reforms'. In contrast to the liberalisation and stabilisation policies of the early transition, the latter were geared specifically towards attracting foreign businesses and involved a variety of deregulatory measures in the fields of taxation and the labour market, as well as preferential treatment for potential investors. Other Visegrád countries similarly sought to lure in large multinational companies, which resulted in a race-to-the-bottom rivalry between the four states that pushed them to cut taxes and labour market protections, and to outbid each other by offering ever-higher subsidy packages.

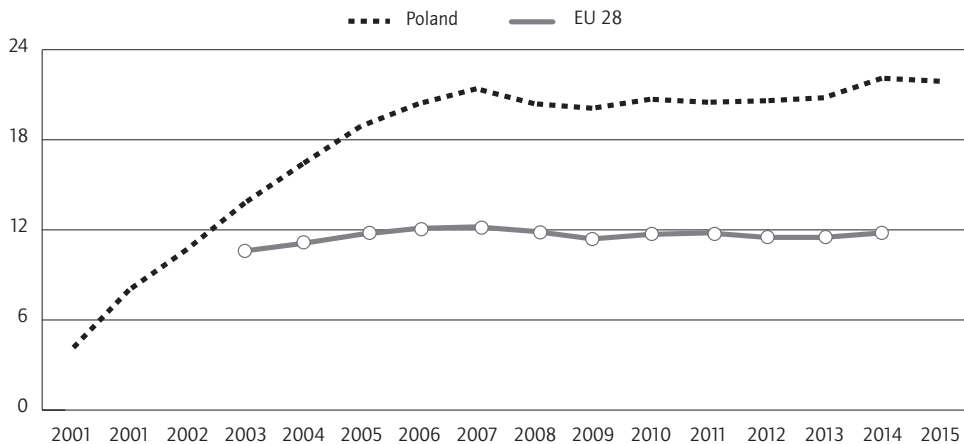
In the mid-2000s, Poland had the biggest inward FDI stock in 2004 in the Visegrád region<sup>3</sup> and hosted the highest number of greenfield FDI projects (UNCTAD 2005). The investor-friendly policies and the cut-throat competition with the neighbouring countries proved costly, however, and prompted far-reaching changes in the country's tax and labour market regulations. Between 1990 and 2000, Polish corporate tax was cut by 10 percentage points, from 40 to 30 per cent (Bohle 2009). In the labour market, several reforms – in particular a major modification of the Labour Code in 2002 – facilitated collective dismissals and loosened restrictions on fixed-term contracts. A separate Act on Employment Promotion and Labour Market Institutions from 2004 restricted the duration of unemployment benefit to six months and fixed its amount at

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**3** However, it must be noted that both FDI stock per capita and FDI as a percentage of GDP were higher in other Visegrád countries (Myant and Drahoukoupil (2011) and UNCTAD (2005) respectively).

a low level; it also provided a legal basis for the creation of temporary work agencies. In the years that followed these legislative changes, Poland recorded a steady increase in temporary employment (see Figure 1 for details). As a consequence, it came second in the EU after Spain in terms of the proportion of temporary workforce, and surpassed the latter in 2010, when a crisis-induced wave of dismissals in the Spanish economy hit the country's fixed-term workers to a disproportionately high extent (Eurostat 2016). Importantly, the surge in temporary jobs throughout the 2000s was not linked to employment creation, or 'promotion', as the name of the 2004 Act would suggest. The total number of jobs saw relatively little change because at the same time as fixed-term employment was growing permanent jobs were on the decline (Maciejewska *et al.* 2016). Since the mid-1990s, the number of people working on the basis of contracts not regulated by labour law but by civil law has also been very high. According to the Polish Statistical Office (GUS 2014), in 2012 1.35 million Poles – 13 per cent of the country's working population – were bound by this type of contract.

Figure 1 **Temporary employment as a percentage of total employment in Poland and EU28, 2001–2015**



Source: Eurostat (2016).

To conclude, Poland's socioeconomic model is aptly described by the 'embedded liberalism' label applied to the four Visegrád countries by Bohle and Greskovits (2012). The county has relied on FDI inflows fostered by investment incentives and flexible labour market regulations. In the social sphere, it opted for selective compensation to buy off the most protest-prone segments of society. The relatively high levels of (targeted) welfare expenditure put a considerable strain on the Polish budget, however, especially because they were coupled with generous FDI assistance. At the same time, however, it provided for the smooth implementation of market-making reforms and the marginalisation of organised societal interests, in particular trade unions.

### 3. Trade union power resources: a downward slope?

Against the background of the authorities' liberalisation-cum-exclusion policy course, the power resources of Polish labour organisations have been steadily diminishing. This negative tendency has been discernible along all four dimensions of union power identified in the Introduction to the present volume.

To being with, unions' *structural power* has been on the decline as a result of transition-related restructuring. Closures or downsizing of large state-owned enterprises – traditional trade union strongholds – have resulted in membership loss and a decrease in the organisations' mobilisation potential. At the same time, the presence of employee representation in the newly founded subsidiaries of multinational corporations was not always welcome, to put it mildly. For many foreign companies, even those originating from countries with strong social partnership traditions of their own, investing in Poland (and, more broadly, in central and eastern Europe) was not guided by a desire to 'export' codetermination, but rather to escape the compromises they had had to reach at home (Bluhm 2001). Finally, the Polish SME sector, relatively sizable by regional comparison, remained virtually union-free. In view of persistently high unemployment rates, many workers shunned joining a trade union in fear of losing their job; they were also reluctant to participate in large-scale protest actions. It was only in the immediate pre-crisis period that protest levels started to rise, but this should be seen as a result of migration-induced skill shortages and labour-market tightening rather than trade union agency (Meardi 2007).

As far as unions' *discursive power* is concerned, both *Solidarność* and the 'reformed' postcommunist trade unions found it difficult to redefine their priorities within the new socioeconomic system. *Solidarność* in the 1980s was an umbrella organisation gathering those dissatisfied with the lack of democracy and Soviet domination, and thus resembled a broad social movement rather than a workers' union. As a result of this substantial ideological variety, in the first years following the change of system part of its leadership endorsed economic reforms that were socially detrimental to labour; even Lech Wałęsa himself argued that 'we cannot have a strong trade union until we have a strong economy' (Tygodnik *Solidarność*, quoted in Ost 2005: 53). Guided by the same logic, plant-level officials would often accept restructuring drives at their plants, considering them a necessary element of production 'rationalisation' (Ost 2002). The 'old' unions, grouped mainly within the OPZZ confederation, struggled with the legacy of being the 'transmission belt' of the Communist Party. Perceived by many as a relic of the former regime, they had to reform their organisational structures and internal decision-making mechanisms, and reorient themselves from routine servicing towards active representation of members' interests. In the political sphere, they would side with 'reformed' left-wing parties that often proved as eager as their right-wing counterparts to liberalise the economy. Both *Solidarność* and OPZZ have paid a high price for their identity dilemmas and pro-market orientation. In the initial years following the transition, societal trust in unions dwindled and has proved difficult to re-establish (see Table 1). In 2002, Poland saw the emergence of the third union confederation, Forum Związków Zawodowych (FZZ), consisting of split-offs from OPZZ and formerly independent unions that favoured direct mobilisation and avoided explicit alliances

with political parties. Nevertheless, Poles have remained divided in their assessment of trade union activities: in a survey conducted in 2015, 39 per cent stated that they had brought positive results for the country, 36 per cent assessed them negatively and 25 per cent did not have a concrete opinion on this issue (CBOS 2015).

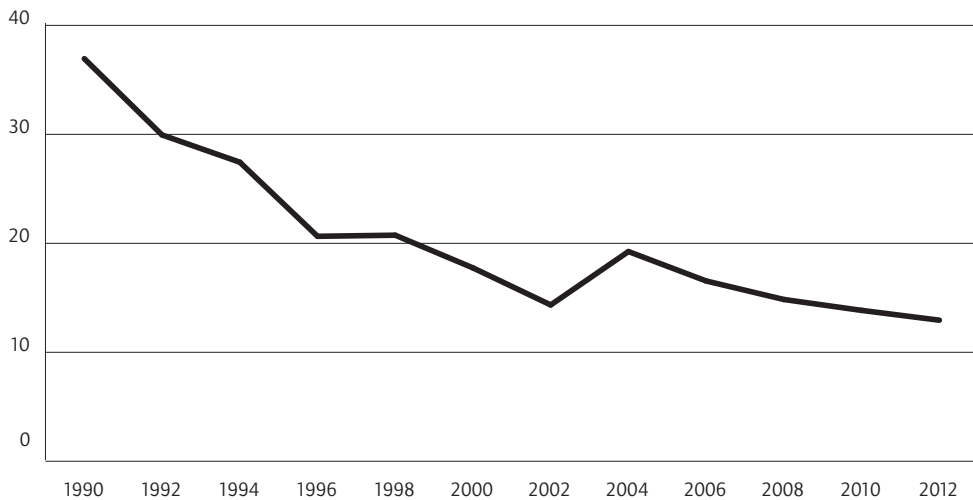
Table 1 Trust in trade unions in Poland, 2004, 2007 and 2010 (%)

Survey year	Tend to trust	Tend not to trust	Do not know
2004	26	45	29
2007	29	37	34
2010	31	47	22

Source: Kahancová (2013) based on Eurobarometer data.

The unions’ structural weakness and legitimacy problems translated into a loss of *associational power*. Between 1990 and 2010, Polish labour organisations lost 61 per cent of their members (see Figure 2 below). In the 1990s, unions refrained from active organising, but in the following decade there were a number of recruitment drives in the automotive sector, retail and security services (Mrozowicki 2011; Krzywdzinski 2010). As a result, the falling density trend has been slowed down, but not yet reversed: in a survey conducted in March 2015 only 11 per cent of employees and 6 per cent of the total working population declared trade union membership (CBOS 2015). These numbers are close to the estimates of the ICTWSS database (see Figure 2).

Figure 2 Trade union members as a percentage of all employees, Poland, 1990–2012



Note: If no data were available for a particular year, data from the following year were used.  
Source: Visser (2015).

In some western European countries, the unions' power deficit due to falling membership has been compensated by their *institutional position* as bargaining parties and social partners. This does not hold in Poland, however, where both collective bargaining and tripartite concertation play a much more limited role. Sectoral agreements remain rare, while company-level agreements, if they exist, rarely go beyond standard Labour Code provisions. Agreements apply to only a small share of total labour force and bargaining coverage estimates for 2012 vary from 14.7 per cent (Visser 2015) to 25 per cent, with the majority of agreements concluded in the public sector, mining, energy supply and parts of the building industry (Mrozowicki and Czarzasty 2013). The weakness of the collective wage-setting system is due partly to the absence of bargaining traditions. In western Europe, collective bargaining structures constituted an important element in a matrix of interconnected institutions that evolved simultaneously and defined country-specific varieties of the capitalist system (Hall and Soskice 2001). Socialist Poland had some experience with union–management dialogue, pursued at state-owned enterprises within so-called workers' councils. Collective bargaining institutions in the western sense, however, were established only after the collapse of the command economy and have remained detached from other elements of the country's political-economic system. Moreover, in contrast to many western European countries, in which governments support collective bargaining coordination by legally extending agreements to ensure universal compliance, Polish authorities have remained reluctant to apply the statutory extension clause. Under these circumstances, unions find it hard to bring company representatives to the bargaining table: employers rarely join professional associations and tend to avoid any dialogue above the company level that could lead to binding commitments with regard to wages.

Faced with the marginalisation of collective bargaining and the dominance of managerial unilateralism in setting wages and working conditions, Polish trade unions have sought to influence the course of socioeconomic policy-making through national-level social dialogue. Unions' presence in the tripartite body arguably allowed them to make their voice heard in the public sphere despite their structural weakness (Bohle and Greskovits 2010). As argued in the previous section, however, the effectiveness of tripartite negotiations in Poland has been limited. In the next section, it is shown how national-level concertation was used during the recent economic downturn and how, once again, it failed to live up to trade union expectations.

#### **4. Trade unions in face of the crisis: from 'PR corporatism' to mobilisation**

With the outbreak of the economic crisis in the late 2000s, it became clear that high levels of dependence on external capital might be risky. Recent political economic studies (Becker and Jäger 2010; Myant and Drahokoupil 2011) established a link between the dominant forms of foreign influence in central and eastern Europe and individual countries' performance in the crisis. According to these studies, Poland, together with the other Visegrád states, belonged to the so-called 'dependent industrialisation' cluster: they had integrated into the European and global economy via FDI and exports, and hence these two areas served as the main channels of transmission of the crisis into their national economies. In all four states, the downturn went hand in hand with

a rapid decline in exports, reflecting dwindling external demand. Production figures were accordingly adjusted downwards. In March 2009, the fall in output in Poland reached nearly 18.8 per cent (year-on-year), with the highest drop recorded in metal manufacturing (34.1 per cent year-on-year) (GUS 2010).

Despite a significant slump in production, Poland was the only EU country to avoid recession. Its relative resilience to the crisis compared with other central and eastern European states can be explained by a number of factors. To begin with, despite the country's FDI orientation, its reliance on exports was significantly lower than that of neighbouring countries (34.4 per cent of GDP in 2006 in contrast to the other three Visegrád countries' average of 69.33 per cent). By regional comparison it also had the smallest share of exports in machinery and complex products, the sector that recorded a particularly deep slump in the early phase of the downturn (13.3 per cent versus 36.53 per cent, respectively; Myant and Drahoukoupil 2011). Moreover, in the years preceding the downturn, the labour market tightened as a result of an economic upswing and labour migration to 'old' EU member states. The resulting wage growth provided for a relatively stable internal demand, which turned negative only during the first three quarters of 2009 and has continuously grown ever since (Jabłoński 2013). In the sphere of monetary policy, the fact that Poland did not belong to the euro zone allowed the government to adjust the zloty's exchange rate, while the upper threshold on public debt stipulated by the Polish Constitution prevented excessive government spending. Finally, large EU-funded infrastructure projects, as well as the construction boom on the eve of the 2012 European football championship hosted by Poland jointly with Ukraine, provided additional investment stimuli that helped steer the economy through the most difficult phase of the downturn.

On the other hand, as argued by Meardi and Trappmann (2013: 197), the fact that GDP growth remained positive does not mean that the crisis has not been felt in Poland. Especially in the labour market, the consequences of the downturn were very pronounced. While the already low employment rates fell further, the unemployment rate grew steadily, reaching a peak of 14.4 per cent in February 2013 (GUS 2016). According to the authors, this was due to limited migration possibilities related to the slump in western Europe, but also to employers' preference for numerical rather than functional flexibility, which triggered a wave of dismissals in the country's manufacturing sectors. Fixed-term and temporary agency workers were the first to lose their jobs, especially in the initial phase of the downturn, when western European demand for goods made in Poland dwindled. Seasonal fluctuations notwithstanding, the unemployment rate in Poland remained high in the first half of the 2010s and began to fall systematically only in 2015. In terms of wage developments, on the level of the economy as a whole real wage growth was preserved throughout most of the period, with the exception of 2009 and 2012 (Bernaciak 2015). Still, as argued by Meardi and Trappmann (2013) on the basis of the Eurostat data, the process of convergence between Polish and western European levels was halted and the ratio between Polish and German nominal hourly wages fell in the early phase of the downturn.

During the crisis, the positions and strategies of Polish trade unions underwent a significant change. In the following two subsections their actions are examined in two distinct periods, the first dominated by social dialogue and the other involving more proactive, mobilisation-based initiatives.



## 4.1 Phase 1: trade union hopes for social dialogue

Between 2008 and mid-2010, Solidarność and OPZZ relied on traditional negotiating tools and sought to influence anti-crisis policy via tripartite dialogue. Faced with the deteriorating economic situation – especially dwindling production and growing unemployment – trade unions and employers' associations launched bilateral consultations. On 13 March 2009, they came up with a so-called anti-crisis pack that contained thirteen broad policy measures. In the social field, the deal provided for special assistance to families whose economic situation had worsened during the crisis and for a new mechanism for calculating the minimum wage, which would ensure that it gradually reaches 50 per cent of the average wage. Labour-market measures included the introduction of flexible working time schedules (in particular the extension of the working time reference period from four to twelve months), the creation of company-level training funds and restrictions on the duration of fixed-term employment. Finally, in economic policy, the agreement envisaged subsidies for companies experiencing temporary economic difficulties.

The March pact received wide – predominantly positive – media coverage. Prime minister Tusk called it a 'very mature and responsible [instance of] dialogue' (Gazeta Prawna 2009) and pledged to include its points in an anti-crisis bill. Academic assessments were equally enthusiastic, presenting the agreement as a step towards the 'revival of social dialogue' in Poland (Czarzasty 2009). It soon turned out, however, that the anti-crisis bill prepared on the basis of the social partners' proposals did not meet the initial expectations; during parliamentary debates, many of the pact's initial provisions were either ignored or significantly diluted. In a joint letter, unions and employers criticised the planned act, arguing that 'it d[id] not represent a coherent and concrete answer to the social partners' proposals' (Komisja Trójstronna 2009). Unions claimed that the bill ignored the socially-oriented goals and did not provide a viable mechanism enabling minimum wage increases. They also insisted that only companies experiencing crisis-related difficulties should be allowed to introduce longer working-time reference periods in order to prevent firms from using the measure to avoid paying overtime rates. Finally, they criticised the relatively high threshold for state-funded wage subsidies (a 30 per cent fall in turnover in at least one quarter after 1 July 2008, year on year).

On 22 August 2009, the so-called Law on Alleviating the Impact of the Crisis came into force. After consultation with unions or worker representatives, all companies, irrespective of their economic condition, could extend working time reference periods to twelve months. Individual working schedules could also be modified. At the same time, the law set the maximum duration of fixed-term employment to 24 months, after which workers had to be offered open-ended contracts.<sup>4</sup> It also provided for state subsidies for wage and social security payments, which could be granted to enterprises experiencing a crisis-related fall in turnover (25 per cent and not 30 per cent). Troubled companies could send their employees on supplementary training courses, during

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<sup>4</sup> Regulations that were previously in force stipulated that the employer and the worker could conclude three temporary contracts, whereas the fourth was to be open-ended. The maximum duration of temporary employment was not legally determined.

which they would receive a state-funded allowance. The government earmarked nearly PLN 1 billion (about 250 million euros) for the subsidies and PLN 500 million (about 125 million euros) for the training allowance.

Employers welcomed increased working time flexibility, even at the cost of temporary limitations on the length of fixed-term employment. Unions, by contrast, criticised the asymmetric character of the law, claiming that ‘everything that was advantageous to employers was pushed through, and what was good for workers – omitted’ (Interview OPZZ 2012). *Solidarność* even launched a campaign under the slogan ‘the anti-crisis law is not the anti-crisis pact’. It also warned that the temporary restrictions on fixed-term employment could lead to massive lay-offs once the two-year protection period was over.

The anti-crisis law remained in force until the end of 2011. According to the report of the Polish Labour Inspectorate (PIP 2011) companies made extensive use of the extra working time flexibility offered by the act: between 2009 and 2011, over 1,000 firms, employing about 700,000 workers, extended reference periods to twelve months. Encouraged by this, the government and employers sought to turn the year-long period into a permanent Labour Code provision. Despite the firm opposition of all three union confederations, fearful of possible abuses of overtime pay regulations and lack of genuine company-level employee representation, the new rules were nevertheless passed in the Civic Platform–dominated parliament and came into force in August 2013.

The 2013 reform of working time regulations is not the only example of the unilateral approach followed by the Polish government for the rest of the downturn. In 2010, the Tusk-led cabinet rejected social partners’ proposals for the annual increase in the minimum wage, unilaterally setting a lower rate. Between July 2011 and March 2012, it did not convoke a single plenary meeting of the Tripartite Commission, even though such sessions are supposed to take place at least every two months. Further procedural shortcomings documented by *Solidarność* (2011) included the government’s failure to consult the social partners despite its legal obligation to do so and its shortening of consultation periods. The prime minister’s decision to lift the retirement age to 67, announced in February 2012 and not discussed with the social partners, further worsened the negotiation climate.

The government’s approach to social dialogue might at first sight seem contradictory, but it can be given a political-economic explanation. Faced with the worsening economic situation, on one hand, and extreme electoral volatility and/or the presence of opposition parties espousing social principles on the other, the authorities staged tripartite negotiations to persuade public opinion that they were actively seeking anti-crisis remedies and that their policies were based on a wider societal compromise. The resulting ‘PR corporatism’ was an attempt to boost government popularity at a time when every badly targeted anti-crisis measure could easily result in a loss of power (Bernaciak 2013). This strategy proved successful and after the 2011 parliamentary elections, for the first time in Poland’s post-1989 history, the ruling coalition remained in power for a second term of office. No longer needed as a popularity-boosting tool, social dialogue has subsequently fallen into oblivion. Trade unions were very disappointed with this state of affairs and their frustration was one of the main factors behind the change in their strategic repertoire, documented in the next subsection.

## 4.2 Phase 2: unions' discursive shift and heightened mobilisation

From approximately mid-2010 onwards, Poland's main trade union confederations became more involved in protest actions. They also tried to reach beyond their traditional constituencies and to address broader societal concerns. New elements in the unions' rhetoric and repertoire of action cut across a number of areas.

### **Discursive change and opening up to atypical workers**

In the early 2000s, Polish trade union organisations became vocal critics of atypical employment and opposed to further increases in labour market flexibility. It is notable that in the decade preceding the downturn their negative stance on the issue was not yet pronounced. *Solidarność's* 2002 programme, for instance, focused on combating unemployment, the country's 'most serious social problem' (*Solidarność* 2002). In the same document for 2010–2014, however, the accent shifted and 'the protection of jobs and permanent employment' featured as one of the organisation's strategic priorities (*Solidarność* 2010). *OPZZ* started to address the issue of atypical employment at around the same time: its 2010 resolution criticised the one-sided implementation of the flexicurity agenda in Poland, in particular the priority given to flexibility over employment protection, and advocated the restoration of a balance between the two notions (*OPZZ* 2010). In its programme for 2014–2018, the organisation listed the lack of employment security as one of the main drivers of post-enlargement labour migration and pledged to fight against 'scandalous forms of worker exploitation' (*OPZZ* 2014).

Beyond the modifications of their action programmes, Poland's biggest labour confederations initiated a public debate on precarious employment and the social effects of excessive labour market flexibility. The label 'junk contracts' to signify civil-law contracts and other labour law-circumventing accords – coined by a small radical union *Inicjatywa Pracownicza* – was picked up by mainstream labour organisations and subsequently made its way into public and political discourse (Mrozowicki and Maciejewska 2013). The unions' discursive activism prompted a slow but steady change in media rhetoric: even popular outlets that had not usually been sympathetic to union demands moved away from unconditional support for neoliberal labour market strategies, making space for the presentation of union stances and reform proposals (see, for example, Szumlewicz 2015). Precarious employment also became a subject of trade union campaigns aimed at raising social awareness of the importance of the quality and security aspects of the employment relationship. The most emblematic initiative in this regard – 'Sisyphus: Stop junk jobs!' – launched by *Solidarność*, used the symbol of the mythical figure<sup>5</sup> to illustrate the everyday plight and lack of security experienced by dependent self-employed persons working on civil-law contracts.

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5 Legendary king of Ephyra punished for his self-aggrandising cunning and deceitfulness by being forced to roll an immense boulder up a hill, only to watch it roll back down, repeating this action for eternity.

## End of inter-union conflicts

During the transition process, the Polish trade union scene was marked by turf wars between OPZZ, a 'reformed' organisation set up by the communist authorities in 1984, and Solidarność, a challenger to the former regime. This 'conflict-ridden pluralism' (Gardawski 2002) was driven partly by the unsolved issue of Solidarność's property, which was confiscated by the state after the organisation's de-legalisation in the early 1980s and handed over to OPZZ. There were also significant ideological differences between the two confederations: while OPZZ espoused social democratic traditions, Solidarność was primarily a conservative movement. The differing ideological stances further shaped the two movements' political allegiances (see Section 3). In the mid-1990s, the conflict transcended national boundaries and moved to the European level. Having become a full-fledged member of the European Trade Union Confederation in 1996, Solidarność blocked OPZZ's entry. In effect, it was only in 2006 that the latter formally joined the European trade union family.

At the company level, inter-union animosity was less pronounced and instances of close cooperation between representatives of the two main confederations were not unheard of. Towards the end of the 2000s, however, a thaw in relations was also discernible at the national level. To some extent, it could be attributed to a change in Solidarność's leadership in 2010, shortly after the entry into force of the Polish anti-crisis law. Piotr Duda, the new chair of the union, distanced himself from politics, arguing that despite the general centre-right orientation of his organisation, it was in the first place 'a social and workers' union' (Newsweek Polska 2011). The de-politicisation of Solidarność and the emphasis on the defence of employee rights helped it find a common language with OPZZ and FZZ, the third largest trade union confederation in Poland. The three confederations accordingly joined ranks in opposition to the government's 'austerity' agenda and its unilateral policymaking approach.

## Large-scale protest actions

Around 2010 the frequency of protest actions in Poland started to rise. Table 2 presents major strikes and demonstrations on socioeconomic issues that took place between 2010 and the end of 2014. The compilation is based on qualitative country reports submitted by national correspondents to Eurofound's European Industrial Relations Observatory (EIRO; now EurWORK). The decision on which events to report on was made by national correspondents, which makes it difficult to assess the representativeness of the supplied data. In the absence of other sources, however, the reports remain the best source of information on large-scale protest actions in the postcommunist region.<sup>6</sup>

<sup>6</sup> Information from the EIRO database was used for a similar purpose by Meardi (2007), who examined the extent of societal discontent in central and eastern Europe in the pre-crisis period.

Year	Form of action	Sector, no. of participants (if known)	Reasons for protest / Issues addressed
2010	Protest	Metalworking company	Pay
2010	Solidarity demonstration	Ship component producer	Restructuring and dismissals
2010	Demonstration	National	Women rights and gender pay gap
2010	Demonstration	Public sector unions	Planned wage freeze for 2011
2010	Protest	Railway sector	Privatisation and restructuring
2010	Strike warning	Mining company	Restructuring and pay cuts
2010	Protest	National (part of Eur Days of Action)	Minimum wages and taxation of low-wage earners
2010	Protest	Retail sector	Working conditions and collective agreement terms
2010	Strike	Healthcare institutions	n.a.
2010	Strike	Prosecutors	n.a.
2010	Strike	Airport crew	Working conditions
2010	Strike	Electricity provider	Pay and restructuring
2011	9-day hunger strike	Nurses	Freelance contracts for nurses
2011	Strike warning and demonstration	Railway sector	Privatization and restructuring
2011	Strike and go-slow strike	Coal mining	Collective agreement modalities and state support
2011	Demonstration and go-slow strike	Copper mining company	Pay
2011	Demonstrations in large cities	National	Minimum wage and support for low-wage earners
2011	Demonstration	National	Minimum wage and support for low-wage earners
2011	Strike	Railway sector	Pay
2011	Demonstration	National and European (20-50,000)	Austerity measures and labour market flexibility
2011	Protest campaign	National union confederation	Precarious employment contracts
2011	Campaign and signature-gathering	National union	Raising pension age
2012	Demonstrations in large cities	National	Raising pension age
2012	Complaint to Ombudsman and the ILO	National unions	Court decisions on the right to strike
2012	Protests and demonstration	Nurses	Raising retirement age and working conditions
2013	Strike	Railway workers	Subsidy cuts and restructuring
2013	General strike	Regional (85,000)	Lack of social dialogue, labour market flexibility
2013	Withdrawal from the tripartite body	National	Lack of social dialogue
2013	Six rallies and Demonstration	National unions (100,000)	Lack of social dialogue, working conditions

Source: EIRO database (now EurWORK). Note: table scheme partially adopted from Meardi (2007).

Contentious actions listed in Table 2 fall within two broad categories. The first encompasses plant-level protests on wage issues. Once the initial, most acute phase of the economic crisis passed and the economic situation started to improve, trade unions reiterated their pay increase demands in a variety of settings, from the public sector to the extractive industry. The second type involves mass protests and demonstrations staged jointly by all three trade union confederations in Warsaw and other major Polish cities. Several such actions addressed crisis-related themes and the austerity agenda. A series of autumn 2010 demonstrations, for instance, were directed against the planned wage freeze in the public sector, whereas a parallel protest was directed against government plans to privatise the parts of the country's railway network that still remained under state control (Mrozowski 2010). The biggest demonstrations of workers' anger, however, addressed broader societal demands. During the September 2013 general strike in the Silesia region, organised jointly by the three big confederations and two smaller, radical labour organisations, unions criticised the failure of tripartite negotiations and further flexibilisation of working time regulations. In addition, they advocated an increase of the minimum wage to 50 per cent of the average wage and the reduction of the tax burden for low-income earners. The general strike, first in the history of the postcommunist Poland, was joined by 85,000 workers; simultaneous smaller-scale protests were organised in big cities outside Silesia (Dziennik 2013). Encouraged by this experience, the three confederations held a historic joint meeting of their executive committees and launched a nationwide campaign against the government's unilateralism, under the motto 'Stop ignoring the people!' The campaign cumulated in a series of joint actions in Warsaw in September 2013, the so-called 'National Days of Protest', during which the unions held meetings with labour market experts, rallied in front of several ministries and organised a 100,000-strong demonstration – the biggest public gathering in post-1989 Poland. As in the case of the Silesian general strike, the protesters addressed a wider set of socioeconomic problems. They accordingly demanded that the government revoke its recent decisions to flexibilise working time regulation and to raise the retirement age to 67. They also called for a minimum wage increase and for regulatory measures curbing the spread of 'junk jobs' (Czarzasty 2014). All three organisations distanced themselves from political parties, but were united in their criticism of the government's neoliberal policy course. In the words of Solidarność president, 'prime minister Donald Tusk's government has one undoubted success it can be proud of: uniting the three trade unions' (Radio Poland 2013).

#### 4.3 Discussion: end of labour quiescence in Poland?

During the recent economic crisis Polish trade unions ceased to rely solely on their institutional position. Instead, they tried to acquire new discursive resources and boost their associational power by increased mobilisation and open criticism of state policies. Caution is advised when making causal links between the two phenomena, however. Whereas the downturn served as a catalyst for changes in the organisations' strategic repertoire, it seems that the shift was driven not only by immediate policy concerns, but also by long-term problems besetting the Polish economy.

On one hand, the change in the unions' strategic approach can be seen as an expression of their frustration with the poor quality of social dialogue at the time of crisis. Even

though most post-1989 governments have tried to sideline the social partners and minimise their influence on policymaking, the Civic Platform (PO) and Polish Peasant Party's (PSL) coalition cabinet that was in power during the downturn went particularly far in its disregard for procedural rules and the results of tripartite negotiations. From this perspective, the selective manner in which it implemented the provisions of the anti-crisis package proposed by unions and employer organisations can be viewed as the 'last straw' that made unions abandon hopes for effective tripartite concertation and search for partners and strategic solutions away from the bargaining table.

On the other hand, the unions' increased reliance on mobilisation reflects long-term muted, societal dissatisfaction with the neoliberal policy course followed by subsequent Polish governments. It is true that Poland maintained positive GDP growth throughout the whole economic downturn, but the macroeconomic data – if taken only at face value – conceal serious structural problems besetting the Polish labour market. The two most burning issues – the growing share of precarious employment and the notoriously high unemployment rate – have been discussed earlier in the chapter. Other problems include skill mismatch – one of the main drivers of post-accession workforce exodus (Kureková 2011); low levels of innovation even in the leading sectors of the Polish economy, such as the automotive industry (Pavlínek 2016); and the sluggish pace of wage growth despite significant productivity increases.

The latter point – the discrepancy between productivity and wage increases – is of particular relevance here as it illustrates well the 'belt-tightening' logic followed in central and eastern Europe throughout the transition process and presented by politicians and employers as a prerequisite for FDI attraction and 'catching-up' with western European levels of development. This narrative of restraining welfare in the name of future benefits came under pressure already during the EU accession process, 'tied from the outset to hopes of better, "European" living standards' (Šćepanović 2015: 191), but was nevertheless sustained during the post-enlargement economic boom. With the outbreak of the economic crisis in the late 2000s, however, it became clear that, despite far-reaching sacrifices, the long awaited 'upward convergence' with western European social norms would not materialise in the foreseeable future. With this realisation, it seems that central and eastern European societies reached the limits of their collective patience; consequently, voices stipulating a change of the neoliberal policy paradigm became more pronounced not only in Poland, but also in other new EU member states (see Bernaciak 2015).

## **5. PiS electoral victory and the promise of a 'good change'**

The 2015 presidential and parliamentary elections significantly reshaped the Polish political scene. After the eight-year rule of the liberally-oriented Civic Platform (PO), the Poles gave power to representatives of the conservative-right Law and Justice (PiS)

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7 'Good change' was Law and Justice's electoral slogan.

led by Jarosław Kaczyński. Whereas PiS presidential candidate Andrzej Duda<sup>8</sup> beat the incumbent president Bronisław Komorowski only by a small margin, the party's victory in the October parliamentary elections was overwhelming. With 37.58 per cent of all votes cast, it received the highest support across all age and education groups, in villages and cities alike (Danielewski 2015). At the same time, it is notable that not a single left-wing party representative made it to the parliament: neither the old 'reformed' Democratic Left Alliance (SLD) nor the newly created movement Together (Razem) passed the required electoral thresholds.

Law and Justice's electoral success – especially when compared with the poor results of the left – can be attributed partly to the fact that, on top of its ideological conservatism, the party has adopted many elements of traditional left-wing rhetoric. Already in 2005, Kaczyński counterpoised 'solidarity-based' Poland, which PiS allegedly represented, with the 'liberal' one symbolised by PO. In 2015, party representatives repeatedly expressed their adherence to social principles. PiS presidential candidate Duda promised to act towards the reduction of the retirement age, the elimination of 'junk' contracts and an increase of the minimum wage to 50 per cent of the average wage. He also called for the intensification of social dialogue and additional family support. Referring to Solidarność's heritage, future prime minister Beata Szydło similarly argued that the union's demands 'concerning work and social issues' would be fulfilled 'if the Poles [...] gave power to PiS' (Polskie Radio 2015). She also outlined the party's National Employment Plan, which foresaw the creation of 1.2 million jobs for the young and promised to raise wages in the public sector.

PiS political promises closely corresponded to demands voiced by unions during the second, protest-intensive period of the crisis. This raised hopes among labour organisations that their goals could be achieved by political means and renewed their interest in political alliances. Solidarność, whose conservative-Catholic ethos was closest to that of PiS, went the furthest and in May 2015, it officially supported the party's presidential candidate. This was a risky move given that 49 per cent of respondents and 56 per cent of those declaring Solidarność membership had stated in 2010 that it was 'not appropriate' for the union to provide such backing to Jarosław Kaczyński (CBOS 2010). Perhaps in fear of a membership backlash, the union refrained from officially favouring PiS during the autumn 2015 parliamentary elections. OPZZ, which in the past sided with the left, adopted a 'wait and see' stance. Following PiS's victory, however, the organisation's deputy chair Radzikowski acknowledged that 'the direction of reforms' chosen by Kaczyński's party was 'congruent with OPZZ demands' and declared that if the new government proved 'thorough, professional and determined' in fulfilling its social promises, 'nobody [in other words, OPZZ] would be interested in obstructing the good changes' (Prokop 2015). Only FZZ used the government change as an opportunity to highlight its apolitical character. In an interview conducted a few months after the elections, FZZ chair Gardias argued that 'the [political] silence' of her organisation was its biggest asset (Rozwadowska 2016).

<sup>8</sup> It is a coincidence that the Solidarność chair and the state president have the same surname.



New prime minister Szydło indeed came up with some socially-oriented proposals, such as the introduction of a minimum hourly wage rate of 12 PLN (approximately 3 euros) for task-specific contracts and an additional 125 euros support for every second child in the family. At the same time, there were also multiple disagreements between the new government and the trade unions. In January 2016, Solidarność's chair, who also acted as president of the Social Dialogue Council (RDS) – a new tripartite body created in the second half of 2015 – sent a letter to the prime minister criticising the unilateral manner in which a new tax on commercial entities had been introduced. He also demanded that in future the Council be consulted on legislative proposals that had socioeconomic implications (Karbowiak 2016). A month later, he sent another letter to the speaker of the parliament in protest against the lower chamber's decision to reduce the budget of the Polish labour inspectorate. All three confederations were also disappointed with the government's stance on the European Commission's proposal to equalise remuneration of workers temporarily posted to another EU member state with that of their host-country counterparts. Siding with employers' associations, the cabinet criticised the equal wage rule, arguing that it would threaten Poland's economic interests and disrupt the process of intra-EU wage convergence (IMP 2016). In March 2016, together with ten other national parliaments, Polish MPs held that the Commission's proposal breached the EU's subsidiarity principle, which set in motion the so-called yellow card procedure obliging the Commission to reassess its original proposal. Finally, both trade unions and employer organisations were taken by surprise by changes in the trade union law proposed by the government in March 2016. It had been expected that the modifications would ensure the law's compliance with the 2015 Constitutional Court ruling and extend trade union membership rights to those working on civil-law contracts. However, the government's proposal included an additional criterion concerning the duration of such contracts, which upset the trade unions. It also included over 100 other amendments to the original law that had not been agreed with the social partners. In view of the wide extent of the proposed changes, unions and employers urged the government to halt its work on the law and grant the RDS an additional consultation period.

The above examples suggest that the unions' renewed reliance on political access channels might have been premature and that they may soon be forced to demonstrate their dissatisfaction with the direction and style of the current government's socioeconomic policymaking. Returning to 2010–2015 strategic repertoires might prove difficult, however, for two reasons. First, with the coming to power of a party espousing social principles, the unions' role as contesters of the neoliberal policies applied in the last years of PO-PSL rule has lost its earlier salience. In this regard, by bringing social problems from the streets back to political cabinets PiS has 'disarmed' the unions and significantly lowered their mobilisation potential. Second, it is unclear whether large-scale mobilisation on social issues is feasible given that the activities of oppositional parties, individual citizens and the newly created social movement – the Committee for the Defence of Democracy (KOD) – are currently directed against the Kaczyński party's infringements of basic democratic principles, such as the rule of law, the independence of the Constitutional Court and media freedom. It is notable that trade unions have so far been largely absent from these pro-democratic initiatives. Solidarność actually protested against the use of its symbols during the February 2016 opposition march in support of Lech Wałęsa, who had been accused by PiS of collaborating with the

communist secret service. Only the OPZZ-affiliated Polish Teachers' Union (ZNP) took part in an over 200,000-strong demonstration asserting the importance of democratic values and Poland's EU membership (Kijowski 2016).

## 6. Conclusion

FDI attraction, flexible labour markets and welfare restraints professedly in the name of future convergence with western European levels of development have constituted the building blocks of Poland's post-transitional economic model. Throughout 1990s and 2000s, trade unions were largely on the defensive and found it difficult to regain structural, associational and discursive power under the changed socioeconomic circumstances. As a consequence, they long remained fragmented, politicised and trapped in a government-dominated social dialogue.

Following the outbreak of the financial and economic crisis and yet another failed attempt at tripartism, Polish labour organisations moved beyond futile negotiations. Capitalising on social discontent with neoliberal policy prescriptions, they mobilised against labour market flexibilisation, targeted new worker groups and brought up broader societal concerns. Even though it was perhaps too early to speak about revitalisation or a full-fledged shift in the unions' approach, between 2010 and 2015 trade unions in Poland moved beyond what Köhler and Calleja Jiménez (in this volume) call 'barriers of conservative inertia and risk-avoiding strategies'. Despite persisting weaknesses, they managed to overcome intra-organisational differences and experimented with innovative discourses, tools and target groups.

With the electoral victory of Law and Justice, however, union strategy came full circle: the party's promises to reverse some of the most neoliberal policies made labour organisations suspend large-scale protests and return to the negotiation table. At this point, however, it is unclear whether Kaczyński's electoral slogans will translate into concrete policy measures. On the other hand, the high importance attached to FDI attraction, exemplified by the government's active involvement in negotiations over a Mercedes engine factory and the parliament's objections to the revision of intra-EU employee posting rules, suggest that the country's socioeconomic policy paradigm will not be changed. By the same token, recent government decisions not to consult the social partners on important reform proposals signal that, despite the change of the institutional framework for social dialogue, the latter may remain ineffective.

All in all, it seems that Polish trade unions currently find themselves in limbo. Their initial trust in Law and Justice's social orientation is dwindling, but they do not have another ally on the political scene and their mobilisation capacity is lower than just a few years ago. It remains to be seen whether the organisations will continue to believe in PiS's social good intentions, even at the price of turning a blind eye on the party's infringement of democratic freedoms, or return to protest actions similar to those of 2010–2015, which in any case would have to be organised under changed and potentially more difficult socio-political circumstances.

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# From the golden age to the gilded cage? Austrian trade unions, social partnership and the crisis

Franz Astleithner and Jörg Flecker

## 1. Introduction

Like many other highly developed capitalist nations Austria has undergone far-reaching change in industrial relations in recent decades. However, the national system of industrial relations is highly specific as it is still characterised by institutionalised neo-corporatism, with its strong links between the social partners and the political system and a bargaining system containing sectoral agreements with exceptionally high coverage rates. The stability of these institutions is due, among other things, to statutory membership of the Austrian Economic Chambers and the Austrian Chambers of Labour and therefore dependent on legal support. These features make the Austrian model of industrial relations unique and very instructive for international comparisons. Turning to Austrian trade unions, they are – in comparative terms – fairly strong and, in addition, highly integrated into a relatively stable institutional setting of bargaining and corporatist concertation (Crouch 1990). However, today the labour movement is much weaker than thirty years ago. The Austrian trade unions suffered a severe financial crisis in the 2000s, membership rates have fallen considerably, the policies pursued within the consensus-oriented institutional setting have changed and reflect the hegemony of neoliberalism, which has put supporters of non-market institutions on the defensive. It is the tentative shift to neoliberalism under conditions of institutional stability that has brought the trade unions into a strategic dilemma.

In comparative analyses of labour relations, Austria is categorised as neo-corporatist (Schmitter 1979) and sometimes even cited as ‘the’ ideal type of corporatism (Siaroff 1999). This goes together with the consensus-oriented politics of consociational democracy (Armingeon 2002; Lehmbbruch 2003) and the important role of the social partners. Social partnership as a whole rests on the principle of including business and labour in governmental decision-making rather than on statutory tripartite bodies (Traxler and Pernicka 2007: 223). The consensus that can be reached in this way is supposed to guide policy implementation. In comparison with other countries social partnership in Austria has unique influence over politics (Karlhofer and Sickinger 1999). The consensus-oriented system of labour relations achieved a remarkable economic upswing in the post-war period and was able to continue through economic crises and to pacify class conflicts. However, it was (and still is) embedded in a conservative welfare state regime that continues to discriminate against women, in particular those on low income and with discontinuous working careers (Hermann and Flecker 2015). This fact is also reflected in the gendered wage inequality of collective agreements. Therefore, a review of Austrian social partnership must not overlook its selective character. From the 1960s onwards new social movements, such as the women’s movement or the ecological movement, were not included in concertation. The absence of reactions to economic and societal changes is partly responsible for the trade unions’ loss of general legitimacy.

