### Building an enlarged Europe

#### - Introductory thoughts on convergence and diversity -

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*Motto:* Europe is indeed a continent which is highly diversified – even in our field. This is why the enlargement of the European Union will undoubtedly be *the* challenge over the coming years.

Marco Biagi<sup>1</sup>

In discussions about industrial relations in Europe it is already taken for granted that the traditional, distinctive £atures of national systems are getting blurred. Much disagreement lies, however, in the interpretation: whether recent developments point more to real convergence or on the contrary to growing diversity, especially along new dimensions. Similarly controversial are the conclusions drawn as regards the future: whether the outcome in longer run is likely to be some sort of convergence within national diversities or just the opposite, a European industrial relations system will emerge within which only a few national characteristics could prevail. Or, the combination of convergence and diversity would be of a more complex nature.

No doubt, this is a long-running debate, with a considerable past already<sup>2</sup>, that can eventually be settled retrospectively only. Especially, since the *general convergence or divergence debate - i.e. the discussion on the overall outcomes of the globalisation processes - is also still going on*. "There is as yet no firm agreement that the models of capitalism are converging, or whether, on the contrary, countries will try to build on and exploit their specific advantages in global competition, entrenching existing diversity" – emphasises the recent, comprehensive literature survey (Hoffmann et al. 2002:14). The referred source, nevertheless, suggests *more the prevalence of divergence*, than their convergence.<sup>3</sup> As industrial relations are strongly embedded in the various models of market economies, the direction towards economies are progressing is determinant.

<sup>&</sup>lt;sup>1</sup> Editorial. IJCLLIR, 2000, Volume 16, Issue 2, p. 111.

 $<sup>^{2}</sup>$  Here we refer to the joint works of Dunlop, Harbison, Kerr and Myers (1960 and 1975) which are widely considered as the origins of the convergence debate.

<sup>&</sup>lt;sup>3</sup> This view is particularly based on the studies published in Hall and Soskice (2001), which provide with a comparison of reactions to the globalisation process in the liberal market economies (LMEs) and in the various types of co-ordinated market economies (CMEs). These empirical studies show that as a response to globalisation "the different market economies tend to increase specialisation in their areas of greater strength. Therefore, globalisation leads, not to more convergence, but rather to greater divergence, in the sense of specialisation in particular sectors" (Hoffman et al. ibid). Even those authors who argue for increased convergence in the different models of capitalism (like Altvater and Mahnkopf 1999, cited by Hoffman et al, ibid), underline the growing divergence of incomes, working conditions and life chances within each country due to globalisation.

In addition to the ambivalent outcomes of globalisation processes, national industrial relations in Europe have been profoundly challenged by *the deeper and wider integration that the European Union accomplished over recent years*. Enough here to mention the Economic and Monetary Union that has marked a new stage in the history of European integration; the broad economic policy guidelines which set an overall framework for Member States; the Stability of Growth Pact that is meant to "discipline" Member States loosing control over their financial balance; the Luxembourg process that ensures co-ordination in the fields of employment and labour markets, etc.

The *impact of the increased integration* within the European Union naturally *varies among Member States* due to their distinct social, economic and institutional settings. It entails further implications on the various national industrial relations systems.

As part of the integration processes, *industrial relations themselves have been subject of Europeanisation* in the sense, that a complementary layer of actors, structures and processes has emerged at European level (Hoffman et al. 2002:45) New opportunities have opened for social partners through macro-economic dialogue, intersectoral and sectoral social dialogue, etc. Social partners have become European players; they are closely associated with the European policy-formulation and decision-making processes. Social dialogue has become a governance tool, as well as an indispensable element of the European social model.

*The new European layer naturally enforces changes in national industrial relations*. Whether these changes will eventually result in a sort of convergence in national industrial relations, much depend on the European developments themselves, as it will be discussed later.

Considering just globalisation processes and the progress in European integration, the complexity of the convergence and diversity dilemma can already be seized. Industrial relations in the European Union, however, face *several other challenges*: technological change and the transition to a knowledge society, changing employment and labour markets, demographic change and new balances between family, work and education (see more on these challenges in the Report of the High Level Group, 2002).

Nevertheless, few would deny that *enlargement will put the issue of diversity and convergence into a completely different context*, opening a new chapter in the long-lasting debate. In the EU25, there will be a much wider spectrum of national industrial relations systems. Traditions and practices of future, new Member States will be substantially different from those of current Member States, both being diverse themselves. (For supporting facts and arguments see: Carley, 2002; Casale, 2003; Draus, 2001; ETUC-UNICE-UEAPME-CEEP, 2001; Industrial Relations ..., 2002; Ladó, 2002/a and 2002/b; Ladó-Vaughan-Whitehead, 2003; and out of the Congress papers: Due-Mailand, 2002)

The challenges and problems arising from enlargement are regrettably touched by only a few contributions to this Congress due primarily to the early submission dates (characteristic of all world events). In the meantime, however, we have reached the brink of enlargement: the Copenhagen European Council paved the way to ten candidate countries to accede to the European Union in May 2004; each referendum held in acceding countries so far has expressed the overwhelming willingness of people concerned to joint the European Union, and the ratification of the Accession Treaty by the current Member States is also so close. It is

therefore *high time to take a new approach*: *debating convergence and diversity* not only in the current Member States, but rather *in the enlarged European Union*.

This introductory paper therefore, while discussing some key findings of the papers submitted to the World Congress, primarily *intends to raise issues for future debate and research in the context of the enlarged Europe*. Out of the reach contributions those thoughts and arguments are selected which are especially relevant to the topic of Track 5 and provide with a fresh impetus in the understanding of the dilemma of convergence and diversity. They are organised along four interrelated, fairly powerful processes of *economic, policy, legal and institutional integration* in the European Union. To draw the findings of the various papers together and put them into a wider context, each integration process is first briefly outlined (with references to some of the key publications). The picture we obtain from the contributions to the World Congress is, naturally, far from being comprehensive and reflects the situation of some years back, when the various investigations were carried out. The dynamism of the European integration is something that has to borne in mind.

