

# Improving businesses' competitiveness: Recent changes in collective bargaining in 4 European countries (France, Germany, Italy, United Kingdom)

Andrea Broughton

*Institute for Employment Studies*

Alessandra Lazazzara & Raoul C.D. Nacamulli

*University of Milan Bicocca*

Hagen Lesch & Oliver Stettes

*Institut der Deutschen Wirtschaft Köln*

Marie-Noëlle Lopez

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# Introduction

Today, the success of neighbouring countries' social models is often referred to when one's own country is stuck with a complicated reform. Governments and corporate managements also regularly mention the advantages of this model to suggest transposing it.

It's the case in France for instance where, in some cases, the British social model is praised for its flexibility or, in other instances, the German model for its co-determination principle.

But is it possible to transpose something considered as a success in another country? Can an agreement signed in an Italian company become a reference for a German firm?

This study is trying to answer these difficult questions, mainly focusing on corporate case studies. We thought it would be interesting to focus on the levers used to look for competitiveness through collective bargaining in companies in 4 countries (France, Germany, Italy and United Kingdom).

What are the levers used? Are they the same everywhere? Can they really be transposed?

Remember that each country has its own history, collective bargaining organization and stakeholders, and that all these elements build a special industrial relations model.

This was verified with the latest reforms encouraged by the European Commission these last two years. Reforms affecting pensions, unemployment insurance or the labour market were only possible via compromises reached in each country.

The last two *Notes de conjoncture sociale* done by *Entreprise&Personnel* focus on these reforms in the European Union. Some were done by the lawmaker and/or with the social partners.

However, before we start analysing company collective agreements on competitiveness (III), we will spend some time on the general principles of industrial relations in individual countries (I) and on recent collective bargaining changes (II). Such immersion is necessary to learn all the lessons.



# I. Industrial relations in each country: a few references

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To better understand the development of collective bargaining in the 4 countries surveyed, let us remind the framework within which negotiations fall and evolve.

For that purpose, we have chosen 3 key starting points, summarized in a synthetic chart, to facilitate understanding:

- The unionization rate and the global functioning of unionization.
- The rate of collective agreements' coverage and a few keys to understand collective bargaining in these 4 countries.
- The model of workers representation in businesses, focusing on whether or not there are employee representatives on the Board.

If this picture is not enough for the reader, we suggest they report to the appendixes for more details (detailed description of the industrial relations systems).

	FRANCE	GERMANY	ITALY	UNITED KINGDOM
<b>Proportion of employees in Trade Unions</b>	8%	19%	35%	26%
<b>Union Landscape</b>	In membership terms the French trade union movement is one of the weakest in Europe with only 8% of employees in unions. It is divided into a number of rival confederations, competing for membership. (The main confederations are the CGT, CFDT, FO, CFTC and CFE-CGC.) But despite low membership and apparent division, French trade unions have strong support in elections for employee representatives, especially in large businesses.	Only around a fifth of employees in Germany are union members, and union density has fallen sharply since the early 1990s, in part because of a sharp fall in manufacturing employment in Eastern Germany after unification. The vast majority of union members are in the main union confederation, the DGB, but within it individual unions, like IG Metall and Verdi, have considerable autonomy and influence.	There are three main union confederations – CGIL, CISL and UIL – whose divisions were initially based on political differences, although these have decreased over time.	There is only one union confederation in the UK, the TUC, and individual unions are fully independent. Around 60% of trade unionists in the TUC are in the three largest unions, which have grown through mergers
<b>Collective Bargaining Coverage</b>	98%	62%	80%	29% (businesses and a few sectors)