The following analysis of the trade unions within the very particular system of Austrian labour relations is based on a power-resource approach (Wright 2000; Silver 2005; Dörre *et al.* 2009). It distinguishes four power resources union renewal can rely on. *Structural power* is derived from the position in the labour process at workplace level (production power) and depends on the level of unemployment (market power). *Organisational or associational power* is based on union density, the capability to mobilise workers and links to political parties. *Institutional power* rests on the unions' legal position, their rights in collective bargaining and their position within the social partnership setting. Finally, *discursive power* relies on trade unions' ability to influence political discourse and to shape public opinion. Throughout the chapter we will portray important events in the Austrian system of industrial relations and analyse how power resources have been altered by them. Overall, we will show that the labour movement has been losing power, but in a non-linear, oscillating way. To illustrate trade union struggles we discuss developments in collective bargaining and wage policy, as well as unions' working time policies.

In Section 2 we provide a necessary introduction to the Austrian model of industrial relations, which is strongly shaped by social partnership. Internationalisation, a shift to neoliberal mainstream economics, a labour-hostile government and internal scandals brought the Austrian labour movement in multiple difficulties between the 1990s and 2006 (Section 3). However, since 2007, with a labour-friendlier government and coordinated anti-crisis measures, the unions have regained strength even during the global financial and economic crisis. But these positive aspects were accompanied by a continuing weakening of some foundations of the union's power resources. Thus, currently the labour movement is facing highly contradictory challenges (Section 4). In the concluding section we summarise the prospects and challenges and look in particular at the strategic dilemma the unions are facing.

## **2. Trade unions in the context of tripartism: the Austrian model and the golden age of Austro-corporatism**

In order to understand the contemporary role of the unions within the Austrian system of labour relations, the system of Austro-corporatism (Bischof and Pelinka 1996) will be explained in this section. The Austrian model was founded in response to the negative experience of Austrofascism and was intended to pacify class conflicts. It was established at the end of the 1950s in a situation of weak private capital and strong unions and had its golden age in the 1960s and 1970s. Back then, trade unions had strong structural, associational, organisational, institutional and discursive power within the system of social partnership. Although the institutional setting and the policies pursued have changed considerably in the meantime, this period has shaped the current system of labour relations in Austria. The actors within the social partnership are employers', employees' and farmers' interest groups, the government and governmental bodies (Tálos 2015: 176). The highly centralised organisations have the monopoly of representing their clientele, either *de jure* or *de facto*. Social partnership is characterised by the influence of these institutions on policymaking (concertation) and by the balancing of interests.

The representation of labour interests is divided roughly into three formally independent pillars, the seven sectoral trade unions and their umbrella organisation the ÖGB (Österreichischer Gewerkschaftsbund), the works councils at establishment and company levels and the Chamber of Labour (Arbeiterkammer – AK). Despite formal independence, there is a close relationship between unions and works councils: works councillors are often union members and the unions' most important 'lay' officials. They also play an active role in the recruitment of new union members, the communication of trade union strategies and the preparation of wage bargaining. The Chamber of Labour forms the third workers' interest group in Austria, with statutory membership of every private sector worker. Among its main tasks are to provide information and expertise in political decision-making, to lobby for workers and to offer counselling services to workers. Overall, trade unions in Austria are characterised by their relations with company-level works councils and statutory interest representation in the Chamber of Labour. In addition, the relations between sectoral unions and between the latter and the umbrella organisation the ÖGB influence the structure and strategies of Austrian trade unions. In this widely accepted system of industrial relations the unions have considerable institutional power, as well as strong organisational power due to the connection to the Chamber of Labour and to the Social Democratic Party. Therefore they also have multiple channels for public opinion-making, resulting in fairly strong discursive power.

Capital is represented mainly by the Austrian Economic Chambers (*Wirtschaftskammern* – WKO). One particular feature of the Austrian system is the statutory membership of companies, and thus of employers, in one of the subunits of the WKO. Besides the Economic Chambers the Federation of Austrian Industry (Industriellenvereinigung – IV), an influential voluntary organisation, is the second big employers' organisation. Farmers are represented by the Chamber of Agriculture (PRÄKO), which forms part of the core of social partnership. Besides these leading organisations there are various institutions involved with the social partners in interest concertation between capital and labour. Historically, the Parity Commission for Pay and Prices (Paritätische Kommission für Preis- und Lohnfragen), founded in 1957, was the leading organisation in interest concertation.

Apart from tripartite concertation, the institutional setting of Austrian industrial relations relates to the centralised and well established collective bargaining and wage setting. It is, almost without exception, highly coordinated multi-employer bargaining at sectoral level (Traxler 1996). The Federal Arbitration Board has the important task of conferring on organisations the right to conclude collective agreements. Among the preconditions is that the organisation is able to guarantee extensive occupational and territorial coverage. This de facto rules out the possibility of company-level bargaining. Unions for white- and blue-collar workers normally form a bargaining committee. Every autumn, the federal and regional subunits of the WKO and the individual unions start the most important wage negotiations. The metal workers play a leading role in the form of pattern bargaining (Eurofound 2015; Knell and Stiglbauer 2012). In order to prevent wage competition between industries represented by individual unions, the influential metal workers' union was accepted as the leading organisation in wage setting (Unger 2001:2). A further important consideration is that the metal industry, the



exposed sector, is vulnerable to losses in competitiveness. Therefore, wage coordination between the exposed sector and the sheltered sector is in the interest of metal workers. This process of wage coordination and moderation in the sheltered sector creates inter-sectoral tensions and demands strong peak-level coordination of the unions (Brandl and Leoni 2013). The results of the strong metal workers' union are a benchmark for wage increases in the other sectors. In comparative terms, Austria is among the countries with the highest collective bargaining coverage rate. The institutional reason for this is that companies' WKO membership is compulsory and collective agreements cover the workers of all WKO members. This is why the coverage rate in the private sector is close to 100 per cent. But this also means that it might be changed by legislation. This happened in Slovenia, which had built up an industrial relations framework along Austrian lines but abolished statutory membership later on. A severe reduction of the coverage rate followed in this neighbouring country. But also in Austria, the law only sets the broad framework of bargaining, while the details are organised informally.

Another important feature of the Austrian model is the strong integration of interest groups in political decision-making. The main activities include (i) the provision of information and expertise in the preparation of new policies, (ii) the shaping of economic, social and labour-market legislation and (iii) the implementation of legal norms (Tálos 2015: 176f). There are strong connections between the social partners and the political parties (Karlhofer and Sickinger 1999) and a vertical network exists between the ÖGB, the Chamber of Labour and the Social Democratic Party, as well as between the Economic Chambers, the PRÄKO and the Conservative Party (Famira-Mühlberger and Leoni 2014; Tálos 2015). Furthermore, most important state-administration or social-security organisations are led by people recruited from a social partner institution. Social partners have always been included in decision-making on economic and social policies and the social partner organisations and think tanks are mainly responsible for fostering public and political discourse, while outsiders' expertise is judged critically (Karlhofer 2007). In addition, many politicians begin their career in one of the social partnership organisations. Traditionally, the Minister of Social Affairs has a background in the unions, and between 1970 und 2000 seven prime ministers and six state secretaries had a background in the Advisory Council for Economic and Social Affairs (Karlhofer 2007). The cooperation of the institutions of social partnership and the government is based on the consensual idea that coordination leads to better results in the achievement of growth, employment, purchasing power and currency stability. The overarching acceptance of and belief in this system of concertation partly explains the willingness to make compromises (Tálos 2008). Wage moderation in order to increase competitiveness and the near absence of strikes illustrate this consensus orientation. And indeed it has performed surprisingly well. According to today's mainstream economic textbooks it is inconceivable that strong unions and comparatively rigid regulation could help a backward agrarian country to become one of the richest economies in Europe, but that is what happened.

The strong power of the unions and their influence on the government was also visible in working time policy, which was characterised by a gradual reduction of working hours. The policies comprise a reduction of the weekly working time, annual working time and working life (Schmid 1993). In 1959, normal weekly working hours were reduced from 48 to 45 hours. After a referendum initiated by the SPÖ in 1969 a further reduction to 40 hours per

week was implemented until 1975. However, this was the last step in the reduction of weekly working hours by way of legislation. Further measures only targeted the increase of statutory paid leave. From 1965 to 1986 holiday entitlements increased from two weeks to five weeks. We can conclude that between the 1950s and the end of the 1980s the unions were able to pursue one of their main goals, the reduction of working hours, very successfully.

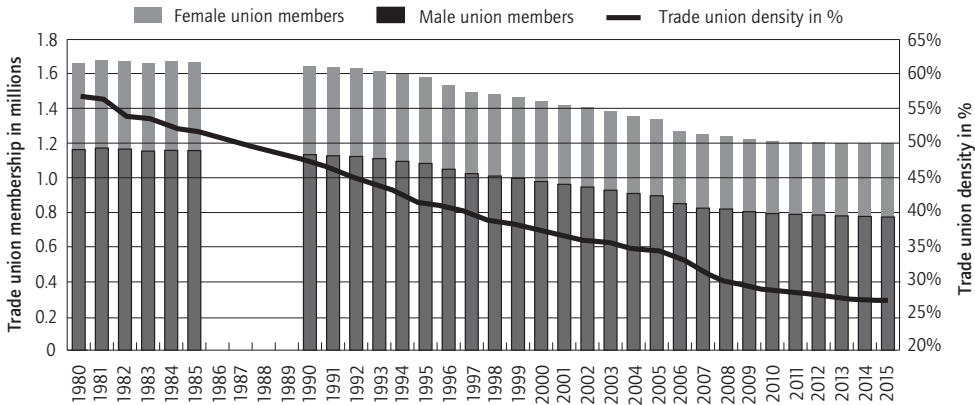
To sum up, in the golden age of Austro-corporatism more than half of workers were organised in unions and nearly all workers were covered by collective agreements (Traxler 1996). The net organisation of workers in unions peaked in 1970 at 62.8 per cent (Pernicka and Stern 2011), while in absolute numbers union membership peaked in 1981 (Engel 2006: 47). Not only were the trade unions extraordinarily strong but also consensus-oriented social partnership as a whole proved fairly stable well into the 1980s. However, the whole system of concertation and industrial relations came under growing pressure in the late 1980s.

### **3. Trade unions in multiple difficulties – early 1990s to mid-2000**

Processes rooted in the golden age of Austro-corporatism came to the surface in the early 1990s. A shift from demand-side ‘Keynesianism’ to supply-side corporatism occurred (Traxler 1993); privatisation policies, growing unemployment and accession to the EU in 1995 weakened the position of the unions. At the beginning of the new millennium the Austrian model was actively challenged by a far-right government hostile to unions. In interest groups and political parties neoliberal ideas became more influential (Tálos 2015: 178). On top of that, in 2006 the ÖGB was on the brink to financial collapse due to speculative losses by the ÖGB-owned bank BAWAG. These negative developments were accompanied by, and accelerated, membership losses. Thus, by 2007 the Austrian trade unions had suffered a considerable loss of structural, associational, organisational, institutional and discursive power.

At the beginning of the 1990s unions were economically challenged by the rising unemployment rate, the privatisation of state-owned industry, internationalisation and rising inequality. The unemployment rate increased from 1.85 per cent in 1980 to 3.25 per cent in 1990 and peaked in 1998 with 4.42 per cent (OECD 2016b). Individual trade unions were confronted with far-reaching structural changes. Back then, unions mainly oriented their recruitment and representation strategies towards core workers, often male industrial workers. The decline of the industrial sectors, rising atypical employment and the growing labour market participation of women in the service sector accelerated at the end of the 1980s. These developments made recruitment of new members difficult which, in turn, negatively influenced organisational power. While Austrian trade unions still had 1.6 million members in 1990, this number had declined to 1.27 million by 2006. Measured in union density rates, the decrease is even more dramatic (see Figure 1).

Figure 1 Trade union density and membership, Austria



Source: OECD (2016a); ÖGB (2016); from 1986 to 1989 no figures were published.

In Austria in the 1990s a surge of political internationalisation reduced the unions' institutional power. Important steps included the referendum on EU membership (1994), EU accession (1995) and the implementation of the euro as common currency. Social partners again had a common positive stance towards the internationalisation of the Austrian economy and society. After reaching agreement on a common position, the Parity Commission for Pay and Prices suggested EU entry, which was finally prepared by the SPÖ/ÖVP government. Ironically, however, this was the last important measure proposed by the Parity Commission for Pay and Prices, as it lost most of its relevance due to EU accession, with the shift of decision-making power to the supranational level and the accelerated internationalisation of the economy (Pernicka and Hefler 2015: 43). Hence, the last decision on prices dates back to 1994 and the last general assembly to 1998. Due to the Maastricht criteria 'Keynesian' economic policy and macroeconomic control – major features of the Austrian model – were no longer feasible. The Austrian trade unions were not only in favour of EU membership, but they actively campaigned for a yes vote in the referendum.

Depending on the sector, trade union members were affected differently by EU accession. The ÖGB tried to secure side payments for those who suffered disadvantages, such as the food or forwarding industries. However, the main reason why it was able to support the country's policy, although parts of the membership had to expect disadvantages, was centralised decision-making within the ÖGB and comprehensive trade union participation in political decision-making in Austria. In fact, the Austrian trade unions and the Chamber of Labour were provided with offices in the new 'Austria House' in Brussels, together with the federal ministries, receive funding for their officials in Brussels, and have been involved ever since in the preparation of the Austrian position in EU policy-making. There is no denying, however, that the quality of concertation and trade union influence has deteriorated. Not only is the Austrian position not that relevant within the EU, but the short time limits set within the machinery of EU decision-making severely restricts the harmonisation of interests and thus trade union influence (Beer and Flecker 1997).

As far as discursive power is concerned, workers' organisations have lost part of their public legitimacy. The declining voter turnout in the elections to the Chamber of Labour indicates the loss of support and legitimisation of labour interest groups, which has negatively affected the willingness to join unions as well. Turnout fell from 63 per cent in 1984 to 31 per cent in 1994 (Karlhofer 2005). The negative development of the image of labour interest groups was further fuelled by a scandal in 1990. Rechberger, the president of the Styrian Chamber of Labour, had illegitimately received multiple salaries. The scandal provoked mistrust in representatives of labour as people doubted that officials with such high incomes could understand the lives of ordinary workers. This was a starting point for multiple attacks against the statutory system of chambers waged mainly by the extreme-right FPÖ under Jörg Haider.

As a reaction, in 1992 an amendment to the law on the Chamber of Labour was adopted that increased members' possibilities to participate (Tálos 2015) and the relation between the ÖGB and the AK was put on a legal basis. Against this background a decision was taken in 1994 on a ballot involving all members of the chambers about statutory membership. Members clearly voted in favour of continuing the chamber system. After structural changes and, in particular, after the Chamber of Labour's counselling services for individual workers were extended and intensified – as demanded by Haider – support for the Chamber regained strength and voter turnout recovered, reaching 49 per cent in 2000 and 2004, before falling back somewhat to 41.5 per cent in 2009 and 40 per cent in 2014. For the trade unions the recovery of the AK is double edged. While secure funding of the statutory workers' interest organisation also helps the trade unions that dominate decision-making within the AK, the competition they face from AK has been aggravated considerably: workers no longer have to become trade union members if they want to get counselling and representation before the labour courts. There is no denying that this has made it more difficult for unions to win new members.

In 2000, the Austrian unions were confronted with a political sea change, shaking the stable system of industrial relations. The right-wing ÖVP/FPÖ and later ÖVP/BZÖ coalition between 2000 and 2006 weakened the institutional power of the social partners and therefore the unions. The FPÖ tried to abolish compulsory membership of the chambers, one of the fundamental principles of social partnership (Tálos and Stromberger 2004). In general, the government took a neoliberal stance and reduced the role of the state in order to achieve a 'balanced budget'. Reforms in the social security and pensions systems are intended to replace mutual solidarity by individual provision for education, health and old age (Pernicka and Hefler 2015: 44). According to Ney (2004: 30) the new political approach is characterised by (i) acceleration of decision-making,<sup>1</sup> for example, in pension reform, (ii) circumventing formal and informal participation of the social partners and (iii) lack of balance of conflicting interests. In this period, the social partners were totally excluded from political decision-making (Karlhofer 2007: 398). For example, the ÖGB and the

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1 Social partners are legally entitled to evaluate tasks. In the right-wing government from 2000 to 2006 the period for the evaluation was shortened so that in fact there were no evaluations possible anymore. For corporatist actors one of the basic resources for consensual democracy was lost: time.

WKO offered to develop an alternative concept for the pension reforms, which was turned down by the government. This disempowerment led to trade union resistance resulting, in 2003, in the first major strike since 1950, a one-day general strike. It was accompanied by a huge mobilisation of members and the general public in the form of demonstrations the large size of which took the union leaders by surprise. The ÖGB managed to demonstrate power and to achieve some changes in pension reform, although its main principles were not altered.

The whole system of consensus-oriented politics was changed in this period, in which the unions partly moved from the influence-based approach (Schmitter and Streeck 1981) to a membership based approach as they were cut off from direct political influence (Pernicka and Stern 2011). The provision of services was enhanced and participatory processes and decision-making were established. A duality of social partnership and lobbying was developed (Karlhofer 2007). In parallel to the reduction of the social partners' political influence new neoliberal think tanks gained in importance. For example, the finance ministry funded a position at the neoliberal Vienna Hayek Institute. The right-wing government proved that the institutionalisation of social dialogue rests on a fragile system of reciprocal acceptance between social partners and politicians. As a consequence, the unions lost large parts of their institutional and some of their discursive power under the right-wing government. However, the institutional basis of the bargaining system and thus the high collective agreement coverage rates could be maintained. This can be seen as 'borrowed institutional stability' because of the importance of the legal basis for the bargaining system (Flecker and Hermann 2005).

In the years prior to the global financial and economic crisis the Austrian trade unions suffered severe home-made difficulties. At the end of the right-wing government the ÖGB-owned bank BAWAG made huge speculative losses. In 2005, it transpired that BAWAG had been involved in risky trading in derivatives. Between 1995 and 2001 the trade union bank lost about 1.9 billion euros in these high-risk trades. From 1998 to 2005 the severe losses were disguised by bogus companies and foundations established by BAWAG or the ÖGB. Already in 2001, after BAWAG board members had refused to sign the balance sheet, the ÖGB took over full liability. This included also the strike fund financed by the union members. In July 2006 the then ÖGB president Rudolf Hundstorfer did not rule out ÖGB insolvency. It was unfortunate for the trade unions that the bank was 'ahead of its time'. Only a few years later it became customary for governments and taxpayers to bail out ailing banks. The result of the BAWAG affair was not only a huge financial loss, but also one of reputation for the ÖGB, especially as the SPÖ and the ÖGB had publically criticised risky financial businesses and financial capitalism. Union membership declined and new discussions about the connectedness between interest groups and state politics emerged. Furthermore the ÖGB now had problems covering its costs. BAWAG dividends had compensated for the difference between membership fees and expenses. Trade union restructuring took place in 2007 in response to the dramatic financial situation. The twelve sub-unions merged into seven sub-unions under the holding organisation ÖGB. The biggest unions now are GPA-djp (277,792 members, representing mainly private sector white-collar workers), PRO-GE (229,776 members, representing blue-collar workers in manufacturing) and the

GÖD (236,891 members, representing public sector workers).<sup>2</sup> Further effects were the resignation of members, layoffs, a new strategic orientation, the sale of properties such as ÖGB headquarters and shares in the national bank. But the ÖGB's political image was also severely damaged. In 2006 only 5 per cent of the population had high trust in the ÖGB (IFES 2006). Hence, its organisational power was substantially reduced due to the financial losses (the strike fund) and the resignation of members, while its discursive power was damaged by the loss of credibility.

The multiple attacks on the system of social partnership, the loss of union power on multiple levels and the changing external economic conditions are also reflected in terms of working-hours policies, which were shaped predominantly by the employers. The topic of working-hours reduction was more or less replaced by the topic of working-time 'flexibility'. In terms of legislation, working-time reduction was no longer an issue, having been transferred to bargaining within the framework of collective agreements. There were two amendments to working time law regarding flexibility in 1994 and 1997. The first widened the possibilities for flexitime and laid the foundation for further deregulation of working hours. The amendment of 1997 was the most important step towards more flexibility and allowed normal working days of up to nine hours. Furthermore, the new law allowed the use of working-time accounts through which working hours may be averaged out during long periods of up to one year. For the workers, this potentially meant a loss of overtime payments and longer working hours. The law allows working for up to 50 hours, eight weeks in a row. While this describes only the legal framework, the social partners are empowered to negotiate even higher levels of flexibility within collective agreements. In this way the law provides only a broad framework, while flexibility is ultimately determined in sectoral collective agreements. This was intended to give the unions control over working time flexibility. In general, the ÖGB and the SPÖ were willing to accept further flexibility in exchange for further working time reductions. But the general shift to a more capital-friendly political hegemony and the trade union problems described above led mainly to decentralisation of working-time regulation and to more flexibility. Despite the hugely increased scope for flexibility the trade unions were not able to achieve a reduction of working hours towards the proclaimed 35 hours.

#### **4. Partial recovery and contradictory developments since 2007**

Since 2007 corporatist bodies have regained strength, mainly because of the re-establishment of the grand coalition and, surprisingly, the economic crisis. The coordinated measures during the aftermath of the financial crisis of 2007/2008 signalled both the need for, and the effectiveness of concertation. However, contrary to these positive impressions the rapidly rising unemployment since 2011 points to negative consequences of 'austerity' policies and structural problems in the Austrian economy. In addition, tensions are increasing between capital and labour, putting the unions on the defensive in many of their core areas of concern and social partnership as a whole

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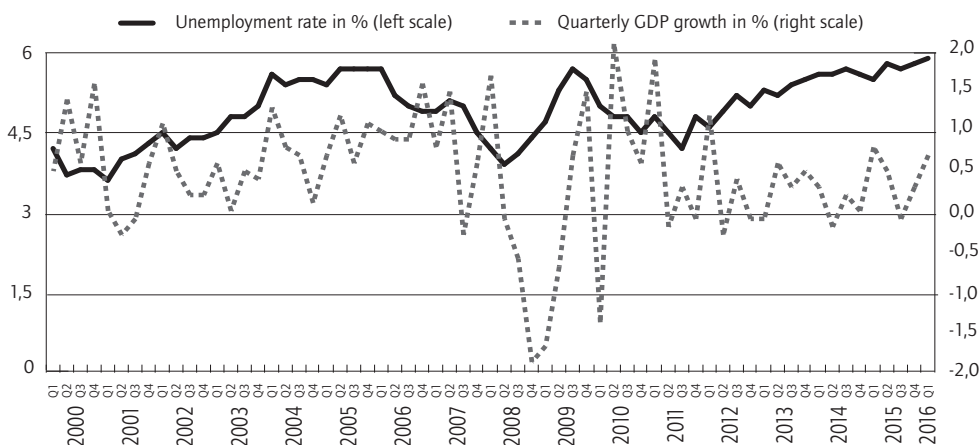
<sup>2</sup> ÖGB (2015), figures from 2014.

is becoming more fragile. Against this background, the unions seem not fully prepared to use new means of power, such as organising via social media, and for the formation of alliances with new social movements. On the other hand, the unions have had a few successes in social policy and tax reforms and have regained strength in influencing public opinion. For example, they were able to put the topic of working-time reduction back on the agenda and there is a general concern about growing inequalities. In contrast to the period described above, when all power resources declined we now see more dynamic and contradictory developments, with some power resources declining and others increasing.

In January 2007 the grand coalition between SPÖ and ÖVP formed a new ‘corporatist’ government. One indicator that social partnership is regaining political power is the fact that two important ministers in the current government have a background in social partner institutions. Unions were brought back into the political decision-making process for example in the design of the Working Time Act 2007 (Tálos 2015).<sup>3</sup> In addition the chamber system was included in the Austrian constitution and, despite the strength of the far-right populist Austrian Freedom Party and a new neoliberal party in parliament, social partnership still has support in Austrian politics.

While the unions slowly recovered from their internal problems and exclusion from political decision-making under the far-right government, the country was hit by the economic crisis of 2008 in which the social partners were able to prove their economic-policy capabilities.

Figure 2 Unemployment rate and GDP growth in Austria, 2000–2016 (quarterly)



Source: (OECD 2016b, 2016c).

**3** The three major changes of the amendment to the working time law 2007 were the following (Schindler 2008: 33ff):  
 a. Established working-time models (like the four days week or flexitime) were simplified and the competence for regulation on company level was enhanced.  
 b. It allows stronger concentration of the working times (longer hours on less days, longer overtime hours) in exceptional economic cases. E.g. it enables the collective agreement to allow 12 hour shifts in special cases.  
 c. Attempts to improve the system and efficiency of regulations  
 Furthermore, a 25 per cent premium on overwork for part-time workers was introduced.

The crisis hit Austria in the second half of 2008. In the first quarter of 2009 there was a 4.9 per cent reduction in GDP in comparison with the first quarter of 2008. The crisis caused the strongest decline in GDP since 1949 and the Austrian economy kept shrinking until mid-2009, although it fared better than most other European economies (Scheiblecker *et al.* 2010). While the crisis had the strongest effect in the banking sector, the 20 per cent decline in exports – mainly in the production of investment and durable consumption goods – hit the Austrian economy hard as well. With some delay the construction sector was affected by the crisis. But well-directed public investment partly offset the drop in private demand. Initially, the anti-crisis policy followed the pattern of ‘Keynesian’ deficit spending. The legislator decided to implement two economic stimulus packages in 2008 to support medium-sized companies, improve public infrastructure and implement regional measures to increase employment and enhance skills. The stimulus packages are supposed to help to get the staggering economy back on its feet. Temporary agency workers were among the first who lost their jobs. In response measures were introduced to increase the social protection of non-standard employment, especially for independent subcontractors and subcontracted workers. The coordinated measures in combination with the stabilising effect of the Austrian social welfare system (Leoni *et al.* 2011) and the rapid economic recovery kept the unemployment rate in Austria comparatively low during the first years of the crisis (Figure 2). Hence, Austria had the lowest unemployment rate within the euro zone between 2010 and 2012. Nevertheless, unemployment increased by about 48,100 or 22.6 per cent from 2008 to 2009.

For the social partners and unions the crisis offered a platform on which to get back into the game of concertation (Pernicka and Hefler 2015; Tálos 2015). The state’s interventions were strongly influenced by the unions and the economic stimulus packages pushed by the unions and the Chamber of Labour (Georg Feigl *et al.* 2016). As one ÖGB representative put it: ‘The crisis did not make itself felt until 2013/14 because social partnership took over the government.’ The most important measures were the short-term working schemes, easier access to educational leave schemes, an increase in the budget for social policy, the introduction of guaranteed vocational training for apprentices and the exceptionally high wage increases during the crisis. In 2009 real wages increased by 2.9 per cent, equal to the total wage gains of the eight preceding years (Hermann 2011). Hence, cooperative steps were taken at all levels, from the plant to the macro-political level. All these coordinated measures and their success were strong signs of life with regard to social partnership (Wineroither 2013).

To illustrate the unions’ success in crisis corporatism, take the example of short-time working. It was developed by the social partners and considered favourable to both employees and employers. Employees did not lose their jobs, while employers did not have to lay off skilled workers (Hermann 2011). The legislation on short-time work that existed before the crisis was changed. The short-time working period was extended to 24 months and the bandwidth of accepted reductions in working time was enlarged and may range from 10 to 90 per cent. Furthermore, there were reductions in employers’ social security contributions and possibilities to combine short-time working with training programmes (Allinger 2013; Hermann 2011). The two main unions representing workers in the manufacturing sector (GPA-djp and PRO-GE) agreed that they would sign agreements only if workers still received 90 per cent of their income, irrespective



of the amount they actually worked. As 60 per cent of the wages were covered by the Labour Market Service (AMS) this was quite favourable for companies, too. To ensure workers' interests, Austrian companies need works council ratification if they want to switch to short-time working. The short-time working schemes were applied mainly in automobile production and suppliers. At the peak in 2009 about 37,000 workers in more than 300 companies worked under such schemes. All in all, short-time working during the crisis was considered a success. Estimates assume that about 30,000 jobs were saved because of such schemes (BMASK 2010).

While anti-crisis measures were adopted more or less consensually, the bargaining rounds of 2009 pointed to increasing tensions between the social partners. With the exception of the public sector the wage negotiations became more and more confrontational. The employers' organisation demanded wage moderation which was strongly rejected by the unions, which mobilised workers and threatened strike action in order to increase pressure on organised capital. Finally, the unions managed to achieve sizeable wage increases that stimulated demand and compensated for the drop in exports.

But the outcome of the 2009 bargaining round was the exception. The traditional 'Benya formula' lost relevance. Named after a former ÖGB president, it aimed to compensate workers for inflation and let them participate in productivity growth. From 2011 to 2013 the increase in nominal wages was 3.5 per cent a year and declined to 2.8 per cent a year from 2013 to 2015, resulting in a stagnation or decrease of real wages (Schiman 2016). We would argue that these low bargaining outcomes are a sign of both trade union weakness and their acquiescence in supply-side economic policies and wage moderation that was only interrupted in 2009.

Decentralisation of bargaining is another contentious issue between unions and employers' interest groups. For example, in 2012 the Austrian Machinery and Metalware Industries (FMMI), a subunit of the Federal Economic Chamber, opted out from the customary joint bargaining in the metal industry. For the first time in 40 years the subsectoral employers' organisations led independent negotiations for six sub-sectors.<sup>4</sup> To date, the two trade unions involved in bargaining in this sector have been able to prevent an actual split and a diversification of outcomes (Allinger 2013). But this first step towards decentralisation may in the long run undermine the stable core of the collective bargaining system with the centralised wage leadership of the metal workers and may further increase inequality.

An indicator of the slowly increasing tensions between capital and labour is strike activity. For example, there was a period of six years without strikes (2005–2010), followed by often minor but yearly strike activity. In 2011 the average annual number of strike minutes per worker was the third highest since 1980 (WKO 2015), with the metal workers industry holding the first warning strikes for 25 years (Allinger 2012). As a consequence, the presidents of the umbrella organisations ÖGB and WKO intervened

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<sup>4</sup> Of course, decentralization of bargaining can also be seen as a weakness of the chamber of economy as it is not able any more to bundle interests.

to prevent further escalation. Such examples point at increasing problems in reaching compromises between capital and labour.

But even in a hostile environment unions are still able to instigate new discussions. For example, they took the rising unemployment in combination with the high number of overtime hours as a starting point to put cuts in working hours back on the agenda. The old claim of the unions fell on fertile ground in the aftermath of the crisis and probably had its strongest public impact in 2015. The comparably high number of entries on working-hours reduction in the archive of the Austrian Press Agency in 2015 points to the rising significance of the topic. This new working-time discussion was launched mainly by the trade unions, notably the GPA-djp and the PRO-GE. They launched campaigns for a working-hours reduction and the leaders of both unions published a press release,<sup>5</sup> saying: ‘The crisis of employment demands new measures now in order to distribute the existing work on more people and to reduce unemployment. Also the FMMI [Metal workers’ employer organisation] should not rule out such ideas.’

The GPA-djp launched the highly visible campaign on ‘Shorter working times – easier living’ in summer 2015. The starting point was a conference for works councillors providing information on the advantages of working-hours reduction, which attracted 1,000 participants, many more than expected by the organisers. Demands included a reduction of the normal statutory working hours to 38.5, a gradually reduction of normal working hours to 35 in collective agreements, a reduction of overtime hours, a 30-hour week for young parents, six weeks of holidays for a larger share of the workforce, one week of educational leave every year, limitation of daily and weekly working time, the reduction of all-in contracts and easier access to the ‘free-time option’, a newly established possibility to individually reduce working time.

While this option for individual and voluntary working-hours reduction was celebrated as an important innovation by the unions, the demand for a general working-time reduction was also very popular in Austria around 2015. New alliances between trade unions and NGOs took up the issue. One is ‘*Wege aus der Krise*’ (Ways out of the crisis) consisting of eleven organisations, including individual unions and social and environmental NGOs such as Attac Austria or Greenpeace. However, even though multiple players were involved in the demand for a working-hours reduction and the debate on the topic was much more vivid than in the previous ten years, success in terms of collective bargaining outcomes has been very limited. In the 2015 collective bargaining round in the metal industry, the unions demanded easier access to the sixth week of holidays but not a general reduction of working hours. At the end of the day, workers could only choose between a wage increase and shorter working hours in accordance with the free-time option. The metal workers’ union accepted a further increase in working-hours flexibility with the possibility to accumulate more time credits in a working-time account. In combination with the collective agreements that allow working hours of up to 45 hours a week without an overtime premium companies

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5 [http://www.proge.at/servlet/ContentServer?pagename=PO1/Page/Index&n=PO1\\_1.2.1.a&cid=1432895755345](http://www.proge.at/servlet/ContentServer?pagename=PO1/Page/Index&n=PO1_1.2.1.a&cid=1432895755345)

can use workers very flexibly at a lower cost. This outcome seems to be a good indicator of the current strength of the unions. While they had issued press releases demanding a general working-hours reduction they did not put forward that demand vehemently during the negotiations, anticipating a rejection by the employers' side. This may also be because, despite recent union campaigns a general working-hours reduction is not unanimously supported within the unions and the Chamber of Labour; many share concerns over economic competitiveness.

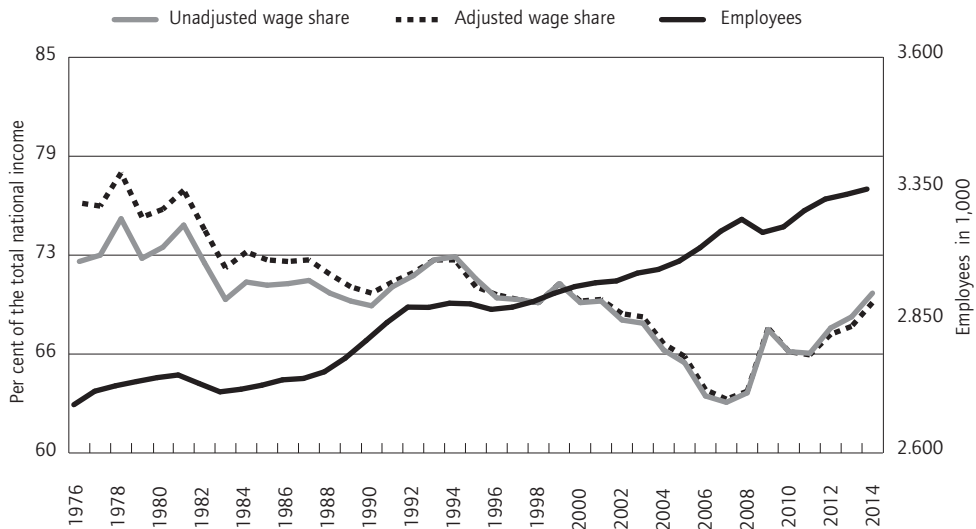
To sum up, the situation of the Austrian trade unions presents itself as highly ambiguous and contradictory. On one hand, the coordinated anti-crisis measures bore witness to the powerful position of Austrian trade unions within the social partnership arrangement. Unions were also able to mitigate some negative consequences of austerity policy and welfare state retrenchment by limiting cuts in the social security system – at least in the short run. In addition, the unions could hedge their institutional power through legislation, such as an amendment of the Austrian Constitution in 2007 that for the first time took the chamber system into consideration.<sup>6</sup> More importantly, the opening of the labour market for citizens of neighbouring eastern European countries after the end of a transitional period was used to establish new legislation to fight wage and social dumping. This in general improved the capacities to enforce collective agreements that, in Austria, have legal status. This points to a path dependent development as the ÖGB – arguably with the exception of the period of far-right government – has always favoured the logic of influence over the logic of membership (Pernicka and Stern 2011). With regard to discursive power, workers' organisations have gained stronger capabilities to form public discourse in the context of a rising critique of mainstream neoliberal policies, at least to some extent. As the examples showed, they are also more willing and able to form alliances with new social movements, which allows them to address people outside the unionised workforce.

On the other hand recent developments have clearly weakened the power resources of the unions. Ongoing structural change in the economy deepens the problem of organising workers. The shrinking membership rates still can be explained partly by the fact that employment is growing mainly in less unionised settings: small companies and non-standard employment, with short employment duration (Famira-Mühlberger and Leoni 2014: 15). Austrian unions are still not fully prepared for these structural changes. However, they – notably the PRO-GE and the GPA-djp – are developing new ways to get in touch with non-core clientele (Flecker *et al.* 2006; Pernicka and Stern 2011). Of course, in comparative terms Austrian trade unions do still have strong institutional power through the juridification of industrial relations and social-partnership institutions. But at some point declining membership will weaken the legitimacy of the unions in a situation in which the general political discourse threatens to undermine the centralisation of collective bargaining, one of the most important features of the Austrian model. Employers use the argument of international competition in order to decentralise collective bargaining and works councils are involved in concession

**6** At the same this shows the weakness of the system of social partnership. The necessity for this legal backing arose because there now is a real threat for it.

bargaining to secure employment. Another challenge is the development of the Austrian economy on the basis of a neoliberal supply side-oriented economic policy, rising unemployment, growing non-standard employment and rising inequality. The reduction of the wage share (Figure 3) and the rising inequality can be interpreted as an outcome of the capital-friendly policy of wage moderation, resulting in a stagnation in real wages. The rising wage share in the aftermath of the crisis stems from the decline in profits and it remains to be seen whether the modest real wage increases in 2015 – much lower than in Germany – are the first signs of a general turnaround.

Figure 3 Wage share as a percentage of total national income and employment



Source: Statistik Austria, WIFO; wage share adjusted to the changes in the proportion of dependent employees, base year 2010.

Especially in the fight against inequalities and welfare-state retrenchment the unions seem to be subordinate to the logic of international competition. Given the absence of a statutory minimum wage (which has been rejected by the unions in view of the high collective agreement coverage rate) and the limited capacities to substantially raise low-wage incomes in collective agreements, further increases in inequality can be expected. The downsizing spiral (Urban 2010) of welfare-state retrenchment, increasing inequalities and loss of union power keeps turning. Furthermore, the room for manoeuvre on the political level keeps getting smaller as decisions are transferred to a supranational level and the fiscal restrictions reduce the possibility for national economic policies. But especially because of political and economic entanglement and growing macroeconomic imbalances transnational solutions need to be found (Brandl and Leoni 2013). The main questions concern how unions may react to new challenges in the changing Austrian system of industrial relations and which power resources they should rely on in the revitalisation process (cf Brinkmann *et al.* 2008).

## 5. Conclusions: prospects and challenges for trade unions

The Austrian system of industrial relations is marked by strong continuity of the institutions of social partnership and consensus-oriented politics despite some tendencies towards institutional conversion (Streeck and Thelen 2005) as more capital-friendly new policies are pursued within a hardly changed institutional setting. The Bad-Ischler declaration of social partnership in 2006 illustrates this existing commitment to consensus within a noticeably neoliberal framework: 'The central objective of Austrian social partnership is to secure and enhance the prosperity of all levels of the population by strengthening Austria's competitive position as a location for business. A sustainable growth policy should ensure full employment by the year 2016.' The basic idea of consociational democracy and social partnership as one of its key institutions is still oriented towards balancing of interests and the increase of general wealth. The remedies to achieve these goals, as we see, however, have acquired a neoliberal emphasis. The fact that Austria is now, in 2016, facing the highest unemployment rate since the 1950s shows the ineffectiveness of the proposed remedies, as well as the inability of the unions to impose an alternative path of economic development. In the long run the described developments will probably lead to further welfare-state retrenchment and to a liberal-conservative corporatism with further power losses for labour due to structural reasons and political developments. With oscillations and variations in pace and shape according to the governing parties and economic circumstances, the overall direction of this change seems evident.

Accordingly, not all power resources of the unions are affected simultaneously and with the same intensity. Austrian unions have regained some of their discursive power during the past decade, not only because of a corporatist government. In recent years unions have been able to take over leadership of public opinion, as demonstrated by campaigns on the tax reform in 2016 that reduced the tax burden for employees or against rising inequality, TTIP or cuts in the pension system. Furthermore, the population regained trust in the Austrian system of industrial relations. This is not limited to the system of social partnership but extends also to workers' interest groups after they overcame previous scandals and their very bad reputation in the 1990s.

While unions were able to take advantage of a general dissatisfaction in society to some extent, they clearly could not influence the voting behaviour of workers. In the last parliamentary election 33 per cent of blue-collar workers voted for the populist Freedom Party and only 24 per cent for the SPÖ (SORA and ISA 2013). In the first round of the presidential elections of 2016 72 per cent of blue-collar workers voted for the candidate of the populist Freedom Party and only 10 per cent for the SPÖ candidate (SORA and ISA 2016). As a consequence the president of the ÖGB, Erich Foglar, commented that the SPÖ should not rule out the possibility of forming a coalition with the FPÖ (Eva Linsinger and Christa Zöchling 2016). This seems unlikely to make the unions or the SPÖ better off in the long run. Increasing tensions within the ÖGB and the SPÖ about their position towards the FPÖ are evolving. While the unions are occupied with internal fighting, however, their associational power decreases. Taking all this together, the increasing power of the far right is probably one of the biggest challenges for the unions (Georg Feigl *et al.* 2016) both in terms of internal struggles over how to react to the FPÖ and the prospect of a labour-hostile party winning the next election.

These developments further deepen the loss of organisational power resulting from falling membership rates. But declining membership is a problem not only in terms of legitimacy but also in terms of financial means. Therefore, the struggle against further casualisation of employment, on one side, and atypical employment on the other are tasks of the highest priority. Women have the lowest rate of union membership and they are at the same time particularly affected by non-standard employment. In the same vein, the decreasing spread of works councils is problematic as they play an important role in the recruitment of union members (Flecker *et al.* 2009).<sup>7</sup> But slowly reactions to the declining membership are emerging. The idea of forming alliances with new social movements on different levels is trickling into the organisation. In this way unions can gain expertise, for example, on environmental topics, and enlarge their network for organising and campaigning. Some experts consider these networks and the ability to organise via social media as one of the most important levers to reach a bigger audience (cf. Dörre *et al.* 2009).

In the bargaining system unions have to fight decentralisation and are confronted with internal competition. The restructuring of the economy has blurred the formerly clear cut demarcation lines along sectoral boundaries between individual unions within the trade union federation ÖGB and triggered inter-union competition (Traxler and Pernicka 2007: 212). The liberalisation and privatisation of former public sector organisations and public services have resulted in the presence of two to four industry unions in the same sector. There are initiatives to cope with the situation such as the one called ‘cooperation instead of competition’ between the white-collar GPA-djp and Vida, the blue-collar service union. Furthermore, the unions still find it hard to coordinate collective bargaining in order to achieve substantial wage increases in the low-wage sector. What is more, the existing rather high differentials in wages and terms and conditions between sectors are an incentive for companies to evade existing collective agreements by outsourcing parts of their activities. Inter-union competition and high inequalities reduce the efficiency of the unions and also affect their legitimacy, which essentially rests on the ability to overcome competition among workers (Dörre *et al.* 2009). Furthermore, labour organisations seem to face difficulties finding common positions, for example regarding working-hours reduction, a new economy-wide minimum wage, the level of wage moderation or new joint campaigns.