#### Economic integration

The creation of the European single market has probably been the greatest project of economic integration ever undertaken. The transformation of the then 12 separate national markets into one unit has been a historic achievement. Since 1993, the *key questions are twofold*: (i) *how to manage more efficiently and smoothly* the integrated European economy in order to make the most of the internal market; and (ii) *how to safeguard* the single market's *successes in the course of the subsequent enlargement rounds* of the Union.

While in 1995 the three new EU countries could joint the single market without serious difficulties, the challenge of the current enlargement should not be underestimated. Even though, that much of this integration has already taken place during the 1990s, in the framework of the Association agreements.<sup>4</sup> The steadily increasing trade and investment over the past decade between the EU and future Member States along the obvious economic gains brought to all concerned, also has had an *impact on national industrial relations of both countries' grouping* albeit of somewhat *different nature*.

For the *future Member States* the main challenge seems to be *the implications of the growing 'outside' economic influence* manifested primarily through foreign direct investment (FDI) and multinational companies (MNCs) entering to these economies. Empirical investigations on FDI and MNCs, widely fashionable in the past decade, have not provided with straightforward lessons. On the contrary, cases studied have presented fairly differing outcomes, even if several variables were controlled for comparative purposes. (See for example Gradev ed., 2001)

<sup>&</sup>lt;sup>4</sup> Some figures to illustrate the extent of economic integration. In 2000 already, the then candidate countries' grouping (including also Bulgaria and Ro mania that will not join the EU in the next round in 2004) was the EU's second biggest trading partner after the United States, while the EU was the candidate countries' leading trade partner, accounting for over 65 % of total trade. Poland was the EU's leading partner in the region; while in the EU, about 40 % of total trade with the candidate countries accounted for by Germany. (Employment ...., 2002:145). FDI has played a crucial role in making the EU the main economic partner for the candidate countries. Since 1996, FDI flows increased strongly to double their contribution to GDP to an average of 4 % in 2000. The EU is the main source of FDI capital, mostly in manufacturing activities, with Poland, the Czech Republic and Hungary receiving about 75 % of the total investment. (Employment ...., 2002:155)

Social impact of FDI on the host country, and later the reverse question, its repercussion on the home country, has also been widely supposed to provide with a new insight of, among others, *the transfer and adaptability of industrial relation models*. Candidate countries have proved to be "a new testing ground for comparison" – quoting the expression from Meardi's (2002) paper for the Congress – as they are under the simultaneous influence of capital investment and business strategies of very different nature. Experts suppose that more can be understood of the nature of the various types of industrial relations through their diffusion into and interaction with the social and economic conditions of candidate countries, than from comparative investigations among current EU member states.

For the *current Member States* the growing investment interest in candidate countries and the Eastwards move of multinationals are far from being neutral, insignificant processes. Meardi (2202) visualise the multinationals as "Trojan Horses", which experiment with various new arrangements in candidate countries, and then "re-import" the most efficient ones contributing to the "Americanisation" of industrial relations in the current Member States. Although the debate this metaphor has provoked is likely to be more widespread then the described phenomenon itself, still *backwards repercussion cannot be neglected* (as it has been already investigated for example by Ferner and Varul (2000) in relation of Germany and the UK). Additionally, the deepening economic integration within the current border of the EU has been accompanied by *increasing competition* that has also brought about changes in industrial relations.

Some aspects of the above major trends have been addressed by the distinguished contributors for this World Congress. Meardi (2002) recalls the fact that "the real impact of FDI is more complex, largely regardless of the country of origin, and may fall short of expectations". Actually, the more FDI cases investigated over the years, the wider range of differentiating factors revealed. Out of the latter ones, the paper by Bleicher-Gensoir-Steiner (2002) directs the attention to the motives behind FDI, and those of cross-country business relationships in general. The authors argue, that the most common differentiation between market-seeking and efficiency-seeking (cost-cutting oriented) investment strategies, whatever artificial this classification could be in individual cases, seems to rather useful to advance in understanding FDI's impact on industrial relations. The nature of investment strategy seems to be determining not only in choosing new locations but also in wider social implications, including labour market and employment effects as well as relations between social partners.

This view is challenged by Katharina Bluhm's research findings on large German-based multinational companies operating in Poland and the Czech Republic. In her paper for this Congress Bluhm (2002) argues, that beyond the investment strategy there are some other factors that play an important role in shaping enterprise industrial relations in the host countries, such as the actual human resource management of the multinational companies, and the 'management transfer' trough employing expatriates in key positions. Eventually, however, it is *the cross-border co-operation of different actors, especially that of the works councils, the trade unions and the media*, which explains the extent to which industrial relations are transferred from the country of origin to host countries. These actors bear a significant responsibility whether, in the case of German multinationals, the collective-cooperative model prevails in the host countries or soon gets eroded if established at all. Meardi's paper (2002) for this Congress also provides with evidence how transnational forms

of labour organisations, particularly European Works Council, have shaped the effects of FDI in the case of Poland.

No doubt, that *multinational companies* (MNCs) have played a key role in pursuing economic integration, and while doing so, have also effected industrial relations all over Europe. As regards the nature of their effect, investigations, similarly to studies on FDI, have come to widely differing conclusions. Although it is difficult to add much to the already rich albeit controversial academic literature on industrial relations in MNCs, this Congress provides with some provocative thoughts.