FRANCE	GERMANY	ITALY	UNITED KINGDOM
<p>Collective bargaining coverage is extremely high in France (98%) because of its legal basis and the extension of collective agreements to all employers in the relevant sector. In contrast, trade union density is low at 8%, but is higher in the public sector at around 15%.</p> <p>The problem is that there are a lot of sectors (700+) and that the dynamics of each sector are very varied.</p> <p>In the coming years, there is a will to bring the number of sectors down to 150.</p>	<p>With respect to the coverage of employees, sectoral bargaining prevails. In the western part of Germany 90 per cent of employees covered by collective agreements are paid on the basis of industry-wide collective agreements (Lesch, 2010, 112). The corresponding figure for eastern Germany is 77 per cent. According to the IAB establishment panel, a total of 60 per cent of all employees in western Germany and 48 per cent in eastern Germany were bound by sectoral and firm-level collective agreements in 2012 (Elguth/Kohaut, 2013). Wages and other working conditions of the remaining employees may, however, be strongly influenced by the collective settlements or aligned with the collective provisions. This applies to roughly 50 per cent of the employees working in companies that are not directly bound to a sectoral or firm-level agreement.</p>	<p>Collective Bargaining in Italy is relatively high (80%). Coverage is considered to be at the lower end of the scale in the textiles and clothing industry and at the higher end in metal manufacturing.</p>	<p>Less than a third (29%) of all employees in the UK are covered by collective bargaining. In the private sector, coverage is lower at around a sixth of the key bargaining level is the company of the work place. In the public sector where almost two thirds of employees are covered industry level bargaining is more important.</p>
<p><b>Collective Bargaining Coverage</b></p>			



FRANCE	GERMANY	ITALY	UNITED KINGDOM
<p>Three levels of collective bargaining: cross-industry (national), sectoral and company level. Traditionally, the principle known as “preferential” was established. Provisions negotiated at company level could only improve national provisions. Only in recent years has this principle been upset. The law can allow businesses to negotiate lower rights than in the sector. Besides, but this is weak, a 4th bargaining level is rising: local bargaining, with employment management being the primary theme.</p>	<p>Collective agreements may be concluded on both the industry or sectoral level and the company level. Strictly speaking, collective settlements, by law, stipulate the working conditions only of those employees who are member of the corresponding union. However, it is generally said that the companies voluntarily apply the collective provisions also to the non-union members working in the company except those whose individual working contracts stipulate more favourable provisions than the collective agreement. Furthermore, collective bargaining at the sectoral level can be characterised partly by pattern bargaining. This holds for negotiations taking place in the various regional districts of one specific industry. Provisions settled in a pilot district serve as references that are adopted as they stand or slightly modified by the bargaining parties in other districts.</p>	<p>The Italian bargaining structure is based on three levels: national, sectoral and company level. The third level is based on decentralised agreements signed within companies that allow increasing the bargaining coverage and helps to accommodate the differences between large and small organizations. However, due to the increasing attention reserved by the bigger companies to this bargaining level, decentralized agreements are more common among large companies usually located in the North, therefore the principal level of collective bargaining in the country is the sectoral one (Pedersini, 2013a). Moreover, the main characteristic of the Italian economy is the prevalence of small and medium companies, therefore a fourth level of the bargaining system can be identified in the territorial level that is essentially presents in the agriculture, construction and crafts sectors, but it has increasingly been considered as a new system for providing the same welfare benefits that bigger companies provide to their employees also to those employed in SMEs in order to maximize costs.</p>	<p>Bargaining takes place predominantly at company or establishment level, although there is some sectoral bargaining in the public sector. Bargaining over pay and working conditions takes place between trade union representatives and company representatives at the individual firm, on the basis of the company recognising the trade union for collective bargaining purposes.</p>
<p><b>Key level of Bargaining Coverage</b></p>			