Turning to structural power, we find another major challenge, namely the strong and persistent rise in unemployment that is forecast to continue, export dependencies and the wage pressure from Germany with its increasing low-wage sector. Since 2012 the annual growth rate has always been below 1 per cent and with a further expanding working population no positive changes on the labour market can be foreseen. From a macroeconomic point of view the unions are in the contradictory position of making concessions to capital in order to increase competitiveness, on the one side, and pursuing worker-friendly policies, on the other. Contrary to the practice of concession bargaining, Schiman (2016) argues that the low growth in Austria is due to low private

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7 58 per cent of blue-collar workers and 54 per cent of white-collar workers are represented by works councils (Hermann and Flecker, 2009)

demand and less to a loss of competitiveness. The high unemployment rate reduces wage increases, which subsequently dampen private demand. Following this line of argument, high wage increases would be the remedy to overcome the low growth rates. However, also regarding wage moderation, the unions do not have a unified position. Recently, the unions put an old but in the current situation progressive claim back on the agenda: working-hours reduction. So far, however, bargaining outcomes only show a continuation of flexibilisation of working hours, while the resumption of cuts in working hours has so far been limited to options for an individual and voluntary diminution in some collective agreements. Since the late 1980s there have been no major steps towards working-hours cuts and until recent years it was mainly capital interest groups that dominated the discussion about working time, demanding longer and more flexible working hours. Here we can conclude that trade union strategies to increase employment, such as working time reduction, higher wage increases or wealth tax to further reduce income tax, have not yet been translated into political programmes.

Institutional power is still the most important power resource of Austrian trade unions. In addition to the legal foundations of the Chamber of Labour and the works councils, legal support for the bargaining system is crucial. As long as it is backed by a majority in parliament, collective agreement coverage rates will stay close to 100 per cent in the private sector due to the statutory membership of employers in the Economic Chambers and to the legally binding collective agreements. But the strength of the Austrian trade unions is not limited to bargaining. Within social partnership and its institutions they still have the ability to shape political decision-making on various issues. One example is the labour market policy which clearly differs from the situation in Germany; another is the law against wage and social dumping or the tax reform of 2016. On the other hand, the balanced-budget amendment resulted in a clear rejection of anti-cyclical budget policy and reduces the possibilities for state intervention in the economy.

At the European level institutional power is not very developed and far from compensating for the loss of institutional power at national level. As the integration of the national economies into the pan-European market is highly advanced, progressive policies in favour of labour need to be pursued on the scale of larger economic entities. This is particularly obvious for small and open economies. Therefore, the crisis of the (Austrian) unions is partly a crisis of internationalisation (Mayer 2013: 277). Traditionally, strikes or threats of strikes were unions' most powerful weapons. However, it seems that international solidarity is not developed enough to support collective labour agency at a supranational level. The Austrian unions, for example, have found it hard to demonstrate solidarity with workers in the southern European economies hit hardest by neoliberal austerity measures (Hofmann 2014: 38). However, there are also minor examples of international solidarity, such as the Austrian trade unions' support for the solidarity clinics in Greece. A positive example of international coordination is the 'social progress protocol' (Soziales Fortschrittsprotokoll), an initiative triggered by the Austrian Unions. The Social Democratic Parties of Austria, Sweden and Germany agreed to support changes in the EU treaties only if they were accompanied by a juridification of social rights, such as compulsory social security for every inhabitant of the EU. However, in interviews with Austrian trade unionists we found that they hardly see any possibilities to influence policies within the neoliberal

framework of the European Union. Therefore they are in the main limited to the level of the nation state which is considered the only field in which unions have the ability to fight neoliberalism and to defend the social security and wage bargaining systems. But even here the overall impression is that unions are on the defensive rather than able to define and pursue progressive aims. As one interview partner put it: 'The unions are calling people "to arms" but do not know where to storm to.'

With a view to social partnership Austrian trade unions are in the strategic dilemma of remaining clearly within the powerful consensus-oriented arrangement or moving more strongly towards becoming a membership organisation with a stronger conflict orientation and a corresponding focus on the core members instead of all workers. This would require that they dedicate more resources to the recruitment of new members and find new levers to gain influence. Also, more confrontational policies seem to be advantageous in this respect. However, within the social partnership setting this needs to be carefully balanced because even from the perspective of – probably – most trade unionists, coordinated and consensual measures are the best way to advance workers' interests. And within the system of social partnership there are clear informal rules about how far one side can go. Losing the commitment of employers' interest groups to social partnership would probably undermine the foundations of the Austrian system of industrial relations. Under the far-right government between 2000 and 2006, for example, it was mainly the Federal Economic Chamber's commitment to social partnership that safeguarded the Austrian system of industrial relations. But nowadays voices critical of social partnership within the capital-side interest groups and the ÖVP are getting louder.

In general, a more confrontational course seems to be developing between capital and labour that is probably related to budgetary restrictions, weakened macroeconomic performance and rising unemployment rates – in other words, the state's shrinking redistributive capacities. The unions are not well prepared for this new challenge, as they are to a large extent dependent on consensus-oriented policies within social partnership and there is no real vision beyond that. Unionists stress that it was because of consensus-oriented politics that they were able to pursue worker-friendly policies and to build up and defend a social security system the like of which is hard to find anywhere else in Europe (cf Urban 2010). And indeed, considering that the left has been a minority in the Austrian parliament since the mid-1980s the situation could be worse for workers if there was not an overall belief in the balance of interests. Therefore, a clear confrontational strategy is not favoured by Austrian trade unionists. But in order to be prepared for future challenges, Austrian trade unions have to rely on their institutional power, while at the same time strengthening other power resources. Trade unions representatives stress campaigning via social media, forming alliances with new movements and actively relying on the power of consumers as fruitful future strategies. And protests during the period of far-right government proved that the labour movement is able to mobilise workers. But in Austria this is always considered a last resort. After all, of course, even social partnership can be seen as 'conflict-partnership' (Müller-Jentsch 1993) relying on the capacity of unions to mobilise their members and to hold strikes. This means in the long run that institutional power relies on other power resources as capital interest groups' support for conflict partnership is



dependent on the campaigning and organising capabilities of the unions (Pernicka and Stadler 2015: 272). Therefore trade unions need to develop a well-balanced strategy to strengthen other power resources, while keeping their institutional power intact (Feigl *et al.* 2016). This seems the most promising way to stop the negative spiral of welfare state retrenchment and loss of union power described by Urban (2010).

To summarise, Austrian unions' dependency on the fragile social partnership, the legal guarantees of the bargaining systems and a political landscape in which the far-right FPÖ is predicted to become the strongest party with about one-third of the votes, shows that the unions are standing on shaky ground, despite their strong position and surprising institutional stability. But given the still high level of institutional power it is unlikely that unions will refrain from the advantages of social partnership in order to pursue a membership-oriented renewal strategy which would include a more confrontational course. Despite the dilemma and the clear challenges the gilded cage remains more tempting than the hassles and imponderabilities of having to rely on organisational power to a much larger extent. The following argument by an ÖGB representative illustrates the point very well:

‘The Austrian corporatist state structure is a unique system. [...] And in this system we pacified social conflicts. [...] The whole republic is based on compromises. That is why we are Austrians, and that is the difference. I do not think that a more aggressive culture would be for the good of the unions or the country – even though, I think, we would be able to show teeth if it was necessary. But it would be a sad story. I couldn't see any advantages in it.’

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# Two worlds of unionism? German manufacturing and service unions since the Great Recession

Heiner Dribbusch, Steffen Lehndorff and Thorsten Schulten

## 1. Unions and the transformation of German capitalism

Looked at from abroad, German trade unions convey a picture of strength. This impression is confirmed, first of all, by their numerical strength as they are amongst the largest unions in the world. Moreover, German unions are widely acclaimed for their decisive role in the management of the 2008 crisis and their contribution to 'Germany's jobs miracle' (Krugman 2009). The tripartite crisis management during the Great Recession is regarded as proof of the longevity of the traditional German model of industrial relations with its strong bargaining institutions at workplace and sectoral level. Some observers have even talked about a 'comeback of trade unions' after a period of decline and being on the political defensive (Schmalz and Dörre 2013).

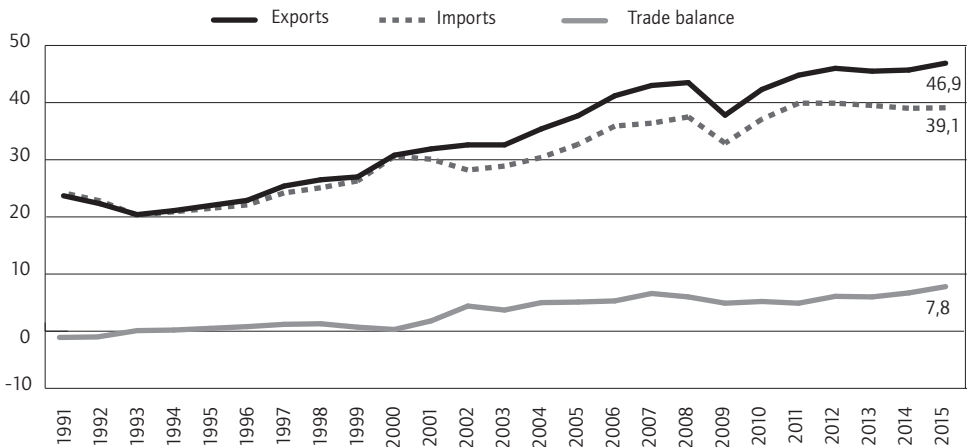
The state of German trade unions has always been closely linked to the specific economic development model of German capitalism, which traditionally is based on three main pillars (Berghahn and Vitols 2006). *First*, a highly competitive manufacturing sector with at its core the automotive, machine building and chemicals industries. These sectors were the backbone of an export-led growth model on which Germany's post-war 'economic miracle' was based. *Second*, a dense network of cross shareholdings and interlocking directorates between major German companies and the large universal banks which created a specific form of corporate governance, which guaranteed a high degree of stability with a focus on long-term strategic developments. *Third*, German post-war capitalism also contained a relatively comprehensive public sector, including some important national monopolies. While trade surpluses became a major driver of Germany's economic development as early as the late 1950s, a relatively strong public sector combined with a continuous growth in real wages ensured a certain balance between the external and domestic sectors. The economic success of German post-war capitalism went along with a high level of employment, which bolstered the unions' bargaining position.

Since the 1980s, however, German capitalism has undergone some profound changes which have transformed some basic features of its social and economic development model (Lehndorff *et al.* 2009; Streeck 2009). These changes were politically implemented in reaction to a changing international economic environment, as well as to the new economic challenges caused by German unification. As a result, Germany entered a period of neoliberal restructuring which became effective in at least three major policy areas. The first was the liberalisation and privatisation of public services, which led to a significant shrinking of the public sector (Brandt and Schulten 2008). The second was the deregulation of financial markets which promoted an increasing shareholder-value orientation in German corporate governance and important changes in the ownership

structure of major German companies. The third area was social and labour market policy, where deregulation led to a significant weakening of social and employment protection so that ‘precariousness has been institutionalised as a substantial part of the labour market’ (Nachtwey 2016: 13 [our translation]). In addition, Germany saw a significant decline of its core institutions of industrial relations, in particular, in the area of collective bargaining.

After Germany’s export-led development model was temporarily shifted towards more domestic-oriented economic development due to the effects of German unification, from the 2000s Germany saw an outstanding increase of its export performance, leading to an ever-growing trade surplus (Figure 1). Under the conditions of Economic and Monetary Union, the growing ‘import deficit’ gave rise to the widening economic imbalances between current account surplus and current account deficit countries (for the discussion of this contentious issue cf. Schulten 2015 and Lehndorff 2016). The new model of German capitalism as it emerged during the 2000s can be characterised as a revived ‘export championship amidst institutional and social disintegration’ (Lehndorff *et al.* 2009, p. 124).

Figure 1 Exports, imports and trade balance in Germany, 1991-2015 (% of GDP)



Source: German Statistical Office, National Accounts.

During the 2000s Germany saw a growing gap between its flourishing export industries and relatively weak domestic sector, which led to rather different economic framework conditions for the various sectoral trade union organisations. The relatively weak development of domestic demand had a particularity strong effect on the unions in domestic private services, but also in public services, which suffered from privatisations and a lack of public investment. In manufacturing the strong export-orientation was accompanied by a dominant discourse of competitiveness, which put the unions under increasing pressure to accept moderate wage developments and other kinds of concessions. The structural and political upheavals in German capitalism led to a growing dualism in industrial relations between manufacturing and services, as well as at the company level between a core and a peripheral workforce (Hassel 2014).

As the impacts of the upheavals in the German model on unions differed across industries, the unions' responses to these challenges were also rather different. Against that background one key assumption of this chapter is that we cannot speak about *the* German trade unions as a single or even homogenous actor. In order to highlight the multifaceted picture of German trade unionism we will focus our analysis on the two largest unions, the German Metalworkers' Union IG Metall and the United Services Union ver.di. In what follows we will start with an overview on the impacts of the changes in the German model on trade unions' power resources, before turning to IG Metall's and ver.di's responses to these challenges since the mid-2000s. Drawing on an actor-related approach (Heery *et al.*, 2000; Brinkmann *et al.*, 2008) we compare, with appropriate consideration for the respective contextual conditions, the interventions and campaigns of the two unions. While looking at architectures *and* actors when analysing the change of national models of capitalism, the emphasis on *agency and political choice* guides our analysis of German unions' development over the past two decades, as well as our conclusions on their future challenges.

## 2. Changes in unions' power resources since the 1990s

Union strategies and tactics develop in interaction with members and constituents, employers, the state and civil society (Gumbrell-McCormick and Hyman 2013: 2). So does trade union power. Drawing on the recent literature on union power resources (for example, Silver 2003; Arbeitskreis Strategic Unionism 2013; Gumbrell-McCormick and Hyman 2013, 30–31; Schmalz and Dörre 2014) we distinguish four major forms, namely *structural*, *organisational*, *institutional* and *societal* power.

*Structural power* has two major components based on the respective positions of workers in the labour market and within the labour process. The more difficult workers are to replace the stronger their bargaining power. This motivates unions' interest in full employment, regulation of the labour market or the development of skills. While it can only indirectly be influenced by unions, structural power is directly shaped by economic and social policies and by employers' decisions to restructure value chains and labour processes. *Organisational power* is not only based on numerical strength but includes the ability to successfully mobilise the membership. It is the power resource which is most strongly influenced by unions' own activities.

*Institutional power* is largely the result of political processes to institutionalise and thereby appease class struggles. The institutions of economic governance shape not only the capacity of unions to organise and represent workers (for example, Ebbinghaus and Visser 1999; Dribbusch 2003; Hassel 2007) but also their position in collective bargaining and corporatist arrangements. *Institutional power* secures union influence across economic cycles. It tends to erode when the underlying balance of power on which it is based fundamentally changes and it is very sensitive to legislative intervention.

Structural, associational and institutional power are complemented by what Schmalz and Dörre (2014) define as *societal* power. It has two main components. The first can be identified as coalitional or collaborative power, which is based on the capacity of

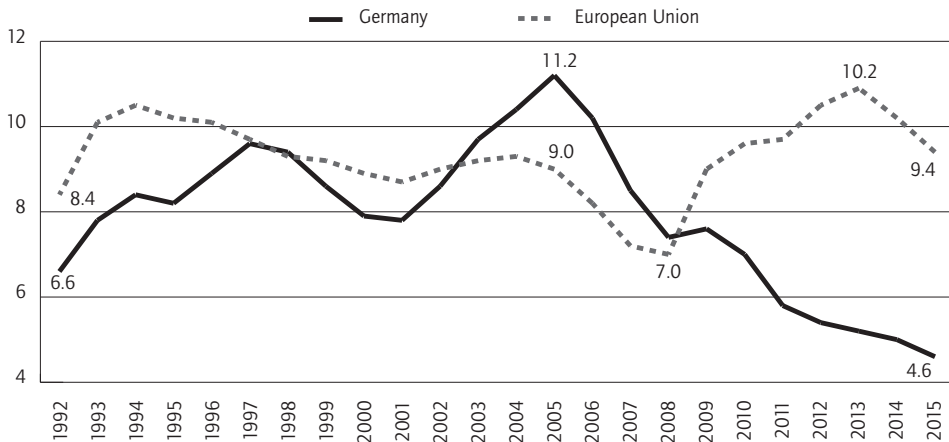


unions to build coalitions and to act within civil society networks, including the more traditional but still important link to political parties. The second can be termed discursive or communicative power (Urban 2015: 271); that is, the capacity of unions to successfully influence the public discourse and agenda setting.

## 2.1 Structural power

The structural power of employees is strongly influenced by the situation on the labour market. From the mid-1970s the level of unemployment increased from business cycle to business cycle and reached its peak in the mid-2000s, with levels well above the EU average (Figure 2). Since then official unemployment has declined considerably and overall employment levels have reached unprecedented highs. While employment growth until the crisis was channelled into part-time, mini-jobs and precarious labour, overall employment could be stabilised during the crisis and began to include – for the first time since the early 1990s – standard full-time employment. In 2015, Germany had the lowest unemployment rate in the EU, and some industries and regions were even affected by labour shortages. After German unions had for a long time experienced a continuous decline in their structural power resources due to increasing unemployment, the situation has changed more recently towards a re-strengthening of their bargaining position.

Figure 2 **Unemployment rate in Germany and the European Union, 1992–2015**  
(% of civilian workforce) (Eurostat definition)



Note: 1992-1995: EU15, from 1996: EU28.  
Source: Eurostat.

Apart from the overall development of the labour market, however, structural power is also influenced by some other developments. Among them are the trends in economic restructuring, which have also contributed to a significant weakening of unions' structural power. The international liberalisation of markets, as promoted through the European integration process, created new opportunities for a transnational reorganisation of Germany's larger manufacturing companies, which integrated, in particular, the low cost countries of central and eastern Europe into their transnational production chains. The more companies could point to their exit options by threatening to relocate production the more employees and unions became sensitive to pressure to accept cost cutting strategies.

In the public sector the traditional balance of power has been overthrown by way of privatisation. Whereas employees in the former state monopolies in rail transport, post and telecommunications and much of health care enjoyed enhanced job securities and were shielded from downward competition, private transport, postal services and care are now sectors in which some of the most vulnerable segments of the workforce can be found.

The weakening of traditional sector-level power resources, however, has given rise to paradoxical counter-effects. Most importantly, privatisations have triggered an increase in the number of workers in formerly public services who are no longer bound by the legal strike ban on civil servants in Germany (for example, train drivers). Moreover, as the overall manufacturing process is more and more organised in closely linked (transnational) production networks cooperating on a just-in-time basis, it is also highly vulnerable to business interruptions. For some observers these developments have shifted the structural power again in favour of the unions (Losse 2012). While certain groups of workers, especially at the hubs of production networks, have indeed relatively high workplace power, such potential is not automatically transformed into higher structural power for the unions as a whole.

## 2.2 Organisational power

The trade union landscape in Germany is dominated by the German Confederation of Trade Unions (Deutscher Gewerkschaftsbund, DGB). Total DGB membership reached its all-time high – almost 12 million members – following the integration of East German union members in 1991, only to slump shortly afterwards. The overall decline has slowed down significantly since 2010 with some DGB affiliates being able to turn the tide (Dribbusch and Birke 2016). In 2015 the DGB represented 6.1 million members, who account for more than three-quarters of all trade union members in Germany (Table 1). The second largest confederation is the German Civil Service Association (dbb beamtenbund und tarifunion [sic!], dbb) with 1.3 million members, including 915,000 civil servants. A third confederation is the small Christian Trade Union Confederation of Germany (Christlicher Gewerkschaftsbund Deutschlands, CGB). It claims to have around 280,000 members, although this figure is contested (Müller and Wassermann 2015). Finally, there are several occupational unions that do not belong to any confederation. The largest among them is the Union of Salaried

Medical Doctors (Marburger Bund, MB) with around 119,000 members. Together with the small but influential pilots' union (Vereinigung Cockpit) and the dbb-affiliated train drivers' union (Gewerkschaft Deutscher Lokomotivführer, GDL), the MB represents a certain renaissance of occupational unionism.

Table 1 Trade union members in Germany

	2001	2008	2015	2001–2008	2008–2015
<b>Deutscher Gewerkschaftsbund (DGB)</b> Confederation of German Trade Unions	7,899,000	6,265,000	6,096,000	-20.7%	-2.7%
DGB affiliates:					
<b>Industriegewerkschaft Metall (IG Metall)</b> German Metalworkers' Union	2,710,000	2,301,000	2,274,000	-15.1%	-1.2%
<b>Vereinte Dienstleistungsgewerkschaft (ver.di)</b> United Services Union	2,807,000	2,138,000	2,039,000	-23.8%	-4.6%
<b>Industriegewerkschaft Bergbau, Chemie, Energie (IG BCE)</b> Mining, Chemicals and Energy Industrial Union	862,000	701,000	651,000	-18.7%	-7.1%
<b>Industriegewerkschaft Bauen-Agrar-Umwelt (IG BAU)</b> Building, Agriculture & Environment Workers' Union	510,000	336,000	273,000	-34.1%	-18.8%
<b>Gewerkschaft Erziehung und Wissenschaft (GEW)</b> German Union of Education	268,000	252,000	281,000	-6.0%	+11.5%
<b>Gewerkschaft Nahrung-Genuss-Gaststätten (NGG)</b> Food, Tobacco, Hotel & Allied Workers Union	251,000	206,000	204,000	-17.9%	-1.0%
<b>Eisenbahn- und Verkehrsgewerkschaft (EVG)</b> Railway and Transport Union	306,000	219,000	197,000	-28.4%	-10.0%
<b>Gewerkschaft der Polizei (GdP)</b> German Police Union	185,000	169,000	177,000	-8.6%	+4.7%
<b>Deutscher Beamtenbund und Tarifunion (dbb)</b> German Civil Service Association	1,211,000	1,280,000	1,294,000	+5.7%	+0.2%
<b>Christlicher Gewerkschaftsbund Deutschlands (CGB)</b> Christian Trade Union Confederation of Germany	n.a.	275,000	271,000		-1.5%
Non-affiliated unions*	220,000	255,000	270,000	+15.9%	+5.9%
Among them:					
<b>Marburger Bund (MB)</b> Union of Salaried Medical Doctors	70,000	106,000	119,000	+51.4%	+11.3%
In total	9,330,000	8,075,000	7,930,000	-13.5%	-1.8%
Net union density	23.7%	19.1%	17.7%**		

Note: \* Estimation by WSI; \*\* 2013 (ICTWSS).

Source: Information by the respective trade unions; union density: ICTWSS Database Version 5.0.

In Germany the power of the DGB in relation to its affiliated unions is relatively weak and largely restricted to representative matters and political lobbying. It is the affiliated trade unions that organise workers, are active at the workplace and are engaged in collective bargaining and industrial action. After a period of restructuring and union mergers the number of DGB-affiliated unions has been reduced to eight. The two largest are the German Metalworkers' Union (IG Metall) and the United Services Union (ver.di), which have more than two million members each and represent together around 70 per cent of all DGB trade union members. IG Metall has its main constituency in metal manufacturing, including the automobile industry as its largest organisational base. Besides this it covers the steel, textile and wood processing industries. Ver.di is much more diverse and represents, apart from the public sector, about 200 industries in private services.

Net union density (all confederations and non-affiliated unions combined) peaked in 1991 after German unification when 36 per cent of employees were members of a union. By 2001 it was less than a quarter and in 2015 some 17 out of 100 employees were unionised. By European comparison net union density in Germany is – despite its large individual trade unions – in the lower ranks, in western Europe only undercut by France (cf. ICTWSS, version 5.0).

Union density shows substantial differences across industries and job categories. The automotive industry, with at its core the large OEMs, is comparatively well organised with some traditional car plants still having density levels up to 90 per cent or more. Density levels are on average much lower in the bulk of small and medium-sized enterprises. In some of the new sectors in manufacturing, such as the solar and wind energy industries, IG Metall frequently had to build union organisation from scratch (Dribbusch 2013).

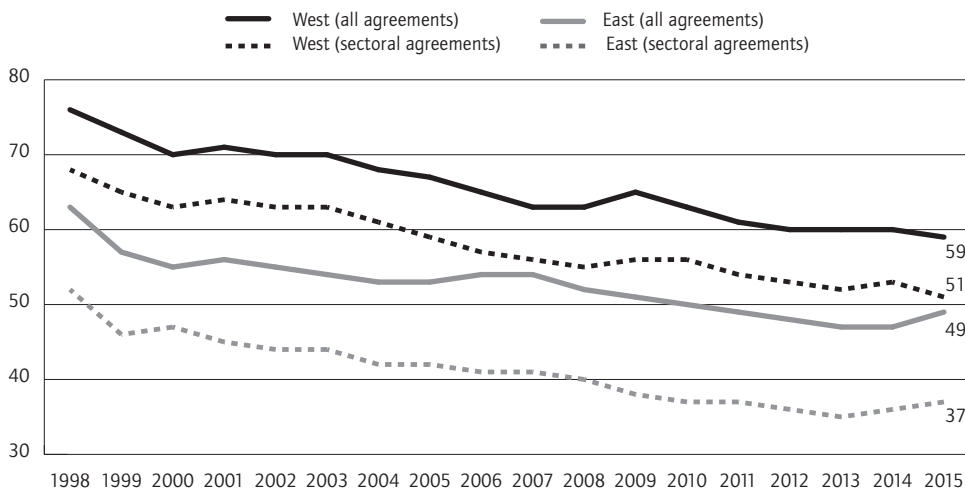
In services the picture is equally diverse. While utilities and the former state owned companies in the rail, telecom and postal services are still comparatively well organised the picture is much bleaker in companies that entered the market only after the liberalisation of these sectors. The health care sector and education have seen positive membership development because nurses and child care workers have become the focus of increased union activity since the mid-2000s. In these sectors, comparatively strong organising levels in metropolitan areas contrast with weaker levels in small towns, rural areas and among staff in church-owned facilities. Public administration remains a very difficult terrain for ver.di. The same applies to retail, where organizing efforts meet structural hurdles and widespread employer resistance (Dribbusch 2003).

### 2.3 Institutional power

The traditional 'German model' of industrial relations included the corporatist integration of trade unions via fairly far-reaching participation and codetermination rights at company level, the development of a comprehensive collective bargaining system at sectoral level and the overall enhancement of corporatist welfare state institutions. Ideologically legitimised by the concept of 'social partnership' (*Sozialpartnerschaft*) this class compromise gained support among the working class as the 'economic miracle' of the post-war years provided both high profits and steadily increasing wages.

Although the legal framework governing codetermination and collective bargaining remained largely untouched – the Works Constitution Act even saw a small union friendly reform in 2001 – institutional power of unions entered a process of erosion which began in the mid-1990s (Hassel 1999). Its most prominent feature is the increasing fragmentation and partial erosion of collective bargaining (Schulten and Bispinck 2015; Haipeter and Lehndorff 2014; cf. Figure 3). For the whole of Germany, in 2015 no more than about 30 per cent of establishments representing 57 per cent of employees were covered by collective agreements (Ellguth and Kohaut 2016). A recent survey by the Statistical Office resulted in an even smaller share of establishments and workers covered by collective agreements of 15 and 45 per cent, respectively (Destatis 2016).

Figure 3 **Collective bargaining coverage in Germany, 1998–2015 (% of all workers)**



Source: IAB.

Bargaining coverage differs widely between sectors (Amlinger and Bispinck 2015). In some, such as public administration, education, or finance, a vast majority of workers – 80 per cent or more – are still covered. In the chemicals and automotive industry coverage is also very broad, whereas in construction, private health care or retail coverage ranges between 40 and 50 per cent. Finally, in a large number of private services (for example, hotels and restaurants, scientific, technical and IT services) at best a third of the workforce, or even less, works under a collective agreement.

The bargaining system has also undergone a process of internal transformation best described as decentralisation and fragmentation (Bispinck and Schulten 2011). From the mid-1990s onwards unions and employers increasingly agreed on so-called ‘opening clauses’ which made it possible to deviate from industry collective agreements in the case of economic difficulties. In a landmark agreement concluded in the metal industry in 2004, however, the ‘improvement of competitiveness’ became an equally accepted reason to negotiate derogations. This so-called Pforzheim Accord was partly a reaction to threats by the Red-Green government to break the bargaining monopoly of

the unions in favour of works councils if the bargaining parties would not pave the way to more flexibility. It was, however, also an attempt by the unions to regain control over a process of wildcat derogations which were complacently tolerated by works councils. By the mid-2000s almost all major industry-wide agreements included opening clauses which provided far-reaching opportunities for deviations at company level (Bispinck and Schulten 2011a). As a result, concluding ‘employment pacts’ at company level became widespread, leading to a broad wave of concession bargaining, especially in the manufacturing sector and in public utilities (Hassel 2014; Behruzi 2015).

Works council representation, however, is not the norm within the German economy. Only 9 per cent of establishments with five or more employees and thus eligible for a works council had one. The smaller the establishment the less likely such a body is. Whereas 51 per cent of West German and 43 per cent of East German workers were covered by a works council in 1996 the figures were down to 42 per cent in West Germany and 33 per cent in East Germany by 2015 (Ellguth and Kohaut 2016). Unions have difficulties establishing works councils where they are hardly present, as for example in large parts of the quickly developing but fragmented private service sector. To this is added the resistance against works councils, in particular by employers in owner-led SMEs (Behrens and Dribbusch 2013). Finally, the number of companies covered by board-level codetermination was 635 in 2014, down from 767 in 2002 (Sick 2015). Using legal loopholes such as the European Company Statute, more and more companies openly circumvent German codetermination laws.

To sum up, both major pillars that traditionally formed the institutional power of German trade unions have seen a significant decline. In 2015, only 34 per cent of workers in West German private industry were covered by both a collective agreement and a works council, while 36 per cent had neither. In East Germany the figures were even worse, as only 25 per cent were protected by collective agreements and work councils, while 49 per cent had no protection (Ellgut and Kohaut 2016: 290). As a result, the low wage sector grew rapidly to reach the highest level in the euro zone.

## 2.4 Societal power

By the beginning of the 2000s, a mainstream perception of the German economy was that of ‘the sick man of Europe’ (Sinn 2003). It was taken for granted in large parts of the German media and politics that trade unions and sector-wide collective agreements were major barriers to economic growth and international competitiveness. German unions were widely regarded as ‘totally outdated, losers from globalisation and relics of a vanishing age of industry’, as Michael Sommer (2013 [our translation]), the former head of the DGB put it when looking back at this period. He also acknowledged that neoliberal thinking had gained ground among ‘friends and allies’, a reference to the Social Democratic Party (SPD).

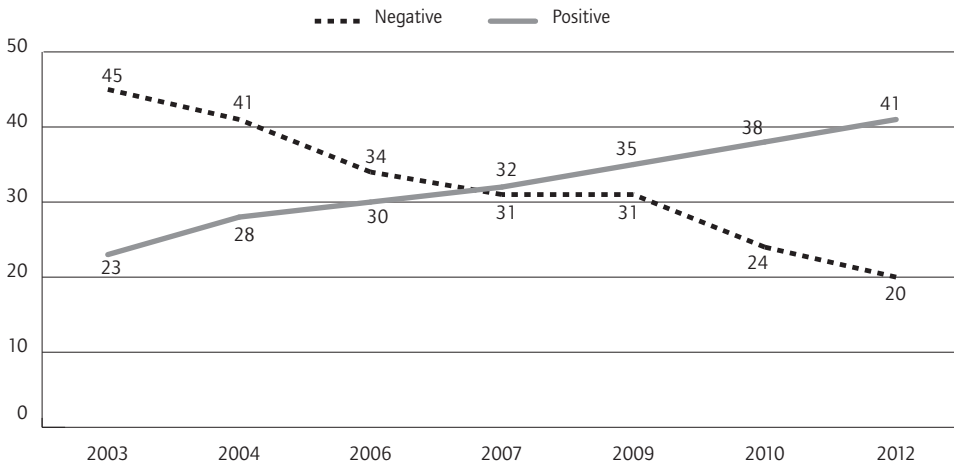
The realistic implication of this assessment is that the societal power of German unions relies primarily on their links with the political system. Although the DGB and its affiliated unions consider themselves to be a unitary and non-partisan movement, affiliates have had close ties to the SPD. This ‘privileged partnership’ came increasingly

under pressure when the union movement was sidelined in the second term of the ‘Red-Green’ coalition government following the 2002 elections. The alienation between unions and SPD grew when Chancellor Schröder in 2003 launched ‘Agenda 2010’, whose core was a substantial revision of existing welfare legislation (Hassel 2010). It reached its climax when in 2007 the succeeding Grand Coalition extended the retirement age to 67 against fierce opposition by the unions.

The tripartite crisis management during the Great Recession in 2009 led to a first rapprochement, which gained momentum when the SPD leadership had to reconsider its relationship to the unions after a devastating defeat in the 2009 national elections. In the meantime the political landscape had changed. On the one side, the Left Party (Die Linke) had established itself as a fairly stable opposition in parliament, with active support from many disappointed trade unionists who had left the SPD. But although this left party supported most of the unions’ programmes it only won limited electoral support in western Germany and was effectively excluded from political power at national level. The majority of union members still voted SPD or supported the Christian Democrats. As a consequence the DGB abstained from 2005 onwards from any electoral endorsement or even recommendation in favour of a particular party, acknowledging that in the end it had to seek support from any government.

This development was favoured by the gradual opening up of the Christian Democrats under Angela Merkel to union demands. This rapprochement ran parallel to an improvement of the unions’ reputation in the media and public discourse. While, according to representative surveys, in 2003 only 23 per cent of the population had a ‘positive’ view of trade unions and for 45 per cent their image was clearly ‘negative’, the picture had turned around by 2012. Now more than 40 per cent of respondents had a positive image of trade unions, while only 20 per cent judged them negatively (Figure 4).

Figure 4 The public image of German trade unions (% of all persons surveyed)



Note: missing figures to 100 % = undecided.

Source: Allensbach Institut für Demoskopie.

There were at least two major causes of the change in the unions' public reputation: on one hand, it was their role in the management of the crisis in 2008/2009, in which especially IG Metall was perceived to have made a major contribution to securing jobs and safeguarding industries in Germany. On the other hand there was a notion among increasing parts of the German public that the deregulation of labour markets, with its consequences of growing inequality and precariousness, had gone too far. This strengthened the discursive power of unions with regard to questions of social justice. This became visible in particular during the campaign for a statutory minimum wage.

### **3. German unions since the Great Recession**

Although unionism in Germany is less divided along ideological, religious or white-collar/blue-collar lines than elsewhere in Europe, there are significant differences between unionism in manufacturing and in the service sector. Both sectors differ not only in their general economic and structural set-up but also in union presence, bargaining coverage and employment relations. These different settings favour specific union priorities, agendas and approaches to interest representation. To examine these differences but also commonalities we focus in the following on IG Metall and ver.di, which represent different constituencies in largely different sectors of the economy.

IG Metall, whose base is in metal manufacturing, is embedded in an industrial corporatism with the overarching aim of securing the future of German manufacturing with the car industry at its core. This corporatism finds its expression in an established relationship with employers at company and industry level and the ability to effectively lobby the government based on a joint understanding of the relevance of Germany's industrial core. The union's position within that arrangement relies on high union densities, strong works councils and a substantial disruptive potential, at least in many bigger and medium-sized companies.

Ver.di, on the other hand, is more like a confederation. It organises about 200 industries which demand widely different approaches. Corporatist relationships that once existed in the public sector have ceased or are substantially weakened. In most private services such arrangements never existed. Here ver.di is frequently confronted with open employer hostility, while often lacking the power to establish works councils or enforce sectoral collective bargaining across highly fragmented industries. To compensate for its lack of workplace power ver.di turns comparatively frequently to mobilising the public and campaigning for legislative support. Its relationship with government at all levels is complicated by the fact that it is its bargaining counterparty in the public sector pay rounds.

Against this background, some observers see IG Metall and ver.di as representatives of two distinct models of unionism (Fehrmann 2015). Unionism in manufacturing is depicted as an essentially old-fashioned model and opposed to a more promising one of social movement unionism, as allegedly practised in the service sector. In a similar vein, Streeck (2016), in a critical appraisal of Müller-Jentsch's (1991) concept of 'conflict partnership', depicts industrial relations in services as dominated by 'conflict



without partnership' as opposed to manufacturing where he identifies a predominance of 'partnership without conflict'. At a closer look the picture is, however, less clear cut: both unions are fairly pragmatic when it comes to pursuing their goals and can be very innovative when the circumstances demand a revision or enlargement of the established repertoire of action.

To explore this issue further we will look at selected union activities between 2009 and 2016. We start with the different challenges the unions met during the Great Recession – a key event in the recent history of IG Metall. We then turn to two union campaigns to tackle low pay and precarious employment – the campaign for a national minimum wage which became the major collective point of reference for ver.di and the one for 'equal pay' for agency workers, which was led by IG Metall.

### 3.1 Crisis management in 2008–2009

The Great Recession of 2008–2010 was a major challenge to the unions in Germany. But unlike some of their sister organisations across Europe they witnessed a comparatively happy end. Given the run-up to the federal elections in autumn 2009 none of the governing parties of the 'grand coalition' of Christian and Social Democrats was interested in unemployment figures jumping to unprecedented highs. The unions, which had been widely sidelined in previous years, were now needed as potential mediators and saw themselves invited into a tripartite crisis management to fight the consequences of the crisis for Germany's industrial core. IG Metall signalled its top priority in the title of its action plan of December 2008 'No dismissals'. This interest was partly shared by employers who expected the economy to recover and had no immediate interest in dismissing their core of skilled workers (Möller 2010).

Detailed accounts of the crisis management in manufacturing have been given elsewhere (Bispinck and Dribbusch 2011; Dribbusch 2012; Urban 2015). As early as 2012 employment in metal manufacturing had regained its pre-crisis level, as had IG Metall's employed membership. This was achieved by a mixture of economic stimulus packages, the quick extension of short-time working, an extensive use of internal and external flexibility and, last not least, a portion of luck when the slump in European exports was overcompensated by those to overseas markets, in particular in East Asia (Lehndorff 2015). All that did not happen without conflicts (Schwarz-Kocher 2014), but the overall perception of IG Metall was that the 'crumbling pillars of social partnership' (Streeck and Hassel 2003) had shown some unexpected potential for revival (Wetzel 2013: 13–18). The 'crisis corporatism', as it was termed by Hans-Jürgen Urban (2015), shared with previous corporatist arrangements the overlapping interest of union and employers to defend the competitiveness of German industry (Esser 1982: 260–262). At company level it was built on 'coalitions of competitiveness' (Rehder 2002) of the 1990s. Many 'pacts of employment and competitiveness' (PECs) concluded long before the crisis were now renegotiated under different terms.

The corporatist crisis management by works councils and employers at plant level frequently followed a 'selective corporatism' (*selektiver Korporatismus*), a pattern

Esser (1982) had found in the restructuring processes of the late 1970s. The focus was on the employment interests of the core workforce, while those of temporary agency workers found much less representation (Behruzi 2015: 208–226). IG Metall was well aware of this. A price for crisis management, however, was also paid by those who kept their jobs. The cost-cutting strategies of the crisis years were not only continued but partly deepened by employers, just as critical observers within IG Metall had predicted (Ehlscheid *et al.* 2010). The fact that external flexibility had proved to be instrumental in buffering the crisis encouraged managers to further downsize core employment and to contract out even more services and components.

The success of ‘crisis corporatism’ remained restricted to the immediate business and employment interests in German metal manufacturing. None of the wider political demands IG Metall had tabled in 2008/2009, such as the proposal of a public fund for investments, a re-regulation of agency work and a significant extension of codetermination rights, were picked up by the ‘grand coalition’ and its conservative-liberal successor, which came to power in late 2009. A broader political mobilisation of members for these demands had not taken place either. Despite all their shortcomings, however, crisis corporatism and company-level crisis management retain a firm place in the collective memory of IG Metall. ‘Germany’s jobs miracle’ helped the union to gain new prestige and self-confidence. And although on closer examination the period of tripartite consultation and state intervention was a short-lived marriage of convenience (Ohl 2011) it is perceived by the union as a pattern to return to in the future if needed.

### 3.2 The service sector in times of recession and austerity

In comparison with manufacturing the Great Recession had much less immediate impact on the service sector. Thanks to extensive state guarantees the banking sector was stabilised in autumn 2008, at least for the moment. Transport and logistics suffered from the 2009 slump in production. Some department store chains already in trouble before the crisis faced additional difficulties as access to loans became more difficult. But all these problems were perceived as comparatively marginal compared with those of the car industry. Finally the public sector was largely unaffected by the Great Recession. In contrast to other European countries, the German public sector had already been subject to austerity policies even before the crisis (Keller 2013). This made ver.di in comparison to IG Metall largely a bystander in national crisis management, even though the union had already presented extensive proposals to re-regulate the financial market in September 2008 (Uellenberg-van Dawen 2009).

As the service sector was rather in the shadow zone of the Great Recession unions were able to successfully mobilise public support for their demands amidst the crisis. This was first demonstrated when in June 2009 ver.di called for the first national strike ever in municipal social services and child care. The dispute focused on better working conditions for staff in social services and in particular child care facilities. It was embedded in a broader union campaign in favour of a financial upgrading of social work and child care, which received great public support. Later in 2009 the employers in the industrial cleaning sector threatened to call off the sectoral collectively agreed

minimum wage. The construction workers' union IG BAU, which negotiated those wages, received widespread sympathy from a public concerned about low pay when it called for the first national strike of cleaners in Germany. It was less the direct impact of the strike than the public pressure which led employers to finally give in and to agree to the renewal of the collective agreements at higher rates of pay.

However, while these disputes went comparatively well the privileged political treatment of the car industry became visible in 2012 when one of the largest employers in retail, the Schleckers drugstore chain, declared bankruptcy in 2012. More than 20,000 retail workers, almost all of them women, were immediately threatened with redundancy. Despite intensive lobbying and public campaigning of ver.di the conservative-liberal government which had come to power in 2009 refused any meaningful intervention. Unlike the automotive industry in 2009 the Schleckers bankruptcy was not perceived as essential to the economy. A broader social movement which might have been able to enforce government action did not materialise despite some local efforts and public sympathy with the 'Schleckers women' (Neumann 2014).

While IG Metall made headlines with its industrial policy ver.di was at the core of the tertiarisation of industrial conflict; that is, the shift of industrial action from manufacturing to services, which took off in the mid-2000s (Bewernitz and Dribbusch 2014). The fact that ver.di was more often involved in industrial action than IG Metall is related rather to different characteristics of their respective organising territories than an expression of fundamentally different approaches. Both IG Metall and ver.di regard the strike as a regular part of their repertoire of action. But industrial relations in the service sector have become less stable and are much more fragmented than in manufacturing (Dribbusch and Schulten 2007). Ver.di is heavily confronted with the consequences of privatisation of former public services and has to tackle employers who opt out of sectoral collective agreements or, like mail-order giant Amazon, simply refuse to even enter into collective bargaining (Boewe and Schulten 2015). The latter conflict still dragged on in 2016, highlighting the difficulties experienced by the union in defeating a powerful and determined employer in a difficult organising territory. Big retailers such as Aldi, Lidl and the EDEKA group often have neither works councils nor union presence and overall union density remains low (Dribbusch 2003). The success stories of the union are in health and child care, where the union is better able to convince a wider public that better working conditions for employees are in the general interest.