For example, Williams–Geppert–Matten (2002) convincingly highlight a feature of MNCs' operation and behaviour not much stressed before. They emphasise *the strong interaction between the change management strategies* pursued by MNCs to integrate their subsidiaries into the global company models, which themselves might differ considerably, on the one hand, *and the national business systems* (NBSs), subsidiaries are deeply embedded in, on the other. The key for success – according to the authors – seems to be twofold. Either to adopt a globalisation strategy that allows national industrial relations, and NBSs in general, to play to their strengths. Or to look for subsidiaries in countries whose overall business environment is in line with the globalisation strategy pursued. Both solutions seem to involve a sort of self-constraint on MNCs: the former on their internationalising policy, the latter on their expansion policy. It would be interesting to test these findings in the enlarged Europe, as the referred research focused on MNCs' behaviour within the current border of the EU.

The deepening economic integration in Europe has *not only* posed, through the growing economic and social significance of FDI and MNCs, *direct challenges* on national industrial relations. It has also resulted, along with the policy integration discussed below, in an *increased competition, which again has challenged industrial relations as well as social partners themselves*.

As a response, *traditional industrial relations "model systems" have moved to various directions*, some of them never thought of before. A telling example is the German collective bargaining system that, according to Seifert's contribution (2002), is facing a paradigm shift. While traditional collective agreements are becoming more flexible, especially due to the opening clauses, pacts for employment and competitiveness<sup>5</sup> are becoming concluded more widely, by enterprises in weak and prosperous economic situation alike. In Germany, "pacts for employment and competitiveness are fast becoming a 'normal' regulatory instrument" – according to Seifert. In this way, not only the decentralised, lower level has gained power, but also a new actor has entered into the bargaining arena: the works councils. The pacts for employment and competitiveness are not German peculiarities only, several other Member States have responded similar way to changing economic circumstances (For example see: Caruso, 2001).

In the increasingly global and competitive environment *national social partner, especially trade unions have been forced to undertake new roles*, never played before. As it is analysed by Roland Erne, in his paper for the Congress (2002), for example in case of *transnational company mergers*, national actors have to be able to develop adequate European strategies, and in order to pursue this strategy, they have to enter into such new terrain as (direct or

<sup>&</sup>lt;sup>5</sup> On the various forms of pacts for employment and competitiveness see for example: Sisson – Freyssinet – Krieger – O'Kelly – Schnabel – Seifert, 1999.

indirect) lobbying in the European Commission and the European Parliament; or to develop new alliances with such supranational actors as the European Works Councils.

Despite the valuable contributions, this World Congress will certainly *leave the debate* on how global economic integration interacts with national industrial relations diversities *open*. The complex nature of this interaction requires further empirical investigations, which could confront or support previous research findings in differing context. Empirical studies, however interesting they are on their own merits, would not be enough to fully understand the convergence/divergence dilemma. Theoretical research is also needed to address such general questions as:

- Do the strongly interlinked economies really require more similarities in national industrial relations?
- Or, can a deeper economic integration also be achieved through pursuing divergences in economic strategies according to the local context?
- Could national industrial relations diversities be interpreted more as opportunities rather than obstacles for internationalising, globalising strategies?

What is however clear from the papers of this World Congress is, *that the forceful process of economic integration goes well beyond the current borders of the EU*. In the pre-accession years future Member States have also widely faced the dilemma to what extent their industrial relations are able to adapt to the growing interchange of economic activities, and especially to the demands of the increasingly dominant FDI and MNCs: to demands which are highly diverse themselves.

Nevertheless, when discussing the implications of the economic integration on industrial relations, a *fundamental difference between current and future Member States* has to be taken into consideration. In the case of the current Member States well established, traditional industrial relation models are on trial, which are, by their very nature, somewhat resistant to the pressure to adjust. On the contrary, industrial relations in the future Member States, due to the recent or still ongoing political and economic transformation processes are particularly open to if not unsheltered from foreign influence. Therefore, similar economic pressures might lead to considerably different outcomes in industrial relations.

### Policy integration

Policy integration for the purpose of this introductory paper is interpreted broadly to indicate the unique endeavour of the Member States to agree on common European objectives in more and more policy fields while committing themselves to make their own specific contributions to Europe's future performance. As a result, national policies find themselves under a common framework, and more importantly from the point of view of this Congress, under conditions of mutual interdependence and a "competition among regulatory systems" (to use Streeck's well known term). National solutions in the various policy areas are no longer domestic matters only. On the contrary, strongly interconnected parts of a European agenda. Member States are simply obliged to consider the impact on others and the common European goals when they are developing policy measures to address their own problems.

The milestones in policy integration are well known. In the *Economic and Monetary Union* (EMU), Member States agreed not only to adopt a common currency but also to pursue

common policies with regard to public finances, inflation, exchange rates and interest rates. The *Luxembourg process* (1997), originally launched to address growing unemployment and increase the efficiency of European labour markets, has lead to sophisticated policy instrument known now as the *European Employment Strategy* (EES), and to the incorporation of a new Employment Title into the Treaty. The new Title considers employment as a matter of common concern and obliges the Member States to co-ordinate their actions (Art 126). From the very beginning however, EES has been interpreted by the Commission "in a logic of convergence, rather than simply of co-ordination" (Biagi, 2001:385); especially under the employability pillar where measurable indicators were set. The *Cardiff process* (1998) initiated structural reforms of national product and capital markets in all Member States. The *Cologne process* (1999) aimed at promoting macroeconomic dialogue in order to facilitate a non-inflationary growth through facilitating the consistency between monetary, fiscal and wage policies. It involves such key actors as the European Central Bank, the Commission, the Presidency along with the European social partners.