	FRANCE	GERMANY	ITALY	UNITED KINGDOM
<p><b>Key level of Bargaining Coverage</b></p>	<p>A lot of obligations in businesses, depending on staff size.</p> <p>Employees can be represented by employee representatives as soon as there are 11 employees in the company. This body aims to raise questions on individual or collective matters. For the Works Council after 50 employees,</p>	<p>While collective bargaining parties in the regional districts are, strictly speaking, autonomous actors their strategies and actual behaviour are somewhat coordinated. Thus, nation-wide external wage policy effects on international competitiveness and employment can be internalised by unions and employers' associations (at least at a sectoral level).</p>	<p>The main employee representative bodies in Italy – the RSUs – are essentially union bodies, even if they are largely elected by all employees. The unions nominate the candidates for the two-thirds of the members directly elected by the whole workforce, and choose the remaining third themselves.</p>	<p>There is no common structure for employee representation in the UK and in many workplaces it does not exist. Unions are the most common way that employees are represented and they can now legally compel the employer to deal with them, but only if they have sufficient support. Most non-union workplaces have no employee representation, and the regulations implementing the EU directive on information and consultation have not changed this.</p>
<p><b>Employee Representation (through local union bodies and works councils or similar structures elected by all employees)</b></p>	<p>A lot of obligations in businesses, depending on staff size.</p> <p>Employees can be represented by employee representatives as soon as there are 11 employees in the company. This body aims to raise questions on individual or collective matters. For the Works Council after 50 employees,</p>	<p>Works councils provide representation for employees at the workplace and they have substantial powers – extending to an effective right of veto on some issues. Although not formally union bodies, union members normally play a key role within them by law, employer and works councils are to cooperate with each other in such a way that both the establishment and the workers benefit. Works councils are to represent the interest of the whole staff by being informed by the management,</p>	<p>The main employee representative bodies in Italy – the RSUs – are essentially union bodies, even if they are largely elected by all employees. The unions nominate the candidates for the two-thirds of the members directly elected by the whole workforce, and choose the remaining third themselves.</p>	<p>There is no common structure for employee representation in the UK and in many workplaces it does not exist. Unions are the most common way that employees are represented and they can now legally compel the employer to deal with them, but only if they have sufficient support. Most non-union workplaces have no employee representation, and the regulations implementing the EU directive on information and consultation have not changed this.</p>

	FRANCE	GERMANY	ITALY	UNITED KINGDOM
<p><b>Employee Representation (through local union bodies and works councils or similar structures elected by all employees)</b></p>	<p>the point is to inform and consult about the company's good economic progress.</p> <p>Businesses increasingly appeal to a body specialized in hygiene, security and working conditions (CHSCT), and its power is growing.</p>	<p>enforcing employees' interest in decision-making or even jointly deciding with the management. In this respect, they can conclude agreements that are binding for both the employer and the employees. If a conflict of interests arises at the level of the establishment and the dispute concerns enforceable codetermination rights, the works council can enforce the setting-up of an arbitration committee. If a dispute over rights arises, the works council can apply to the Labour court for an injunction. Finally, it is</p>		
<p><b>Board-level Representation</b></p>	<p>Since 2013, businesses with 5,000 workers or more in France and 10,000 in total are under the obligation to have an employee representative on their board. Until now, this was only mandatory in public firms and optional in private corporations. This board member has the same rights, obligations and prerogatives as the others. A lot of businesses are worried about this new provision.</p>	<p>Employee representatives have a right to seats on the supervisory board of larger companies: one-third in companies with 500 to 2,000 employees, half in companies with more than 2,000.</p>	<p>There is no right to employee board level representation in Italy.</p>	<p>UK employees have no statutory right to representation at board level.</p>



## 2. Recent changes to collective bargaining

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Collective bargaining is a more or less structuring component of the social model in a lot of European countries, but is this model evolving? What's new in the wage negotiations in light of the new stakes related to the crisis? Are new bargaining topics debated with the social partners?

### 1. France: negotiations under more and more pressure

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The collective bargaining framework has drastically changed in France in recent years. Remember that, historically speaking, the creation of the social standard is mostly the prerogative of the lawmaker. France is often mentioned for its binding social regulations and its heavy Labor Code (more than 3,000 pages).

However, for several years, especially recently, there has been a strong political will to develop compromise via what is known as "French-style collective bargaining," and there are a lot of themes.

#### ■ **Since 2007, company negotiations are under pressure**

For several years, businesses have been pressured into launching negotiations on societal themes the public authorities want to improve.

They have now integrated this principle quite well: bargaining a collective agreement or developing an action plan on these themes, or paying a fine (1% of the payroll).

These bargaining obligations were initially introduced to facilitate recruitment for disabled employees. In the absence of negotiations, possible financial sanctions are generalized: policy to recruit or maintain seniors in the company, professional equality, prevention policy for jobs known as "hard" in the company, and so on. Stress, generation contracts (within the framework of a policy to recruit young people) are the latest mandatory themes.

With a little hindsight, one can see that this method does not give any meaning to businesses' actions in these areas. In reality, the themes are only addressed via general principles; the content is not dealt with and they are not operational in the company.

Social dialogue remains highly institutional, and this obligation to succeed is often detrimental for the negotiation's outcome. The primary objective is to avoid paying a fine amounting to 1% of the payroll!