One very prominent issue was the campaign for the financial upgrading of municipal social services and child care professions in 2015, which built on the 2009 mobilisation (Kutlu 2015). The union's popular argument was that employees who care for people should not be paid less than those who care for machines. The dispute was accompanied by a high degree of rank and file participation and many lively and also controversial debates. When after four weeks of strike action the leadership was prepared to settle for a compromise the vast majority of members rejected it and enforced further negotiations. Like similar union campaigns in health care it received broad public sympathy as these services are considered to be essential. 'More of us is better for all' is the slogan of a ver.di campaign in health care which is widely shared. The common denominator of successful public mobilisation is that the issues at stake are related to normative questions such as

'fair pay' or 'social justice', which have apparently facilitated public mobilisation since the second half of the 2000s (Wiedemuth 2016). However, when public employers cannot dismiss demands for fair pay they point to restricted budgets and the solidarity of the public is challenged the longer public service disputes last. Industrial disputes in the public sector, therefore, touch the fundamental political question of public austerity. The logic of austerity had become a common political creed when in 2009 German Christian and Social Democrats, Liberals and even the majority of the Green Party agreed to give spending caps and debt ceilings constitutional status at national and federal state (*Länder*) level. This so-called 'debt brake' was later exported to the EU, enshrined in the 'Fiscal Compact' in 2012. Directly affected by the 'debt brake' ver.di appealed in June 2012 to all members of the German parliament not to pass the subsequent legislation, which was nevertheless adopted by a 80 per cent parliamentary majority.

### 3.3 Mobilising for social justice – campaigning against low pay and agency work

The so-called 'Hartz-reforms' of the early 2000s had deregulated temporary agency work and given an additional boost to the low wage sector. The growing pressure on employment standards from the fringes of the labour market triggered widespread public concern about social insecurity and the working poor. It was against this background that the union campaigns for a national minimum wage and a re-regulation of agency work gained increasing popular support.

#### 3.3.1 The campaign for a statutory minimum wage

The introduction of the statutory minimum wage with effect from 1 January 2015 brought to an end Germany's peculiar status as one of the few European countries without a national minimum wage (Schulten 2014). For ver.di it marked the biggest political success in its short history. The campaign had become a common point of reference for an otherwise largely fragmented organisation. Today reclaimed by all DGB affiliates the minimum wage had initially been a rather controversial issue (cf. Behrens and Pekarek 2016). In particular IG Metall and the chemical workers' union IG BCE saw no need for a statutory wage floor and wanted to keep the state out of wage setting. The credit for initiating the debate goes to the Food, Beverages and Catering Union (NGG) which raised the demand for a statutory minimum wage as early as 1999. The campaign took on momentum when ver.di joined NGG in 2004 but it was only in 2006 that the DGB congress decided to follow and launch a federal campaign. The decision followed the realistic assumption that overall bargaining coverage had become increasingly patchy and unions did not have the capacity to close the gaps, especially in those service sectors where wages were lowest.

The Minimum Wage Campaign was built not so much on a mass mobilisation of low-paid workers, who often were out of the direct reach of unions, but rather fought as a political campaign aimed at winning over the public. This proved to be successful. Shortly before the Bundestag elections in autumn 2009, the support for a statutory minimum wage in opinion polls had increased to 85 per cent, including a majority of

conservative and liberal voters (infratest dimap 2013). Public support, however, is one thing; to turn this into political support another. A turning point was that the Social Democratic Party, following a major defeat in the 2009 national elections, started to reconsider their social appeal and in 2010 adopted the demand of the DGB for an hourly minimum wage of €8.50. The 'social' wing within the Christian Democratic parties also opened up to the introduction of a statutory minimum wage. When the (neo-)liberal Free Democratic Party (FDP) fell below the threshold for parliamentary representation in the 2013 Bundestag a major political obstacle was removed. The introduction of a national minimum wage was a major precondition by the Social Democrats to enter into the Grand Coalition government which emerged from the 2013 elections. Although the final legislation foresaw a number of exceptions it was finally welcomed by the DGB affiliates. In 2016 the minimum wage is widely regarded as a success story, not least because the apocalyptic effect on the labour market which had been predicted by its opponents did not materialise (Amlinger *et al.* 2016).

The importance of the campaign for German unionism was threefold. First it was a discursive success on the part of the unions to win over a majority of people for a key trade union demand. Second, the minimum wage debate returned the focus of the public and the unions to such issues as low wages and precarious employment. This in turn has had positive repercussions for collective bargaining in formerly unregulated industries, such as meat slaughtering and others where unions so far had neither organisational nor institutional power (Wiedemuth 2016). However, the statutory minimum wage is also proof of the lack of employees' bargaining power in much of the service sector. Where there is no meaningful union presence free collective bargaining (*Tarifautonomie*) becomes redundant. Public and state intervention is required if a race to the bottom is to be avoided. This continues to be a major difference between much of the service sector and manufacturing, at least in western Germany. This difference explains why a second national union campaign which ran parallel to the minimum wage campaign took a different way.

### 3.3.2 IG Metall campaign on agency work

The DGB long refused to conclude collective agreements on temporary agency employment so as not to confer legitimacy on it. This position changed in the 1990s, not least because it was clear that banning temporary agency employment was simply not an option politically. When the 'Red-Green' government deregulated agency work in 2002 it accepted the EU directive on equal pay but included an opening clause in the Temporary Employment Act which allowed deviations from equal treatment by way of collective agreement. This was finally accepted by the DGB unions. While they accepted that a strict introduction of equal pay might lead to the collapse of the agency industry they also saw a chance to collectively regulate this form of employment (Aust *et al.* 2007). Their aim was to bridge the gap between agency pay and the rates in the hiring companies by way of specific collectively agreed supplements. This strategy quickly failed at the beginning of 2003 when the CGB concluded a collective agreement which undercut the rates envisaged by the DGB affiliates (Benassi and Dorigatti 2015). The DGB affiliates, including IG Metall, finally agreed to a collective agreement which only gradually improved the poor levels set by the CGB. The shortcomings of this

approach and the fact that DGB unions had been trapped by the opt-out clause for the benefit of a 'yellow union' were reflected in the soaring number of agency workers in metalworking. Low wage agency work became a permanent feature of employment in core operations, too. Thus IG Metall realised its limited influence vis-à-vis the rise in precarious employment and revised its strategy.

In April 2008 the union launched a campaign, 'Equal work, equal pay' focussing on organising agency workers at their workplaces. To put this novel approach into practice required getting the works councils on board. Some works councils felt uncomfortable about this as agency workers were often not regarded as part of the constituency but rather as an external buffer which helped to protect the core employees (Hassel 2014). Thus, IG Metall had to tackle a strategic problem whose rise in importance had been tolerated by many of its establishment level activists as the most acceptable of all bad solutions.

Parallel to these workplace initiatives IG Metall pursued a collective bargaining strategy in combination with a public campaign and an organising campaign. Tens of thousands of agency workers joined the union not least in the hope of receiving support for permanent employment. At the local level, by 2012 over 1,200 works agreements had been concluded by works councils to improve conditions for agency workers (Benassi and Dorigatti 2015: 547–548.). At sectoral level, in 2010 a collective agreement in the steel industry secured (almost) equal pay for agency workers. In the much larger metal working industry the union pursued a strategy of parallel negotiations with employers' associations in the agency industry and those in metal working. In the end two packages of agreements were concluded in 2012. The one signed with the agency industry provided that temporary workers were to receive an on top payment worth between 15 and 50 per cent, depending on length of service in any hiring company in the metal industry. According to IG Metall this meant that agency workers could reach about 97 per cent of the wage floor in the industry. A parallel package concluded with the employers' associations in the metalworking industry stipulated that after 24 months of service on the premises agency workers were entitled to be taken on by the hiring company.

The agreements met some criticism within the DGB. Ver.di argued that the agreements effectively diminished the political pressure for a legal re-regulation of agency work without offering a viable way forward for the service industries, let alone the fact that the hiring period of agency workers is on average not longer than three months. IG Metall defended its strategy by pointing to the fact that a broad-based political campaign which had been launched within DGB in 2010 has stagnated and that in particular ver.di had lacked any mobilising capacity when it came to stage national action days. Eventually, similar agreements to those in metalworking were concluded in, for example, railways, textiles, wood and plastics and finally also in sectors represented by ver.di, such as printing (Schulten and Schulze Buschhoff 2015).

With the advent of the Grand Coalition in autumn 2013 the DGB unions pushed for a re-regulation of agency work. The focus was to introduce a maximum length of employment, a guarantee of equal pay and an effective prohibition on employing agency workers as strike-breakers. In addition, works councils were to be given more

information and codetermination rights, not only with regard to agency work but also for so-called contracts for work and services (*Werkverträge*) concluded with solo (bogus) self-employed people or firms for the performance of certain tasks and workloads by the contracting party. With regard to the envisaged legal re-regulation of agency and contract work the Grand Coalition agreed on a partial re-regulation in 2016.

The volume of this form of employment had increased substantially after the crisis and partly supplemented the extensive use of agency work. It became a matter of concern for IG Metall when employers began to relocate parts of the production process to contract manufacturers, which operated under the collective agreements of logistics and thus outside the scope of those in the metalworking industry. They paid their workers according to the lower rates of the logistics industries. Here comparatively poor agreements reflected the difficulties experienced by ver.di in organising in an industry where employers used to specialise in transport and storage but had rapidly diversified into contract manufacturing. This development led to a bitter dispute with ver.di when IG Metall publicly announced in 2011 that it would challenge the traditional boundaries between the two unions and claimed sole responsibility for all operations along the value-chain of the metalworking industry (Wetzel 2011). The conflict escalated and increasingly poisoned relations within the DGB. It was eventually settled in late 2015 with agreement between the two about union representation in contract logistics.

To sum up: both the minimum wage campaign headed by ver.di and the campaign by IG Metall to improve wages and conditions for agency workers showed that the German unions were able to reach out beyond their core constituencies. The minimum wage campaign had a clear focus on legal change. It was won because the issue was widely perceived as a 'fair cause' in conjunction with growing concerns about poverty wages. A distinctive feature of the IG Metall campaign was that it combined organising activities on the ground with an industry-wide bargaining strategy and a social justice campaign aimed at the wider public.

#### **4. Conclusions: trade unions facing the need to build bridges**

In terms of the political balance of power the early 2000s were a particularly difficult and defensive period for trade unions in Germany. Contrary to the unions' hopes they lost their traditional ally when the SPD-led Red-Green coalition sidelined the unions on core social issues. Labour and product market deregulations and welfare state retrenchments, alongside the ongoing decrease in union density and collective bargaining coverage were topped, in the first half of the 2000s, by major political setbacks, such as the failed IG Metall strike for the 35 hour week in eastern Germany, the soaring number of local deviations from sectoral collective agreements in manufacturing, and an ever more aggressive austerity policy which pushed ver.di onto the defensive in its remaining strongholds in the public service. Centrifugal tendencies in industrial relations made it increasingly difficult to 'hold the shop together' (Silvia 2003).

In this situation the Great Recession marked a certain turning point. In contrast to many other countries in Germany it did not lead to a further weakening of the unions

but turned out to be an opportunity to revive their position. This was possible through a reactivation of exactly those elements of the German model that had survived the neoliberal-inspired destructive zeal of the pre-crisis period. What is more, unions were able to run some prominent campaigns which gained broad public support. By fighting for equality and decency in the labour market they could demonstrate that they did not just care for their core constituency but for society as a whole. Improving their image in the public increased their acceptance in the political sphere.

This gradual comeback of German unions took place against the background of a comparatively good economic performance that pushed down unemployment, thereby improving the unions' structural power. Germany entered into a virtuous circle of higher wage increases, which fostered growth of the domestic market, thereby stabilising the economic recovery and leading to increasing employment.

This development is, however, far from being sustainable. Although the domestic sector has recently gained some ground, Germany is still relying on a rather unbalanced export-led growth model with continuously increasing trade and account surpluses. This makes the German economy still highly vulnerable and largely dependent on the international economic environment. What is more, the euro crisis is rooted in strong economic imbalances and deepened by the austerity approach adopted by the EU and its core countries. All this can harm the trade unions' regained structural power.

The same applies to institutional power. The first attempts to re-regulate the labour market, although welcomed by the unions, have been rather timid and have not curtailed the damage caused by the deregulation of the 2000s. To overcome the growing divisions between standard and precarious employment would require substantial legislative steps towards a 'new labour market order' (Bosch 2015: 497 [our translation]).

As far as the unions are concerned they stopped the erosion of neither workplace representation nor collective bargaining coverage. Aware of these challenges German unions have taken two initiatives that might shape the forthcoming struggles. One is a recent campaign by all DGB affiliates labelled 'Offensive for codetermination' (*Offensive Mitbestimmung*) which aims to enlarge the spread of works councils and to widen their rights (DGB 2016). The other is a joint initiative by the heads of IG Metall, ver.di and the chemical workers' union IG BCE to strengthen bargaining coverage by a combination of enhanced efforts to force employers back into collective bargaining and demands for new legislation to facilitate the mechanisms to declare collective agreements generally binding (Hofmann *et al.* 2016).

Although we insisted that there is no such uniform entity as 'the unions' in Germany we have hopefully made it clear that, besides differing organising territories substantial commonalities exist between unions in manufacturing and services. The core challenge for German unions remains to build organisational power by increasing their membership and enhancing their ability to engage in political mobilisation. Most DGB unions are still struggling to stabilise their memberships and stop their decline. The substantial gap between union densities in manufacturing and private services persists. To tackle this gap is more than ever a challenge for all DGB affiliates, demanding joint



strategies and coordinated efforts. Given the different cultures and traditions and distinct interests among the DGB affiliates this will not be easy.

However, one of the main challenges for German unions today is to build bridges across sectors in order to develop a joint approach for a *progressive* modernisation of Germany's socio-economic development model. The core of such a strategy needs to be a more fundamental rebalancing of the German economic development model through a comprehensive strengthening of the domestic sector. As far as the labour market institutions are concerned this requires the support of a higher wage dynamic by means of a substantial re-strengthening of the collective bargaining system, higher increases in the statutory minimum wage and a systematic upgrading of jobs in the service sector in order to revise the large gap in relation to manufacturing. The latter is a challenge not only for ver.di but for all German unions, since the traditional sectoral demarcations have become more and more blurred.

Equally crucial for a turn towards a progressive development model is to replace austerity policy with an increase in public investment, especially in education, social and health services. So far this topic has been raised almost exclusively by the service sector unions. However, different emphases along the borders of industries represented by the respective unions are arguably not sustainable solutions for the future. As much as the 'Agenda 2010' made the conflict around primary income distribution more political, the stubborn defence of low taxation and of the 'debt brake' (and the EU 'fiscal compact' for that matter) by major political actors in Germany confronts the whole trade union movement with the challenge of entering the already political conflict around secondary distribution. The starting point could be the fact that employees in manufacturing industry are also users of the public services that will go to the dogs as a result of austerity. The struggle for high-quality public services would then be a matter for all sections of the trade union movement. It would also entail the need for unions to decide upon their capacities and willingness to act as autonomous political actors, independent of any government coalition agenda.

Last but not least, the question of how to build bridges and develop capacities as autonomous political actors is even more challenging when it comes to the future of Europe. Over recent years, German unions have taken a more and more explicitly critical stance towards the EU's austerity policy approaches and in particular to the leading role of German governments in this context. They equally oppose the attempts to include unions at EU level in the so-called 'structural reform' initiatives. German unions have helped to foster the debates about a large strategic investment programme in Europe (most notably, the DGB proposal of a 'Marshall Plan for Europe'). However, any such progress in public statements cannot resolve the problem of how trade unions can bridge the gap between the level of EU policies and the areas of conflict they have to confront at national level. As unions in individual countries have no choice but to fight predominant crisis management policies at national level it is fair to assume that efforts undertaken at this level are the only possible basis for joint initiatives and campaigns at European and national levels for social and democratic reforms of the EU. In the German case, in particular, this means regarding proactive approaches to primary *and* secondary distribution as one major contribution to fighting the imbalances Europe.

Thus, in today's Europe, trade unions in Germany, as in any other country, are facing the challenge of building bridges both domestically and across borders. Arguably, given the gradual revitalisation of German unions over recent years their contribution to greater progress on the stony path towards building bridges can be greater than in the pre-crisis periods of strategic setbacks and political turmoil.

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# Dutch unions in a time of crisis

Paul de Beer and Maarten Keune

In this chapter we examine the extent to which the economic crisis has affected the position of trade unions in the Netherlands. In the first section we give a brief overview of the Dutch system of industrial relations and the strengths and weaknesses of the unions. In the second section we focus on the effects of the economic crisis for the Netherlands. We describe the main characteristics of economic development since 2008 and examine its consequences for the Dutch corporatist system. The third section addresses the consequences of the crisis for the trade unions. We analyse the crisis that occurred within the largest confederation and discuss some new union strategies that were introduced during the crisis period. The concluding section sums up the main conclusions of this chapter.

## 1. Unions and the Dutch Polder model

### 1.1 Overview of the Dutch system of industrial relations<sup>1</sup>

The legal foundation of the Dutch system of industrial relations largely originates from before the Second World War, while the main formal institutions of the consultation model were introduced shortly after the war: the Foundation of Labour (Star) in 1945 and the Social and Economic Council (SER) in 1950. Broadly, these institutions have remained unchanged. Nevertheless, the Wassenaar Agreement of 1982 is often considered to be the starting point of the so-called ‘Polder model’. That is because in the preceding two decades, the relationship between the social partners had been rather tense, culminating in many conflicts and frequent industrial action. Moreover, the government frequently intervened in wage formation in that period.

The economic crisis of the 1980s, in the wake of the second oil price shock of 1979, marked a turning point. This crisis hurt the Netherlands severely, partly due to its strong dependence on natural gas revenues (the so-called ‘Dutch disease’). The unemployment rate rose sharply, reaching 15 per cent in 1984, according to the definition at the time. In addition, there was a large inflow into the disability insurance scheme, which acted as a more generous substitute for unemployment compensation. In 1982, the centre-right coalition government of Ruud Lubbers, which had just come to power, announced that it would intervene in collective bargaining if the social partners did not agree on wage moderation. This threat, the exploding unemployment figures and the low business profit rates encouraged Wim Kok, leader of the largest trade union confederation, the FNV, and Chris van Veen, leader of the largest employers’ association, VNO, to meet at the home of the latter in the small town of Wassenaar and to set their disagreements

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<sup>1</sup> This section is partly based on de Beer (2013a).

aside in order to reach an agreement. These so-called ‘Recommendations regarding aspects of an employment policy’ later became known as the famous Wassenaar Agreement (Visser and Hemerijck 1997: 81–83).

In this agreement, the social partners agreed to mitigate wage rises in order to restore profits in return for the introduction of various forms of work-sharing, including a shorter working week and part-time work. The following year, this agreement was implemented in most collective agreements, resulting in a very moderate nominal wage increase and a reduction of the full-time working week from 40 to (mainly) 38 hours.

The historical significance of the Wassenaar Agreement lies not so much in its details as in the fact that it preluded a new phase in Dutch industrial relations, characterised by a more harmonious relationship between the social partners and the government. The main features of Dutch industrial relations in the period since the Wassenaar Agreement are as follows (Visser and Hemerijck 1997: 81ff.; Van der Meer *et al.* 2003: 62ff; de Beer 2013a):

- (i) no government intervention in collective bargaining;
- (ii) wage (cost) restraint;
- (iii) a willingness to engage in dialogue and seek compromise;
- (iv) stable bargaining coverage.

### **No government intervention in collective bargaining**

While wage formation was formally directed by the government between 1945 and 1970 (although actual wage bargaining had been liberalised since 1964) and the government frequently imposed wage freezes or wage ceilings during the 1970s and early 1980s, the government has not directly intervened in wage bargaining since 1982. Even though the current Act on wage formation, which was passed in 1987, still allows the government to intervene in wage formation in extraordinary circumstances – such as a severe economic crisis – the government has not exercised this option once.

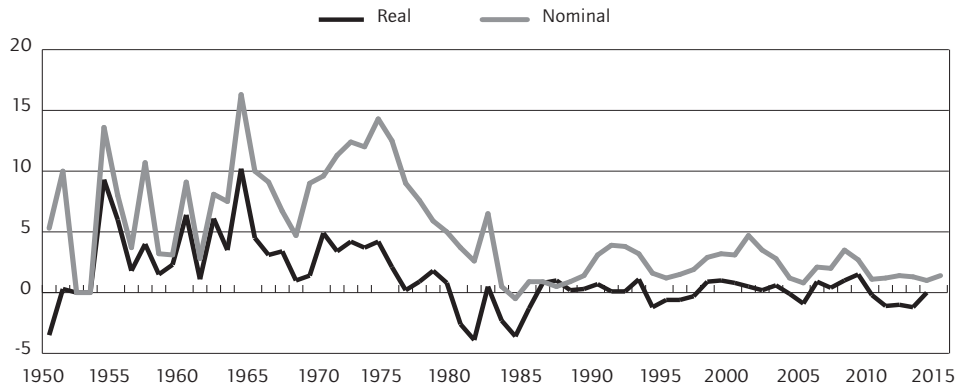
However, this does not mean that the government does not interfere with wage formation at all. On the contrary, wage formation has frequently been the subject of consultation between the government and the social partners. A number of times, the Minister of Social Affairs and Employment has threatened to exercise his authority for a wage intervention or to abstain from mandatory extension of collective agreements if the social partners did not agree on wage moderation. Moreover, the Foundation of Labour, in which the peak-level organisations of employers and unions cooperate, has repeatedly agreed on a moderate wage increase.

### **Wage (cost) restraint**

Somewhat paradoxically, the liberalisation of wage formation since 1982 has resulted in a very moderate wage development. Figure 1 shows the annual change of nominal and real contractual wages over 1950–2015. Since 1982, the nominal contractual wage increase has never exceeded 5 per cent, while during the 1960s and 1970s wage increases between 5 and 15 per cent were quite common. It becomes even more clear that the period since the Wassenaar Agreement can be characterised as an era of wage restraint if one focuses on the real contractual wage increases. Since 1980 these have hovered around

the x-axis, which means that, on average, real wage growth has been close to zero. In fact, as a consequence of the sharp decline in real wages in the first half of the 1980s, the level of contractual wages in 2015 was still 8 per cent below their level in 1979. Indeed, the cumulative contractual wage development between 1979 and 2015 was  $-7.8$  per cent!

Figure 1 **Nominal and real annual contractual wage increases (%)**



Annual pay increase in %  
Source: CBS (Statline).

Note that wage restraint in the Netherlands started in 1980 (with a real wage decrease of 2.8 per cent), just over two years before the Wassenaar Agreement. This means that, rather than the starting-point, the Wassenaar Agreement was actually a formalisation of an existing, albeit tacit agreement between the social partners to mitigate wage increases (de Beer 2013a).

It is remarkable that wage restraint has continued during the 1990s and in the twenty-first century, even though the process of shortening working hours halted already at the end of the 1980s and the unemployment rate dropped sharply in the 1990s. This may be explained by a weakening of the trade unions (see below), but also by a consensus about the desirability of wage restraint as a measure to boost exports and stimulate job growth, persistently advocated by the Netherlands Bureau for Economic Policy Analysis (CPB).

### Willingness to dialogue and compromise

During the 1970s, the social partners and the government concluded a central agreement or social pact only once (in 1972). However, since the Wassenaar Agreement, central agreements about incomes policies and socio-economic policies have been reached quite frequently. Most were bipartite agreements between the unions and the employers, concluded at the Foundation of Labour. But in particular in times of economic crisis, the Foundation often conferred with the government to draft a tripartite agreement. These frequent agreements demonstrate the willingness of the social partners to transcend their partial interests and to seek common interests, or at least to compromise.

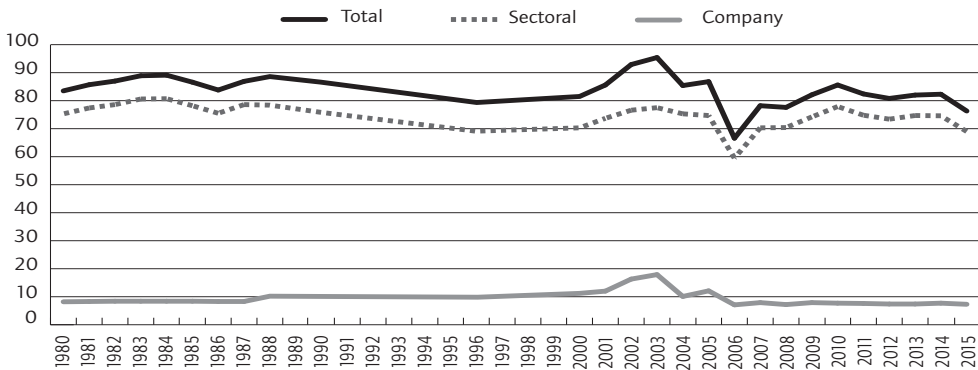


However, this should not be interpreted as evidence of a consensus about the key issues of socioeconomic policy. Repeatedly, the unions have come into conflict with the government. This is because almost all governments since 1982 have proposed reforms and cuts in social security. The main social security schemes – unemployment insurance, sickness and disability benefits, social assistance and early retirement schemes – have been substantially reformed, which means that they have become less generous. The unions have resisted most of these reforms. This has resulted in some large rallies and demonstrations. Ultimately, most conflicts ended at the negotiating table, where the government and the unions reached an agreement to mitigate and slow down the reform. A few times, the social partners proposed an alternative to the government plan, which was then accepted by the government.

### Stable bargaining coverage

Despite the low union density rate (see below), bargaining coverage in the Netherlands has been high and stable for a long time. At least since 1980, about 80 per cent of Dutch employees have been covered by collective agreements (see Figure 2). The high bargaining coverage is due to two elements of Dutch collective agreement law. First, collective agreements apply to all employees of the companies that are involved in collective bargaining, irrespective of whether they are a union member. Since about 80 per cent of employees work in a company that is a member of an employers' association and most of these associations negotiate with the unions about industry-level collective agreements, this guarantees a high coverage rate. Secondly, most industry agreements are declared generally binding by the Minister of Social Affairs and Employment, which is a quasi-automatic procedure if the bargaining coverage in the industry is already 55 per cent or higher.

Figure 2 **Bargaining coverage (% of all employees)**

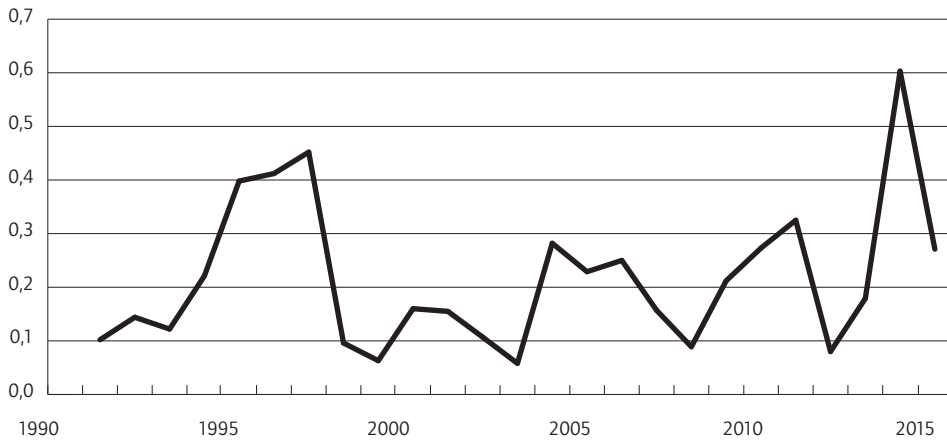


Source: Schilstra and Smit (2005: 57); SZW and DCA (1989); SZW; CBS (Statline); calculations by the authors.

It is often claimed that underneath this stable bargaining coverage, collective bargaining has undergone profound changes since the 1980s. This is usually characterised as a process of decentralisation. Purportedly, the focus of collective bargaining has shifted from the central and the sectoral level to the company level. However, there is not much evidence for this claim. As Figure 2 shows, there has been no shift from industry-level to company-level bargaining. The share of employees covered by a company agreement has

been more or less stable since 1980. Moreover, there is little evidence that the contractual wage development between industries has diverged (Figure 3). The coefficient of variation of industry-level pay rises shows no increasing trend since the early 1990s, although it reached a one-off peak in 2014. The main element of decentralisation has been an increasing number of clauses in industry-level agreements that allow companies to deviate from the conditions in the collective agreement if the works council gives its consent. No information is available about the extent to which companies use these options, however (de Beer 2013a). Consequently, there is reason to qualify the claim that Dutch collective bargaining has undergone profound decentralisation since the Wassenaar Agreement.

Figure 3 **Coefficient of variation of contractual wage increases by sector**



Source: CBS (Statline); authors' calculations.

To summarise, the Dutch system of industrial relations since the Wassenaar Agreement of 1982 can be characterised in terms of continuity, stability, wage moderation and dialogue.

## 1.2 The strengths and weaknesses of the Dutch unions

There are two sides to the position of the trade unions in the Dutch system of industrial relations. On one hand, their position is quite strong, because they are fully embedded in the system and, therefore, are among the central actors in the Dutch economy. On the other hand, they are rather weak, due to a low union density rate, the government's predominantly neoliberal policies and the tilting of the balance of power towards business interests or capital.

### Structural power

The so-called historical compromise that was agreed upon between the trade unions, the employers and the government immediately after the Second World War contributed much to the recovery of the Dutch economy in the first three post-war decades. This

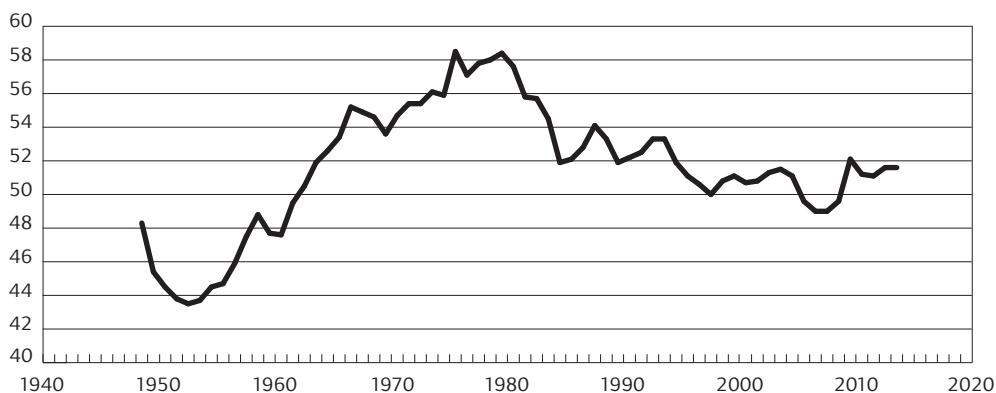
compromise meant that the unions were accepted as an equal partner of the employers and the government at the industry and national levels, in return for renouncing an active role within companies and accepting a guided wage policy from the government. Although these were serious concessions by the unions, they accepted them because the workers benefited from strong job and economic growth, resulting in nearly full employment and, from the early 1960s, a rapid rise in earnings.

In the early 1970s, in particular after the first oil price shock of 1973, this solid structural base started to crumble. Due to restructuring, a large number of jobs in manufacturing were destroyed and unemployment started to rise. This process was aggravated after the second oil price shock of 1979 and the ensuing economic crisis. Alongside to a record unemployment level, an even larger group of workers was made redundant with a generous disability insurance scheme. In addition, early retirement schemes were created in an attempt to curtail unemployment, but with little success. Many started to believe that the era of full employment was finally over.

However, during the 1990s the Dutch economy recovered from this deep recession remarkably well. The Dutch job miracle resulted in one of the lowest unemployment rates and one of the highest employment rates in Europe. Nevertheless, this favourable economic development did not really strengthen the trade unions' structural position. One reason was that, simultaneously, the government started to privatise public services, 'liberalise' markets and reform the welfare state.

One indicator of the trade unions' rather weak structural position is the persistent slow rise of contractual wages, as shown in Figure 1. This resulted in a steady decline of the wage share in GDP, from 58 per cent in 1979 to just under 50 per cent in 2015 (Figure 4).

Figure 4 **Wage share in GDP (%)**



Source: CBS (Statline).

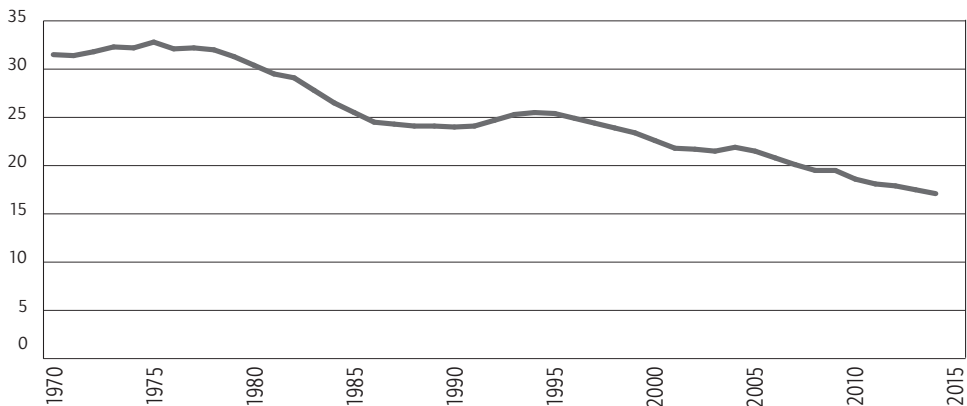
## Organisational labour power

Dutch trade unions have never been able to organise a majority of the Dutch workforce. This may be partly due to the fact that the Dutch labour movement has always been divided between the three pillars ('*zuilen*') that characterised Dutch social relations during much of the twentieth century (see below). The socialist, Catholic and Protestant unions competed with each other for workers' support. Although pillarisation broke down during the 1960s, three union confederations remain (the general FNV, the Christian CNV and the confederation for professionals VCP) that include a number of affiliates that take part in collective bargaining at the industry and company levels, sometimes together with an independent union.

As in most other European countries, the union density rate has declined steadily in the Netherlands in recent decades. While in the late 1970s one in three employees was a union member, this had declined to one in six by 2015 (Figure 5). After a brief recovery in the 1990s – probably due to the success of the Dutch Polder model and the popularity of Johan Stekelenburg, the charismatic leader of the largest trade union confederation the FNV – the union density rate has declined by 1 percentage point every two and a half years.

The causes of this decline of union density are similar to those in many other countries: the shift in the economic structure from manufacturing to (private) services, the increase in non-standard employment (part-time work, flexible work, temp agency work) and the rising share of working women (Boeri *et al.* 2001: 11–46). Additionally, the decline may be due to a change in the dominant norms – the spirit of the times – related to the replacement of older generations, for whom union membership was fairly natural, by younger generations, who do not want to commit themselves permanently to a social organisation.

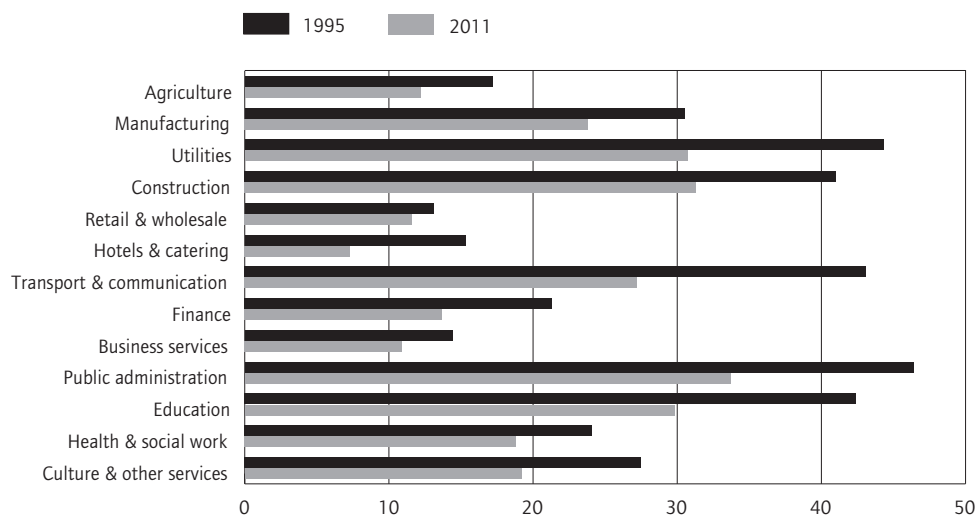
Figure 5 **Union density rate (% of employees who are union members)**



Source: CBS (Statline); authors' calculation.

The fall in the union density rate is not restricted to particular sectors, as Figure 6 shows. Although union density varies widely between sectors, it declined in all sectors between 1995 and 2011. While in the mid-1990s almost half of the employees in utilities, construction, transport and communication, public administration and education were union members, twenty years later this was less than one in three. In the commercial business sector, in which employment growth was largest, union density is the lowest, at around 10 per cent.

Figure 6 **Union density rate by sector, 1995 and 2011 (% of employees)**



Source: CBS (Maatwerklabel Vakbondsleden 1995–2011).

## Institutional power

Although Dutch union density rates are low and steadily declining, the institutional position of the Dutch unions is still rather strong, as illustrated by the high and relatively stable collective bargaining coverage (see Figure 2). The unions are still accepted by the large majority of employers as their main negotiating partner. Partly due to the moderated stance of the trade unions and their willingness to compromise, most employers prefer to bargain with them instead of circumventing them by negotiating with the works council or renouncing a collective agreement all together. This is also because the legal validity of collective agreements is not dependent on union density or representativeness. Therefore, the decline of union density has no direct impact on the legitimacy of collective agreements.

However, this also points to a potential weakness of the unions' institutional position. Ultimately, it is the employer who decides whether he wants to negotiate with the unions and with which ones. If the employer (or employers' association) considers the demands of one of the unions unacceptable, he can close an agreement with the more moderate unions. This agreement is then still valid for all employees and may even be extended by

the Minister of Social Affairs and Employment to all companies in the sector. In recent years, this has occurred a number of times, indicating increasing tensions between the confederations. Although the exclusion of a large union from the collective agreement is still an exception, its possibility puts pressure on the unions to moderate their demands.

For most of the post-war period, the unions also had a strong institutional position due to their representation in a number of semi-public bodies. Union and employers' representatives constituted the sectoral boards of the social insurance administration, the so-called *bedrijfsverenigingen*. They were also represented on the boards of the national social security institutions and the health insurance funds. In the early 1990s they also became board members of the public employment service, previously a state institution. In this way, the unions, together with the employers, were directly involved in and partly responsible for the implementation of socioeconomic government policies. Because these policies were also designed in consultation with the social partners (through the Social and Economic Council and the Foundation of Labour), the unions were fully embedded in the Dutch socio-economic system.

This corporatist model came under attack as a consequence of the strong increase in the number of benefit claimants in the 1980s and early 1990s. A parliamentary inquiry in 1993 concluded that the social partners, as board members of the social insurance agencies, were largely responsible for the (ab)use of the disability scheme as a generous redundancy scheme. A few years later, a government committee concluded that the co-responsibility of the social partners for the public employment service was also a failure. This resulted in the gradual 'expulsion' of the social partners from most semi-public bodies. Both the social insurance administration and the public employment service became pure governmental bodies (which merged in 2009), controlled by the Minister of Social Affairs and Employment. The role of the social partners was reduced to that of advisors (for example, in the SER and in the so-called dismissal committee of the public employment service). This process was completed with the introduction of a completely new structure for the administration of social insurance and employment services (the so-called SUWI Act) in 2002 (Van Gestel *et al.* 2009).

For a long time, the unions also held a strong position in public administration, utilities and public transport, especially in the big municipalities which were dominated by social democratic counsellors. Due to the monopoly of the public services and the positive attitude of local politicians towards trade unions, the unions could exert great influence. This diminished strongly in the 1990s when many public enterprises were privatised and more recently when the social democrats lost their dominant position in the big municipalities.

Thus, the institutional embeddedness of trade unions has been weakened considerably in the past 15 years.

## Societal power

Until the 1960s, the Dutch unions had strong ties with political parties and other non-governmental organisations, as part of the system of pillarisation. There were a socialist pillar (including the trade union confederation NVV and the Labour Party PvdA), a

Catholic pillar (including the union confederation NKV and the Catholic People's Party KVP) and a Protestant pillar (including the union confederation CNV and the Protestant parties ARP and CHU). These pillars also included housing corporations, health insurance funds, charitable organisations, broadcasting corporations, youth organisations and sports clubs. Many union officials were also a board member or a member of parliament for the political party or some other organisations in the same pillar.

This pillarised system collapsed in the second half of the 1960s, as a consequence of the process of secularisation and loss of ideology. Ultimately, this resulted in the merger of the socialist (NVV) and Catholic (NKV) union confederations into the 'general' FNV in 1976 (the official merger took place in 1982), which is now by far the largest union confederation in the Netherlands. This merger also implied that all formal ties between these unions and the related political parties, which had already loosened in the preceding decade, were severed.

However, this does not mean that the bonds between unions and political parties evaporated completely. There is still regular informal contact between the unions and the most kindred political parties (in case of the FNV this is the Labour Party PvdA and in the case of the CNV the merged Christian Democratic Party CDA). This continuing relationship is also illustrated by the numerous union officials who later became politicians or – less frequently – the other way around. Most renowned is Wim Kok, who became party leader of the PvdA (and later prime minister) after having been president of the FNV. The latest FNV president, Ton Heerts, has been a member of the parliament for the PvdA before (and a union official before that).

The societal power of the unions has also diminished due to the change in the dominant political attitudes in society. During the 1960s and 1970s, there was broad public support for the issues that the unions endorsed, such as economic democratisation, strengthening income protection and reducing income disparities. The unions were then seen mainly as a progressive power that represented a widely shared preference to reform society. This changed radically in the 1980s and 1990s, when the dominant views became more neoliberal and became rather critical towards the trade unions. Currently, the unions are confronted with a widely held belief that they are a conservative factor that resists necessary reforms of the labour market and the welfare state.

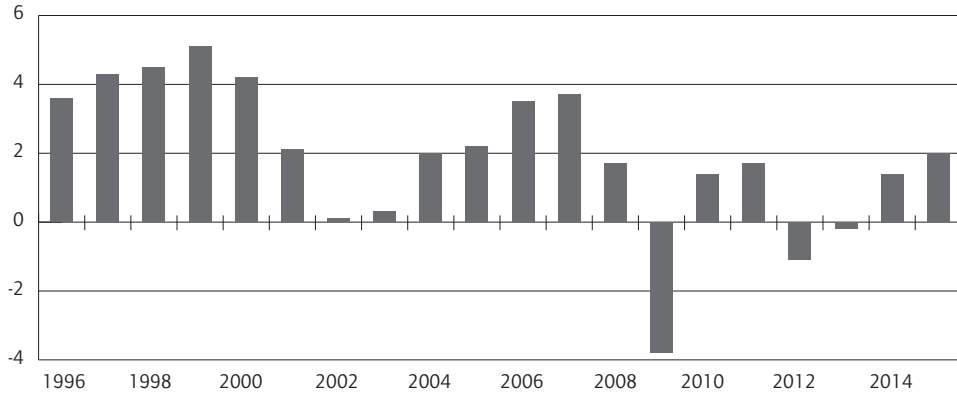
## **2. The Dutch corporatist system during the crisis**

### **2.1 Impact of the crisis**

Whereas the dot.com crisis of the early 2000s resulted in stagnation in 2002–2003, the 2008 crisis resulted in a sharp drop in GDP in 2009 (by almost 4 per cent) and more modest drops in 2012 and 2013 (Figure 7). Investment fell continuously during 2009–2010 and again during 2012 and most of 2013. A number of sectors experienced steep declines in production or sales, in particular construction, retail and industry. In the financial sector several banks and insurance companies were hit hard by the crisis. The DSB bank collapsed, ABN-AMRO was split up and nationalised, as was insurer SNS REAAL, and ING needed

substantial state support to survive the crisis. In 2009, also imports and exports declined strongly, to recover again in subsequent years. Importantly, though, the Netherlands continuously recorded a large trade surplus, which in 2015 amounted to 47.5 billion euros, although the surplus was also high in 2009, at 35.3 billion euros. Indeed, the crisis in the Netherlands did not affect its traditionally strong international competitive position.