Since the *Lisbon European Council* (March 2000), the ambition of the European Union is not less than to develop itself into the most competitive and dynamic knowledge-based economy in the world. To achieve this, all individual policies at European and national levels alike are to be geared to the overall European objectives. The *Lisbon strategy* thus builds on the "virtuous triangle" of mutually reinforcing economic, employment and social policies. The fact, that in 2003 the broad economic policy guidelines and the employment guidelines have been issued by the Commission on the same day and in a streamlined form, indicates the commitment to ensure greater cohesion and stronger policy integration.

Over the years national policies undoubtedly have converged towards EU objectives. This encourages Europe's political leaders, along with the real improvements achieved in economic, employment and social terms<sup>6</sup>, to strengthen and widen policy integration further.

The implications of these developments on national industrial relations have always attracted research interest. It was the 11<sup>th</sup> World Congress of IIRA that published the first outstanding comparative overview on *the impact of EMU on industrial relations* in the European Union (Kauppinen ed., 1998). Subsequent publications (see especially Hemerijck – Huiskamp – de Boer, 2001; Pochet, 1999, Pochet, 2002; Sisson at al, 1999; Sisson – Marginson, 2000) have thoroughly explored the national variances, as well as the differentiating factors and mechanisms that affect the influence of EMU on national systems, or vice versa, the capacity of industrial relations and social partners to deal effectively with the challenge of EMU.

As Sisson and Marginson (2000:3) underline, in the European if not global economy *social partners are simply obliged to participate in the regime competition*. They find themselves under strong pressure to make their industrial relations arrangements more competitive, relative to those of other organisations both inside and outside their home countries. The response quite often has been the move from sectoral multi-employer bargaining towards workplace, single-employer negotiations within the national borders, on the one hand; and a growing need for co-ordination of collective bargaining across the borders in sectoral, regional and European-scale alike, on the other. The latter endeavour is far from being easy,

<sup>&</sup>lt;sup>6</sup> Employment results are especially impressive. In the first five years of the European Employment Strategy the EU managed to create about 10 million new jobs. Strong employment growth was reflected in an increase in the employment rate from 60,5 % in 1997 to 64 % in 2001; while the unemployment rate declined from 10,1 % in 1997 to 7,4 % in 2001. See more in Employment in Europe 2002.

and academics hold differing assessments as regards its scale (see for example Biagi, 2000/b; Gollbach-Schulten, 1999; Pochet, 2002) The ETUI research presented by Emmanual Mermet in this Congress reveals some contours of a "springtime bargaining round" in Europe. Schroeder and Weinert (2002) present a more sceptical view analysing trade unions' efforts to coordinate their wage policies in selected sectors considered as the most advanced in this respect.

Governments are especially challenged by the EMU, and not only in economic and financial terms. They have to subordinate their national decision-making power and capacity to a common European regime, which was earlier considered as an impossible or at least undesirable shift by many national governments. Additionally, they cannot avoid intervening in order to encourage the modernisation of wages and the reform of social protection systems, reflecting the need to bring public finances into line with the EMU convergence criteria and create an attractive environment for investment. The so-called *"social pacts" negotiated at inter-professional level* have been instrumental for introducing the single currency in several countries, especially through contributing to macro-economic stability required (Fajertag-Pochet, 2000; Pochet, 1998, Industrial Relations, ... 2000).

When an issue is so widely investigated, as the impact of EMU on industrial relations, it is difficult to add rew thoughts. This might explain why *the Economic and Monetary Union has attracted relatively modest attention* from the contributors. Nevertheless, Lena Gonas' (2002) finding deserves special notice. On the basis of the Swedish experience, she argues, that the *pressure of the convergence criteria does not halt at the borders of the euro-zone*. The tight control of wages and inflation has also be pursued by countries not participating in the EMU should they wish to remain competitive. This affects both social partners' bargaining practices, and the relation between social partners and the state. As an outcome the traditional characteristics of Swedish industrial relations have slowly been changing, especially since the government is getting to be involved in wage setting.

As regards EMU, enlargement will again bring a new situation and raise *several questions for further discussions*:

- With the ten new Member States from May 2004, the balance between the Eurogroup countries and those opting-out or not qualifying at all, at least as far as the number of countries is concerned, will considerably change. Will this shift influence the strength of the spill-over effects of the Maastricht convergence policy?
- How ambitious will the future Member States be in joining the EMU and what scenario will they follow to reach EMU convergence criteria?
- What lessons can they learn from the experience of the current Member States, especially as regards the role of social partners?<sup>7</sup>

Compared to the Economic and Monetary Union, the academic literature is much limited on the *other policy integration processes, and their impact on national industrial relations*. Two contributions to this Congress, namely by Wolfgang Schroeder and Rainer Weinert on the *Cologne process* and by Roy Green on the *Cardiff process*, are therefore of increased importance. Both papers are rather critical as regards the actual content of these processes and their impact on national realities.

<sup>&</sup>lt;sup>7</sup> In 2002 the European Foundation launched a project on "EMU/EURO: Anticipating change in industrial relations in the candidate countries". The project based on the experience of the Member States aims at discussing the role and possible benefits of national social pacts in meeting the Maastricht criteria.

Schroeder and Weinert (2002) argue that the *Cologne process*, the macroeconomic dialogue falls behind the expectation. It provides a framework for exchanging information on various policy areas but fails to coordinate them through joint target setting. Due to structural and legal constraints, macroeconomic dialogue actually "promotes the interests of monetary policy and policies in line with market requirements and blocks the enforcement of socio-political interests. This asymetry in favour of monetary and fiscal policies explain the structural power of market-oriented interests in the EU and the weakness of socio-political interests represented by trade unions" – conclude Schroeder and Weinert. A similar working hypothesis has been formulated by Andrew Watt and Emmanuel Mermet in their contribution to this World Congress. As they argue, in the Cologne process the "current policy regime represents 'coordination' by the domination of the stability objective over the other objectives; and of monetary over other policies". It will be interesting to learn how the experts have progressed in supporting or reconsidering this assumption in their research project in the meantime.