#### ■ **A new impulse? Collective bargaining on secure employment or competitiveness agreements**

It is with the difficult economic and employment context of these recent years that you need to understand the expected effects of the mechanisms on secure employment. A legal framework was created for the employment maintenance

agreements, via a law passed on June 14, 2006. Keeping as many jobs as possible rather than laying off in times of crisis by signing “defensive” agreements will be the objective of the coming quarters.

Several European countries have created similar mechanisms. “Derogation clauses” included in collective agreements in Germany allow ailing businesses to temporarily avoid the provisions contained in the collective agreements and to negotiate company agreements<sup>1</sup>; the possibility for Spanish businesses, with the 2012 labour reform, to adapt the work organization to avoid layoffs. (1/3 of businesses with 250 workers or more have done this)<sup>2</sup>.

One can hardly draw conclusions after the law has been in force for 4 months only.

Below, we will analyse several so-called competitiveness agreements, but the first teachings of these agreements can be summed up in three points:

- First, the levers used for competitiveness are grouped under 4 types of measures:
  - searching for employment flexibility (cross-site mobility, early employment planning, managing temporary work and/or subcontracting);
  - organizational flexibility (searching for flexibility, “searching for collective effectiveness”);
  - actions on effective working time (questioning compensation time for extra hours worked under the French 35-hour work week law, dividing annual leave, seniority days... and redefining annual working time...);
  - controlling pay evolution (pay freeze, removing bonuses primes, renegotiating profit-sharing agreements).
- With these levers, businesses revise major procedures in their HR policy (working time, pay, employment management). The teams have to be ready to commit themselves to issues like the duration of working time, which they had voluntarily “forgotten” since the 2000s, because compromises at the time were hard to find!
- When bargaining for this type of agreement, compensation for activating these levers is the company’s industrial and economic plan (rebuilding a production/investment chain worth several million euros on the site, maintaining the production activity). The issue of the company’s economic performance is raised with the social partners and the employees: sharing all the information that leads to these options is essential.
- Union organizations have recently adopted a new position because of the major stakes for businesses and their employees. They sign agreements implementing what, under other circumstances, would have been considered as social steps back.
- Corporate social regulations are once again punctuated with the search for direct employee participation which, for several years, had been forgotten. Local union organizations only commit if they have employees’ support. They need to understand the stakes and, to that end, be informed about and trained to economic issues. But achieving a truly shared diagnosis takes time. Continuous social dialogue in the company favours commitments on both sides when there is an emergency and avoids misunderstandings. Trust needs to be built.
- Time will tell whether businesses will use this new system prior to economic difficulties.

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<sup>1</sup> Planet Labor, article 6559 of October 24, 2012.

<sup>2</sup> Planet Labor, article 7652 of June 24, 2013.

## ■ Bargaining collective agreements is not a sign of good social dialogue

According to recent figures included in the 2012 collective bargaining report, never have so many agreements been signed in France...at all levels: cross-industry, sectoral, and mostly in businesses (+ 5,000 texts compared with 2011!) Is the French social model changing? Some say the law on secure employment (labour law reform) will be the keystone for future negotiations in businesses on one of the most important subject of the moment: employment... Simply, concrete, practical observation of this social dialogue modality in businesses allows us to raise doubts as to its impact on employees' everyday life. When managers and employees are asked about the implementation of one agreement in force or another, most answers are fantasist: "What are you talking about?" As an example: a company has already signed 9 company agreements in 2013, and the managers surveyed have never heard of them. People outside the company talk about them the best!

In recent years, collective bargaining has grown as it became mandatory... Opening negotiations on stress, seniors, hardness, and professional equality or paying a fine: the choice is easily made. Schedules are always tight: September 30, 2013 for the generation contract. How can one build a true, meaningful employment policy in a few months? When the first agreements came, usually the point was to have a text, with a few copy/paste exercises: parts of former senior agreements, provisions from the workforce-planning agreement, and formalizing a few HR tools... Managements and union organizations are aware that all these topics would require time to think: which would be the most relevant measure in the company's given context? How to debate it with the key interested parties to implement the measures negotiated?

Some unions organize blogs, forums with employees to try the relevance of measures to negotiate. It's a good approach but they need to go fast.

How many collective agreements won't be implemented, either because they are only made up of declarations of intent because they "contractualize" social policies, or because the measure was negotiated without taking the operational side into consideration. Signing agreements is not enough to change mindsets and practices. Agreements on employment of older workers are a particularly striking example.