Figure 7 Annual growth of GDP, 1996-2015 (%)



Source: CBS (Statline).

The crisis did cause a jump in the public debt of the Netherlands. Whereas public debt had been declining gradually since the 1990s, falling to 42.4 per cent in 2007, from 2008 it started to increase, reaching 68.2 per cent in 2014 (Table 1). This increase was caused by the bank bailouts, declining tax revenues and increasing social expenditure. Private debt, however, continued its long-term increase as a share of net available income during the crisis, from 265.5 per cent in 2006 to over 300 per cent in 2014 (Table 1). Close to 90 per cent of private debt is mortgages. Together with Denmark the Netherlands has by far the highest private debt in the EU (Keune 2016), making it a major example of the ironically labelled ‘privatised Keynesianism’ (Crouch 2009).

Table 1 Public and private debt (2006–2014)

	Public debt (% GDP)	Private debt (% net available income)
2006	44.5	265.5
2007	42.4	269.2
2008	54.5	280.0
2009	56.5	289.4
2010	59.0	302.1
2011	61.7	301.5
2012	66.4	309.8
2013	67.9	311.5
2014	68.2	302.2

Source: CBS.



As regards the labour market, the effects of the crisis were important but also relatively limited compared with most other EU countries. The employment rate had been increasing continuously before the crisis to 75.1 per cent in 2008, to then decline and increase again to reach 74.1 per cent in 2015. The unemployment rate doubled between 2008 and 2015 from 3.7 per cent to 7.5 per cent, to then decrease again by 0.6 percentage points in 2015. With these numbers the Netherlands continues to be one of the best performers in the EU in terms of the quantity of employment.

Table 2 **Employment and unemployment rate, 2003–2015 (%)**

	Employment rate	Unemployment rate
2003	70.8	4.8
2004	70.4	5.7
2005	70.8	5.9
2006	71.7	5.0
2007	73.6	4.2
2008	75.1	3.7
2009	74.8	4.4
2010	74.0	5.0
2011	74.2	5.0
2012	74.4	5.8
2013	73.6	7.3
2014	73.1	7.5
2015	74.1	6.9

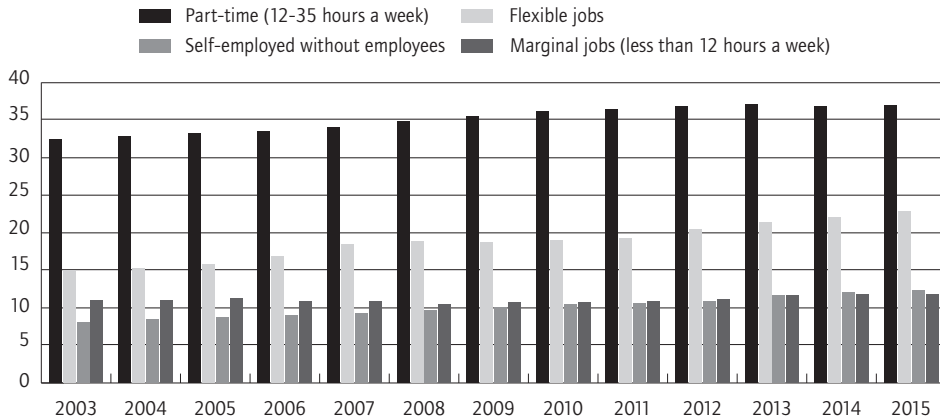
Note: 15-64 age group.

Source: CBS.

At the same time, the composition of employment has been changing substantially, confirming longer-term trends. The longer-term decline of standard permanent and full-time jobs continued during the crisis. Part-time employment has been growing for many years and during the crisis it reached 48.8 per cent in 2015, including marginal jobs of less than 12 hours a week (Figure 8), confirming the status of the Netherlands as ‘the first part-time economy in the world’ (Visser 2002). Part-time employment is not necessarily considered to be problematic in the Netherlands, considering that many part-time jobs are of 25–30 hours and many households are based on a one-and-a-half-earner model. However, also the more precarious marginal part-time jobs of fewer than 12 hours per week have been on the increase, reaching to 11.8 per cent in 2015. Also the longer-term growth of temporary and other kinds of flexible employment continued strongly and by 2015 almost one out of four jobs was a temporary job. Finally, the number of self-employed without employees has been growing rapidly, reaching around 1 million by 2015, equal to 12.3 per cent of employment. The self-employed without employees are a heterogeneous group and recent statistical office data suggest that some two-thirds of them have a fairly steady and acceptable income,

while one-third are in more precarious situations. All in all, the quality of employment as measured by employment status has been on the decline, or, phrased differently, the Dutch labour market is becoming more and more precarious, which constitutes one of the main worries of the Dutch trade union movement.

Figure 8 **Non-standard types of employment, 2009–2014 (% of total employment)**



Source: CBS (Statline).

## 2.2 Reaction of the social partners

Institutional responses: the social pacts of 2009 and 2013

Much in line with the tradition of the Dutch neo-corporatist system, the trade unions and employers' organisations, in dialogue also with the government, concluded three social pacts after the crisis hit in 2008. The pacts were concluded in 2009, 2011 and 2013. The 2011 pact, focusing entirely on pension reform, caused a crisis in the largest union confederation, as will be discussed in Section 3. The 2009 pact, concluded in the Labour Foundation, marked the first reaction of the social partners to the crisis. In 2009 the economy shrank suddenly sharply, raising strong concerns about a possible loss of jobs. With this in mind, the pact sets out in a few pages two types of measures. One was that, in line with the traditional Dutch approach, it explicitly placed work before income and proposed wage moderation to save jobs. This despite the fact that the crisis had really nothing to do with high wage costs or competitiveness deficits. However, the pact states that the available means should rather be used to strengthen employment security and training instead of income improvement. The other set of measures concerned labour market policies aimed at safeguarding existing jobs and improving the allocative functions of the labour market. A key issue was the expansion of existing measures for part-time unemployment, especially in the metal sector, aimed at maintaining the jobs of (often skilled) workers. This was complemented with measures supporting mobility and training. No attention was given to job creation or job quality.

In 2013 a more comprehensive pact was concluded, setting out a long list of issues and measures. A major surprise in the 2013 pact is the absence of the traditional wage moderation paragraph. This does not mean that collectively agreed wages were rising in 2013 or subsequent years, on the contrary, but that the peak-level social partners did not manage or want to reach agreement on wage developments.

In line with the developments on the labour market, flexibility and the quality of employment were high on the political agenda in 2013 and are still so today (Keune *et al.* 2014). Employers often underline the need for further flexibilisation because of competitive pressures but also recognise the need to limit the social impact of such flexibilisation. The trade unions speak of ‘exaggerated flexibilisation’ and want to reduce it, although they recognise that competitive pressures exist and have to be dealt with. And the liberal-social democratic government has also been struggling with this tension between a demand for flexibility for employers, as well as security for workers. This issue was one of the main subjects of the 2013 pact, as indicated by its title: ‘Prospects for a social *and* entrepreneurial country: exiting the crisis, with decent work, on our way to 2020.’ The pact identifies the urgent need to improve the rights and protection of people in flexible employment and to combat all improper forms of flexible work, including bogus self-employment, the evasion of social contributions or minimum wages or the non-observance of collective agreements. It also argues that increasingly there is dubious use of flexible types of employment relations to the detriment of the workers who more and more one-sidedly carry the burden of economic and labour market risks. It calls for a new balance between flexibility and security, and an increase in the capacity to adapt to new circumstances. A series of legislative, institutional and policy reforms, which we will not review here, have resulted from the pact. Also, the employers and unions have taken the task upon themselves to find ways to implement the pact, among other things through their collective agreements.

How the social partners should give substance to this commitment in practice remained largely undefined, however. The pact to a large extent stipulates general principles and objectives but few detailed commitments. Also, it does not simply erase the differences of interest between the two sides. Indeed, there are still major debates and controversies both within the two sides of industrial relations, as well as between them concerning the right way to translate the pact into collective agreements and other social partner policies and activities. Moreover, there are major differences between the sectors of the economy, with both the extent and the type of flexibilisation varying substantially.

The 2013 pact includes a series of commitments related to flexibility and job quality that are in line with the viewpoints of the trade unions. Apart from the fact that the developments in the labour market make such measures understandable, this union-friendly character of the pact also results from the support unions have from the Minister of Labour and Social Affairs, Lodewijk Asscher. Asscher is the first Labour Party Minister of Labour since 2002 and he is probably closer to the trade unions than any Minister of Labour since Joop den Uyl in 1982. He has introduced a number of laws and policies to safeguard employment and increase security for workers. They include changes to the dismissal protection legislation, aimed at increasing the use of permanent contracts, and legislation to address chain responsibility and the use of shady employment practices applied by

employers to exploit vulnerable workers. Asscher has also introduced financial support for so-called sectoral plans, which social partners can jointly present to the Minister and that, when approved, can receive a subsidy of 50 per cent of their costs. The plans have to address specific sectoral labour market challenges related to labour market mobility, retention of skilled workers in the sector, training, improved labour supply of vulnerable groups such as young workers or improving safety and health in the sector. The uptake of the subsidy has been limited, however.

### Increasing tensions and conflicts between unions and employers after 2013

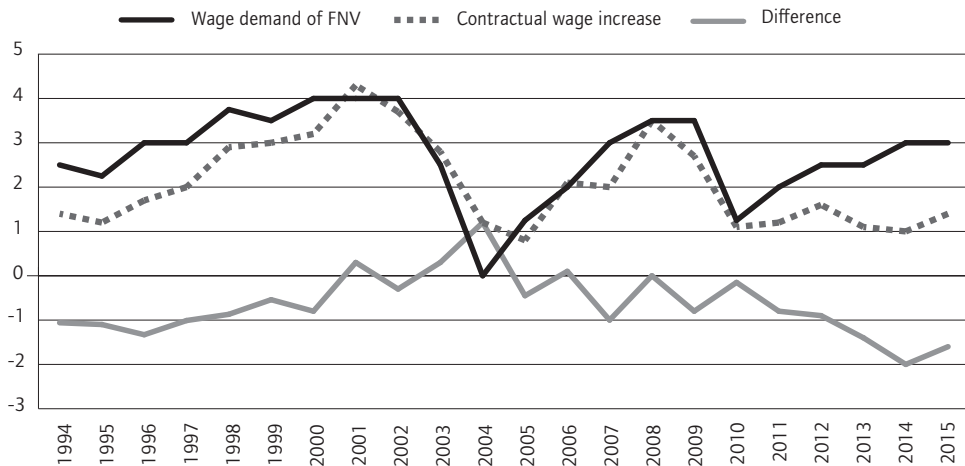
Trust, cooperation and consensus-seeking attitudes have been key dimensions of the Dutch Polder model (Visser and Hemerijck 1997; Keune 2016). They are important to get the unions and employers (and sometimes the government) to the table in the first place, to get them to not only defend their own interests but to look for common ground or trade-offs, and to be able to reach agreements that are not extremely detailed and foresee all events, but are open and flexible. Since the signing of the Wassenaar Agreement a lot of trust has been built up between the two sides, expressed in a large number of social pacts, collective agreements, continuous interaction in the Labour Foundation and the Socioeconomic Council, and a very low strike rate.

In recent years, however, trust and cooperation between the two sides are no longer automatic (Keune 2016). Since the start of the recent crisis tensions are increasing, especially where collective bargaining is concerned. Employers accuse the unions – and in particular the FNV – of not paying enough attention to the difficult economic circumstances of companies and of defending only their own interests. They criticise the unions for refusing to ‘modernise’, of clinging on to antiquated stipulations in collective agreements (for example, extra holiday days for older workers or age-related remuneration) and of making irresponsible wage demands in times of economic hardship. The employers also reject the growing FNV interest in organising, claiming that this is counter to the traditional deliberation culture of the Polder model. They increasingly argue that the FNV has put itself outside the Polder model and that it is no longer a reliable partner.

At the same time, the unions, and especially the FNV, feel less and less that the employers can be trusted. They claim that the employers are shifting too much of what should be normal business risk onto the shoulders of the workers, especially where wage moderation, excessive flexibility and bogus self-employment are concerned. They also argue that certain employers continuously invent new types of employment relations that are leading to a further fragmentation of the labour market and the growth of low quality jobs, including payrolling, contracting and posting constructions (Boonstra 2016). Furthermore, they observe that large companies or public sector organisations put undue pressure for cost savings on subcontractors or cleaning companies, resulting in the growth of precarious work. Such practices are not in line with the spirit of the Polder model and according to the unions, employers mainly take but do not give. And when in the 2013 social pact the two sides agreed to reduce excessive labour market flexibilisation, the unions did not see many employers spontaneously fulfilling this commitment, which further undermines trust.

One of the effects of the declining trust has been the difficulty of concluding or renewing collective agreements in 2013–2016. For example, in the construction sector it took 18 months to get a renewal of the collective agreement. Also, the employers have concluded several collective agreements – for example, the supermarket agreement and the agreement for public servants – recently without the FNV, by far the largest union, but with the CNV and smaller unions. In addition, the absence of a wage paragraph in the 2013 social pact may well be the result of this declining trust and consensus, as well as the growing power of employers. Trade union wage demands in the past four years have been much higher than the wage increases agreed upon in collective agreements (Figure 9). Employers are clearly managing to achieve wage moderation without central coordination at the moment and unions lack the power to impose their demands. Hence, declining trust is undermining one of the pillars of the neo-corporatist model, the system of collective agreements and central wage coordination.

Figure 9 **Wage demands of the FNV, contractual wage increases and difference, 1994–2015 (%)**



Source: CBS (Statline); Rojer (2002); FNV.

### 3. Dutch unions during the crisis

#### 3.1 The crisis in the FNV and the resulting merger of the largest unions<sup>2</sup>

While the Dutch economy struggled to climb out of the economic recession, the largest Dutch union confederation, the FNV, plunged into a crisis itself. The direct cause was an agreement reached in June 2011 between the Dutch trade unions, the employers’ associations and the government on the future of the Dutch pension system. The parties agreed on a radical reform of the fully-funded second pillar of the pension system, which was increasingly under pressure due to the economic crisis and the unexpectedly

<sup>2</sup> This section is largely based on de Beer (2013b).

strong rise in pensioners' longevity. What first appeared as an historic breakthrough in pension reform and a new proof of the resilience of the Dutch corporatist system, soon turned out to cause a split in the FNV. The two largest affiliates of the FNV – the FNV Bondgenoten (the largest union in the private sector) and ABVAKABO FNV (the largest public sector union) – refused to accept the agreement that was negotiated by the leadership of the confederation. Because these two unions, although representing about two-thirds of the total membership of the FNV, did not have a formal majority in the Federation Council, consisting of the presidents of all affiliated unions, the FNV board stuck to the agreement. In response, the two unions announced that they had no confidence in the president of the confederation, Agnes Jongerius. Because the two unions refused to cooperate with the confederation any longer, the FNV became paralysed and was in danger of disintegrating.

In order to break this deadlock, the FNV board and the affiliates agreed to appoint two conciliators, who succeeded in bringing the affiliate unions together to agree on a joint declaration in December 2011. The FNV confederation was to be replaced by a new organisation, which was to consist of a large number of smaller unions. To elaborate this decision, five so-called '*kwartiermakers*' were appointed. After surviving many debates, quarrels and impending crises, the *kwartiermakers* presented their final report on 23 June 2012, a full year after the pension agreement that started the crisis. Because their report met with a lot of criticism from almost all parties in the conflict, a separate declaration was formulated by a committee of representatives of the main unions and the confederation, which was adopted by all affiliates, except two. At the same meeting, the FNV president Jongerius stepped down to make room for the leadership of Mr Ton Heerts, former MP of the Labour Party and former vice president of the FNV.

Although this change in the leadership marked the end of the personal fight between the union leaders, it did not mean that there now was full agreement on the future governance structure of the confederation. One and a half years and many internal working groups, reports and debates later, the affiliates finally agreed upon a new hybrid structure of the FNV. At the end of 2014, the three largest affiliates and a small affiliate (the FNV Sport) merged with the confederation to form one big union with around 900,000 members. This undivided union includes twelve sectors. At the same time, fourteen smaller affiliates, comprising 200,000 members or so, remained independent. As a consequence, the FNV now has both individual members and corporate members. A parliament of elected (unpaid) union members from both the undivided union and the independent affiliates has become the main decision-making body within the new structure.

The ultimate cause of the crisis in the FNV is probably related to the well-known tension – introduced by Philip Schmitter and Wolfgang Streeck (1981) – between the 'logic of membership' and the 'logic of influence'. The former refers to the representation of trade union members' immediate interests, while the latter refers to the influence that unions exert on political decisions. The Dutch unions have always been willing to negotiate with both the employers and the government at national level to find compromises on socio-economic policies. On one hand, this has enhanced the influence of the trade unions on national policies; on the other hand, it has also made them jointly responsible for policy measures and reforms that a large part of their membership do not endorse. As long as the

dominant political and ideological currents were supportive for many trade union issues – that is, up until the heyday of ‘Keynesianism’ in the 1970s – the logic of influence and the logic of membership seemed to largely reinforce each other. This changed, however, in the 1980s, as the political climate changed and government policies became more neoliberal. As a consequence, the logic of influence became less effective. This was aggravated by the loss of the influence of the unions on the implementation of socio-economic policies due to their expulsion from the administrative bodies, as discussed above. Simultaneously, the union density rate declined steadily, adding to the shift in the balance of power from the unions to the employers. As a consequence of these developments, the logic of membership seems to be gaining weight again within the FNV. This is apparent, for example, from the establishment of the parliament of union members, but also from the introduction of new union strategies in the early 2000s, in particular organising (see below).

Nevertheless, many of the tensions within the FNV that led to the crisis of 2011 are still present. It remains to be seen whether the FNV has really overcome its internal crisis and will be able to regain the ground that it lost in the preceding decades.

### 3.2 Developments in other unions

Although the crisis in the FNV has attracted by far the most attention in the mass media, the other two union confederations – the Christian CNV and the confederation for middle and senior staff, MHP – have also undergone profound changes in recent years. The CNV, which currently has a membership of just under 300,000, experienced the departure of the ACP, a union for police officers, in 2012. The ACP separated from the CNV due to its dissatisfaction with the course it was taking, which did not allow them to convey a minority view. Recently, some other affiliates of the CNV decided to merge, in order to strengthen their position, in view of declining membership rates. The public sector unions merged into one union – *CNV Connectief* – and two private sector unions (in manufacturing and construction and in services) also merged. As a consequence, these two merged unions now make up the bulk of CNV’s membership. The smallest confederation, the MHP, which had around 200,000 members in 2000, included one relatively large union (simply called *De Unie* or *The Union*) and a number of smaller unions. In 2013, The Union left the MHP to become an independent union. As a consequence, the membership of the MHP more than halved and was only 70,000 in 2013. In 2015, however, the MHP founded a new confederation with the ACP, which had left the CNV, under the name of Confederation for Professionals (VCP). This new confederation promoted a new union model, which renounces traditional union strategies (including strikes) and focuses on crafts and professions by supporting individual members to boost their employability.

The struggles within the union confederations have also led to an increase in the number of independent unions, which are not affiliated to one of the confederations. The membership of these independent unions has doubled from 125,000 in 2000 to about 250,000 in 2015. This growth was not the result of a significant increase of the membership of separate unions, but due to the increase in the number of unions that left the confederations.

The developments within and between the union confederations can be related to the general trends described above: the fall in union density, the shift in the balance of power from unions to employers and the changes in the dominant government policies. The unions disagree about the best way to tackle these challenges, which has resulted in internal struggles in the confederations and a ‘reshuffling’ of the unions.

### 3.3 New union strategies

The Dutch unions have developed a series of new strategies in recent years, focussing on two broad and interrelated themes. One has been increased attention, in particular by the FNV, to organising as a way to address the concerns of workers and attract more members and activists. Inspired by experiences in the United States and the United Kingdom with *Justice for Janitors* and similar campaigns, organising was first massively applied in the industrial cleaning sector, leading to three strikes in the sector in 2010–2014 and to substantial improvements in the rights and employment conditions of cleaners (Keune *et al.* 2014). The FNV invested a lot of resources in these campaigns and has tried to apply its lessons also in other sectors. This is not to say that the entire union movement favours a move towards organising. Indeed, it is a controversial issue within the FNV as it is seen by many as a departure from unionism based on social partnership and collective bargaining, and indeed as hampering these traditional approaches which for the moment still dominate union activities. Undoubtedly, organising is gaining ground, however.

The other theme that has been receiving growing attention from Dutch unions, as well as from unions in the rest of Europe, is precarious employment (Keune 2013). Inspired by the growth of precarity, addressing the problems of the bottom end of the labour market has become a priority issue, even though the workers in precarious jobs are generally not union members and are often branded as labour market ‘outsiders’. This stems from two main motives (Keune 2015). One is the Dutch unions’ traditional orientation as societal actors interested in raising workers’ status in society in general and advancing social justice. They see themselves, to an important extent, as champions of social justice and hence as representatives of the entire workforce, not only of their members, but in particular the more vulnerable groups. The other motive is that, as representatives of their members’ interests, they have become aware that with the growth of precarious employment, the position of so-called ‘insiders’ or standard workers is increasingly being put under pressure. The fate of the two groups is interrelated and employers use precarious workers to put pressure on the wages and conditions of standard employees. Reducing precarious employment and/or improving the quality of precarious jobs is therefore seen as a way to uphold labour market standards in general.

These two themes of organising and precarious work have been at the centre of several recent campaigns. One concerns ‘Decent Work’ (Gewoon Goed Werk), later known as ‘Real Jobs’ (Echte Banen). In the second half of the 1990s, the unions concluded an agreement with employers in which they accepted more ‘flexibility’, but in exchange they demanded guarantees of workers’ rights and the extension of social security rights to atypical jobs. Also, part of this flexibility could be reduced or increased through



collective agreements. After a little over ten years, however, with the continuing growth of low quality, precarious jobs, the trade unions started to recognise that this had been a miscalculation (Boonstra 2016; Boonstra *et al.* 2011). Even though the coverage rate of collective agreements remains high, at around 80–85 per cent, it is getting more and more difficult for unions to prevent the growth of precarious jobs.

As a result, just after the start of the crisis, the approach towards precarious jobs was adapted and diversified. Dutch unions joined the International Labour Organization (ILO) in the campaign for ‘decent work’, which is aimed at limiting the number of precarious jobs and at improving the conditions of precarious workers. The motives for this campaign include considerations of social justice and the desire to improve the conditions of the worst off; reducing the pressure precarious jobs exert on the terms and conditions of regular workers; and getting a better membership base among precarious workers and thus strengthening the position of the unions. Within this context, the FNV set the following objectives:

Limit flexible contracts to ‘sick and peak’, in other words, to the replacement of permanent workers who are ill and to peaks in economic activity. If a person works for 9 months a year, it should be on a normal (permanent) contract.

- Equal pay for equal work. For example, temporary agency workers should be paid according to the normal collective agreement valid at the company where they work from the very first day.
- Work should lead to economic independence and not to low pay and working poverty.

Also, the FNV has identified a number of sectors which it deems particularly problematic in terms of the Decent Work Agenda, including postal services, cleaning, meat processing, supermarkets, domestic help, construction, education, taxis and temporary agency work. The unions have started organising campaigns to attract members in these sectors and to put pressure on employers. They are also involved in court cases to try and get a ban on exploitative payrolling and contracting practices. In addition, given that trade unions’ bargaining position in quite a few sectors is simply not strong enough and that collective agreements on a number of occasions are used to further flexibilise the regulations on fixed-term contracts, they are pushing for changes in the legislation to make it tighter and to reduce possibilities for flexibilisation through collective agreements. They have also put employers’ practice of dismissing workers on open-ended contracts and replacing them by fixed-term contracts or (bogus) self-employment on the political agenda. The 2013 social pact and its attention to excessive flexibilisation and shady employment practices, as well as a number of recent legislative changes can be considered results of this campaign.

Another noticeable campaign is ‘Young and United’, launched by the FNV and a series of partners. Young and United was set up in September 2014 and went public as a campaign in March 2015. It is a movement for working youth between 17 and 23 years of age driven by dissatisfaction with the often precarious position of young people on the labour market and with the way unions deal with them. Its aim is to establish a working youth movement to fight for improved conditions and opportunities for young working people. In the first instance, it is supposed to be a movement for and by young workers, not a youth union.

At the same time, it is to a large extent run by FNV organisers, several of whom were previously active in the cleaning sector. Young and United is based on the organising approach and can be characterised by such terms as ‘militant’, ‘struggle’, ‘movement’, ‘we will win’ and ‘never again invisible’. It is built on the belief that young people are interested in becoming politically engaged and in solidarity and collective action. The movement aims to activate young people, mobilise discontent and influence public opinion on youth issues. It started by developing a network of young activists through direct personal contacts at the workplace (especially in retail) or on the street or at city meetings, where they encouraged young workers to discuss their problems, views, demands and strategies. It makes extensive use of both social and traditional media, creating hype and a sense of community, and draws on research to support its arguments. Young and United also hopes to interest young workers in becoming members of the FNV.

The first major and ongoing campaign of Young and United is against the youth minimum wage. In the Netherlands the adult minimum wage (€9.26 as of 1 January 2016) applies only to persons aged 23 or older. Young workers between 15 and 22 years of age earn a percentage of this adult minimum wage, ranging from 30 per cent to 85 per cent, whereas for young workers of 18 years of age it is €4.22 or 46 per cent of the adult minimum wage. Young and United has been campaigning for the adult minimum wage for 18 year-olds, arguing that at that age one is an adult in all other senses and that the minimum wage should be enough to live independently. As part of the campaign it has staged a number of events and actions, including the occupation of the Socio-Economic Council and of a McDonald’s, an intervention at the shareholder meeting of the largest supermarket chain at which a 19 year old supermarket worker explained that he would have to work 346 years full-time to earn one annual salary of the chain’s boss, a petition to the Minister of Labour signed by 130,000 persons and so on. The campaign has been successful in getting the issue on the political agenda and most political parties have spoken in favour of their demands. Employers’ organisations have argued against it, however, claiming that it would lead to a loss of competitiveness and jobs for young workers. Most recently, the Minister of Labour announced that the age limit for the youth minimum wage will be lowered to 21 years and that the rates of youth minimum wages for 18–20 year-olds will be increased.

#### 4. Conclusions

We conclude that the economic crisis that started in 2008 has not led to profound changes in the position of the Dutch trade unions, but that it has nevertheless reinforced particular long-term tendencies in Dutch industrial relations.

Seen from a distance, the Dutch system of industrial relations is characterised by institutional stability and continuity. The main formal institutions of the corporatist system are at least sixty years old and have not undergone radical changes since their origin. Naturally, they have evolved over time, but in the past half century, no important new institution has been introduced and no new collective actor has entered the stage. Over this whole period, about four in five employees have been covered by collective agreements, which were almost all closed by the traditional trade unions and the

employers (either individually or represented by an industry association). Moreover, the overwhelming majority of these collective agreements (measured by the number of employees covered) remain industry-level agreements.

The previous deep recession in the 1980s has added some elements to Dutch industrial relations that have since become stable characteristics of the system: absence of government intervention from collective bargaining, wage restraint and a willingness on the part of both the unions and the employers to engage in dialogue and seek compromises. These features were also apparent during the current crisis, as exemplified by the social pacts of 2009, 2011 and 2013, although it was remarkable that wage restraint was not explicitly mentioned in the pact of 2013.

Despite these stable elements, we have also noted some long-term trends that gradually changed the position of the trade unions vis-à-vis the employers and the government. This change can be summarised as a tilting of the balance of power from the unions to the employers. The most obvious indicators of this change are the gradual but steady decline of the union density rate and the fall in the share of wages in GDP. However, the growth of precarious or flexible work – in particular, fixed-term contracts and self-employed, but to a lesser extent also part-time work – points to a loss of trade union power, because it undermines their traditional base of permanent and full-time workers. The economic crisis has not introduced completely new changes but has reinforced some of the forces that weaken the position of the unions. Although the crisis has not accelerated the downward trend in union density, it has not slowed it down either, as might be expected if workers were seeking refuge with the unions to shield them from hardship. Between 2008 and 2015, the unions lost 164,000 members – 8.6 per cent of their membership – and the union density rate fell by 3 percentage points.

Even though wage restraint has been a permanent characteristic of the Polder model since 1980, during the crisis the gap between the central wage demands of the FNV and the contractual pay rise that was agreed on has grown (Figure 9). From 2010 to 2015, contractual pay rises hovered between 1 and 1.6 per cent annually, while the wage demands of the FNV increased from 1.25 per cent in 2010 to 3 per cent in 2014 and 2015. The unions thus have not been able to achieve their higher demands in the past few years.

The continuing growth of flexible jobs during the crisis may also indicate that the position of the unions has further weakened. Even though the unions have shifted their attention from their core constituency, most of whom have a permanent job, to workers in precarious jobs, they have not yet managed to halt the growth of the flexible periphery of the labour market, which now affects about one-third of the labour force. Even the new Act on Work and Security (WWZ), that was introduced in 2015 as a result of the social pact of 2013, is already criticised by many because it appears to boost the use of flexible employment instead of discouraging it, as it intended. The public debate about flexibility is dominated by the employers' claim that a further flexibilisation of the labour market is inevitable.

The economic crisis has also contributed indirectly to trade union restructuring in recent years. Although the crisis of the FNV was mainly the outcome of the skewed internal balance of power, due to the co-existence of a few very large and many smaller

unions, and to disagreement about the preferred strategy, the crisis probably triggered the power struggle, because it presented the union with some difficult choices.

To counteract the forces that are weakening their position, the unions have followed two strategies. On one hand, there is the traditional strategy of conferring with the employers and the government in order to find a common approach to the crisis. The social pacts of 2009 and 2013 illustrate this strategy, but also the initiatives to draft so-called sectoral plans together with the employers, which are meant to tackle the consequences of the crisis at the industry level.

The second strategy is the launching of new campaigns to address the problems facing – especially precarious – workers. The focus on organising and the Young and United campaign are good examples. In fact, this strategy is being followed only by the FNV. Although these campaigns have been fairly successful in attracting media attention and have received some popular support, it remains to be seen whether they will contribute to a more structural strengthening of the trade unions' position.

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# Dependence on a hostile state: UK trade unions before and after Brexit

Geneviève Coderre-LaPalme and Ian Greer

## 1. Introduction

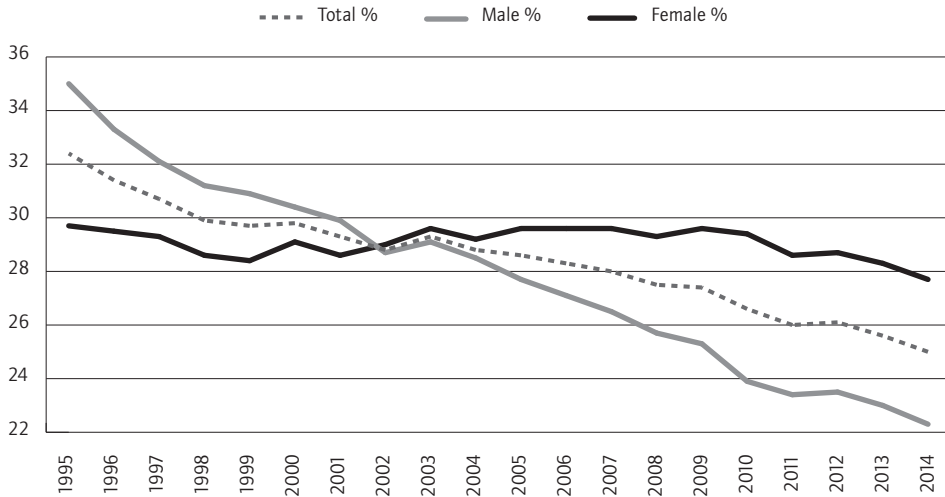
British unions have a reputation for being in crisis. At their 1979 peak they had 13 million members, density of over 50 per cent and 30 million lost work days due to industrial disputes. During the recessions of the early 1980s and 1990s union membership dropped rapidly along with the incidence of strikes. This reflected the Thatcher government's anti-union offensive (see, for example, Waddington 2000; Howell 2005) and the weakness of Britain's manufacturing sector, which failed to produce a unionised 'core' workforce. Membership is currently around 7 million and density only around 25 per cent, with only four years since 1990 with more than 1 million work days lost to strikes (DBIS 2015).

Current events in Britain would seem to reinforce this diagnosis. The Trade Union Act 2016 introduced a new wave of restrictions on the right to strike, on picketing and protest, on political funds and on check-off and facility time in the public sector (Bogg 2016). Equally devastating was the outcome of the 'Brexit' campaign, in which the largest unions campaigned to remain in the European Union, but in which a large number of their members voted to leave, leading to concerns over the future of employment rights, the competitiveness of internationally exposed industries and racial and ethnic tensions, among other things.

The problem with the crisis diagnosis is that trade unions remain an important presence in Britain. Under Conservative-led governments since 2010, they have played a crucial role in the insurgent left-wing campaign of Jeremy Corbyn to be Labour Party leader and campaigns to protect the National Health Service and combat 'austerity'. Unions are more relevant than ever in the face of declining power resources.

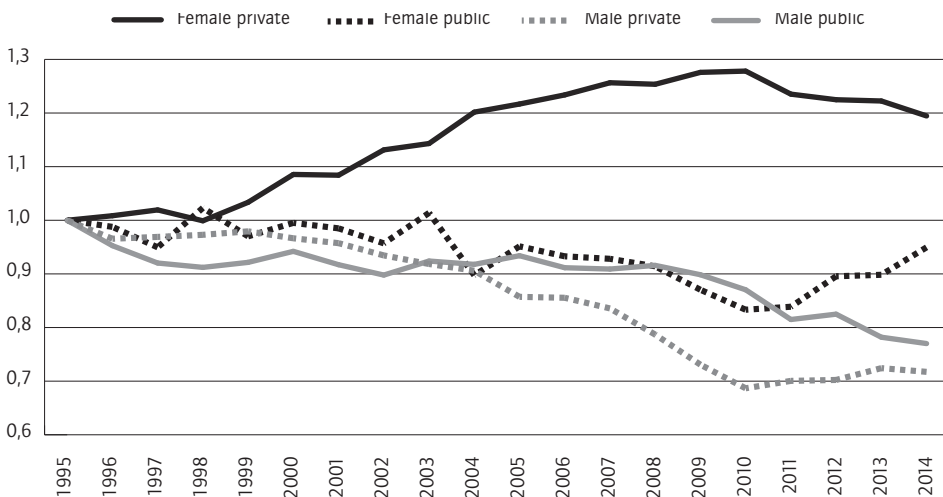
In fact, the *organisational power* of British unions is moderately strong by international comparison. Membership among female public-sector workers increased with the expansion of public spending under Labour, partly offsetting the decline among men and private-sector workers. Nor are there very clear insider/outsider dynamics or destructive conflicts within the trade union camp. Women are more likely to be members than men, and in 2014 membership density was 22 per cent for men and 28 per cent for women (Figure 1), well above that of Germany, for example. While public sector union membership has declined since 2010, private sector density has increased slightly (Figure 2), in line with increases in private sector employment (Lewis 2014).

Figure 1 **Changes in trade union density, 1995–2014 (employees)**



Source: Office for National Statistics (2015).

Figure 2 **Changes in trade union membership, 1995–2014 (1995 = 1)**



Source: Office for National Statistics (2015).

In the public sector, by contrast, union membership has been stable or increasing, especially among teachers, medical professionals and transport union the RMT. In the first five years of the previous Labour government every major union in the public sector increased its membership; however, after 2010, cuts to public-sector jobs and employer-funded time for union work ('facility time') has hit some unions, most notably the civil service union PCS, and to a lesser degree UNISON. (Table 1 shows membership trends in the largest unions.)

But British unions do have *structural weaknesses*. This reflects in part the collapse of employment in union strongholds such as mining, heavy industry and ports. (Blanchflower and Bryson [2009], however, found that union decline is caused by more within-industry changes than changes in the industry structure.) One union response has been to combine into broad general unions. In 2001, four large unions representing a range of blue-collar and white-collar members merged into the general union AMICUS, which in 2007 merged with the T&G union to form Unite. Two other general unions are Prospect, a more specialised collection of small white-collar unions founded in 2001, and Community, a diverse collection of tiny unions absorbed into the historical steel and apparel manufacturing unions founded in 2004. The notable exception to private-sector union decline is USDAW, which has a strong presence in the large, expanding grocery store chains.

It is tempting to interpret the membership increase in the public sector as reflecting strong structural power, and in parts of public transport such an interpretation is difficult to avoid. Nevertheless, the public sector workforce in Britain has been vulnerable to ‘austerity’ since 2010 due to a real shift in economic policy from the previous Labour government, which had used increased government spending as an engine of growth. One reason for this vulnerability has been the divide-and-conquer tactic of the government, which has portrayed public sector workers as ‘unduly privileged’. Another reason has been the model of British capitalism and the economic policies that constitute it. Under high and increasing income inequality, stagnant wages and weak and shaky growth, enabled mainly by consumer debt (Onaran 2015), British unions – with the notable exceptions of the RMT and USDAW – have a common structural weakness.

Table 1 **Membership of Britain's main unions ('000)**

	Years of operation	1998	2003–2004	2013–2014
Unite	2007–			1,405
Transport and General Workers Union (T&G)	1922–2007	882	817	
Amicus	2001–		935	
Amalgamated Engineering and Electrical Union (AEEU)	1851–2001	728		
Manufacturing Science and Finance Union (MSF)	1988–2001	416		
Graphical Paper and Media Union (GPMU)	1992–2001	203		
Banking Insurance and Finance Union (BIFU)	1946–2004	106	137	
<b>Total membership of unions that formed Unite</b>		<b>2,335</b>	<b>1,889</b>	<b>1,405</b>
UNISON: The Public Service Union	1993–	1,272	1,301	1,283



Table 1 **Membership of Britain's main unions ('000) (cont.)**

	Years of operation	1998	2003–2004	2013–2014
Royal College of Nursing of the UK (RCN)	1916–	320	373	422
National Union of Teachers (NUT)	1870–	287	324	388
Public and Commercial Services Union (PCS)	1998–	245	295	247
National Association of Schoolmasters and Union of Women Teachers (NASUWT)	1976–	251	305	333
Association of Teachers and Lecturers (ATL)	1978–	168	202	198
British Medical Association (BMA)	1832–	107	129	153
University and College Union (UCU)	2006–			106
National Union of Rail Maritime and Transport Workers (RMT)	1990–	56	67	80
<b>Total membership of main public sector unions</b>		<b>2,707</b>	<b>2,996</b>	<b>3,210</b>
GMB (formerly General, Municipal and Boilermakers)	1924–	712	600	617
Union of Shop Distributive and Allied Workers (USDAW)	1947–	303	332	433
Communication Workers Union (CWU)	1995–	288	259	202
Union of Construction Allied Trades and Technicians (UCATT)	1971–	112	111	87
Prospect	2001–		105	116
Community	2004–			27
<b>Total</b>		<b>6,456</b>	<b>6,186</b>	<b>5,954</b>
<b>Total for all UK unions</b>		<b>7,852</b>	<b>7,559</b>	<b>7,086</b>

Source: Certification Officer (various years).

They have little in the way of *institutional power* to compensate. Collective agreements are not enforceable in UK courts and the patchwork of collective bargaining and supposedly independent pay review bodies in the public sector have resulted in real declines in worker pay since 2010. In 2011, 47 per cent of workers were in workplaces in which trade unions were recognised as engaging in bargaining, including 92 per cent of public-sector and 12 per cent of private-sector workplaces (Van Wanrooy *et al.* 2013: 59); even here the role of collective bargaining is limited. Unions negotiate over pay in 56 per cent of private-sector workplaces where they are recognised for bargaining

purposes, but this number is much lower for working time (37 per cent), holidays (41 per cent) and pensions (24 per cent) (ibid.: 81). While this figure may overstate union weakness by leaving out workers in sectoral or occupational collective agreements, where these issues are decided collectively (Emery 2015: 226), in the private sector only 2 per cent of workplaces are covered by multi-employer bargaining, as opposed to 43 per cent in the public sector (ibid.: 83). Britain has little tradition of institutionalised worker participation in the firm or in policymaking. What improvements in this area were made under New Labour did not enhance unions' institutional power and were aimed at channelling activities in ways that supposedly enhanced economic 'competitiveness' (Ewing 2005). Some of them were rolled back or eliminated by the subsequent government.

As their other power resources decline, British unions increasingly rely on their *discursive power* in their campaigning in the public sphere. But is difficult to say how much discursive power they possess; obviously, hostility from the state would be unlikely if unions enjoyed overwhelming public support. But public opinion is divided over public-sector strikes and the 2015 election results appeared to endorse the Conservatives' key policies. In terms of public trust, however, in a series of YouGov polls from 2003 to 2013, trade union leaders were consistently rated above 'people who run large businesses', 'senior civil servants in Whitehall' and 'leading politicians' of the three largest parties. But unions were not exempt from the decline in trust in all of these groups. For unions the percentage of respondents trusting them 'a great deal' or 'a fair amount' declined from 32 per cent to 28 per cent (YouGov 2013).

For these power resources and for union activity, the state – usually meaning the Westminster Parliament and Whitehall ministries – is of central importance. Union members in the public sector outnumber those in the private sector (Corby and Symon 2009), and every government since the mid-1960s has passed legislation to reform industrial relations. Since 1979 reforms have been tightly linked to nominally business-friendly, neoliberal economic policies; though varying in their details these governments have had in common a hostility to powerful, independent unions (McIlroy 2008). In England, central government is of central importance: local government has little power and the main institutions of regional governance were abolished in 2008–2012.

In keeping with the state-centeredness of Britain's trade union movement, this chapter is organised chronologically by government. It starts with the Labour governments (1997–2010). While Labour did little to help unions to rebuild their traditional power resources, it did contribute to union 'modernisation', including organising, partnership with management, administering government-funded programmes and policy work around low wages. Second, the chapter examines union responses to the Conservative-led coalition government (2010–2015), which cut public-sector jobs, froze public-sector pay, marketised and privatised public services, restricted workers' access to employment tribunals, reduced 'facility time' for worker representatives in the civil service and ended government funding for union modernisation projects. We examine some of the many campaigns through which unions responded. Finally, we speculate about how unions are coping with the general election victory of the Conservatives in 2015, which allowed them to govern without a coalition partner, leading to new anti-union legislation and the 'Brexit vote'.

## 2. 'Modernisation': 1997–2010

Throughout the Labour years the environment of trade unionism was far less hostile than the previous 18 years of Conservative government, leading initially to some optimism about prospects of union revitalisation (Heery *et al.* 2003). While the Conservatives passed legislation restricting union core activities, Labour passed legislation supporting innovative union practices. A statutory union recognition procedure was introduced, including arbitration in the event of a dispute, as well as a national minimum wage, an end to Britain's opt-out from the European Social Chapter and new government funding for labour–management partnership in the workplace, union-driven learning projects and general 'modernisation' efforts. After the Conservatives had severely restricted spending, Labour increased spending dramatically on public services. While the Conservatives presided over two major recessions, unemployment was low in Britain from 1997 to 2008.