Similar phenomenon is described by Green (2002) as regards the *Cardiff process* and its impact in Ireland. As Green reveals, social partners could find themselves marginalised in European processes even in such a country as Ireland being widely respected due to its social partnership model. Irish social partners are not involved in the preparation of the national Cardiff reports, a major policy document submitted to the European institutions. They have the opportunity to be consulted on a sector by sector basis but lack a more comprehensive involvement in the early stages of strategic decision-making. Irish social partners are similarly uncertain how and where to influence the overall European policy process.

This situation derives, according to Green, primarily from the fact the Cardiff process has been prepared and coordinated entirely by ECOFIN without any structured approach to social partner involvement. This model is simply replicated at national context, even in a country with industrial relations practice of just the opposite nature.

Would this clear linkage between European and national level work in areas where the model to be follow is based on strong social partner involvement? Investigations on the *Luxembourg process*, or more general, on the *European Employment Strategy* are the most suitable to provide with some reflections.

The European Employment Strategy (EES) has marked new areas of political commitment and common efforts with its ambitious targets (to increase the overall employment rate up to 70 % by 2010, as it was set at the Lisbon European Council); the four pillars' structure (employability, entrepreneurship, adaptability and equal opportunity); the annual planning and reporting cycle; and last but not least, with its strong appeal to social partners at all levels: European, national, regional and local. The regulatory model introduced with EES soon received a broader interpretation, and under the name of open method of co-ordination (OMC) started to be implemented in the area of social inclusion and recently of social protection.<sup>8</sup>

In the context of EES, and OMC in general, *industrial relations are increasingly supposed to play a new role* both at European level and within national borders (Bercusson – Bruun, 2001;

<sup>&</sup>lt;sup>8</sup> In the Treaty of Nice the open method of coordination is recognised as the primary method for the Council to act in the field of social policy. (Art 137.2 of the consolidated version of the Treaty establishing the European Community)

Biagi, 2000/b; Foden, 1999; Léonard, 2001; Meulders – Plasmim, 1999). Here it is enough to refer to the fact, that since 2001, the development of a partnership with social partners has become one of the horizontal objectives of EES.<sup>9</sup> *Social partners are especially invited to negotiate at all appropriate levels agreements* to modernise the organisation of work, including flexible working arrangements, with the aim of making undertakings productive and competitive, achieving the required balance between flexibility and security, and increasing the quality of jobs. They are also called upon to negotiate agreements on life-long learning to facilitate adaptability and innovation. Social partners are also asked to report annually on issues covered by their bargaining as well as on the outcome and impact of their bargaining activities in terms of promoting adaptability. In this context – as Biagi, 2001:393 argues – "industrial relations … play a role which may be considered a quasi-public one." Social partners' bargaining is not just a simply free bargaining process, belonging exclusively to their private autonomy, but an indispensable contribution to the implementation of EES.

How do social partners meet the key role they are invited to play in defining and implementing the EES both at European and national levels? – strikingly this question has not been addressed by the distinguished paper writers of this Congress. Other sources provide us with a *controversial picture*. While "all Member States have formally observed the European requirements to elaborate a National Action Plan with the participation of social partners, in fact the participation of unions and employers" – according to Léonard (2001:33) – "has been reduced in several cases to a spurious or superficial consultation". The explanation lies primarily in the fact, that EES, and especially the elaboration of National Action Plans, is "based on an implicit assumption of the existence of corporatist national systems of industrial relations, in which social partners are organised and can negotiate at national level, and where there is a joint regulation of major economic and social policies" – but obviously it is not always the case.

A full-fledged implementation of EES, as Treu (2001:470) underlines, requires "the diffusion at the various levels of the industrial relations systems and the labour markets of stable cooperative relations: a kind of euro-corporatist network operating (also) at decentralised levels." Since this condition is far from being met in all Member States, there is nothing unusual in the fact that the experience with *social partners bargaining activity* also *falls behind the expectation* of the European policy-makers. (See for instance: Industrial Relations ..., 2002; Joint Employment ..., 2002) In this context Lena Gonas' paper for this Congress needs to be mentioned. The author, having described the still existing gender gaps on the Swedish labour market in terms of employment rates, incomes, working time, paid and unpaid work, concludes that "it seems particularly difficult to integrate gender within the adaptability agenda" ... "The process of adaptability reaches into areas that 'belong' to the social partners to regulate through collective agreements. That is one reason why the gender perspective is absent to a large extent. It is traditionally a 'male' area, where equal opportunities have been looked upon as irrelevant". Should this explanation be valid also in other Member States not much progress can be expected in promoting gender equality in the framework of EES.

This is just one of the examples that makes us believe that given their prominent role in implementing EES, and the other Community policies, social partners and industrial relations demand special attention of European and national policy makers as well as

<sup>&</sup>lt;sup>9</sup> Council Decision of 19 January 2001 on Guidelines for Member States' employment policies for the year 2001 (2001/63/EC); Council Decision of 18 February 2002 on Guidelines for Member States' employment policies for the year 2002 (2002/177/EC). The role of social partners is less explicitly stated in the reviewed EES adopted by the Council in June 2003.