Remember also that, to negotiate in a company, you need to have union representatives, and the current affiliation rate in France (7-8%) is a weakness to apply the social-democracy model of northern European countries. This model cannot be transposed in a different context, different social relations history, and have the same consequences. Few remember this.

The agreement-signing-machine should take a break. Dialogue is more important than bargaining.

## 2. Germany : minimum wage... to demographic change

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### ■ Debate on minimum wages

The decline of the collective bargaining coverage rate has come along with an increase of the low-wage-sector. The share of employees whose hourly wages are less than two-thirds of the median-wage rose from 16.5 per cent in 1994 to 22 per cent in 2009 (Schäfer/Schmidt, 2012). Since 2008 the extent of the low-wage sector has, however, remained more or less constant. Nevertheless, trade unions have, more and more, called for statutory national minimum wage to combat the extension of the low-wage-sector. After 5 weeks debating and bargaining, the conservative parties (CDU

and CSU) and the social democratic party (SPD) agreed on a “Grand Coalition” program that plans the introduction of statutory, universal minimum wage on January 1, 2017.

The legislative framework allows three types of extensions of collective standards to other parties:

- A first extension mechanism is laid down in the Collective Bargaining Act. On request of the social partners the Ministry of Labour and Social Affairs can declare collective standards generally binding if two conditions hold. The bargaining parties have to represent a minimum of 50 per cent of all employees in the domain of the collective agreement. In addition, the extension must be deemed beneficial for the general public. Currently, only one per cent of all collective agreements are declared generally binding.
- The second extension mechanism is based on the Posted Workers’ Act and is far more prevalent than the first one. In specified industries unions and employers’ associations are summoned to stipulate a minimum wage that is declared generally binding. While the former left-orientated-government was considering the extension of the provisions of the Posted Workers’ Act to all sectors in 2005, it is still restricted to some specific industries (i.e. 11 sectors). Currently, more than 4.5 million employees are working in sectors governed by a minimum wage. The extension of the collectively agreed minimum wage requires that at least 50 per cent of employees in this sector are covered by collective agreements. The Posted Workers’ Act even allows for the extensions even when a majority of the representatives of a bi-partite collective bargaining committee reject any measure (which has by now never occurred).
- In general, the Minimum Working Conditions Act (Mindestarbeitsbedingungen-gesetz) also allows for the provision of a minimum wage. A so-called steering committee may check whether wage and other working standards in a specific region or sector can cause severe social distortions. If the steering committee confirms the existence of distortions, the Ministry for Labour and Social Affairs sets up an expert committee that stipulates statutory minimum wages for the affected branches (Lesch, 2010, 119.). However, this type of implementation has not been proceeded by now.

## ■ Destabilization of collective bargaining system

The collective bargaining system is at risk of being destabilized by two drivers:

- Bargaining coverage has continuously been declining over the last two decades (see above). In addition, collective standards set in sectoral agreement have been differentiated and decentralized via opening clauses.
- Unions and union-affiliated researchers criticize that the decline and the decentralization process has come along with a high competitive pressure on low-wage groups (particularly in service industries) due a growing supply of low-skilled persons (Bispinck/Dribbusch/Schulten, 2010, 6). Furthermore, an imbalance of bargaining power in favour of the employers has evolved over the last years due to the growing significance of temporary agency work, fixed-term contracts and marginal part-time jobs.
- Union landscape has become more fragmented. Over the last two decades, several professional associations have transformed into craft unions, which, nowadays, autonomously conclude collective agreements for their members. For specific employees in some industries sectoral-level agreements have been replaced by specific occupational-linked settlements. Thus, companies have to apply different collective standards simultaneously (partly for the same group of workers who are members of one of the two unions) and to face competition for members between the trade

unions (especially when two unions compete for the same potential membership group). This holds, for example, for the competition between United Service Sector Union (Verdi) and the craft union that represents flight attendants (Ufo) and the competition between Verdi and the craft union representing physicians employed in hospitals (Marburger Bund). By now, fragmentation has only occurred in the transport (railways, air traffic, air traffic-control) and health sectors.