Unions varied in their policies and approaches. One concept for union renewal was 'organising': the attempt to recruit non-members drew lessons from experiences in the United States and Australia and used the new machinery of union recognition. Another initiative was partnership with employers in pursuit of mutual gains, often with funding and other support from the government. A third was revival of the militant shop-steward tradition, rebuilding the union movement through democratic rank-and-file mobilisation. Fourthly there was community unionism and equality, expanding trade unionism into dealing with the increasingly salient issues of discrimination, low wages and urban regeneration, using political, legal and community organising tactics (again borrowed from the United States). While sometimes viewed as alternative strategies at the level of the organisation, the reality of most national unions was that much organising of the unorganised, partnership with employers, industrial action and partnerships with civil society took place in an uncoordinated and ad hoc fashion.

### Organising and recognition

One of Labour's early legislative initiatives was the Employment Relations Act of 1999, which created a machinery for union recognition for enterprise-level collective bargaining. Gall (2007) shows an increase in employers and unions reaching 'voluntary agreements' during the late 1990s and a further increase in the number of agreements and workers covered in 2000–2002, with a peak of just over 200,000 workers and 224 agreements. After this the wave of recognition agreements subsided, giving way to concerns about the continued decline in collective bargaining coverage, the concentration of recognition agreements in declining manufacturing sectors – where unions clearly lacked structural power – and in general the weakness of workplace union organisation after campaigns (*ibid.*; Moore *et al.* 2013).

The recognition procedure came as unions were building up a specialised in-house organising function to attract new members in workplaces where they did have a presence (infill organising) and create a presence in workplaces where they did not yet exist (greenfield organising). Unions tended to demand recognition only after they had

recruited 50 per cent of the workers. This was supported by the TUC, which created the Organising Institute to support organising within affiliated unions (Simms *et al.* 2012). This function could be found at most large British unions and most focused their efforts specifically on making their unions more inclusive of women, minorities and young workers, with campaigns targeting sex workers (Gall 2006), marginalised migrant workers (Holgate 2005; Fitzgerald and Hardy 2010), non-profit organisations (Simms 2007) and others. In terms of their methods, however, most unions relied on traditional recruitment via person-to-person interactions in the workplace, and only a minority used widespread US practices such as house calls, building links with community groups and mapping workplaces (Heery *et al.* 2000).

While employers did not respond with the consistent hostility of their counterparts in the United States, few observers were impressed with the results, for several reasons. These included internal factors, including the resistance of union staff to taking on the increased workload of organising and the difficulty of integrating organisers into the overall decision-making process of unions. They also included external constraints, including the difficulty of gaining access to worksites, competition between unions and resistance by employers (Heery *et al.* 2000). There was, in addition, the difficulty of translating these gains into durable union structures in the workplace and setting up collective bargaining. In many of these cases there was no collective bargaining and even where there was, the statutory support for it is weak (Ewing 2005). Finally, even where organising was implemented it did not substantially change the ways that people joined the union; the dominant way was via workplace contacts rather than the campaigns of organising departments (Waddington and Kerr 2015).

## Workplace partnerships

Central to the Labour government's modernisation plan was encouraging unions to work with employers for 'mutual gains' (Martínez Lucio and Stuart 2004). Strengthened cooperative relations with management took two main institutional forms.

The first was a 'partnership agreement', in which unions traded concessions over flexibility for participation rights and employment security protections. USDAW pursued these as part of its expansion strategy at the large retailer Tesco and they were also observed in the public sector (Kelly 2004). At large construction sites, such as the 2012 Olympics and Heathrow Terminal 5, partnership agreements involved union officials in decision-making, with an eye to preventing accidents, cost overruns and delays and protecting labour standards (Deakin and Koukiadaki 2009; Druker and White 2013). The government promoted such partnerships by means of a 'partnership fund' and with rhetorical support.

The literature on partnership agreements has found that they lopsidedly favoured management. While comparative evidence on the effects of having a partnership agreement at the firm level on outcomes such as worker pay, numbers of jobs and union density was mixed (Kelly 2004), survey evidence suggested that the perceived gains were greater among managers than among workers (Guest and Peccei 2001) and

that the lack of improvement in material conditions at work was undermining union activists' support for partnership (Martínez Lucio and Stuart 2002). By the early 2000s several general secretaries of national unions that had promoted partnership had been replaced by a so-called 'awkward squad' of general secretaries critical of Labour Party policy in general and of partnership in particular (Charlwood 2004).

The second kind of partnership was to promote worker access to training. The government funded such projects using a 'union learning fund' and created a new kind of status for a worker representative, the 'union learning representative', anchored in statute. The TUC created a coordinating structure called 'Unionlearn'. Evaluations found numerous individual success and positive effects for workers least likely to access education, but there was no evidence that they helped unions to reverse their decline in membership (Wallis *et al.* 2005) or increase the overall incidence of on-the-job training (Hoque and Bacon 2008).

### Workplace militancy

Although strikes were at historically low levels, important pockets remained of shop-floor militancy. A union mobilising its members, revitalising its workplace structures, framing the relationship with management as 'us versus them' and pursuing goals of social justice rather than mere economic self-interest could be counted as an exception to the overall trend of union decline and weakness. The RMT union, for example, expanded over this period partly on the back of successfully mobilising workers in the London Underground for a series of industrial actions (Darlington 2001). Similarly, the much larger PCS union expanded within the civil service, led by left-wing activists, organised a series of brief strikes, saw its partnership agreement with management cancelled and had particular success organising young workers (Hodder 2014; Martin 2010). Both the RMT and the PCS had high organisation density and a dynamic left-wing leadership.

There were also significant strikes in response to problems in the workplace and labour market. One of the flashpoints concerned the wave of immigrants that followed the expansion of the EU in 2004 and the increased use of worker posting after the UK government's decision not to introduce a transitional period. There was a dispute at Gate Gourmet over the replacement of a predominately Asian female workforce with Polish agency workers in 2005 (Pearson *et al.* 2010) and skilled construction workers represented by Unite protested the use of posted workers (on substandard wages and working conditions) at the Lindsay oil refinery in northern England (Barnard 2009). In the Lindsay case, media reporting focused on the protectionist slogan 'British jobs for British workers', even though the union's official goal was to apply the collective agreement to immigrants. British Airways flight attendants engaged in a series of strikes in 2008–2011 over work intensification unilaterally imposed by management (Taylor and Moore 2015). In 2002–2004 there was a major dispute over pay involving firefighters, in which the Labour government intervened in the decentralised fire services to defeat the strike, precipitating the union's disaffiliation from the Labour Party (Seifert and Sibley 2011).

These cases reflect the persistence of strong collectivism in some groups of union members and show transformative effects in some workplaces and unions. They also reveal continued hostility on the part of the government and news media under Labour. Such a mixture of radicalism and grassroots democracy was never accepted by the larger unions, which chose labour–management partnership as their main strategy (as with USDAW), mimicked the managerial techniques of their employers (as with Unison) or lacked a coherent strategy due to the diversity of unions that had merged to form them (as with Unite). In USDAW’s case, labour–management partnership was one part of a successful strategy to expand membership; thus different UK unions have built their organisations with starkly contrasting strategies.

## Community unionism

A final strand of union activity is an attempt by unions to be more relevant to, and inclusive of, kinds of people who do not constitute their traditional core clientele, including women, minorities, young people and workers with precarious terms of employment. Wills (2001) argues that a shift towards such community unionism could not only benefit unions but also help to overcome the fragmented nature of the British left; she points to the organising efforts of the Iron and Steel Trades Council outside its steel-industry stronghold and the community development efforts of the Battersea and Wandsworth Trades Council and its social enterprise, the Workers Beer Company. The local focus beyond the workplace seemed particularly promising given the proliferation of urban regeneration schemes and regional governance under Labour (Symon and Crawshaw 2009) and because of the proliferation of civil society groups assisting workers with problems in the workplace (Abbott 1998), some of them in particular ethnic communities (Martínez Lucio and Perett 2009).

Diversifying union activists and reaching out to allies may have delivered some degree of relevance in a changing world, but it had its limits. Despite attempts to make union leadership more representative of an increasingly female membership profile, it remains disproportionately male (Parker 2003). The union culture remained very different from that of potential partners in the community, with more of a focus on serving the interests of members and less on mobilisation (Tapia 2014); also there was discomfort in union ranks working with religious groups because of the ‘militant secularism’ embedded in Britain’s socialist tradition. It was thus difficult to start or sustain community unionism initiatives.

Overall, the Labour years were bitterly disappointing to unions. Overall membership continued to decline despite organising; the growth of public sector unions took place alongside the more rapid decline of private sector unions. The benefits of partnership turned out to be lopsided, with little to offer unions in terms of new members or improved outcomes in terms of pay or employment, thus reflecting union weakness. Given the structural weakness of most unions, industrial action was increasingly rare, and only for the PCS and RMT unions was it embedded in an overall union strategy of revitalisation through grassroots mobilisation. Political and community campaigning may have made unions more relevant beyond their traditional membership, but it is

unclear how much this improved their power to shape public discourse. While the Labour government sponsored a wide range of ‘modernisation’ projects for unions, it was done with an eye to preventing their revitalisation as an independent force.

### **3. The struggle over ‘austerity’: 2010–2015**

The Conservative-led coalition government, together with the Liberal Democrats, set out its main objective for the coming years in the first sentence of the June 2010 emergency budget: to deal ‘decisively with our country’s record debts [...] and to set the country on course for recovery’ (HM Treasury 2010a). This was to be achieved through a combination of tax rises (15 per cent of the total austerity package) and spending cuts (85 per cent) (Johnson 2013), reducing expenditure by 85 billion pounds from April 2010. The programme reduced departmental budgets by an average 19% and eliminated 490,000 public sector jobs (BBC 2010). As for the cuts themselves, these were equivalent to around 13 per cent of the 2010 public expenditure. This was larger than any retrenchment since 1921, other than the exceptional restructuring of 43 per cent after the Second World War, when the economy shifted from a command to a market economy (Taylor-Gooby 2012). The speed of the cuts was also crucial. In five years, the government aimed to cut the deficit from 8.4 per cent in 2009 to 0.4 per cent of GDP, while reversing the growth of public debt. This is despite the recommendation by the Organisation for Economic Cooperation and Development (OECD) for a 14-year plan (OECD 2010).

Cuts hit capital spending and public-sector employment. Those public workers who kept their jobs found themselves hit by successive wage freezes. Cuts to services predominated, with 36 per cent of the retrenchment by value, plus 17 per cent in investment spending cuts (Crawford 2010). Service cuts targeted mainly local government, with a 27 per cent cut in the central support that finances the bulk of local services and a 68 per cent cut in the communities budget, which includes social housing. Education kept almost its entire budget in cash terms but suffered a 60 per cent cut in capital. While the NHS was protected against inflation, it experienced an 18 per cent capital cut (IFS 2011).

‘Austerity’ in the United Kingdom has been self-imposed (Bach and Stroleny 2013; Taylor-Gooby 2012). The social programme of the 2010 UK Conservative–Liberal Democratic government represented the most far-reaching attempt to achieve fundamental restructuring in an established welfare state in a larger Western economy in recent years. Labour’s ‘modernisation’ initiatives met different fates. While the Union Modernisation Fund ended, the minimum wage, living wage, trade union recognition machinery, and Union Learning Fund lived on. The main problem for trade unions was the burden of austerity falling on the public sector. The large-scale cuts imposed since 2010 by the conservative-liberal government threatened many areas of public services and public employment. The government programme involved some half a million public sector job cuts, a pay freeze and major reductions in public sector pensions, as well as massive cuts in welfare spending (Grimshaw and Rubery 2012).

For British trade unions, formulating a coherent response to cuts and austerity has been tricky. One factor which has hindered trade union action has been public opinion,

which, on the whole, has not been favourable to strike action, often seen as an open fight for public sector ‘privileges’ (‘gold plated’ public sector pensions, for example). A 2011 YouGov poll found that more than 30 per cent of people thought that the average public sector pension was greater than £15,000 a year, whereas in fact it was only £5,600, while 46 per cent expressed the view that it was wrong for trade unions to take strike action over public pension reforms (TUC 2011a). Generally, public opinion has been against public sector strikes (YouGov 2011).

In order to understand and engage with public attitudes, the TUC launched a large-scale opinion survey designed to test which of their arguments against the austerity policies of the coalition government was most effective for their campaigns (Gumbrell-McCormick and Hyman 2014). Evolving from these surveys came initiatives and campaigns to demonstrate not only that austerity is in fact economically counterproductive, unfair and ideologically driven, but that there are also viable alternatives.

Although leading national campaigns was not particularly new, having the Conservatives rather than Labour in power removed one barrier. As reforms and cuts were pushed through, unions were jolted into mobilising their discursive power resources. This became an opportunity for them to be seen as the defenders of the welfare state in the eyes of their own members and the general public. Although organising remained an important objective, unions put much effort into developing different campaigns that would appeal to the general public, linking worker-specific issues to wider social concerns. These revolved around three themes: austerity and deregulation, public services and welfare, and broader social and political issues.

## Campaigns against austerity and deregulation

From 2010, trade unions increased coalition-building efforts, both at the national level within TUC campaigning and at the local level. As a result, the TUC and the main unions, such as UNITE and UNISON, launched several national campaigns with overarching objectives, combining general issues with those of the affiliate unions and their members.

On the theme of austerity, the campaign *A future that works*, organised by the TUC, argued for an alternative to cuts. A dedicated website was created to operate alongside social media campaigning and leafleting. Under this same banner, trade unionists organised national protests, first on 20 October 2012 and then on 13 March 2013, partly tapping into the success of the successful *March for the Alternative* in 2011. The TUC also commissioned an in-depth report on the effects of austerity on public services, called *Austerity Uncovered*, which was used in various speeches and events organised by the confederation (TUC 2015a). The campaign page *False Economy* aimed to gather and map information and personal testimony about the cuts and their effects, to show that there are alternative economic approaches to austerity. On the launch of its website in 2011, it reported that more than 50,000 NHS staff posts were set to be cut despite assurances from the government that the NHS was ‘safe in their hands’ (TUC 2011b). As a collective, it organised various local campaigning initiatives and while the site relies on social media activists, funding comes mostly from the TUC and the main UK trade unions.



From these general initiatives and campaigns on austerity, several smaller campaigns ensued that focussed on different themes, such as pay and working conditions, public services, welfare, equality and tax avoidance. While *The Living Wage* campaign had been around since 2001, it gained further momentum in the light of public sector cuts (TUC 2014). The TUC created the campaign *Britain Needs a Pay Rise* with objectives such as a properly enforced minimum wage, a higher minimum wage for employers who can afford to pay more, an increased commitment to the living wage and a crackdown on excessive executive pay (TUC 2013).

The aim of the annual TUC *Fair Pay Fortnight* is to tackle what is claimed to be the growing pay crisis. Over the course of these two weeks, trade unions organised a series of local campaigns and activities around fair pay. The initiative *Tweet for Fair Pay* also formed part of the *Fair Pay Fortnight* and involved people across the country using the social media site Twitter to put pressure on employers, encouraging them to talk to unions about fair pay. One high profile case, which was at the centre of the *Tweet for Fair Pay* initiative, was the campaign led by staff at Picturehouse Cinemas and their union BECTU. Despite winning a significant pay rise at the Brixton branch of the chain, the company decided not to pass on this pay increase to workers in their other cinemas around the country. Campaigners asked for help in putting pressure on Picturehouse via Twitter, with the aim of embarrassing them online about their refusal to pay their staff a living wage (TUC 2015b)

Unions have been active in specific campaigns against zero-hour contracts, jobs in which the employer has discretion to determine working time, down to zero hours per week. With 1.4 million people on zero hour contracts, according to the Office for National Statistics (2014), the issue has been at the centre of several debates and has attracted much media attention. One of Unite's campaigns called *Say no to zero hours contracts*, involved activists and the general public lobbying MPs via email and the collection of personal stories in an effort to compile a proper picture of what life is like on zero hours contracts. UNISON supported local campaigns against employers using zero-hour contracts (particularly in local government homecare services with the introduction of the ethical care charter), parallel to efforts by local and regional trade unionists to recruit and organise workers in such contracts. In a document aimed at local trade unionists, UNISON explained that:

‘A recruitment and organising strategy needs to focus on what we can do for workers on zero hours contracts in practical terms, while being careful to ensure that we don't over-complicate matters or give false hope. However, we can drive home the message that joining the union will help zero hours workers find out what their rights as workers are and enforce those rights.’ (Unison 2015)

These efforts tie in with other campaigns by groups such as 38 Degrees. They have helped to set up online petitions to lobby parliamentarians, particularly Vince Cable who was the Business Minister at the time, and put pressure on specific employers such as the retailer Sports Direct, which is said to have 90 per cent of its staff on zero hour contracts (Priestley 2013).

## Campaigning for public services and welfare

A large number of campaigns developed around protecting public services, mostly to safeguard the NHS, such as the TUC's *All Together for the NHS* and UNISON's *999* campaign. The *All Together for the NHS* joint campaign, coordinated by the TUC and bringing together trade unions and campaigners from across the health sector, had as its first objective fighting the Health and Social Care Bill 2012.<sup>1</sup> It originally urged people to ask their MP to vote against the Health and Social Care Bill and sign the online petitions being run by campaign groups 38 Degrees and Save Our NHS. Events were organised all over the country and, in an effort to raise the profile of the issue, 1 April 2011 was declared as 'All Together for the NHS' day. Although the bill received royal assent in March 2012, the campaign lived on, focusing on various issues affecting health care, such as pay freezes for NHS staff and privatisation efforts by the government. In parallel, UNISON's *999* NHS campaign aimed to fight both cuts in the NHS and threats of privatisation. It supported a number of strikes by NHS staff and demonstrations organised around protecting health services. Other public sector campaigns led by trade unions have received less media and public attention. These include *Action for Rail*, which has argued for the renationalisation of rail services, and *Education Not For Sale*, which opposes the introduction of profit making in the education system.

Campaigns around welfare have also had some success. The TUC's *Saving our Safety Net* campaign focused on cuts and reforms to benefits and the introduction of the controversial universal credit system. It also wishes to dispute the increased use by Jobcentres of sanctions, the removal of a person's benefit payment for weeks or sometime for years. A survey by the PCS union showed that 23 per cent of those working in Jobcentres had an explicit target for sanction referrals and that 81 per cent had an 'expectation' level. This flies in the face of denials from the Department of Work and Pensions and ministers that targets existed (PCS 2014).

Unite was also involved in campaigning to defend the welfare state. Unite's *#no2sanctions* also focused on the unfair and excessive use of sanctions. In addition to organising the usual online petitions and Twitter campaigns, Unite Community also called for a 'no to sanctions' day of action in March 2015, ahead of the general elections, with events taking place across the country. Unite also led campaigns against 'workfare', the government schemes that require benefit claimants to do forced unpaid work or face cuts to their benefit payments. They successfully lobbied a number of local authorities that pledged not to use these workfare schemes and worked to organise claimants as Unite community members.

<sup>1</sup> The Health and Social Care Act introduced a number of key changes to the NHS in England: giving groups of GP practices and other professionals budgets to buy care on behalf of their local communities; shifting a number of responsibilities from the Department of Health to politically independent NHS England; the creation of a health-specific economic regulator (Monitor); and moving all NHS trusts to foundation trust status. The Act specifically encouraged the participation of private providers in the delivery of NHS care. See <http://www.nuffieldtrust.org.uk/our-work/projects/coalition-governments-health-and-social-care-reforms>

Unite announced in 2011 that it would open its membership to the unemployed, students and others not in paid work. These community memberships, which provide members with various services such as a legal helpline and financial advice, were launched with the specific aim of recruiting and training new members in order for them to become campaigners against cuts in services. This was made clear in their press release: 'Community members will be developed as community activists, bringing together people across their locality who have felt left down or excluded by politics to ensure that they, too, have a voice at a time of economic turmoil and social change for the nation' (POA 2011). Since then, a number of community branches have formed and have been involved in campaigning against sanctions, workfare and the bedroom tax, along with providing support to industrial members in local disputes. While other unions such as Community had created 'holding structures' to include people not in paid work, Unite also hired an organiser in each region to coordinate these branches.

### Social and political campaigning

The TUC and other unions also added their support to a variety of other general campaigns. Still on the subject of austerity and the effects of the banking crisis, the *Robin Hood Tax* campaign proposes a tax on financial transactions in reparation of the damaging effects of the banking crisis. It has been supported by almost 50 organisations, not only trade unions but also Oxfam, Barnardo's, The Salvation Army, ActionAid and Save the Children. Support for the *Robin Hood Tax* campaign by trade unions involved raising awareness among members, publicising their petition and encouraging donations to the cause. Similar support has been given by trade unions for the *Stop TTIP* (Transatlantic Trade and Investment Partnership) campaign. The TTIP bilateral agreement being negotiated between the EU and the United States has been seen as a threat to employment rights and public services in the United Kingdom (such the NHS where health care provision could be forced to give further access to the private sector) and many British trade unions have taken a position against it (TUC 2015c).

In an effort to show solidarity on issues in tune with their social and political ethos and those of the British public, trade unions have also added their support to campaigns unrelated to employment and welfare issues. Examples include the Palestine Solidarity campaign and *Show Racism the Red Card*, an anti-racism educational charity, which uses the high-profile status of football and football players to help tackle racism in society (Unionlearn 2014).

With regard to the 2014 Scottish independence referendum, unions felt pressured to pick which campaign would receive their support. This also included pressure from the Labour Party, to which most unions are affiliated. Nevertheless, most unions found it impossible to choose a side. Despite the Scottish TUC refusing Labour's invitation to join the *Better Together* anti-independence campaign, claiming that its members were more attracted by the pro-independence campaign, they chose to remain neutral along with the two largest unions, Unite and UNISON. While it was rumoured that the PCS might back the *Yes Scotland* campaign, its members voted overwhelmingly to remain neutral on the matter (Maxwell 2013). In the end, only a few trade unions sided formally

with the Labour Party and the *Better Together* campaign (GMB, NUM, Community, Aslef, USDAW and the CWU), while even fewer were prepared to back independence with the militant RMT union and the Prison Officers Association who formally backed *Yes Scotland* (Pickard 2014). Even within the trade unions themselves, the position on the matter was difficult, as was the case with the CWU, one of whose Scotland branches decided to break away from the national backing of the No campaign and to support a Yes vote. The position of the GMB was also ambivalent, as it attempted to both back a No vote and refuse to join the *Better Together* campaign in order not to seem to endorse the Conservative Party and its wealthy campaign donors (Carrell 2013).

## Overall trade union action outcomes

Although the trade unions tread carefully with regard to public opinion, their responses to government attacks have been more militant than during the Labour years. Several days of industrial action have been organised, often in coalition with other parts of civil society. A number of unions, such as UCU, NUT, PCS and Unite, have organised one-day public sector strikes in response to pay cuts and pension ‘reforms’. Some coincided with government announcements, as in the case of the chancellor’s budget speech in 2013. Tens of thousands of its members walked out of government departments, while picket lines were mounted outside government offices, museums, galleries and the Houses of Parliament (BBC 2013). In 2014, NHS staff went on strike over pay cuts in health care for the first time in over 30 years (Triggle 2014). The roll call included the Royal College of Midwives (RCM), which went on strike for the first time in its 133-year history as part of coordinated industrial action (Campbell 2014). The decision by the RCM to participate in public sector industrial action formed part of the professional organisation’s new, more militant approach, tuning in to the views of its members (RCM 2013). More recently, it has applied to become affiliated to the TUC, also illustrating the Royal College’s willingness to be more than a professional organisation to fight for its members more effectively (Warwick 2015).

The TUC has also supported a number of coordinated strikes by public sector workers and organised a national demonstration, the *March for the Alternative*, against the planned public spending cuts, on 26 March 2011 (Milmo *et al.* 2011). It attracted between 250,000 and 500,000 people and was considered to be the largest protest in the United Kingdom since the 15 February 2003 anti-Iraq war demonstration. It was also the largest union-organised rally in London since the Second World War (BBC 2011). A TUC-commissioned survey, published on the same day as the march, showed that 53 per cent of people in the United Kingdom backed the aims of the TUC *March for the Alternative*, with 31 per cent disagreeing. This backing by the general public added weight to the march’s objectives and TUC General Secretary Brendan Barber stated that: ‘I’m sure that many of our critics will try to write us off today as a minority, vested interest. This poll nails that lie’ (TUC 2011c). Trade unions also supported the *People’s March for the NHS*, which took place in August 2014 when thousands of NHS staff, trade unionists, campaigners and activists marched for 300 miles, from Jarrow in north-east England to Westminster in London, to raise awareness and opposition to NHS reforms and cuts (Musgrove 2014). The TUC even saw the possibility of a general

strike, which had not been officially considered since 1926 (Milmo 2012). The TUC congress voted overwhelmingly in 2012 to support a resolution, originally proposed by the prison officers' POA union, committing it to explore the 'practicalities' of a general strike against austerity. This was seen by the main trade unions as the way forward for anti-austerity campaigning, following on from the success of the demonstrations coordinated by the TUC since 2011.

Unions were successful in mobilising members for strike action and demonstrations and took the lead on some issues. Nonetheless, this campaigning fell short of being part of a conscious revitalisation strategy. While there were campaigns linking unions' concerns about public services, welfare and bad jobs, they were not part of some overall strategy for strengthening unions via member participation. Grassroots mobilisation remained limited to the traditional methods of striking, demonstration and petitions, and work with civil society groups outside the labour movement remained on the margins of union strategy.

Also, the effectiveness of these initiatives has been mixed. Despite the fact that a majority of Britons continue to see the government's cuts as 'too drastic', this percentage has been trending downward, especially among those who have been unaffected by government spending cuts over the past few years (Jordan 2013a). As one pollster noted,

'The government's arguments about the need for austerity do now seem to have taken a firm hold with the majority of the public, as people appear to be adjusting their expectations, and – for many services – don't seem to be noticing a significant direct impact on service quality. It also suggests good work has been done by those working in public services to maintain public satisfaction despite the cuts.' (Ipsos Mori 2015)

Nonetheless, support has grown for specific campaigns, particularly regarding the privatisation of the NHS and welfare reform. Indeed, these became part of the main issues debated in the run up to the 2015 elections, along with the economy, immigration, welfare and housing (Jordan 2015). However, the public opinion remained unfavourable toward the use of industrial action in opposing government policies, with 57 per cent of respondents stating in a YouGov poll that they would be against a general strike (Jordan 2013b). With respect to the NHS, campaigning was largely successful. Strike action was eventually suspended and an agreement was reached on pay in March 2015 after members voted to accept an improved government offer, which included further support for those in the lowest pay grades, despite falling short of trade union demands (BBC 2015a). Unions were also generally successful in campaigning against the privatisation and marketisation of public health care. One factor that seems to have helped campaigning around health care is the eagerness of Britons to protect the NHS. This was noted in a recent Ipsos Mori survey on austerity: 'one area where the government needs to tread very carefully is health services. Fear for the future of the NHS is at the highest level we've measured, and the risks are very real for the government if they are seen to damage one of the UK's most treasured institutions' (Ipsos Mori 2015). Moreover, the lack of expertise of local decision-makers on commissioning and their lack of appetite to get the private sector involved in service delivery does appear

to have stunted privatisation efforts (Krachler and Greer 2015). However, the civil service still saw a pay squeeze and an attack on trade union rights (PCS 2015; Syal 2015). This is despite the fact that the PCS has an organisational density of 85 per cent in the civil service and takes a highly militant and politicised approach (Upchurch *et al.* 2008). Campaigns against workfare and sanctioning did gain some momentum, with the PCS regularly meeting with claimant groups such as DPAC, Boycott Workfare and Black Triangle, but coalition-building with these groups has proved to be difficult, with disagreements arising over what tactics to use.

The starring role during this five-year period was played by the state, which is at once legislator, employer and paymaster. One striking example of this is the legal challenge launched by the Fawcett Society, with the help of UNISON, against the emergency budget tabled by the coalition government in 2010 (Fawcett Society 2013). Using the powers of the Gender Equality Duty 2007 Act, their case demonstrated that the 2010 emergency budget would have a disproportionately negative effect on women. Their 2010 report showed that 72 per cent of the cuts announced in the budget were being met from women's income as opposed to 28 per cent from men's and therefore the government had failed to carry out the impact assessment required under its gender equality obligations. In the lead-up to the case, it was also noted in a letter leaked to the *Guardian* newspaper that the government was already aware of these issues and had been warned by the Home Secretary, Theresa May (now prime minister), that the budget was open to legal challenge (Jamieson 2010). While the case reached the High Court on 6 December 2010, the campaign was unsuccessful in its attempt to obtain a judicial review. This is despite the fact that the government admitted that it had not undertaken the equality impact assessment required under the law:

'It is submitted that the Budget was arguably unlawful because the defendants did not consider their section 76A duty or produce a Gender Equality Impact Assessment. There is no dispute that no such assessment has been produced. It is not disputed but that the provisions of section 76A are in principle broad enough to apply to government action such as the preparation and presentation of the Budget, including public expenditure limits.' (Conley 2012: 6)

Nevertheless, permission to seek a judicial review was not granted as the challenge was ruled 'not arguable' and 'academic' (*ibid.*: 22). The ruling rejects the challenge on three main grounds: the budget was too complex to assess gender impacts in a short amount of time; parts of the budget would have no discernible impact on gender and therefore a full impact assessment was not necessary; and finally, the Fawcett Society had delayed its application, causing 'problems of a significant order for the certainty which the public and corporate world (individual and foreign) is entitled to have in the budgetary affairs of the United Kingdom' (*ibid.*: 18). While all three of these claims are controversial, it would appear that the court deemed political stability to be more important than gender equality (Conley 2012).

Despite the government's failure to achieve its financial objectives over the course of parliament, attracting fierce criticism from economists, those in support of austerity have come to interpret these same results as a sign that further cuts are needed (Chu 2015). Campaigning efforts of trade unions and other activists against austerity during

this period also appear to have done little to stop the Conservatives winning a majority of seats in the May 2015 general election. The Conservative Party's plan to implement £12 billions of cuts to the social security budget by 2017–18 involves a two-year freeze on the rates of various working-age benefits, lowering the household benefits cap and changes to benefit entitlements for 18 to 21 year-olds (IFS 2015). For trade unions and campaigners, the fight against austerity is far from over, with the full effects of ongoing cuts to services and welfare still to be felt.

During 2010–2015, unions mustered their resources to combat a series of policy initiatives from a hostile state. But the government effectively undermined the unions' organisational power by reducing employment in the public sector, the unions' main stronghold; their institutional power by attacking public-sector unions' facility time; and their structural power by reducing workers employment rights and welfare entitlements, as well as through austerity which cut jobs. While unions were in some ways effective in keeping up pressure on the government, the outcome of the 2015 election ensures that these battles will continue.

#### **4. Outlook**

While anti-austerity protests have brought down governments elsewhere in Europe, Britain's Conservatives increased their share of parliamentary seats (a net change of +24 seats compared to 2010) in the 2015 general election on a platform of further spending cuts. While unemployment has fallen, this has not increased workers' bargaining power, in part due to restrictions on striking, assaults on the social safety net and an increasingly punitive welfare state. Trade unions may now excel at putting over their message on the problems facing Britain's workers, most notably low wages, job insecurity, inadequate pensions and threats to what remains of the social safety net. But they are in a weak position to extract concessions from the government and employers, because their power to disrupt and their ability to influence are both strictly limited along with their membership and bargaining coverage. While there is no evidence that the innovations under Labour governments helped unions to revitalise themselves, this is much evidence that the actions of Conservative governments have weakened them.

Another major Conservative Party assault on trade union power was the Trade Union Bill, a key legislative priority of the new government. The Bill proposed a minimum 50 per cent turnout in strike ballots, with strikes in 'important public services' also requiring the backing of at least 40 per cent of those eligible to vote, while doubling the length of notice unions have to give before a strike can be held from 7 to 14 days, requiring notice of social media messages to be sent out and allowing employers to use agency workers to replace striking staff. It introduces fines of up to £20,000 on unions for repeatedly failing to ensure that picket supervisors wear an official armband, and ending the 'check-off system' for collecting union subs directly from wages (BBC 2015b; Umney 2015). TUC general secretary Frances O'Grady stated that the bill was 'the biggest attack on unions in 30 years', while the GMB's Sir Paul Kenny said 'he would be prepared to go to prison if measures such as fining pickets for not wearing an arm band become law' (BBC 2015b). Polls by YouGov found that a large majority of the people questioned (around 70 per cent) did not favour some of the clauses in the legislation –

such as the new picketing rules and restrictions – but supported higher thresholds for strike action (YouGov 2011; YouGov 2015).

The House of Lords voted against the bill twice (Morris 2016) and it was passed in somewhat watered-down form in 2016. The 50 per cent turnout threshold remained, but concessions included allowing electronic voting; limiting the number of members subject to the new rules on political funds; providing some flexibility concerning strike notice and picket supervisors, and dues checkoff; and postponing decisions on other issues, such as what constitutes an ‘important public service’, the reduction in facility time for public-sector union representatives and a code of practice concerning picketing and protest (Ford and Novitz 2016; Bogg 2016). It therefore remains unclear exactly how repressive the new regime will be for unions.

Aside from continued hostility from the state, trade union campaigns will also take place against the background of the continued fragmentation of Britain’s left. Since the 1990s, the Labour Party has had an increasingly pro-business approach. However, the change in leadership in September 2015 could be the turning point. Although some attempted to steer Labour further to the right following their party’s defeat in the May 2015 elections, its members ultimately voted overwhelmingly for the only anti-austerity candidate – Jeremy Corbyn – as new leader. After receiving the minimum number of nominations from his colleagues to enter the race, Corbyn quickly became the favourite to win the leadership (Elgot 2015). His popularity frustrated many, with some saying that it showed ‘the party’s desire never to win again’ (Wintour 2015); former prime minister Tony Blair even pleaded with members ‘not to wrap themselves in a left-wing comfort blanket’ and Alastair Campbell, former No. 10 communications director, urged the party to vote for ‘anyone but Corbyn’ (Mason 2015).

Corbyn did not have the support of all of the unions – GMB, for example, made no recommendation, citing divisions in the membership, and USDAW and Community backed other candidates. For its part, UNISON delayed making a recommendation, taking nearly a month longer than UNITE. Nevertheless, Corbyn’s campaign attracted thousands of new party members, which resulted in him winning the leadership with almost 60 per cent of the first-round vote (BBC 2015c). After five years of campaigning, Unite and UNISON had little choice but to endorse the only anti-austerity candidate and ride the wave of enthusiasm for Corbyn’s candidacy from the trade union camp. His first speech to the TUC conference as Labour leader was met with ‘wild applause’ and three standing ovations ‘from an audience that would listen to Tony Blair in sullen silence at best’ (McSmith 2015). Depending on the success of Corbyn’s leadership in expanding Labour’s share of the vote, this may be the start of warmer and closer relations between the party and the affiliated unions (Harrop 2015).

Nonetheless, the 2015 general election and the 2016 ‘Brexit’ vote have shown a divided country. The general election showed a divide between southern English voters at odds with those of northern England, Wales, Northern Ireland, Scotland and inner London. Particularly in Scotland, the Scottish National Party is seen by many in the trade union movement as the social democratic alternative to Labour, and won all but three Scottish parliamentary seats. The affiliation of trade unionists to the SNP has fed



into the longstanding discussion over loosening the historical ties between the unions and Labour. Scotland also voted by a margin of 62 to 38 per cent to remain in the EU. As the United Kingdom becomes more and more fragmented, unions will most likely look to local communities and regional politics for solutions.

The 'Brexit' vote sharpened trade unions' existing problems. Trade union statements in the wake of the vote noted numerous other sources of uncertainty concerning individual employment rights won over the years through the transposition of EU directives, continued access to the EU as an export market, the availability of foreign investment, an upsurge of racist attacks, and – perhaps most importantly – the status of millions of EU citizens living and working in Britain. An undercurrent in this discussion was that many union members had voted for Brexit, against the recommendations of the unions and the Labour Party. Within the Labour Party the vote triggered renewed infighting over Corbyn's alleged lack of engagement in the campaign to remain in the EU. Corbyn was re-elected in a new leadership election, in which the GMB, USDAW, Community and the Musicians Union supported his opponent.

Although British trade unions campaigned against Brexit, there is little sign that coordination with colleagues in other European countries will form an important part of their future strategies. This is partly a legacy of the past, because some of the most militant parts of the British trade union movement have a strong Eurosceptic tradition, which is reinforced by neoliberal initiatives emanating from Brussels. Trade union capacity to cope with international affairs is weak and much of this international work reflects the political interests of trade union officials rather than a strategy for organising in an industry (Umney 2012). It is also unclear in the context of the abovementioned campaigns against austerity how the European level is immediately relevant, especially to the ongoing policymaking around 'Brexit'. The proximate cause of the unions' problems is the UK government rather than the European Commission. The international context is at present a remote concern for the unions.

**Will the unions' campaigning lead to a revival of their power resources? With millions of dues-paying members and an ever-developing campaigning capacity, British unions demonstrate that they remain an important actor in society, to members, non-members and employers. But all of this activity has had only subtle effects on government policy and the British model of capitalism and it is unclear whether it has led to an increase in membership or public credibility. Indeed using any measure of power resources, decline has been almost continuous since 1979. While using such measures may tell us why trade union work is difficult, it does not tell us much about what unions can actually accomplish.**

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# Why no wage solidarity writ large?

## Swedish trade unionism under conditions of European crisis

Erik Bengtsson and Magnus Ryner

### 1. Introduction

Hopes that the global financial crisis would call time on the neoliberal era and prepare the ground for an alternative socio-economic paradigm have come to naught. This is not least the case in Europe, where the euro-zone crisis has engendered, in the words of former Commission President Manuel Barroso, a ‘silent revolution’ of further market deepening through policies of privatisation and austerity (Ryner 2015). The reasons for this are not primarily intellectual in a narrow sense. Credible analyses and critiques abound of the fallacies and costs of neoliberal euro-zone crisis management and alternatives have been articulated. These have been based on rationales and prescriptions close to those traditionally associated with European trade unions, within the framework of which functional and individual income equality and aggregate demand expansion would reinforce one another, with a significant role for the public sector and solidaristic wage policy. Such a policy-package is now supposed to work on a continental scale, in a vision in which the idea of a progressive ‘social Europe’ is realised (for example, Lavoie and Stockhammer 2013; Stockhammer, Durand and List 2016). The problems reside rather in the difficulties of mobilising coherent overarching European agency, in a terrain – as charted in this book – of variegated industrial relations systems, embedded in national and regional economies in which the impacts of the crisis have been uneven and asymmetrical (Jäger and Springler 2015).

This problem is illustrated not least by the case of the Swedish trade unions, which on the face of it still enjoy considerable power resources, have a long and relatively successful history of realising at the national level the sort of policies that heterodox economists are now advocating at the European level, and which for that matter make frequent appeals to international solidarity. Advocacy of a solidaristic wage policy *writ large* – that is, similar heterodox policies on the larger European scale (for example, Schulten 2002) – is rare and controversial in Sweden. Swedish responses to the crisis tend to exemplify national competitive corporatism and its entrenchment in Swedish trade unionism. Hence, in the search for a way out of the collective action problems of European trade unionism, the Swedish case is symptomatic of the problem rather than the solution.

We explain why this is the case through the following three sections of this chapter. Section 2 accounts for the transition to competitive corporatism in Sweden as well as its perceived vindication and attendant consolidation during the global financial and Eurozone crisis. It is demonstrated that Swedish trade unionism and industrial relations have been characterised by continuity since 2008. The formative



transformations from the post-Keynesian Rehn-Meidner model rather took place in the latter part of the 1980s and the first half of the 1990s, in the course of the build-up of another asset-price bubble that resulted in the so-called Nordic banking crisis. Section 3 explains this phenomenon with reference to power resource theory. It is argued that, although trade union relational power resources, especially institutional and to some extent discursive ones, remain comparatively plentiful in Sweden, loss of structural power has reshaped hegemonic preferences among Swedish trade unions. These preferences have been adjusted to what is seen to be the increasingly uncompromising imperatives of the Swedish export sector, which at the same time remains capable of integrating the interests of large segments of Sweden's organised labour. The changed stance and leadership of the Swedish metalworkers' union is central in this regard. At the same time, Swedish trade unionism is not monolithic and there are important counter-currents to metalworker-led competitive corporatism. Some of these advocate more post-Keynesian solutions but others a purer form of neoliberalism. There are very few signs, however, that these are generating alternative sources to European agency. To understand this, it is important to appreciate the powerful enduring welfare-nationalist discourse that continues to shape Swedish civil society, not the least on the left. These dynamics are explored in section 4 of the chapter.

## **2. Competitive corporatism vindicated?**

Swedish wage bargaining in the 1950s and 1960s was dominated by the major trade union confederation LO's wage policy concept, the Rehn-Meidner model, named after two LO economists. This model was in many respects impeccably post-Keynesian. The success of the Rehn-Meidner model was both a consequence and a cause of the comparatively plentiful power resources of the Swedish labour movement. It was a consequence, because high union density rates and a social democratic 'natural party of government' generated its political conditions. It was a cause, because the institutional configuration of the Swedish welfare state, of which it was the pivot, served to reproduce and cumulatively enforce these power resources (Himmelstrand *et al.* 1981; Korpi 1983; Esping-Andersen 1985; 1990; Higgins 1985).

Wage bargaining was centralised to the confederation level in 1954 on the initiative of the employers, who, in the wake of the Korean War, wanted to contain inflation. However, soon the initiative within the centralised system passed to the trade unions (Fulcher 1991: chapter 8). With full employment, a friendly Social Democratic government and high union density rates with a large degree of intra-union ideological cohesion, a very ambitious wage policy programme was possible. The Rehn-Meidner model articulated solidaristic wage bargaining to, among other things, macroeconomic, labour market and social policy in a successful social democratic project (Ryner 2002: 55-98). The state pursued full employment policies, which strengthened the negotiating power of unions. Unions used that power to exert a profit squeeze and functional income redistribution from capital to labour (see

Figure 1).<sup>1</sup> By deploying the principle ‘equal pay for equal work’, solidaristic wage policy also reproduced trade union unity by equalising wages within the working class, as the link between the marginal productivity of particular sectors and enterprises and their wage setting was severed. This exerted transformation pressure, whereby vanguard high value added sectors were favoured.

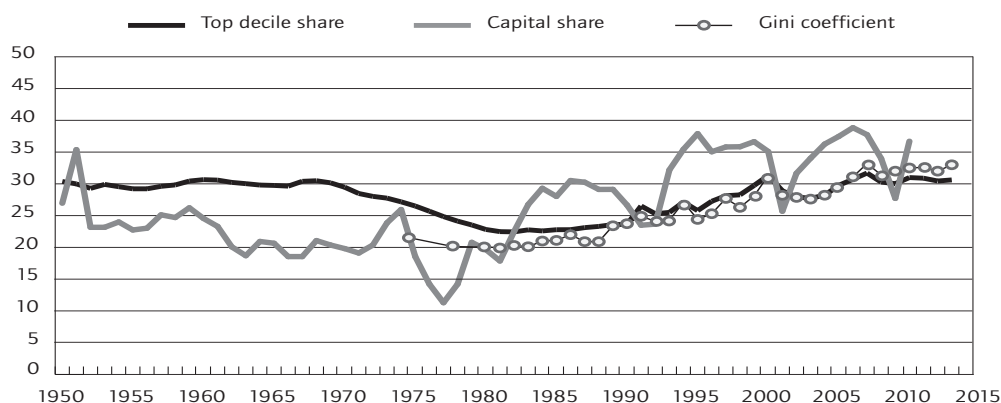
The profit squeeze, then, served redistribution objectives, while facilitating capital accumulation of a particular sort. Here, boosting general effective aggregate demand through full employment policy, an increased wage share, wage equalisation and public investments were central. At the same time, concern over union fragmentation because of wage drift incentivised union strategy to prevent the development of excessive demand. In particular, there was a concern that if profit rates became too large because of excessively expansionary macroeconomic policy bottlenecks would be generated that would make some firms offer wages over the going rate, which would counter wage equalisation, reduce transformation pressure and fragment the collective power of trade unions, while lower productivity growth would reduce the policy space for fortuitous compromises with employers.