*social scientists if the Lisbon targets* (full employment, the promotion of quality and productivity at work and social inclusion and an inclusive labour market) *are to be achieved*. In this respect the dilemmas are far-reaching, and relate both to the recent past and the years ahead:

- With the current streamlining and synchronising the various policy integration processes how could the social partners' involvement be also made more effective and in which areas? Should a key role continue to be assigned to social partners only in the European Employment Strategy? What are the short and longer term implication of their non-involvement in the Cardiff process and their formal or limited involvement in the Cologne process?
- How do Member States react when asked/obliged by European policy-makers to involve social partners and work with them closely in pursuing national policies? To what extent is the response embedded in traditions, values and ideologies or based on pragmatic considerations?
- What factors lie behind the differences in social partners' responses to the invitation to contribute to European policy objectives? Does the diversity of national industrial relations systems alone explain the fairly varied roles social partners played so far?
- How can EES, and other policies based on OMC, be better underpinned by processes of national industrial relations? Has EES been followed by institutional changes that make national industrial relations fit better to the new obligations and the processes of OMC? If yes, do we find any signs of convergence among the national systems?
- And finally, as it has been raised by Celin (2003): with all the weaknesses in their industrial relations systems, how will future Member States cope with those elements of EES, and other European policies that specifically require the involvement of all the social actors not only at national level, but at regional and local level as well?

# Legal integration

Economic and policy integration within the European Union has progressed along a significant legal integration. To address the development of the Community law and its complex relationship with national law is far beyond the scope of this paper. As an introduction to the debate in Track 5, and a reflection on the papers submitted, the social field is chosen, and some of its legislative aspects are discussed.

*Community social law* (including four major areas: freedom of movement of workers, labour law, equal opportunities for women and men, and protection of health and safety at the workplace) is *substantive* and *affects key areas of industrial relations*. (Industrial Relations ..., 2000)

This is certainly less visible for the current Member States than for the future ones, as the latter countries have recently devoted several years to *transposing the Community social law*. In this process, applicant countries are not only supposed to supplement their national law with regulations directly linked to Europeanisation, such as, for example, the directive on the posting of workers within the framework of the provision of services (Directive 96/71/EC). Neither it is enough to create the necessary legal background to such trans-national

institutions as the European Works Council (Directive 94/45/EC) or the European Company (Council Regulation (EC) No 2057/2001 and Directive 2001/86/EC). Applicant countries should also approximate their existing law to the Community social acquis, which has a strong, sometimes *direct influence* also *on their national industrial relations*.

Mention can, first of all, be made of the obligation to inform and consult workers on specific issues, which is to be found in numerous directives. (For example in Directive 98/59/EC on collective redundancies; 2001/23/EC on the transfer of undertakings; and the framework Directive 89/391/EEC on safety and health of workers at work. For a complete list see: Preparing for enlargement, 2000) Compliance with these directives can only be achieved if *channels for information and consultation* are established and used. The recent Information and Consultation Directive (2002/14/EC) goes even further. It provides a general framework for information and consultation for all enterprises with at least 50 employees. *This instrument clearly intervenes into the national industrial relations* with the aim of ensuring basic rights to all workers across the European Union. Consultation from a directive if this possibility is granted at all; on detailed implementation rules, etc. (See more in: Preparing for enlargement, 2000).

As the above examples indicate, over the years, Community social law has become *a powerful external factor which influences, more and more directly and explicitly, national industrial relations*. Through approximating national provisions and establishing minimum requirements, it *acts towards convergence*. The relevant directives, however, do not question the more advanced national provisions. Thus the Community social acquis also *contributes preserving diversity*, retaining the various national traditions and practices in industrial relations.

For *most current Member States* it is *not that difficult to integrate the Community social law* into their national legal framework and industrial relations context. Perhaps this is reason, why the impact of European social legislation on national industrial relations has been a fairly neglected research topic so far (reflected also in themes of contributions submitted to this World Congress). Nevertheless, the ongoing heated debate on temporary agency workers shows how sensitive legislative endeavours could become.

As a contrast, *most future Member States have to radically adapt their national industrial relations systems* in order to comply with the acquis. New structures or procedures have to be introduced to meet, for example, the referred obligation to inform and consult workers. In all future Member States, except for Hungary and Slovenia, worker representation has followed until very recently the single-channel model, in which trade unions are the only actors for workers' participation and for communication with the employer. These countries, to comply fully with the directives, have opted for establishing additional, separate bodies with the aim of representing all the workers, and of ensuring the right for information and consultation even if trade unions are not present at the enterprise.

Further, *Community law has entrusted industrial relations with several specific functions* over the years. Social dialogue is now a means of transposing and implementing Community law (on the basis of Article 137(4) of the Treaty); of fostering values and principles enshrined in the directives (as it is explicitly stated, for example, in the Framework Equality Directive 2000/78/EC) and of monitoring the enforcement of directives (for a detailed analysis, see: Malmberg' paper for the Congress), etc.

These functions assigned equally to highly diverse national industrial relations by the Community law might contribute to some convergence, at least in longer run. The opposite scenario however cannot be excluded either: the more powerful and wider roles are given to social partners in European social law-makers, the more diverse and unbalanced outcome can be expected due to the strong national differences in structures and traditions. The development of national industrial relations is thus of outmost importance: *should the structures and procedures be not in place and/or social partners be too weak to play their roles, the functions assigned to industrial relations are either taken upon by other mechanisms and players* (for example, judicial processes, administrative tools, etc) or the Community law is less likely to be applied. Some future Member States certainly faces this dilemma.

Two distinctive researchers have addressed some of the above issues when analysing the *relationship between Community law and national law*. László Neumann takes the example of a future Member State, Hungary, and presents the transposition of Directives 77/187/EEC and 2001/23/EC on transfer of undertakings and their implementation so far. Jonas Malmberg provides a comparative analysis on the enforcement of the already transposed acquis, based on the practice of selected current Member States. They both emphasise, that *in order to obtain compliance with the labour law directives*, which consist the bulk of the Community social acquis, *industrial relations structures and processes should be in place* for actual implementation and effective enforcement alike.