▪ In 2010, the federal labour court scrapped the, by then, governing principle that in the same company only one collective agreement could be in effect (Tarifeinheit). Employers' associations are also concerned that further craft unions may be founded and the fragmentation of the union landscape continues to grow. Thus, the Confederation of German Employers' Associations (BDA) and the DGB jointly requested legislative initiative to restore bargaining uniformity in 2010. While the government has, by now, not reacted to this request, the unions have, in the meantime, withdrawn their assistance to the formerly joint initiative.

## ■ Subjects primarily being discussed

### — **Withdrawal of moderate wage policy**

After the economic crisis in 2008/09 the unions only partially continued their employment-orientated wage policy, which has taken place since the mid-1990s. While nominal unit labour costs did not increase between 2000 and 2008, they rose about 9 per cent between 2009 und 2012. The rise was initially resulting from the implementation of short-time working schemes in 2009 and 2010. Thereafter, regular wage increases drove the rise of the unit labour costs.

- Wage dynamic, at least in some sectors, has partly been accelerated by the competition between unions that resulted in a race to the top. This applies particularly to situations when different types of workers who are organized by different unions are complementary – e.g. in the transport and health service sector. Union bargaining power rises as the likelihood of a stop of the entire production process by industrial action increases. Thus, employers have to negotiate with several unions one after another while the claim of the second-mover union is strongly influenced by the standards settled by the first-mover union.
- Wage dynamic also reflects the improved state of the labour market. Unemployment has declined over the last years. Thus, unions can more strongly focus on wage increases without fearing substantial job losses. To combat the expansion of the low-wage sector unions have not only called for a binding minimum wage, but have also regularly claimed disproportionally increases for low-wage workers. This applies particular for retail sector as well as for the hotel, restaurant and catering sector.

### — **Temporary agency work**

As wages of temporary agency workers are, on average, lower than those of workers in the client companies, unions have striven for enforcing equal pay by political initiatives and reducing the pay gap by concluding additional wage agreements in some industries, such as the chemical industry, metal working and electrical industry, rail sector. The latter stipulate varying wage supplements for workers who are deployed to client companies for a specific duration. Wage supplements can total up to 50 per cent of the regular wage (IW, 2012a).

Unions have, over the last years, claimed that works councils in the client companies should be empowered to block (or, at least, to restrain) the assignment of temporary agency workers. They, however, have, by now, failed to enforce their claim in the negotiation processes.



## — Demographic change

The aging of the workforce along with the raise of the statutory retirement age entails that employees and companies deal with an extended working life. In addition, working age population is shrinking. Thus, companies have to attract and retain adequately skilled workers in order to maintain competitiveness. Thus issues, such as training or lifelong learning, health management, reconciliation of work and family life and smooth transition from work to retirement, have become more significant. This applies also to collective bargaining.

### **Examples are as follows:**

- In the chemical industry, The Mining, Chemicals and Energy Industrial Union (IG BCE) and the employers' association in the chemical industry (BAVC) concluded a new agreement on working life and demography (Tarifvertrag Lebensarbeitszeit und Demografie). It aims to smooth the transition from work to retirement and to retain older workers in the workforce. The agreement allows the employer and works council to conclude a works agreement which may stipulate the use of long-term working time accounts and progressive retirement, as well as partial retirement plans. Moreover, invalidity and regular pension plans based on the corresponding collective agreement may also be implemented by a works agreement. To provide for sufficient financial resources for these measures, from 1 January 2010 onwards, employers will be obliged to pay an annual €300 per employee into a company-specific 'demography fund' (Demographie-Fonds). From 2013 onwards, the payment is raised by further €200 per employee. This additional payment has to be strictly devoted to long-term working time accounts.
- If no settlement is reached at company level, a 'catch-all' clause comes into effect. According to this clause, the fund must be used for the implementation of regular pension plans in companies employing up to 200 workers and for the implementation of long-term working time accounts in companies with a workforce of more than 200 employees. The agreement in the chemicals industry is independent of any political decisions that may extend or abolish the current public subsidisation of progressive retirement plans.
- The regional employers' associations for the metal and electrical industry and the German Metalworkers' Union (IG Metall) agreed on collective agreements on partial retirement, long-term working time accounts, and company-provided pension schemes.