Selective labour market policy played a crucial role in the overall policy mix, as did a whole plethora of capital controls and selective incentives intended to increase the marginal propensity to invest and hence to ensure adequate supplies of labour and capital, despite low profit rates (for example, Hedborg and Meidner 1984; Pontusson 1992). Tax policy was also a key part of this policy mix. High corporate taxes were important both for redistributive purposes, to contain high profits in firms that gained from solidaristic wage policy, and to generate revenue. Corporate tax was quite high in the 1950s and 1960s, fluctuating between 45 and 57 per cent; it stayed high in the 1970s and 1980s, before some important tax cuts between 1988 and 1994. Between these years, the typical corporate tax paid was cut from 57 to 28 per cent (Henrekson and Stenkula 2015 dataset, Figure 3.1).<sup>2</sup> In the course of developments, a large public service sector emerged as consequence and instrument for the decommodification of labour and as a source of employment (Esping-Andersen 1990). Together, these measures formed a comprehensive ensemble of policies that countered what Kalecki (1943) had identified as the generic social and political drivers towards unemployment and underconsumption in capitalism (Ryner 1999; 2002).

One crucial thing to note in the Swedish case was the extent to which the distribution between capital and labour at the macroeconomic level was a direct object of negotiation and trade union strategy in the Rehn-Meidner model. In other words, the macroeconomic

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- 1 This interpretation goes against the very influential interpretation of western European corporatism in the post-war period as beneficial for economic performance through the channel of wage moderation, an interpretation associated with analyses by Katzenstein (1985), Eichengreen (2007) and others. The more recent and comprehensive empirical investigations of wages and wage shares by Bengtsson (2014, 2015) contradict this interpretation. In particular, Bengtsson (2015) studies wage policy in Denmark, Norway and Sweden since 1950 and shows that of the three, Sweden was the country with the most pro-active wage policy in the post-war period, and, conversely, with the most rapid turnaround in favour of capital incomes in the 1980s.
  - 2 Overall, taxation moved similarly, with the tax-to-GDP-ratio increasing from 20 per cent in 1950 to 27 per cent in 1960, 37 per cent in 1970, 46 per cent in 1980 and 51 per cent in 1990 before starting to decrease during the neoliberal re-evaluations of the 1990s. In 2013, the tax-to-GDP ratio was 44 per cent (Henrekson and Stenkula 2015 dataset, Fig. 1.2.).

Figure 1 Capital share in manufacturing and income inequality, Sweden, 1950–2013



Note: the capital share and the top decile share are pre-tax; the Gini coefficient is post-tax and transfers (that is, disposable income). Source: capital share in manufacturing from Schön (2004), updated data received from the author. Top decile share from Roine and Waldenström (2008), updated data from Waldenström's website. Gini coefficient from SCB (2014).

'corridor' for wage increases was the result of direct negotiations between workers and employees at the confederate level. In other words, the Rehn-Meidner model was directly applied by LO's Secretariat, Representative Council and 'Small Delegation' in bargaining with employers, while informing macroeconomic policy through the union-party links (Meidner 1973; Kugelberg 1985). This is in contrast with the more indirect application of solidaristic wage policy in the German case, where convoy bargaining at the sectoral level was central to 'expansive wage policy' and squeezed aggregate profit shares by ensuring that the high-profit sectors and regions become wage-leaders as they settled their agreements first (Gourevitch *et al.* 1984; Swenson 1989).

First of all, the reason why the idea of a European solidaristic wage policy has so little traction in Sweden is in part because it no longer applies at the national level either. The main changes in the collective bargaining system took place during the asset-price bubble that developed after the liberalisation of capital markets in the late 1980s and above all in the aftermath of the ensuing crash – the so-called Nordic banking crisis in the early 1990s. This crisis led to severe drops in GDP from 1992 to 1994 and a very dramatic increase in unemployment, from the typical levels of 2–3 per cent before the crisis since the 1950s to typical levels around 7–9 per cent after the crisis. In the wake of this economic crisis, economic policy as well as wage policy were fundamentally reformed (see Lindvall 2006). Before the crisis, the asset-price liberalisation reforms in 1985 generated exactly the sort of wage-drift/leap-frog bargaining and union fragmentation that the Rehn-Meidner model warned would be the result of excessive aggregate demand stimulus and overheating when combined with attempts at wage restraint through incomes policy (Ryner 1994; Elvander 1988; Ahlén 1989).

Fragmentary tendencies had emerged already in the 1970s, after public sector employees acquired the right to bargain in 1965 and public sector unions became significant in

the union movement. But these developments assumed different proportions and generated qualitative changes in the course of the development of the 1980s bubble. Employers had succeeded in using the increasing fragmentary tendencies during the build-up of the bubble in the 1980s to drive a wedge between unions and break up corporatist forms of collective bargaining, in favour of the sectoral – or for them, even better – the firm level. The departure of the metalworkers and their counterpart Verkstadsföreningen from the centralised system, having become dissatisfied with its inflexibility on local wage formation, marked the starting point (Ahlén 1989). Fifteen tumultuous years followed, with switches between sectoral bargaining and attempts at recentralisation, characterised by high inflation and little improvement in real wages. (As we see in Figure 1, the increase in the capital share during the neoliberal epoch is concentrated to the years 1981–86 and 1992–95.) LO conceived this as a particularly insidious version of a wage-drift dynamic as all instruments for preventing overheating, apart from generating unemployment, were being dismantled (LO 1986). And indeed, the full employment policy that had been in place since Ernst Wigforss' first Keynesian budget in 1932 was abandoned in 1990 as a result of inflationary pressures, interpreted as grounds for rejecting Keynesianism and turning to Monetarism with price stability as the overarching goal of monetary policy (Lindvall 2006). After the asset-price bubble burst, this was followed by substantial welfare state retrenchment in response to rapidly deteriorating fiscal balances.

It was against this backdrop that trade unions not only acquiesced, but played a leading part in accepting competitive corporatism as the lesser of possible evils and in order to attempt to influence its particular form. Because of cycles of wage drift and leap-frog bargaining, wage determination had become increasingly inflationary through the 1970s to the 1990s. This threatened the traditional organisational autonomy of unions and employers' organisations as state official state mediation became increasingly prevalent (culminating in the so-called Rehnberg Commission). State-led mediation lowered nominal wages and inflation in 1994 and 1995. Against this pressure, the tripartite committee 'Edin Group' chaired by LO's chief economist agreed on the so-called 'Europe norm' whereby it was agreed that profit rates were no longer something that could be squeezed as per the Rehn-Meidner model. Rather, the corridor of possible wage increases was seen as exogenously defined by the overall rate of inflation in the EU plus Sweden's rate of long term productivity growth. It was accepted that any attempt to challenge this corridor would result in central bank intervention that would increase unemployment.

The 'Europe norm' provided the basis for the 1996 Industry Agreement (Industriavtalet, or IA) – a common agreement for all bargaining units in industry – and within LO through the so-called LISA project (Danielsson Öberg and Öberg 2015; Andersen *et al.* 2015: 147). The IA wage-setting order is that the IA is closed first in each bargaining round and all other agreements follow the IA norm with regard to the size of wage increases in percentage terms. Hence, the LO Secretariat coordinated wage bargaining and distribution within the wage earner collective on the basis of what the 'Europe norm' allowed (Lindberg and Ryner 2010; Ryner 2013). Thereby, corporatist collective bargaining was retained in a more informal and sectoral form, but – and quite in line with European developments at the time – with a decided shift towards supply-side

oriented competitive corporatism (Bieling and Schulten 2003; Schulten and Ryner 2003). While some elements of the Rehn-Meidner model were retained and even became a reference point for Lisbon Agenda best practice – such as selective labour market policy – their effect was completely recast when parted from post-Keynesian commitments such as full employment as a macroeconomic commitment and functional income redistribution as a collective bargaining objective.

This development towards competitive corporatism where profit and price levels are treated as exogenous in looser sectoral coordination has often been described as a Germanisation of the Swedish industrial relations. This is true with a qualification. The traditional German convoy model was much more geared towards maximising the wage share than this new Swedish system. Whereas the identification of wage-corridors at the macroeconomic level as referents for bargaining had been a comparative strength of the Rehn-Meidner model, in the new situation it became an effective tool for wage restraint.

It was against this backdrop that Swedish trade union practices and industrial relations endured through the financial crisis and the Great Recession, and indeed played their part in crisis management. The recession was deep but short in Sweden, with a contraction of –0.7 per cent of GDP in 2008 and –5.1 per cent in 2009. However, already by 2010 output rebounded with 5.7 per cent growth in 2010 and 2.7 per cent in 2011. Since then, growth has not been spectacular but steady at an average annual rate of 1.6 per cent (OECD 2015: Annex Table 1). With little exposure in US subprime markets, the crisis was transmitted to Sweden indirectly after the collapse of Lehman Brothers through rising funding costs, declining asset prices and the stalling of world trade. In addition, the crisis revealed exposure of Swedish banks to toxic assets in the Baltic states.

Nevertheless, recovery in Sweden's main export markets helped end the recession fairly quickly, together with relatively robustly enduring domestic demand, and rather aggressive, but short-run, expansionary fiscal and monetary policy. According to the OECD, the accumulation of budget surpluses before the crisis had put Sweden in a good position to let the automatic stabilisers do their job and discretionary fiscal stimulus (tax cuts) work 'without incurring any reputational costs' (OECD 2011: 18). But above all, monetary policy in the form of aggressive interest rate cuts (larger than those in the United States and the euro area) and a range of unconventional monetary policies<sup>3</sup> played a crucial role. The collective bargaining system played its role here by containing headline inflation pressures as the 2010 wage round delivered 'moderate wage pressures ... and well anchored long term inflation expectations' (OECD 2011: 23). Indeed this has

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**3** These included longer terms credit facilities by the Central Bank to commercial banks, a credit facility to non-financial companies in exchange for commercial papers as collateral, reduced collateral requirements, extension of eligible counterparts, swap agreements with the US Federal Reserve and the ECB, longer term credit facilities denominated in US dollars, special liquidity assistance, strengthening of foreign exchange reserves, and the issuance of Central Bank debt certificates. Measures taken by other government bodies than the Central Bank included increased deposit guarantees, bank guarantee and capital infusion programmes, a stabilisation fund for the financial system, the issuance of Treasury Bills, and special financial support for small business and exporters through ALMI (a government owned financing and business development agency). Most of these measures were temporary, or phased as demand waned with the recovery (OECD, 2011: 41-42).

been delivered with such vigour that for the past couple of years, there has been fear of deflation, and in February 2015 the interest rate entered negative territory, at a level of  $-0.10$  per cent; at the time of writing, the interest rate is  $-0.50$  per cent.

Hence, the Swedish case conforms quite well with the ideal type of a nationally oriented competitive corporatism, which has been rather passive or unreceptive to calls for more coordinated and heterodox Europe-wide measures. This has material reasons. To be sure, developments in Sweden are far from ideal for the trade union movement. Unemployment rates are stuck at historically high levels of about 8 per cent, wage shares have fallen and rates of poverty and inequality have increased (albeit from low base-levels). Anaemic growth rates, despite negative interest rates, and a ballooning asset bubble suggest a dysfunctional financial market. Ironically, the nature of these dysfunctions is accounted for with great eloquence by one of the main architects of the 1985 deregulations (Franzén 2014). Nevertheless, there is a clear belief that the current arrangements are the best within the limits of the possible and the rather quick recovery from the financial crisis is seen as vindicating this. The current system is compared favourably with the inflationary 1970s and 1980s, which was characterised by trade union fragmentation and decomposition and a lack of real wage growth. By contrast real wages have increased in aggregate terms since the inception of competitive corporatism between 1995 and 2008. It should also be pointed out that recent research suggests that there is a positive feedback loop between exports and domestic consumption in the Swedish growth model that is not present, for instance, in the German one. Sweden, in contrast to Germany, has been successful in developing significant high-end ICT-based service sector exports (including research and development services, marketing, telecommunications, data, information services, transport and intangible rights [patents and licences]), with significant multiplier and accelerator effects on domestic employment and consumption (SCB 2015; Baccaro and Pontusson 2016; Erixon 2015). In other words, despite increases in inequality and unemployment, a large segment of Swedish workers are integrated in the growth model through the labour market and many unions see benefits to the current system.

### **3. Competitive corporatism explained: weakening power resources and structural change**

The transformation of the industrial relations system and trade union strategy, from the Rehn-Meidner model to competitive corporatism, is therefore reasonably interpreted as a defensive retreat reflecting a weakening of the power of Swedish unions.

This is not, however, immediately obvious when we consult some of the conventional indicators of power resources. According to power mobilisation theory, one crucial indicator is union density rates. It is certainly the case that it has decreased in recent years. However, it peaked as late as in the 1990s, and the current rate of about 69 per cent (in 2015) is not only high in an international comparative perspective, but as high as the average of 69 per cent during the 1960s and the 'golden age' or the Rehn-Meidner model (Kjellberg 2016: 71–72.) The collective bargaining coverage rate tells a similar and, if anything, an even more puzzling story. In 2013 it stood at 89 per cent, having

peaked at 94 per cent as late as 2005. By contrast, it was 75 per cent during the golden age of the 1960s, 78 per cent in 1970, 85 per cent in 1975, 88 per cent in 1980, 91 per cent in 1985 and 1990, and continued increasing throughout the 1990s and up to 2005 (ICTWSS 5.0).

Part of the reason for declining power despite these still rather favourable aggregate figures has to do with trade union composition, which has changed dramatically in recent decades. These changes have resulted in a diversity of preference, which makes it increasingly difficult to unite around a coherent policy concept such as that of the Rehn-Meidner model in the post-war period. A word of clarification is needed. In Sweden, the distinction between *arbetare* (blue-collar worker) and *tjänsteman* (white-collar worker) is fundamental in terms of collective agreements and trade union organisation.<sup>4</sup> While up to and including the 1980s a vast majority of unionists were members of the Social Democratically-inflected blue-collar union confederation LO, today a majority of union members are in the white-collar confederation TCO or the professionals' confederation SACO.<sup>5</sup> Today, the average white-collar employee is more likely to be a union member than the average blue-collar worker: unionisation was 74 per cent for the first group in 2015 and 63 per cent for the other (see Table 1). Equally important in this regard is the increased sectoral variation in union density. Generally, unionisation is higher in the public than in the private sector: 81 and 64 per cent, respectively in 2015 (Kjellberg 2016: 12). Furthermore, as we see in Table 1, differences are large within the private sector. In manufacturing, 76 per cent of blue-collar employees are union members, but from there the rate declines to 65 per cent in construction and only 51 per cent in private services. The divergence between sectors is not entirely new but became much more pronounced after the unemployment insurance was reformed in 2006. Since unemployment insurance is administered by unions (the Ghent system), when the centre-right government of 2006–2014 made it more expensive to be a member of the insurance scheme and differentiated fees according to union-specific unemployment, membership in unions with high fees and high unemployment dropped significantly (Kjellberg 2016: 32–53). Among white-collar workers, from 2006 to 2015 union density decreased by only 3 percentage points, from 77 to 74 per cent. Among blue-collar workers, on the other hand, union density decreased by 14 percentage points, from 77 to 63 per cent. This strengthens the long-term trend of white-collar unions growing relative to the blue-collar union LO.

The large shift in the composition of unionists since the 1980s means that a certain level of union density – say, 70 per cent – does not mean the same thing today as it did in the 1960s, when unionists were much more homogeneous socially and ideologically. As Pontusson (2013) has pointed out, the social composition of unionists has important implication for the unions' political preferences. Sweden is a good case in point.

<sup>4</sup> Sweden still lacks a clarification of the nature and significance of the *arbetare/tjänsteman* distinction like the one that Jürgen Kocka's (1981) *Die Angestellten in der deutschen Geschichte* provides for Germany; Swedish researchers have tended to take this divide for granted.

<sup>5</sup> In 1950 LO stood for 81 per cent of all unionists in Sweden; in 1960 it was still 77 per cent, but in 1970 the figure was down to 67, subsequently falling in 1980 to 63 per cent, in 1990 to 58 per cent, in 2000 to 54 per cent and since 2007 LO stands for less than half of Swedish unionists. Shares for 1950 to 2000 are calculated from Golden *et al.*'s (2008) data set; later shares are calculated from the yearly reports of LO, TCO and SACO.

Table 1 Organisation density by sector, Sweden, 2006, 2010 and 2015

	2006	2010	2015
Blue-collar			
Manufacturing	84	79	76
Construction	81	71	65
Private services	66	57	51
Public sector	87	83	77
<b>Total</b>	<b>77</b>	<b>69</b>	<b>63</b>
White-collar			
Manufacturing	80	77	80
Private services	65	63	66
Public sector	89	86	83
<b>Total</b>	<b>77</b>	<b>73</b>	<b>74</b>

Source: Kjellberg (2016), p. 9. Organisation density is not shown for white-collar workers in construction because there are very few of them.

But such an explanation of reduced power resources only takes us so far. Unity of purpose always had to be politically constructed and the very *raison d'être* of solidaristic wage policy and the Rehn-Meidner model was to provide institutional means for doing so. From that point of view, the growth of TCO- and SACO-organised white-collar workers is not a new phenomenon but rather became a salient reality as early as the 1960s. It is standard fare in comparative welfare state research based on power resource theory that welfare-state universalism, for which the Rehn-Meidner model was pivotal, was for a long time a rather effective institutional mechanism for integrating white-collar employees into the social democratic project and hence helping to constitute a social democratic 'extended working class' (Himmelstrand *et al.* 1981; Esping-Andersen 1985; 1990). Hence a more comprehensive explanation needs to address the question of the weakening institutional power of Swedish trade unions.

But here, too, the empirical evidence is far from straightforward. Institutional power resources are, on the face of it, those that have been the least weakened. While the centre-right government of 2006–2014, as already mentioned, made membership in unemployment insurance more expensive, thereby hurting union density among workers, they did not touch labour legislation. The major labour law reforms of the 1970s (MBL, LAS, FML) still basically stand: elected unionists have the right to do union work during paid working time, lay-offs should follow the last in-first out seniority principle, and so on. Regarding the right to secondary strikes and boycotts, employers are frustrated by what they perceive as too wide union freedom to start labour conflicts (Karlson and Lindberg 2009: 57). A report from an employer-friendly think tank has highlighted that a group of small or medium-sized unions are responsible for a large proportion of conflicts: the electricians, the dock workers, the Syndicalist Union, the construction workers, the painters' union and the transport workers (Lindberg 2006).



Formally, the institutional power resources of the unions have not been dismantled; they have not been attacked head on. But of course institutional change need not be so obvious and drastic. In the language of Thelen (2009) we can distinguish between change through dismantling – the wholesale replacement of an institution with another – and change through erosion or dualisation. When it comes to the seniority principle for lay-offs (included in the 1974 Law on Employment Protection), an exception has been made for companies with fewer than 10 employees (a reform in 2001, when the centre-right parties united with the Green Party). More importantly, the prevalence of short-term contracts has increased dramatically in the 2000s, thus rendering regulations applying only to full-time workers less influential. In 1997, employers got the right to hire up to five persons on fixed-term contracts without stating a specific reason. In 2007, employers were given the right to hire any number of people like this (Berglund and Esser 2014: 64). After two years, people on a fixed-term contract should get a permanent position, but if their status has changed during those two years (for example between two types of fixed-term contract), this does not apply. The share of employees on fixed-term contracts increased from 13 per cent in 1995 to 16 per cent in 2012 (Berglund and Esser 2014: 65). The Swedish labour market has seen significant dualisation since the crisis of the 1990s and even optimistic domestic observers of the ‘Swedish model’ view this development as a potential cause for further institutional disruption (Lundh 2002: 272, 278–79).

Thus, trade union institutional power has been weakened but in complex and uneven ways. The full extent of this can be sounded by considering it in conjunction with discursive power within the public policy arena of the state. When LO took the lead in the trade union response to the Nordic financial crisis in the 1990s and the austerity policy that followed and helped to establish the competitive corporatist settlement, it selectively targeted the institutional domains in which unions were discursively recognised as a serious actor (Ryner 2013). Attempts to change labour law and social services provision were forcefully and successfully resisted and though social insurance replacement rates were reduced, the reductions were limited because of effective trade union mobilisation. However, these objectives were achieved through a tactical retreat from policy domains in which the unions did not consider themselves strong enough to be recognised as a serious policy actor. Interestingly, and confirming arguments of depleted agenda-setting capabilities (Baccaro and Howell 2011), this included the domain of macroeconomic policy. Unions deliberately retreated from their critique of financial liberalisation and disciplinary neoliberal monetary policy in the 1980s, although their argument that this would cause an asset-price bubble and ultimately mass unemployment could be considered vindicated. Instead, the ‘Europe norm’ became the anchor through which LO sought – and to a large extent managed – to forge cohesion within the more heterogeneous wage-earner collective, as discussed above.

This reduction of agenda-setting power is significantly related to the crucial power resource that resides in the relationship between the unions and a hegemonic political party. This relationship has eroded significantly since the 1980s (for example, Ryner 1994). Beyond the policy domain, the discursive power of Swedish trade unions is not what it used to be in civil society at large. With a 69 per cent density rate, it is of course

still considerable. However, the ideological and intellectual influence of unions is less tangible than formerly. This is of course related to increased union heterogeneity, with many of the SACO unions being fairly well disposed towards conservative economic policy and more. But there is also a striking pattern of often rather unfavourable perceptions of unions. In the major Swedish opinion poll, the SOM poll carried out annually by political scientists at Gothenburg University, in 2013 only 27 per cent of respondents said that they had very large or large trust in unions; 41 per cent claimed to have neither a positive nor a negative view of unions, while 32 per cent said that they had little or very little trust in unions (Holmberg and Weibull 2014: 102). On balance, 5 per cent more said that they had an unfavourable view than a favourable. Media studies scholar Jesper Enbom (2009) has devoted a dissertation to the paradox that while the Swedish union movement is often considered one of the strongest in the world, in surveys back home it seems to have significant image problems. The image of selfish trade union bosses (*fackpampar* in Swedish) is a well-known cliché in Sweden, even though most employees are still members of unions.

However, the decisive power relationship that has changed is the increased structural power of the capital side (for example, Gill and Law 1989), in the form of Sweden's increasingly transnationally mobile corporations. It was above all this reality that compelled unions to forge a common wage-bargaining concept anchored in the European norm that by implication accepted increased profit rates as exogenously given (Ryner 2013). Hence, ultimately the drivers behind the transition from Swedish solidaristic wage policy to competitive corporatism reside in changes in Sweden's nation-state based, relatively undiversified, export-oriented growth model. These changes have been particularly dramatic since the late 1980s and have rendered the aforementioned relational power resources increasingly ineffective and hence explain the more modest preferences of trade unions.

The Swedish practice informed by the Rehn-Meidner model depended on the facilitation and distribution of rents in a niche based export sector. Dominant positions and price-making privileges were developed in certain market segments in which Swedish multinational corporations were market leaders. These had developed out of vertical integration in industries with their origins in the second industrial revolution. Swedish companies were dominant in electrical and mechanical engineering, supplying other industries (for example, ASEA, Ericsson, AGA, SKF, Sandvik). Some Swedish companies developed distinct market positions in mass consumption industries (Volvo and Saab in automobiles in addition to trucks, Electrolux in household electronics and whiteware products, Tetra Pak in agricultural processing non-durable consumption and IKEA in flat-pack furniture). Over time, some developed their position by supplying direct public consumption (Ericsson in telecommunications and Pharmacia and Astra in pharmaceuticals). It is also important to appreciate that high value added raw materials and semi-processed materials (iron ore, steel, pulp and paper) continue to play an important role for Swedish exports. These corporations were connected to no more than three 'financial spheres' exerting strategic influence through cross-ownership and the supply of 'patient capital'. This provided labour and the social democratic state with an amenable interlocutor in joint-coordinated bargaining (Ingham 1974; Mjøset *et al.* 1986; Ryner 2002: 67–72).

Superficially, it appears that Sweden's export sector is characterised by continuity. Engineering products, automobiles, pharmaceuticals, semi-processed and raw materials (pulp and paper and iron and steel) produced by large corporations remain dominant, though the export of services has increased rapidly since 2000 and now makes up 30 per cent of total exports (SCB 2015). A total of 70 per cent of exports go to Europe, with Norway and Germany as the main markets; 11 per cent of exports go to Asia and 7 per cent to North America. However, there have been many changes since the 1960s. One of these is the transnationalisation of production of Swedish MNCs, which means that only 30 per cent of their employees are employed in Sweden. In engineering, the domestic share of employment and turnover are much lower (Tillväxtanalys 2015). But this is not the main challenge to the power resources of Swedish unions as they have been relatively successful in negotiating to retain high value added segments within the country.

The main challenge rather resides in changes in the financial structure with attendant effects on corporate governance, which have increased the required rate of return on capital. Financial liberalisation in the late 1980s caused a 'big bang', with a massive increase in turnover on capital markets. In addition, foreign ownership by institutional investors increased from 3 to 43 per cent by 2001, with UK and US investors being particularly active (Svensson 2001; Reiter 2003: 112–113). This has completely changed the incentives and terms of corporate strategy. Above all, this represents a major departure from bank-centred strategic ownership. Swedish corporations have even abandoned their cherished preference-share system against the backdrop of pressure to increase shareholder value (Reiter 2003: 113–119). Furthermore, after the 1999 pension reform, the AP pension fund system no longer works as a strategic player on the financial market (Belfrage and Ryner 2009). All in all, against the backdrop of this structural pressure, Swedish unions are treating profit rates as exogenously given and no longer something that can be affected through collective bargaining (Lindberg and Ryner 2010; Ryner 2013).

#### **4. Competitive corporatism contested? Intra-union contestation and the absence of Europeanisation**

In this section, we return to the theme of increased trade union diversity in Sweden in order to ascertain whether there are any prospects of change to competitive corporatism in Sweden, and if so, what are the implications for the problems of constituting a collective European agency, as discussed in the introduction.

A starting point for such an investigation is to recall the aforementioned increased diversification of the Swedish union movement that began in the 1970s with the expansion of the public service sector. This is symbolised by the shift in 1977 when the Municipality Workers Union became the largest union within the LO, dethroning the Metal Workers (Lundh 2002: 251). The service sector as a whole has subsequently become larger in terms of employment than manufacturing and construction. Besides this sectoral shift, the shift from a trade union movement completely dominated by the LO to a more diversified one, with white-collar employees and professionals increasing in number and unionisation was equally important.

Given these developments, although strong real wage increases since the inception of the IA gives it a lot of good will, the privileged role of industry in IA and Swedish competitive corporatism is not uncontroversial. The controversy centres on the fact that some fairly large unions are not involved in setting the IA norm and for various reasons they do not want to be bound by it, or be allowed to influence it. Some unions of academic professionals have a long-standing opposition to any general wage agreements that constrain their labour market power to strike more favourable wage deals and they are happy to acquiesce the increasingly common ‘numberless’ agreements – that is, agreements without a common wage increase, where instead wage increases are to be determined on the individual level – for that purpose (Danielsson Öberg and Öberg 2015). By contrast, some heavy service sector unions (construction, transport) with less market-power think that the IA parties are too conservative in their wage policy and that service sector workers are underprivileged because they, unlike manufacturing workers, do not get wage drift (local wage increases over the increases of the collective agreements).

A third and even graver challenge to the IA model is that from women-dominated trade unions – the Swedish labour market is especially gender segregated – in the public sector, who believe that the uniform wage increase norm of the IA order conserves unjust wage differentials. The LO (2015a: 3) in their latest wage report show that in 2014, the average wage for men was 17 per cent higher than the average wage for women, and that the difference in the group of blue-collar workers shrank significantly in the 1960s and 1970s, some in the 1980s, but only slowly since then. It is this lack of further equalisation, explained to a high degree by the strong gender segregation of the labour market, which frustrates women-dominated unions with regard to the Industry Agreement (on the contestation of the IA order see Lyhne Ibsen 2014.)

Essentially, the sectoral debate about the wage bargaining model pits two opposed arguments against each other. The one favourable to the IA echoes Katzenstein’s (1985: 32) old description of democratic corporatism: ‘Even to the casual visitor the self-dramatisation of smallness is evident, ritually invoked in any interview of sustained discussion by the words, “You must understand that this is a very small country.”’ Sweden is clearly a country of this type, where the phrase ‘we are a small export-dependent country’ is a cliché in political debate. This perception of the country being built by exporting industry supports the wage-leading role of industry in the IA order. The counter-argument is that the unequal power distribution in wage setting implied by the IA order is unfair, and especially that it is unfair to women, whose wage disadvantage compared with men is seen as preserved by the leading role in wage-setting awarded to industry (see Nordström and Granlund 2014).

In the wage round of 2015-2016, LO coordination foundered on exactly the conflict discussed above: unions could not unite on a way of combining equal pay advances with the norm-setting role of industry. Besides this failure in explicit cooperation, the use of ‘number-less’ agreements sidestepping the IA norm is also increasing. By now not only academic professional unions, but especially female-dominated unions in the service sector increasingly use this ‘number-less’ design explicitly to avoid the constraint of industry wage leadership and pursue higher increases. This incenses the manufacturing unions and this conflict is also likely to continue to simmer in forthcoming bargaining

rounds (Öberg 2014). Given these deep rifts in policy preferences, it is interesting to speculate about what kind of macroeconomic policy the unions will be able to unite on, also related to the changes in the growth model.

In principle, one could consider a post-Keynesian challenge to competitive corporatism emerging not least along the highly segmented gender-axis. There are points of tension between the competitive corporatism of the metalworkers union and public sector unions, as well as other unions facing stiff wage competition, such as the transport union. Given the constraints that have compelled the development of competitive corporatism this is unlikely to be successful at the national level and one would therefore imagine that these unions would be amenable to pan-European wage solidarity, as discussed in the introduction. However, the strong welfare-nationalist character of the Swedish left and the labour movement poses a major obstacle to such developments, given the strong welfare-nationalist discourse. This is manifested not least in the anti-EU movement where the national 'people's home' was seen as threatened by 'Europe' (Trädgårdh 2002; see also Sörbom 2012).

Nevertheless, in recent times there has been some movement towards thematising Euro-Keynesian perspectives in Swedish union debates. The construction, transport, electricians', service and communication workers and painters unions (all except the transport union members of the so-called 6F Alliance) submitted a Motion to the 2016 LO Congress in favour of transnational wage coordination and public investment aimed at increasing the wage share and generating wage-led growth (Jacobsson 2016). At the same Congress, a commission set up at the 2012 Congress submitted its Final Report, discussing wage-led growth though without specific policy recommendations on the subject (LO 2015b, especially 196–199). However, these initiatives have been strongly critiqued and contested by the metalworkers' union (Jacobsson 2016). Rehashing the competitive corporatist logic, they argue that European coordination around wage-led growth would pose serious threats to the favourable wage developments over the past decade and a half as northern European competitiveness would be put under pressure. With this motivation, the motion was dismissed by the Congress, which pared down issues of distribution between capital and labour and possible transnational wage policy coordination to instead focus more on the issue of wage inequality (von Scheele 2016). Of course, it is impossible to argue against trade unions' striving for decreasing wage inequality – not least in light of the gender wage differences discussed above – but it is more disputable that the two policy aims were pitted against each other as an either/or choice.

## 5. Conclusion

Good ideas are no guarantee of success if they cannot be backed up with coherent collective organisation and action. The Swedish case is symptomatic of this problem, which is all too familiar in the contemporary European trade union movement. In the highly fortuitous circumstances of the immediate post-war period, some of the best that European socialist and social democratic ideology had to offer was given real substance in Swedish solidaristic wage policy as codified by the Rehn-Meidner model. It is an

attractive and inspiring thought that a pan-European version could be the cornerstone of a progressive alternative.

This chapter has explained and offered real and material reasons why this thought has so little traction in the Swedish trade union movement, in which, instead, competitive corporatism has become near-hegemonic. There are multiple causes for this but the most important include the structural power of capital, an increasingly fragmented union movement and a deeply entrenched welfare-nationalism.

It is important in this context not simply to dismiss the rejection of a good idea as a mistake. Despite high levels of unemployment and increased inequality and poverty, and an unravelling of what used to be a positive feedback loop between social and institutional power resources, competitive corporatism has served large segments of Swedish workers rather well. This more than anything serves to underline the collective action problem.

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# **The European trade union federations: profiles and power resources – changes and challenges in times of crisis**

Torsten Müller and Hans-Wolfgang Platzer

## **1. Introduction**

For a considerable time now, the European Union has been kept hanging in suspense by a multitude of overlapping crises. What started as a subprime mortgage crisis in the United States in 2007/2008 and turned into a world financial crisis, led to the sovereign debt crisis due to the public costs incurred by the crisis management policies adopted and finally turned into the ‘euro crisis’ because of the interdependencies within the euro zone. What we can see is that during this period, in addition to the general, transnational dynamics of the crisis, there were nationally fairly different trends and developments in the EU Member States (for a comparative analysis, see Bieling and Buhr 2015). While countries of the western and northern European centre could moderate the effects of the crisis and have now by and large overcome it, in the southern and some central and eastern European countries the crisis has had dramatic labour and social policy consequences and led to hitherto unresolved problems.

For the trade unions’ capacity to develop cross-border and supranational policies this means two things: first, the crisis has created nationally specific and at the same time divergent problems and contexts for trade union action, which make it more difficult for trade unions in Europe to develop common, coherent and transnationally coordinated strategies. Second, the transnational nature of the crisis has also created overarching, similar or complementary problems that can foster and promote joint European approaches. Empirical analysis of these conflicting trends of a crisis-induced divergence of trade unions’ power resources, capacity to act and political priorities, on one hand, and of the need and new opportunities for transnational solidarity and for joint European action on the other, requires a multi-level approach (Müller and Platzer 2016); in other words, a comparative analysis of national trade unions and industrial relations in the EU28 linked with an analysis of cross-border relationships and the EU-level trade union organisations.

This contribution focuses on the European level. It analyses whether and how the crisis impacted the European trade union organisations’ power resources and their capacity to act. The empirical analysis will be based on an analytical framework that combines two approaches which the authors have developed elsewhere: a model of union power resources in a European multi-level system of industrial relations (Müller and Platzer 2016) and a typology of transnational union organisations which helps to differentiate the European trade union federations according to different functional profiles and actor qualities (Platzer and Müller 2011).

This analytical grid allows us a twofold comparative perspective: a diachronic one that compares the European trade union federations’ capacity to act ‘before the crisis’

(empirical reference year 2008) with the current conditions (empirical reference year 2015); and a synchronic perspective that uses the analytical grid to systematically embrace the complexity of the trade union landscape at European level and the diversity of organisational patterns. The analysis covers all the existing European sectoral trade union federations plus the European Trade Union Confederation (ETUC) at cross-sectoral level. The analysis is primarily based on quantitative data, complemented by further qualitative findings of previous studies conducted by the authors (Platzer and Müller 2011; Rüb and Platzer 2016).

## **2. Analytical framework**

### **2.1 Trade union power resources in a multi-level system of industrial relations and functional profiles of transnational trade union federations**

In recent trade union research, an approach has become established that analyses the role and power of unions by means of a power resources approach. The large body of literature that exists by now (see, for example, the anthologies by Haipeter and Dörre 2011; Schmalz and Dörre 2013) typically distinguishes four sources of power: economic-structural power, associational or organisational power, institutional power and communicative power. These four dimensions are partly mutually dependent, complementary and to a certain extent mutually exchangeable.

This power resources model and the corresponding analysis of power is essentially based on a national frame of reference. Not sufficiently taken into account, however, are the increasing political and socio-economic interdependencies in the EU and the growing importance of the European level of decision-making. For the purpose of this contribution it is therefore essential to add a transnational-European dimension to the power resources approach. A useful starting point could be the concept of a Europeanisation of industrial relations and collective bargaining in the context of a multi-level system of governance, which the authors have developed elsewhere (Platzer 1998; Rüb *et al.* 2013).

Based on this broadened perspective the following observations can be made:

- All four national power resources mentioned above are subject to trans- and supranational economic and political influences. These influences can weaken but under certain circumstances also strengthen these national power resources.
- Monetary, economic and social policy decisions at European level affect important parameters of competition – both between states as well as between trade unions and thus (directly or indirectly) the various national and transnational power resources.
- A genuinely European level of economic-structural, organisational, institutional and communicative power resources will gain in importance.

Based on these considerations the following European multi-level model of union power resources can be developed and utilised for the empirical analysis. In the given context two caveats must be added: first, as regards the analytical concept it is possible to outline only the basic framework and second, concerning the subsequent empirical analysis, it is possible only to look at some power dimensions with a

particular focus on the European level and the European trade union organisations' functional profiles.

Table 1 Trade union power resources in a multi-level system of industrial relations

	Sources and components of trade union power	
	National level	Transnational-European level
Economic-structural power	Power deriving from position in labour market and production process power	<ul style="list-style-type: none"> <li>– Power deriving from position in labour market and production process in transnational value chains;</li> <li>– Cross-border (positive or negative) effects of nationally different market power within the respective labour market and production models of member states</li> </ul>
Organisational power	Membership strength, stability and vitality of union organisation	<ul style="list-style-type: none"> <li>– Ability to aggregate national and local means of power at transnational level;</li> <li>– Cross-border networking along value chains and mobilising cross-border support of weaker unions by stronger ones;</li> <li>– Resources and competences of European-level trade unions</li> </ul>
Institutional power	Securing influence in institutional arrangements	– Securing influence in European arenas based on EU Treaty and/or European law
Communicative power	Ability to take part in public discourses, to shape public opinion and to forge alliances with other actors of civil society	<ul style="list-style-type: none"> <li>– Coherence of ideological-programmatic positions;</li> <li>– Ability to represent common European strategies vis-à-vis EU institutions;</li> <li>– Ability to forge alliances with transnational NGOs</li> </ul>

Source: Authors' compilation (Müller and Platzer 2016).

Following other contributions (for instance the one by Huke and Tietje 2015: 374ff), for this European multi-level model of trade union power resources the national level can be described as follows.

The economic-structural power of trade unions as collective interest groups is determined by the specific situation of workers in the labour market and production process. This 'market power' is based on the ability to influence or 'disrupt' processes of production and capital utilisation. This ability in turn depends on a number of parameters, such as skills level, substitutability of labour, unemployment rate and degree of labour market segmentation into a permanent 'core' workforce and precarious workers.

However, the economic-structural power resources can be realised only if they are linked with sufficient organisational power, which in turn is the result of employees joining forces in a trade union. Organisational power is initially defined numerically and materially: by membership and union density figures, as well as by financial and personnel resources, including 'strike funds'. However, organisational power also has a qualitative dimension including the specific capacities to mobilise the membership, to generate the strategic collective action and to maintain the vitality and attractiveness of the organisation.

Institutional power is a 'secondary' but important power resource of workers and their trade unions. It is the result of historic struggles and social compromises between employers, governments and trade unions. It finds its institutional expression in the

specific shape of the labour law, the welfare state, the system of employee participation at company level, the collective bargaining system as well as in certain cultural traditions and practices of the industrial relations system. Institutional power secures union participation and stabilises or facilitates interest articulation by trade unions without a permanent ‘duty to mobilise’.

Communicative power refers to the ability of trade unions to engage in public debate and to (ideally) win the battle of ideas by successfully influencing public opinion and discourse and by ensuring the long-term presence and effectiveness of trade union ideas in social and public space. The communicative power resource also refers to the ability to cooperate with other civil society actors in influencing the public and published opinion (Huke and Tietje 2015: 374f subsume these two dimensions as discursive power and cooperative power under the single category of ‘societal power’).

At the European level, the trade union power resources can also be depicted in these four dimensions (see Table 1) and – in a nutshell – be characterised as follows.

In transnationally highly integrated production processes and markets, economic-structural power resources can (directly) take effect, if the workers and their unions have the cross-border capacity to disrupt production processes. This power dimension is influenced by the differences in the Member States’ labour market and production models because they provide the basis for the primary or market power of trade unions. The differences in unions’ market power, in turn, affect cross-border competition in the context of the internal market (*‘Standortkonkurrenz’*) and the European Monetary Union (see the problems of wage dumping).

The transnational organisational power resources are based on the specific national and local power resources of workers and their trade unions. Particularly important is, therefore, the national unions’ willingness to provide solidaristic transnational support and the ability of unions to cooperate across national borders and to develop a transnational countervailing power in variable networks. Finally, the transnational organisational power manifests itself in competences and the financial and personnel resources transferred to the European trade union federations.

The transnational institutional power resources manifest themselves in the unions’ ability to facilitate and/or secure influence in European arenas that are based on EU primary law through EU treaties and secondary law through EU regulations and directives. Examples of such arenas include the (cross-)sectoral social dialogue and the European or SE works councils at company level. Another example of transnational institutional power resources would be the adoption and implementation of EU law establishing an (optional) legal framework for transnational agreements at company level – but only if such a legal framework respects the trade unions’ prerogative in transnational collective bargaining (see Rüb *et al.* 2013).

The transnational institutional power dimension also includes the new system of European economic governance, established in the context of the current crisis as a tool to improve macroeconomic coordination within the EU. In principle, this new

system of economic governance – and more specifically the European Semester process which forms the core of the annual cycle of economic policy coordination – represents another multi-level arena giving trade unions the opportunity to exert influence at different levels: at European level through the ETUC in the formulation of the country-specific recommendations; and at national level through the national unions in the formulation of the national reform programmes, which form the basis for the country-specific recommendations. In practice, however, under the current political power constellations this system has produced adverse effects, weakening the national power base of trade unions. Examples include, first, supranational interventions in national wage policies in the context of the European Semester and the Memoranda of Understanding between the so-called ‘Troika’ and the countries that needed the help of financial assistance programmes (Schulten and Müller 2015); and secondly, the crisis-induced pursuit of consolidation/austerity policies which are coordinated at European level and which change national institutional arrangements at the expense of trade unions.

The transnational communicative resource is not aimed primarily at ‘European public or published opinion’, because these are still weakly developed and because European policy is still dealt with primarily in national arenas of discourse. Rather, it is about the consistency of ideological and programmatic positions and about the ability of European union federations to align and aggregate national interests and to convey these interests and strategies at both national and European level. The coherence and substance of common ideas about European policies and about regulatory requirements is also an important precondition for successful networking activities and for the creation of alliances (‘advocacy coalitions’) within a diverse ‘Brussels lobbying scene’.