As regards legal integration in social field in general, there are several questions that would be worth being taken up by this World Congress or addressed by future comparative investigations:

- What have been the benefits and the risks of European social legislation's moving towards a direction in which industrial relations structures and processes at both European and national levels are increasingly seen as means for formulating, implementing and enforcing Community rules? Should this tendency continues, how will its benefits and possible risks change in the enlarged Europe?
- Since the wider the role of national industrial relations in the field of Community social law, the higher the costs associated with their lack or under-development, the question is of outmost importance: how can industrial relations processes and actors be strengthened to meet their increasing responsibilities?

### Institutional integration

In the institutional field, the history of the European Union can be interpreted as a repeatedly reconsidered combination of EU institutions and processes on the one hand, and Member States' national structures and mechanisms on the other. From the perspective of the current paper, the most important development is the *Europeanisation of industrial relations* in the sense, that – as it was already underlined in the first part of this paper – *a complementary layer of actors, structures and processes has emerged at European level* (Hoffman et al. 2002:45).

Resent achievements in this field, referred to usually with the catch-all term as *European* social dialogue, are impressive. (For supporting evidence see especially: Biagi, 2001; The

European social dialogue .... 2002; Industrial Relations ..., 2000; Industrial Relations ..., 2002; Report of the High level group ..., 2002; Scoreboard ..., 2003;). The European Union is well on its way towards a renewed European social dialogue, which can be characterised first of all, by *a balanced progress on all three fronts of its activities: autonomous social dialogue, concertation and consultation*. As regards autonomous social dialogue at European level, enough to refer to the social partners' commitment to take a more active role, as it is expressed in their joint contribution to the Laeken European Council, and in their three-year work programme that foresees the key areas for action in the coming years. In relation to concertation mention must be made, especially, to the recent establishment of the Tripartite Social Summit for Growth and Employment, which aims to address the different aspects of the Lisbon process in a consistent way. As for consultation, the legislation-related consultation, under Article 138 of the Treaty, has gained roots while the special advosiry bodies have also improved their work.

In fact, European social dialogue has *evolved equally* at all its three European terrain: at *intersectoral and sectoral levels as well as in transnational enterprises*. European social partners have been especially busy and innovate in their inter-sectoral activities, as the examples mentioned above indicate. Sectoral dialogue has strengthened both in quantity terms (as the number of Sectoral Dialogue Committees has reached 27) and in quality terms, since most of the Committees has been active and had an impact on the respected sectors. As regards transnational enterprises, European Works Councils have gained roots and have started to outreach to future Member States. After long-lasting negotiations the Statute for the European company and the accompanying directive on the involvement of workers have also been adopted (Council Regulation (EC) No 2057/2001 and Directive 2001/86/EC) and efforts are under way to settle similarly the issue of European co-operative society.

European social dialogue today is drawn more than ever on a *variety of instruments* depending on the issues and goals concerned. These include social partners agreements; joint actions; common positions and joint recommendations formulated during the consultation processes; joint declarations; codes of conduct; joint manuals and training materials; compendium of best practices; etc.

*European social dialogue*, the evolving European layer, naturally *puts national industrial relations into a broader context and enforces adaptation*. The extent to which national systems are assumed to adjust to the new environment and the nature of changes depend both on the European developments on the one hand and the characteristics of national industrial relations on the other. Should EU level address problems with European dimension only and focus exclusively on areas where it can provide with an added value (as it is strongly emphasised by the Report of the High Level Group, 2002) – national industrial relations are likely to be challenged less. Besides the content, the speed of progress at European level also has to be considered. In the enlarged Union, European endeavours might encounter several difficulties (as argued by Ladó, 2002/a), and therefore a slower or no progress at European level cannot be precluded. Nevertheless, national industrial relations, neither in the current nor in the future EU Member States, can be any longer discussed without taking into consideration the European developments, and especially their interaction with the national level.

*European social dialogue and its impressive recent progress have not attracted very much the interest of the paper-writers* for this World Congress. The dilemmas, however, are numerous and more than worth discussing. For example:

- Has the dynamism of European social dialogue mobilised social partners at lower levels? To what extent have the social partners' endeavours at European level been transmitted to national level, and further down, to the grass roots? Do social partners respond positively to the invitation to be more active in a growing number of areas?
- Do social partners take up all the space offered to them at European level? Can they use to the best their already possessed rights? Can they take the full advantage of the various instruments in place? Does their institutional capacity allow them to meet their current responsibilities and to undertake further ones in the future?

Our impression is, *that European social dialogue has progressed faster and its agenda has expanded wider than social partners could fully keep up with* (Ladó, 2003). This observation however needs to be supported or confronted by empirical investigations.

The contributions for this World Congress have however shed some new light on the *European Works Councils* as it was already referred to earlier as well. Indeed, European Works Councils (EWCs) form one of the key pillars of the Europeanisation of industrial relations (Hoffman et al, 2002:73). These new supranational institutions may be considered – quoting the wording of the above referred literature survey – as "a bridge over the widening democratic gap between workplaces and the level of strategic decision-making" (ibid). This function has gained a growing political and economic importance over recent years with the increasing role of multi-national companies and the growing number of transnational company mergers.

Literature is relatively rich on EWCs (see for details Hoffman et al, 2002 and European Foundation, 2001), still Roland Erne in his paper for this World Congress could add a new aspect through investigating the role of EWCs in transnational company mergers. These transactions according to the Community competition law belong to the exclusive competence of the European Commission. Thus, it is up to the Commission whether or not, and under which conditions the merger is allowed. Nevertheless, European Works Councils are especially well placed to influence the Commission's decision, as the comparative analysis of the merger cases by Erne, reveals. Although the cases studied have presented fairly differing outcomes from the workers' perspective, the key lesson is common: EWCs, along with the respective trade unions, have to develop and pursue a common strategy, should it be politicising the merger and relying strongly on public pressure, or adopting a more technocratic approach. EWCs thus have to be prepared to play rather unconventional roles: to take part, along with national trade unions and European industry federations, in European collective actions (as the famous demonstration by ABB-Alstom workers showed in Brussels, on 10 April 2000); or to negotiate a transnational job security agreement, depending on the given circumstances.

Recent years *EWCs have also served as a pilot-arena for worker representatives from* candidate countries to be involved directly in institutionalised European, cross-national cooperation. Although the Directive 94/45/EC on EWC will come to legal effect upon accession only, most candidate countries have already transposed it into their national law. More importantly, several examples are known when *EWCs voluntarily have included representatives from candidate countries*. The investigation of these cases, like the research presented by Maerdi (2002) on the "enlargement of EWCs" to include Polish companies provided fresh insight both of the actual work of EWCs and their internal relations. The findings are encouraging. Meardi states that "Polish employee representatives do not differ substantially from their western counterparts in either their ability to engage effectively with the EWC nor in their expectations of the institution. East-West relocations have not proved to be compelling threat that is sometimes feared, and occur westwards as much as eastwards. This suggest that unionists from the two side of the former iron curtain may be more likely than some commentators expect to be able to find a common standpoint, since the problem is similar for both."

While the pre-accession experience with the "enlarged EWCs" is certainly promising, the less positive facts should not be overlooked either: of the more than 1800 companies falling under the scope of the EWC Directive only less than 700 have established one or more EWCs (Hoffman et al, (2002:75), and of the EWCs present in companies that operate in candidate countries only less than one fifth have taken on board non-EU workers' representatives, either as observers or full members (Industrial Relations ..., 2002:118). Although the latter figures will certainly improve when enlargement is eventually realised, the voluntary pre-accession involvement of representatives from the accession countries seems to be an opportunity worth taking advantage of even in the remaining short time until May 1<sup>st</sup>, 2004.

European unity – built on both convergence and diversity

If we now return to the basic question posed by the World Congress, what have we learned about the convergence and diversity dilemma?

First, and almost self-evidently, contributions have given further evidence of the parallel tendencies of convergence and growing diversity, and of their varied combinations in different fields.

Secondly, and again almost self-evidently, the recent European integration, as it was presented through the four interrelated, rather forceful processes of economic, policy, legal and institutional integration, has effected both current and future EU Member States albeit in a different context and, obviously, to various degree. These processes have profoundly challenged, among others, national industrial relations systems. Their impact, as it is expected and proved by the various studies, much depends on the long-standing industrial relations tradition of the individual countries. Against this powerful source of diversity, national industrial relations in all current and future Member States seem to contribute to give the integration processes a genuine effect.

Thirdly, congress papers, diverse in their content and research approaches, are obviously not suitable for drawing general picture or outlining straightforward tendencies. If we still intend to provide with a sort of conclusion the best we could do is to recall Rojot's observation (2001:76), according to which *"there are clues towards 'convergence within divergence'*. *However, it is difficult to say which way the pendulum is likely to move.* In other words, we are confused about the issue, and likely to remain so until relevant field studies of a sufficient scope and representativity are carried out".

Although the quoted view was expressed more than two years ago, our knowledge does not seem to have improved enough to provide with a more straightforward conclusion due to the complexity of the issue and the large number of differentiating factors present.

So, the debate on convergence and diversity is far from being over: further investigations are in need. As regards their focus, the Congress papers provide with some orientation. The "downwards impact of Europe at national level", using the phrase of Hyman (2002), i.e. the implications of European integration on national industrial relations regimes, their structures and processes, seems to us rather well explored. The picture can certainly be further detailed, and more differentiating factors could be identified, the main findings however are not likely to be confronted.

Therefore we fully support Hyman's approach and propose investigations on the "upward involvement" of national social partners in the processes of European integration. The issues raised (and since the submission of the paper for the Congress also researched) by Hyman especially focus on trade unions, but could and should be extended to employer associations. A future research agenda thus could include such questions as: What are the strategies and aims of national social partners in relation to European integration? How far do they have a clear agenda in addressing the increasingly supranational European economy and society? To what extent are they ready to shift some of their powers and responsibilities to the European actors, and subordinate their national regulatory roles to a common European regime? How do social partners intervene at European level? What is the impact of national social partners' endeavours on European developments? etc.

"Downwards" and "upwards" effects together might provide with a better understanding of the prevailing diversity amidst the strong pressure towards convergence on the one hand; and of the emerging convergence within national diversities on the other.

This approach would centre *more on the actors* than the institutions of industrial relations. The strategic choice social partners adopt when responding to the European integration processes, let them be of economic, policy, legal, institutional or any other nature, seems to us of growing significance. In this regard, the heuristic model of options of action social partner possess in their relation to Europe, developed by Schroeder and Weinert in their paper for this World Congress, certainly deserves special attention. The actor-centred approach will bring into the future debate such issues as the actual interests of the national and European parties; their values and beliefs; the national social partners' attitudes towards the construction of a common Europe in general and European players; their ambitions to use the possibilities of self-regulation through collective bargaining and negotiations at various levels; etc.

Actors of industrial relations differ greatly across Europe, and these differences will increase considerably with enlargement. No doubt, that social partners in most of the future member States are especially weak and are not prepared to participate in European endeavours, including European social dialogue. Their development is a precondition to preserve the quality and legitimacy of the European social model. This reconfirms our starting point that in our field, in industrial relations, enlargement will be the *key* challenge over the coming years.

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