These four transnational power resources provide a first analytical frame of reference, which, however, needs to be further differentiated for an analysis of the organisational and political characteristics of European trade union federations. In doing so, we rely on the analytical concept of ‘functional profiles of transnational trade union federations’ (see Platzer and Müller 2011: 35–53). This concept is based on a multi-level approach and the premise that in the course of European integration problems of governance or problem-solving above the level of the nation-state play a significant role. Drawing on the logic and configuration of political processes in multi-level systems, with their different modes for the coordination of social action (Scharpf 2000: 11ff), and transposing it to the world of trade unions (Rüb 2009), this concept provides a staged classification schema, as seen in Table 2. This approach focuses on functional profiles and allows transnational trade union organisations to be allocated within this taxonomy, depending on the scope and nature of their activities.

It would go beyond the scope of this contribution to describe this model in more detail. It should, however, be noted that the development of such a model rests on abstractions that are necessarily ‘ideal-typical’. This taxonomy can be looked at both diachronically as well as synchronically: that is, it can serve in historical terms to categorise the development of an individual trade union organisation and its key functional profiles in central policy fields. It can also be considered synchronically as a means of comparing the

Table 2 **Functional profiles of transnational trade unions**

Functional profile	Character of decision-making and scope of transnational activity
5. Supranational trade union	<ul style="list-style-type: none"> <li>– Hierarchical control</li> <li>– Wide-ranging powers and mandates</li> <li>– Continuous autonomous exercise of core trade union functions, such as collective bargaining and relations with employers.</li> </ul>
4. Associative governance	<ul style="list-style-type: none"> <li>– Establishment of binding <i>joint decisions</i></li> <li>– Standardisation of operational objectives (e.g. collective bargaining and/or coordination rules on relations with employers)</li> <li>– Case-by-case limited mandate (by topic or time) for transnational negotiations</li> <li>– Establishment of mechanisms for implementing and monitoring decisions</li> <li>– Establishment of internal procedures and transparency.</li> </ul>
3. Coordination platform	<ul style="list-style-type: none"> <li>– Negotiation of non-binding decisions</li> <li>– Regulated and structured agreement on joint positions</li> <li>– Standardisation of operational agreements (e.g. model agreements)</li> <li>– Agreements on positions with 'soft' orientation for affiliated organisations.</li> </ul>
2. Forum	<ul style="list-style-type: none"> <li>– Regular and formalised exchange of information</li> <li>– Continuous agreement and communication of positions</li> <li>– Scope for exchange to improve mutual understanding.</li> </ul>
1. Information provider	<ul style="list-style-type: none"> <li>– Information exchange</li> <li>– Limited and issue-specific cooperation and agreement on positions.</li> </ul>

Source: Authors' compilation (Platzer and Müller 2011).

stages of development and characteristics of organisations. For empirical analysis and concrete application, this model – as a heuristic tool – has been further operationalised. That is, specific indicators for different fields of activity (for instance, affiliate-related activities, company activities, wage coordination and industrial policy) were defined to allow the activities to be assigned to the functional profiles. Concretely, this means, for example, that a European trade union federation might exhibit characteristics of 'associative governance' in the field of collective bargaining, whereas the same federation might operate as a coordination platform for company-related activities.

### **3. The European trade union federations before the crisis: power resources and functional profiles**

In a first step, this analytical toolkit will be used to describe the European trade union federations' state before the start of the crisis. This section will also cover the 1990s and early 2000s because of the far-reaching changes that took place in those years in terms of EU integration (completing the internal market and creation of the monetary union) and the eastward extension of the EU ('big bang'). In 2008, which serves as the reference year for the analysis of the European trade union federations during the crisis years, there were 13 of them (see Table 3), which together with the ETUC at the cross-sectoral level form the 'European union family'. Because EMF, EMCEF and the ETUF:TCL merged in May 2012 to form the new organisation industriAll European Trade Union, the number of European trade union federations decreased to 10 in 2015.

**Table 3 Organisational data on European trade union federations (2008 and 2015)**

European trade union federations	Total membership represented (million)		Affiliates		Countries		Head office number of staff	
	2008	2015	2008	2015	2008	2015	2008	2015
ETUC	60	45	86	89	39	39	46*	59
EPSU	8	8	209	265	36	49	16	16
UNI-Europa	7	7	320	272	50	50	n.a.	n.a.
ETUCE	5.5	11	112	131	30	48	10	9
EMF	5.4		69		33		20	
EMCEF	2.5	6.7	128	192	35	37	8	23
ETUF:TCL	1		70		40		4	
EFFAT	2.6	2.6	120	120	35	35	11	11
ETF	2.5	3.5	223	230	40	41	14	16
EFBWW	2.3	2	68	76	27	34	8	9
EuroCOP	0.530	0.530	34	35	26	27	1-2	2
EAEA	0.300	n.a.	135	n.a.	27	n.a.	n.a.	n.a.
EFJ	0.280	0.320	53	61	34	40	4	8

Note: \* number for 2006.

Source: Compiled by the authors, based on organisational data.

Acronym	Full name
ETUC	European Trade Union Confederation
EPSU	European Federation of Public Service Unions
UNI-Europa	Union Network International - Europa
ETUCE	European Trade Union Committee for Education
EMF	European Metalworkers' Federation
EMCEF	European Mine, Chemical and Energy Workers' Federation
ETUF:TCL	European Trade Union Federation – Textiles, Clothing, Leather
industriAll	European Trade Union
EFFAT	European Federation of Food, Agriculture & Tourism Trade Unions
ETF	European Transport Workers' Federation
EFBWW	European Federation of Building and Woodworkers
EuroCOP	European Confederation of Police
EAEA	European Arts and Entertainment Alliance
EFJ	European Federation of Journalists



The analysis of the European trade union federations' power resources will focus mainly on their organisational and institutional power. The European trade union federations' economic-structural power resources are weakly developed because of their very nature as second-order organisations. As a consequence, their economic-structural power resources essentially depend on the interplay of two key factors: first, the structural power resources of their affiliates – that is, the affiliates' capacity to disrupt production processes; and secondly in the absence of a European legal basis for collective action, on the affiliates' willingness to put their market power at the disposal of the European trade union federations or at least to use it in a coordinated manner in a transnational context. The European trade union federations' communicative power resources – in the sense of their capacity to influence public and published opinion – is limited because the latter itself is weakly developed at European level, so that the struggle of ideas is taking place mainly in the arenas for public discourse at national level.

### 3.1 The European trade union federations' organisational power resources

Key indicators for the organisational power resources of European-level trade unions are their financial and personnel resources and their capacity of aggregating and coordinating their affiliates' national means of power at transnational level. Concerning the European trade union federations' financial resources, the most significant challenge in the pre-crisis era was the need to integrate trade unions from the former Eastern bloc after the end of the political division in Europe. The integration of trade unions from central and eastern Europe, on one hand, led to a significant increase in membership and geographical scope of the European trade union federations, which, in principle, increases their organisational power resources. However, at the same time enlargement has exacerbated the structural resource problems of the European trade union federations. Due to the limited resources of most of the central and eastern European trade unions, the European trade union federations were faced with rising demands in terms of providing training and advice to the new affiliates, but also in terms of enabling them to fully and comprehensively take part in their activities, for instance by simply covering the costs of attending meetings at transnational level. Despite repeated moderate increases in the European trade union federations' subscription fees, their financial resources have not kept pace with the rising demands of integrating a large and heterogeneous membership. As a consequence, the European trade union federations became increasingly dependent on 'external' financial support in their operations, especially as far as member-related activities are concerned (training, advice, research), most of which is project financing by the EU.

Similarly sobering is the result when looking at the personnel resources of the European trade union federations' secretariats, which in some ways are the bearers of the historical, organisational and political knowledge and experience of the federations, and which represent the overall organisation in its daily operations at 'Brussels level'. In the pre-crisis period, only half of all ETUFs employed more than ten staff. Even the at the time largest sectoral European trade union federation, the EMF, which in 2008 employed twenty people, had a cadre of full-time transnationally-active officials that is smaller than the regional offices of many national trade unions. Thus, even though the

secretariats of the majority of European trade union federations had grown somewhat in terms of staffing in the pre-crisis period, in no instance was this sustained or substantive enough to cope adequately with the increasing demands placed upon them.

However, the key determinant of organisational power resources is not financial and staffing capacity alone but also the intensity with which affiliates are involved in transnational cooperation, and the extent to which they make their know-how and (staff) resources available to the work of the European trade union federations. Nevertheless, even adding together the staff resources of all the European trade union federations, including the Brussels offices of some national trade union organisations, the problems of transnational capacity still remain severe given the much greater resources of the employers' side at European level, and the widening of the gulf between the representation of employer and employee interests since the Single Market programme. This brings us to the European trade union federations' capacity to aggregate and to coordinate their affiliates' interests and activities as the third factor determining their organisational power resources. Here also the growth in membership due to the integration of trade unions from the central and eastern European countries made things more complicated. Institutionally, because of the greater diversity of national trade union identities and practices; and politically because of the limited capacity of central and eastern European trade unions to implement transnationally agreed policies at national level.

The European trade union federations responded to this challenge by improving their internal working structures. In the late 1990s they began to establish internal coordination bodies to synchronise and coordinate their affiliates' activities. These coordination bodies were set up with respect to three broader policy areas: firstly, (sub-)sectoral issues mainly related to EU-level industrial policy initiatives or sectoral social dialogue; secondly, issues that concern a particular group or category of employees, such as female or young employees; and thirdly, cross-sectoral issues such as the coordination of collective bargaining and company policy. These issue-specific committees provided the context in which national affiliates were able to develop a greater understanding of each others' standpoints and create the trust needed to agree common positions and 'binding' guidelines. As such these internal coordination structures were an institutional precondition to improve the European trade union federations' organisational power resources through a more intensive interaction between representatives from national affiliates.

However, there were considerable variations in the degree of intensity and frequency of committee work within individual federations, depending on the sub-sector or issue. And there are even greater differences in the scope and intensity of transnational communication and coordination between the federations. These differences can be attributed to a number of factors. They can be due to the age of the federation: that is, a certain amount of time needs to have elapsed for long-term learning processes to have taken place before functioning transnational operational structures, based on mutual trust and confidence, can emerge. Differences can also be attributable to the specific demands posed by a European trade union federation's 'logic of influence' – that is, the need for transnationally-coordinated strategies in relation to the EU's regulatory

activities, which vary from sector to sector. And finally, they can be anchored in the 'logic of membership', such as limited resources or a long-term political lack of capacity or willingness to cooperate on the part of the affiliates.

The field of transnational collective bargaining coordination is a case in point with regard to how the increase in the willingness of national affiliates to commit themselves to the coordination processes managed by the European trade union federations increased their organisational power resources, with European trade union federations assuming the role of 'virtual coordinators' in discussions on wage formulae, negotiating guidelines and bargaining topics. However, they were not directly involved – either before or during – in the national level negotiations of their affiliates. While they may have evaluated whether affiliates had adhered to agreed coordination rules, they had no powers to sanction any breaches. European trade union federations fulfil important functions in the area of process management, communication and (on occasions) conflict resolution and overall organisation in the sphere of European bargaining coordination. How these functions are configured in detail varies considerably from federation to federation.

Overall, before the crisis, European trade union federations applied the approach of 'imitating tried and tested practice'. That is, in practice, the structures of internal decision-making and procedural rules on transnational coordination developed by the EMF have been progressively adopted by other European trade union federations, at least in terms of their basic features. In general, in the field of transnational collective bargaining the European trade union federations have widened and enhanced their functions. Whereas their functional profile in the field of collective bargaining up until the 1990s was confined to that of a forum for information exchange, the development of agreement on ('binding') collective bargaining guidelines and/or minimum standards, and the establishment of monitoring procedures, have since meant that their functions have been extended towards that of a coordination platform. To varying degrees, this now applies to the majority of federations. Some European trade union federations, such as the EMF or the EFBWW, have even showed signs of associative governance, at the least as far as the formalisation and institutionalisation of the management of wage interdependencies is concerned.

### 3.2 Institutional power resources

The European trade union federations' institutional power resources are heavily 'preconfigured' by specific opportunity structures at European level which allow them to engage in supra-national processes of norm-setting and in processes of formal and informal lobbying at European level. These opportunity structures can be the result of the sheer density of EU legislation in certain policy areas, on one hand, and the emergence of new arenas in the context of the EU's multi-level structure of governance such as the European social dialogue at (cross-)sectoral level and European Works Councils at the company level, on the other.

An example of how the density of EU legislation has shaped the European trade union federations' institutional power resources is the field of industrial policy and the European Commission's decision in 2002 to reinvigorate sector-specific industrial policies in order to strengthen the competitiveness of European industry (European Commission 2002). In this context several sector-specific initiatives were launched which provided scope for the institutional involvement of the respective European trade union federations in sectoral dialogue forums and tripartite committees, which were created to advise these sectoral initiatives.<sup>1</sup> In doing so, these institutionalised sector-specific forums extended the European trade union federations' capacity for exercising influence through dialogue with political decision-makers and the employer side, and to introduce certain subjects into the policy agenda.

However, at the time, the key focus of the Commission's industrial policy approach was manufacturing industry. The service sector was almost entirely excluded from consideration for a sectoral policy (Kirtton-Darling 2007). This means that the 'pre-configured' politics of influence and the corresponding forms and degrees of intensity of union lobbying at European level differed widely by sector, depending on the salience of EU policies and the relevance of supra-national regulatory sovereignty in setting sector- or branch-level parameters. Because in the service sector there were fewer possibilities for exerting influence through institutionalised channels, the European trade union federations in these sectors (in particular UNI-Europa, EPSU and EAEA) were much more dependent on informal lobbying and the use of their communicative power resources through mobilising their members and the wider public in the context of political campaigns.

The proposal for the Services Directive issued in January 2004 is a case in point. In order to press its demands UNI-Europa and EPSU, together with the ETUC initiated an extensive and ultimately successful campaign that consisted of a broad range of measures. One element was direct lobbying of EU institutions through participation in official consultations and tripartite social summits, as well as meetings with representatives of the European Commission, the European Parliament and the Council. The lobbying efforts also included calling on their national affiliates to try to influence national policy-makers and members of the European Parliament. These lobbying efforts were accompanied by member mobilisation to participate in European demonstrations organised by the ETUC in Brussels and Strasbourg during plenary sessions of the European Parliament (Kowalsky 2007). As a result, the trade unions were able to fend off the most unwanted aspects of the provisions through a joint exercise entailing a coherent multi-level approach coordinated by the ETUC based on the interplay of institutional and communicative power resources.

Another important factor that in the pre-crisis period increased European trade union federations' institutional power resources was the emergence of new arenas of

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**1** Examples of such sector-specific initiatives are 'LeaderSHIP 2015' in the shipbuilding industry, 'STAR 21' in aerospace, 'Cars 21' in the automotive industry and the REACH initiative which aimed at developing a future European policy on chemicals. In addition, there were more traditional European sectoral policy areas such as the European agricultural policy and the European fishery policy.

transnational industrial relations – not least as a consequence of long-term efforts by trade unions. In the first place, there are the Sectoral Social Dialogue Committees (SSDC), which are overseen by the European Commission and which ‘compel’ sectoral employer associations to take on the role of employer organisations and create a ‘counterpart’ to the European trade union federations. And secondly, new arenas emerged at European company level which opened up new transnational fields of activity for trade unions as a result of EU regulatory intervention (EWC Directive, European Company Statute).

In the pre-crisis period, social dialogue led to six framework agreements concluded by the ETUC at cross-sectoral level<sup>2</sup> and another six agreements by the sectoral European trade union federations in the context of the 38 SSDCs which existed at the end of 2008<sup>3</sup> (Platzer and Müller 2011: 806–807). Given the essentially voluntaristic character of sectoral social dialogue and the lack of any means of exerting pressure by trade unions through strikes and collective action, these negotiations do not amount to real collective bargaining. However, these results nonetheless illustrate that the social dialogue provided the institutional framework for co- and self-regulation by trade unions and employers’ associations at (cross-)sectoral level.

The impact of the social dialogue on the European trade union federations’ institutional power resources varied depending on the political and strategic importance they attribute to the social dialogue, which in turn depends on the circumstances of their branch. Overall, social dialogue has increased the ‘formal’ recognition and upgrading of the status of the European trade union federations as representatives of their affiliates’ interests vis-à-vis the employer side. It not only strengthened the European trade union federations’ institutional power resources but also their organisational power resources. First of all, because the significance of the European trade union federations as the ‘locus’ of intensive inter-affiliate communication and coordination has tended to grow, since even ‘soft’ objects of negotiation require that federations ensure that affiliates’ interests are reconciled and marshalled into a coherent position at European level. SSDCs have also played a significant role for all the federations from a logistical, financial and strategic standpoint as the incentives offered by the European Commission (rooms, interpreters, travel costs, finance for sectoral studies) are systematically used as a resource for affiliate activities.

Similar conclusions with regard to the European trade union federations’ institutional (but also organisational) power resources can be drawn in the field of company policy as

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**2** These were three framework agreements on parental leave (1995), part-time work (1997) and fixed-term contracts (1999) and after the introduction of the open method of coordination at the beginning of the 2000s three autonomous agreements on telework (2002), work-related stress (2004) and harassment and violence at work (2007).

**3** These six agreements were: European agreement on the organisation of the working time of seafarers (ETF in Maritime Transport SSD, 1998); Agreement on some aspects of the organisation of working time in the rail transport sector (ETF in Railway Transport SSD, 1998); European agreement on the organisation of the working time of mobile staff in civil aviation (ETF in Civil Aviation SSD, 2000); Agreement on the European licence for drivers carrying out a cross-border interoperability service (ETF in Rail Transport SSD, 2004); Agreement on certain aspects of the working conditions of railway mobile workers assigned to interoperable cross-border services (ETF in Railway Transport SSD, 2004); and the multi-sectoral agreement on protecting workers against silica crystalline dusts (EMF and EMCEF in the context of three SSDs for the extractive, the chemical and the metals, engineering and technology-based industries, 2006).

a result of the emergence of EWCs as a new arena of industrial relations at transnational company level. The development of EWC activity has enhanced the status of European trade union federations in relation to the top management of European companies, the EU's political institutions and their own affiliates. In particular, during the early stages of the EWC process before the adoption of the EWC Directive in 1994, the European trade union federations were directly involved in EWC negotiations, sometimes leading them and on occasion coordinating national workplace and trade union negotiating teams. Due to the strong growth in the number of EWCs after the adoption of the EWC Directive such a strong direct involvement of European trade union federations in negotiating agreements was no longer possible due to their limited personnel resources, so that the role of negotiator and the control of negotiations were largely returned to national affiliates.

In the pre-crisis period, the EWC-related activities of the majority of European trade union federations comprised two key tasks: firstly, providing orientation, guidance and support for establishing and maintaining EWCs. In addition, some European trade union federations have also been able to steer the course of decentralised negotiations and provide support by developing procedural and substantive guidelines for negotiators. However, European trade union federations have no means of enforcing these, or of sanctioning breaches in the event of non-compliance by affiliates. The second key task was lobbying and campaigning in the context of the revision of the EWC Directive. As with the Services Directive, a crucial role in this context was played by the ETUC as coordinator and driver of a broader political campaign and as acknowledged European social partner with privileged access to formal channels of consultation and decision-making bodies.

Over time, a number of EWCs have progressed beyond information and consultation to negotiate transnational company agreements. This, together with the increase in the number of conflicts that occur within EWCs as a result of European restructuring, has led some European trade union federations to extend their areas of activity. These include, on one hand, securing closer European coordination between national trade unions in the field of company policy and, on the other, developing a transnational negotiating procedure that can link national unions and EWCs with the European trade union federation level.

Even though there were differences between the European trade union federations concerning the degree and sophistication of their activities in the field of social dialogue and EWCs, overall the emergence of these new arenas has provided favourable institutional conditions for the intensification of transnational dialogue and in some instances even negotiations with the employer side. In doing so, these new arenas have extended the European trade union federations' traditional repertoire of action beyond the field of labour diplomacy. That is, 'negotiation and agreement', a core historical task for trade unions and previously one reserved for the national level, has progressively acquired a transnational dimension. This has not only increased their organisational and institutional power resources; it has also affected their functional profiles in these policy fields, which have shifted from that of a forum for the exchange of information to one of a coordination platform and in some cases to that of a transnational organisation with attributes of 'associative governance'.

## **4. The impact of the crisis on the European trade union federations' power resources and functional profiles**

Concerning the trade unions' capacity to act, the various crises that have emerged since 2008 represent a watershed. Not only because of their direct social and economic consequences at national level but also because of the entirely new institutional framework which has been set up at European level in an attempt to cope with the crisis. However, it should be stressed that, despite the deep economic integration of the EU and despite a dynamic that spans all the countries affected, the crisis has taken nationally different courses, with differing consequences (see European Commission 2014a; on social and economic divergence, see Kohl 2015). Whereas countries in Western and Northern Europe have been able to mitigate the impact of the crisis, it has had dramatic employment and social effects in the southern 'deficit countries', as well as some central and eastern European countries. This divergence in the experience of the crisis, with its differing impacts on labour markets, industrial relations, and social welfare, is also likely to have varying consequences for the political capacity and strategic direction of the collective bargaining parties and in particular the trade unions – both nationally and transnationally.

### **4.1 New political and economic framework conditions at the European level**

In response to the crisis, the EU has developed a new system of economic governance comprising a whole range of instruments to improve macroeconomic and fiscal coordination across Europe. These instruments include: the European Stability Mechanisms (ESM), the European Semester, the Fiscal Compact and legislative initiatives such as the 'Six Pack' and the 'Two Pack'. It would go beyond the scope of this chapter to describe the various elements in more detail (for this see Leschke *et al.* 2015), but taken together these key elements of the new European economic governance embody a new policy style of European interventionism (Müller 2015; Schulten and Müller 2015).

This new policy style is characterised by three main features. The first is a shift in decision-making powers from the national to the European level, enabling European policy-makers to directly influence policies at national level. This also applies to policy areas in which the EU Treaty explicitly rules out any EU competences, such as social policy and wages and collective bargaining. The second key feature is the strengthening of executive bodies (such as the European Commission and the national finance ministers represented in the ECOFIN Council and the ESM Governing Board) vis-à-vis the arenas for parliamentary action – both at European and national level (Oberndorfer 2013). And the third central feature of the new policy style of European interventionism is the strong focus as regards content on so-called 'supply-side economics' based on austerity policies, deregulation and internal devaluation as the central elements of European crisis management.

This new policy approach and the new institutional setting of the new economic governance has transformed the context for trade union activity. In principle, a shift in

the locus of political decision-making from the national to the European level should strengthen the political role of the European trade union federations in representing the interests of their affiliates in the new arenas created by the new system of economic governance. Even more so in light of the traditional privileged consultative role of the ETUC as a recognised social partner. In practice, this did not happen – on the contrary. As the crisis unfolded it became increasingly clear that – for several reasons outlined in more detail below – the new system of economic governance would not increase the institutional power resources of the European trade union federations.

The neoliberal supply-side bias of the policies pursued in the context of the new institutional framework furthermore weakened the trade unions' power resources at national level, which in turn are an essential prerequisite for the European trade union federations' capacity to act at the European level. The austerity policies and the 'structural reforms' pushed through in the context of the Troika measures and the country-specific recommendations of the European Semester are aimed primarily at budget consolidation and the deregulation of the national welfare and collective bargaining systems. This approach is essentially based on the view that the current macroeconomic imbalances are the result of diverging developments in 'national competitiveness', putatively caused mainly by diverging trends in wages and unit labour costs (Müller *et al.* 2015). Before the creation of EMU, deficit countries would have had the opportunity to deal with their competitiveness problems by devaluing their national currency. However, because within the EMU this is no longer possible, the less competitive countries pursue a policy of so-called 'internal devaluation', which is a euphemism for cutting and freezing wages. In this belief system, the key to restoring (cost) competitiveness is do away with all kinds of 'institutional rigidities'. As outlined in the by now famous DG ECFIN Report 'Labour Market Developments in Europe 2012' (European Commission 2012), this not only involves labour market deregulation – for example, cutting unemployment assistance, reducing employment protection and increasing the retirement age (for a detailed overview see Myant *et al.* 2016)– but also policies aimed at the decentralisation of collective bargaining and at the 'overall reduction in the wage setting power of trade unions' (European Commission 2012: 103).

This has become the dominant narrative which has guided crisis management and the ensuing 'reform' policies in the EU countries. And the pursuit of these austerity and internal devaluation policies has not been limited to the countries subjected to Troika measures and country-specific recommendations. The more recent examples of reform initiatives in Finland, France, the United Kingdom and Belgium illustrate that these policies of cuts in social benefits and wages, decentralisation of collective bargaining and curbing trade union rights have also spread to countries that were not subject to direct European interventions (ETUI 2016: 54). This also illustrates that many national governments – irrespective of European-level interventions – have used the general political climate and the tools created in the context of the new European economic governance in order to legitimise the implementation of neoliberal policies.

What we can see as a result is the far-reaching weakening of trade union power resources at national level (for more details see the various country studies in this book and Koukiadaki *et al.* 2016; Müller and Platzer 2016). This in turn raises the



question of whether the crisis has led to any new elements in the ‘social dimension’ relevant to employment and trade union policy that could serve to offset some of the negative effects described above. Looking into the areas of social policy regulation (EU legislation), distribution (use of EU financial resources), social dialogue and the open method of coordination at the time of writing (autumn 2016), the record was as follows. After a long delay, some decisions have been made at EU level of a distributive nature in response to youth unemployment (reallocation of budget and structural fund resources; EIB loans; expected total of 6 billion euros by 2020) and of a ‘normative’ nature (announcement of a ‘Youth Guarantee’). The EU has also sought to raise labour mobility, to be supported by legislation intended to ensure that job seekers have better information and support when looking for work and easier access to unemployment benefit when abroad. In other fields in which the EU has treaty competence to regulate in the employment and social policy field, there has been no further legislative activity since the onset of the crisis. The same applies to contiguous policy areas that affect, directly or indirectly, social and employment policy, such as tax policy (corporate taxation). The proposal for a financial transactions tax, which has only been possible via flexible integration for just some Member States, after years of discussion, is still ‘in the pipeline’.

## 4.2 Organisational power resources

The crisis and the new system of economic governance have put considerable strain on the European trade union federations’ personnel resources, which – as Table 3 illustrates – did not change significantly during the crisis. Reflecting the difficult situation of the national affiliates, the total membership of most European trade union federations stayed the same or even decreased during the crisis. The only two organisations with a significant increase in membership were the ETUCE (from 5.5 million members in 2008 to 11 in 2015) and the ETF (2.5 million members in 2008 and 3.5 in 2015). What we can see in most cases, however, is an increase in the number of affiliates and the countries represented by the various European trade union federations. This more diverse membership makes the European trade union federations’ task of aggregating and coordinating their affiliates’ interests and activities even more difficult.

However, it is not only the sheer quantitative increase in the number of affiliates and countries represented by the European trade union federations that affected this dimension of their organisational power resources. Even more important was the fact that the crisis (management) prompted a renationalisation of union policies and activities – despite a short-lived increase in ‘European’ mobilisation through European action days and demonstrations called for by the ETUC between 2009 and 2012 (Hofmann 2015: 219). This European-wide mobilisation was not sustainable and has since ebbed away.

As regards trade union responses to the crisis two paths can be distinguished. The first can be found in countries of Nordic corporatism or continental European social partnership such as Germany, Austria and the Nordic countries. Here the dominant approach was to engage in ‘crisis corporatism’ as a temporary emergency alliance

with the state and employers in order to fend off the worst effects of the crisis (Urban 2015: 278). As a rule these ‘crisis corporatist’ arrangements involved the conclusion of tripartite national pacts to protect employment in exchange for trade unions’ concessions on pay, working time and working conditions (Müller and Platzer 2016: 35). In countries on the European periphery, the ‘crisis or programme’ countries, as well as a number of central and eastern European countries (Glassner 2013), such ‘crisis corporatism’ was blocked as the impact of the crisis has been so great that established mechanisms for institutional exchange have been either weakened or, in some instances, broken down completely.

In some countries, in particular in southern Europe, with a more conflictual tradition of industrial relations, attempts to engage in corporatist arrangements was supplemented by political strikes and demonstrations in order ‘to limit (or stop) ... anti-labour policies and austerity plans, and enhance their capacity to participate in longer-term negotiations’ (Campos Lima and Artiles 2011: 399). However, regardless of the country-specific mix of conflictual and cooperative forms of action chosen by national trade unions, the crucial point with respect to the European trade union federations’ organisational power resources is that the key focus of their policies and activities was almost exclusively on the national level.

As second-order organisations, the European trade union federations’ organisational power resources are essentially ‘borrowed resources’ (Gumbrell-McCormick and Hyman 2013: 189); in other words, their capacity to aggregate and coordinate their affiliates’ interests and activities depends in two respects on their affiliates’ willingness to endow them with the necessary competences: first, their willingness to use their own (in most cases shrinking) national power resources in a coordinated manner in the European context; and second, their willingness to provide the European trade union federations with a political mandate to perform these coordination tasks. On both accounts the crisis-induced renationalisation of union policies and activities negatively affected the European trade union federations’ organisational power resources.

Collective bargaining coordination illustrates the various crisis-related factors that have impacted on the European trade union federations’ capacity to coordinate and aggregate their affiliates’ interests. The first key factor is the already mentioned focus on national solutions, which has negatively affected the affiliates’ willingness to commit themselves to the coordination approach of the European trade union federations. The second important factor is the affiliates’ divergent needs and expectations with regard to the coordination approach as a result of the fact that the crisis and the crisis management have affected the various countries in different ways. For the trade unions in Greece, Portugal and Spain, which were hardest hit by the crisis and the ensuing crisis measures, the key priority was no longer wage increases but the defence of the existing system of multi-employer collective bargaining and job creation.

The increasing decentralisation of collective bargaining as a consequence of EU reform policies has, furthermore, undermined the trade unions’ capacity to coordinate wages and collective bargaining at national level – which in turn is one important prerequisite for successful coordination at European level. As a consequence, many

national affiliates were no longer in a position to push through the joint European coordination strategies vis-à-vis the employers even if they wanted to. Even before the crisis many affiliates found it difficult to comply with the European trade union federations' coordination rule that wage increases should at least cover inflation and productivity increases; under the new crisis-induced regime of austerity and internal devaluation, however, this became even more difficult, if not impossible to achieve.

Despite all the practical problems related to its implementation, the European trade union federations still stick to the wage coordination guideline. In view of the crisis, this holding on to the concept of an expansive and solidaristic wage policy is also an important political message. In doing so, the trade unions highlight that there is an alternative to the currently dominant narrative of 'improving cost competitiveness' through policies of 'internal devaluation'.

There is, however, an increasing awareness of the need to adapt the existing coordination rules in order to take into account the different needs and circumstances of the various national affiliates in light of the new economic, political and institutional environment that emerged as a result of the crisis (Hofmann 2014: 312). The ETUC for instance reacted with a flexible adaption of its coordination approach, which was formally adopted in 2013. This new coordination approach consists of three central elements: (i) the adoption of joint collective bargaining guidelines while at the same time allowing for enough flexibility to take into account country- and sector-specific circumstances; (ii) seeking to influence the decision-making processes of the European Semester; and (iii) the development of a structured and continuous exchange of information as an essential prerequisite for the formulation of joint positions and strategies (ETUC 2013a).

The new elements in this approach are the strong emphasis on influencing decision-making processes of the European Semester and increased flexibility in applying the coordination rule, which highlights the overall objective of moving from standardised 'one-size-fits-all' solutions to more tailor-made approaches that can better accommodate the specific needs of the affiliates. A crucial prerequisite for such an approach is, however, that the strategies to implement the common objectives are made transparent and understandable for the affiliates from other countries. A voluntaristic approach, such as the coordination of collective bargaining, is essentially based on mutual trust. The newly introduced structures aiming at an improved and more continuous exchange of information have created at least the formal institutional conditions for more transparency and trust. This, however, also means that in the field of collective bargaining the crisis led to a change in the functional profile of many European trade union federations. While before the crisis, the majority extended their functional profile towards that of a coordination platform, it was difficult to uphold this role under the changed framework conditions of the crisis. Under the new conditions their role as forum for the formalised exchange of information and for the continuous agreement of positions came to the forefront again.

### 4.3 Institutional and communicative power resources

The European trade union federations' institutional power resources are determined by two central factors: first, access to European arenas of political decision-making and second, their power position within these arenas. The latter relies on their organisational power resources and their capacity to mobilise public support for their interests and alternative policy approaches – which in turn is a central element of their communicative power resources.

Concerning the European trade union federations' access to European arenas of decision-making, there have been no significant changes in the more traditional arenas which already existed before the crisis, such as the (Cross-) Sectoral Social Dialogue, industrial policy or European works councils (EWCs) at the European company level. In the field of social dialogue, for instance, there have been no procedural changes and concerning the output of the various sectoral social dialogue committees Degryse notes that the crisis 'had no more than a limited impact' (Degryse 2015: 44). If anything, there are some worrying trends with respect to the regulatory capacity of social dialogue: first, all the eight framework agreements that have been concluded in the context of sectoral social dialogue committees since the outbreak of the crisis were signed between 2009 and 2012 – since then no new framework agreement has been negotiated. Second, there have been some considerable problems in the implementation of framework agreements. In October 2013, for instance, the EU Commission refused to transpose via a directive the framework agreement concluded in the hairdressing sector in April 2012, arguing that it would impose a disproportionate administrative burden on business. Another example is the very sluggish implementation by some member states of the inland waterways' working time agreement concluded in February 2012. All in all, one can conclude that the crisis did not change or even increase the potential of the social dialogue as an institutional power resource and that the European trade union federations' functional profiles are therefore characterised by a status quo ante.<sup>4</sup>

The establishment of the new system of economic governance should have had a more significant impact on the European trade union federations' institutional power resources. We have already pointed out that, in principle, the shift of decision-making powers from the national to the European level in the context of crisis management should have created more favourable framework conditions for the European trade union federations' capacity to influence European policies. In practice, however, this did not happen because of the specific architecture of the new European economic governance.

One important aspect is the fact that many of the new instruments that constitute the new system of economic governance have been set up on the basis of intergovernmental

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<sup>4</sup> The same can be said with regard to company policy, where the crisis has left no significant mark on the already existing roles of EWCs and patterns of interaction with the European trade union federations (Rüb and Platzer 2015: 219ff), and the field of industrial policy. Following the neoliberal goal of cutting down the role of the state, industrial policy played no significant role in the broader context of the European institutions' crisis management. It is only recently that the Commission has rediscovered the importance of industrial policy and is now striving for 'a European industrial renaissance' – as the title of its communication of 22 January 2014 promises (European Commission 2014b).

treaties (such as the ESM Treaty or the Fiscal Compact). This, however, means that all the relevant decisions 'bypass the usual legislative procedure' (von Oндarza 2013: 28) and are thus not subject to the usual co-decision and consultative procedures involving the European Parliament and the social partners. Becoming aware of these glaring democratic deficits, the heads of the European institutions recently started an initiative to improve the 'democratic accountability' of the European Economic and Monetary Union – which they outlined in the so-called *Five Presidents' Report* (Juncker *et al.* 2015). This plan also involves integrating intergovernmental solutions into the EU legal framework– thereby improving the social partners' possibilities to influence decision-making processes. In a similar vein, an initiative to revive the European social dialogue was launched in March 2015, aimed in particular at closer involvement of the social partners in the new system of economic governance more generally and the European Semester more specifically (European Commission 2016). At the time of writing (autumn 2016), no concrete changes have taken place as a consequence of these initiatives. Only time will tell whether these are serious proposals, mere window-dressing or even poisoned chalices in the sense that the trade unions are to be involved merely in order to confer legitimacy on the neoliberal policies currently pursued.

The specific institutional architecture of the new European economic governance also negatively affected the European trade union federations' capacity to mobilise their affiliates and the wider public in support of alternative policy approaches (that is, their communicative power resources). This is in turn the second key factor mentioned above that determines their capacity to exert influence in European arenas of political decision-making (that is, their institutional power resources). According to Erne, this is due to the inherently competitive nature of the new economic governance which by operating 'through coercive comparisons based on centrally chosen key performance indicators' (Erne 2015: 353) puts the Member States in competition with one another. In doing so the new regime 'nationalises social conflicts' and complicates the European-wide mobilisation for alternative policies.

This 'methodological nationalism' (Erne 2015: 355) of the new system of economic governance has coincided with several other factors that have made attempts at cross-country mobilisation more difficult. There is, first, the fact that the various countries were affected to varying degrees by the crisis. This led to different explanations and interpretations of it, so that it was difficult to identify a common opponent. For example, whereas for Greek, Portuguese and Spanish unionists the EU, the Troika and possibly also the German Chancellor, along with their own governments, represented an identifiable opponent towards which they could direct their demands, the matter was not so simple for trade unionists in Germany. The Troika did not constitute an immediate threat and the efforts on the part of German policy towards Europe to ensure that the burdens placed on the 'German tax payer' were kept as low as possible, were widely agreed with (Dribbusch 2014: 342).

The second factor is that the national trade unions and their members were so absorbed in dealing with the more immediate economic and social consequences of the crisis for people's day-to-day lives that there were few resources left to engage in transnational strategic activities (Erne 2015: 357). Thus, the national trade unions were caught in a dilemma between the short-term imperatives of fending off the worst effects of the crisis

in their respective countries and the long-term objectives of changing the overall socio-economic order both at European and national level (Gumbrell-McCormick and Hyman 2013: 124). And in many cases the former took priority over the latter.

The third key factor that made transnational mobilisation more difficult was the fact that the different national forms of mobilisation were not compatible and transferrable to the European level (Rieger 2016: 223). In many – in particular southern European – countries, but also France and Belgium general and political strikes are a popular means of social protest. In other countries, by contrast, these forms of collective action are not part of the trade unions' repertoire of action or simply forbidden by law – as this is for instance the case in Germany. Against this background, any successful European mobilisation would have to follow a 'variable geometry' (Rieger 2016: 223) of different forms of action. This was the case with the most successful mass mobilisation against the crisis and austerity measures on 14 November 2012 when the ETUC called for a 'European day of action'. This resulted in more than one million people out on the streets, combining different forms of action in different European countries: strikes in Spain, Portugal, Greece and Belgium, demonstrations in Italy and more selective forms of ad hoc mobilisation in many other countries.

## 5. Conclusions

What is the state of play of the European trade union movement roughly a decade after the outbreak of the crisis and how have the trade union power resources and capacity to act in the EU multi-level system changed as a result of the crisis? The aim of this contribution was to answer this complex question for the European-level organisations and the transnational policy of trade unions. In doing so, we have linked two analytical perspectives – a power resources approach and a typology of the functional profiles of the European trade union federations – and compared developments before and after 2008, the year in which the crisis started.

If we consider that this is the deepest global crisis since the world economic crisis of the 1920s and at the same time – as the 'euro crisis' – the deepest crisis in the EU since its inception, it may be surprising at first that two conceivable extreme scenarios have not materialised: neither was there a development in which transnational cooperation had been completely blocked by national sovereignty reflexes and centrifugal tendencies; nor was there a development in which the new quality of reciprocal vulnerability and the related transnational solidarity requirements had led to a new level of trade unionisation. What we can observe instead is a differentiated picture of gradual changes over time.

In the pre-crisis period since the late 1990s the European trade union federations underwent a period of organisational consolidation in which they managed to improve their organisational power resources. Not so much in terms of increased financial and personnel resources, but rather developing more efficient internal working structures as the precondition for an enhanced role in coordinating the activities of their affiliates. This was possible, however, only because of the affiliates' increased openness to actually engage in activities at European level and provide the European trade union federations

with a political mandate to coordinate activities at European level. This increase of their organisational power resources enabled the European trade union federations also to improve their institutional power resources by using the favourable framework conditions that presented themselves with the emergence of new arenas for an institutionalised interaction with political decision-makers and employers, in particular in the fields of industrial policy, social dialogue and EWCs at European company level. This is reflected in the change of their functional profiles in the pre-crisis period from mere information provider and forum to coordination platform and in some instances even to exhibiting characteristics of associative governance, in particular in the fields of collective bargaining coordination and company policy.

However, the crisis changed the rules of the game and the windows of opportunity slowly started to close, for several reasons. The first reason is the negative impact of the crisis and crisis management on the power resources of national trade unions in many EU Member States. This had an immediate impact on the European trade union federations' power resources because the national affiliates directed their shrinking power resources increasingly to the national level and were – as a consequence of the renationalisation of union policies – less prepared to engage in European activities.

The second reason is the less supportive political environment both at national level with national governments and at European level with the European Council and the European Commission under Barroso. As a consequence, policy arenas such as social dialogue and industrial policy, which in the pre-crisis period fostered the European trade union federations' institutional power resources, took a back seat during the crisis in comparison to the incremental establishment of a system of economic governance in response to the prevailing situation. Because, in its regulatory approach, the new economic governance reinforces the asymmetry between 'negative' and 'positive' integration at the expense of the latter, this means that for the trade unions the restraining elements predominate over the elements that potentially support the institutional and communicative power resources of national and European trade union organisation.

What does this mean for the European trade union federations' future role and what are the preconditions to enable them to recuperate from the impact of the crisis (and its management) in order to be in a position to push through alternative policies as a way out of the crisis? One possible answer, which applies irrespective of economic sector, is that national trade unions need to overcome their tendency to retreat to the national level to cope with the impact of the crisis. They need to grant a higher priority to 'Europe' and all that this implies in terms of specific activities, in terms of both strategies and organisation, and reflect this in the allocation of scarce staff and material resources.

The second precondition is to continue to play the game of 'labour diplomacy' by lobbying European institutions for a more demand-side oriented and more social re-orientation of crisis management, even in this adverse political framework. This also includes lobbying for a reform of the institutional set-up of the new economic governance to improve access to decision-making processes. In this respect it is not enough to just be against the current approach. The European trade union federations have to come up with plausible alternative policy proposals. There are some encouraging signs, such as the

ETUC's European 'investment plan' which aims at increased public and private investment in infrastructure projects (ETUC 2013b) or the proposals put forward by industriAll (industriAll 2014) and UNI Europa (UNI Europa 2014) calling for new European-level initiatives to reinvigorate growth and quality jobs in manufacturing and services.

However, one condition for the success of these lobbying activities is the simultaneous development of the European trade union federations' communicative power resources in mobilising their affiliates and the wider public for alternative policies and a counter-narrative that supports the trade union strategies. In order to increase the political pressure on European and national policy-makers trade unions also need to be open to forging political alliances with other civil society organisations. And here once again there are some encouraging examples to build on. These include European campaigns, successfully tested in the conflicts over the 'Bolkestein Directive' and the legislative proposals 'Port Package I and II', where unions were able to thwart further liberalisation that would have damaged employee protection. It also includes using the new means of the European Citizens' Initiative, as seen in EPSU's successful petition on 'Water Is a Human Right' (EPSU 2012) and more recently ETF's citizen initiative against social dumping in the transport sector (ETF 2015).

Against this background, it is all the more important that the most recent ETUC action programme, which was adopted at the last Congress in Paris in autumn 2015, embraces this idea of simultaneously developing its institutional and communicative power resources. The key priorities of the action programme are to strengthen traditional arenas such as the social dialogue and industrial policies and to improve trade union involvement in the European Semester both at national and European level. However, these activities will be complemented by mobilising activities in the context of two major campaigns: 'Europe needs a pay rise' in order to promote a demand-side oriented wage-led model of growth and a campaign to strengthen trade union rights called 'Trade union rights are human rights' (ETUC 2015 and Visentini 2016). The jury is still out on whether this dual approach will be successful, but it is a promising start.

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