The agreements on partial retirement that took effect on 1 January 2010 regularly stipulate two schemes:

- The first scheme sets out the general condition for partial retirement entitlement: employees aged 61 years or over who have worked at their company for at least 12 years can benefit from partial retirement. The age threshold will be gradually raised in line with the statutory retirement age. These employees can retire partially for a maximum of four years, a period which must end at the earliest possible date on which these employees gain unrestricted access to their statutory pension. No compensation payments will be made by employers. The new agreement makes this provision available to a maximum of 2.5% of all employees in an establishment.
- The second scheme lays down special regulations for employees who work under difficult conditions. Special entitlement to partial retirement is granted to employees who regularly worked three or more shifts – including night shifts or only night shifts – within the last nine years; worked rotating shifts for at least 12 years within the last 15 years; worked under unfavourable environmental conditions – such as exposure to loud noise, or gas or dust. Furthermore, employees using their special entitlement have to be at least 57 years of age and must have worked for their company for at

least 12 years. They are allowed a maximum of six years in partial retirement, and this period can end before they gain access to their statutory pension scheme. In this case, employers will compensate them for their lost earnings at the rate of €250 a month for a maximum of 24 months.

It should be noted that up to 2.5% of the staff in a given establishment can take advantage of the aforementioned special partial retirement scheme. However, the total number of employees taking up their general or special entitlement to retire early must not exceed the 4% threshold. Moreover, the agreement stipulates special regulations if quotas for general and special entitlement are exploited at the establishment level. Employees in partial retirement will receive 85% to 89% of their former net income. Additionally, contributions to the statutory pension scheme will be paid on 95% of employees' former income.

The collective agreement on additional company-provided pension payment came already into effect in 2006.

- Since 2011, employees at Deutsche Post have been eligible to transform wage components, such as bonuses, into a long-term working time account credit. The provisions of the firm-agreement allow those aged 59 and above to vote for an early retirement or a partial retirement scheme. In addition, the provisions of a complementing firm-agreement are supposed to reduce physical burden and the workload of older employees to extend working life until reaching the statutory retirement age.

#### — **Adjustment of framework agreements**

Several sectors are characterised by ambitions to align the provisions of the framework agreement with the challenges and consequences arising from demographic, structural, and technical change. This holds particularly for working time arrangements and wage structures which have already been overhauled in the chemical industry, in the metalworking and electrical industry (see for details Stettes, 2005), and public administration/services. Negotiations in the retail sector on the modernisation of the framework agreement that had governed working conditions since 1950 were launched in 2002 in particular to deal with liberalisation of opening hours. They were, however, suspended by Ver.di in 2012 which induced the employers' association in retail to terminate all settlements. Likewise, negotiations in the printing industry which were held between 2003 and 2005 as well as in 2011 failed to reach an adapted agreement and came along with industrial action.

### ■ **Collective bargaining in the field of competitiveness and employment**

Regular or implicit concession bargaining at the firm-level – that means wages, working time, other working conditions and the employment level or investments are simultaneously dealt with – are often called (company-level) alliances for jobs. Typically, the management guarantees the survival of jobs or sites in exchange to wage concessions and/or the increase or flexibilisation of working time.

Representative data is still missing, but two periods of concession bargaining can be differentiated:

- Prior to 2003/2004, company-level alliances for jobs or deviations from collective standard (even when jointly decided by the works council and the management) were often at risk of violating the legislation on collective bargaining as regular opening clauses were less prevalent than nowadays. In those days, derogations of collective standards initiated by the management unilaterally or jointly with the works councils or staff were often not authorised by unions and employers' associations.

- Non-representative empirical evidence suggests that the proportion of establishment or companies implementing alliances for jobs totalled between 23 per cent and 40 per cent depending on the sector analysed (Massa-Wirth/Seifert, 2004; Berthold et al., 2003a and 2003b).
- From 2004/2005 onwards, opening clauses have, more and more, added to sectoral collective agreements. The most significant one is the settlement in the metalworking and electrical industry – the so-called Pforzheimer Abkommen – that has, since coming into effect in 2004, allowed companies to temporarily derogate from sectoral standards so that the competitiveness of the company can be improved, innovation can be fostered and investment can be spurred. Contrary to the provisions of the few opening clauses established prior to 2004/2005 deviating in the metal and working industries does not necessarily require the firm to be in economic turmoil.
- Ellguth et al. (2012) provide some evidence on the adoption of opening clauses between 2005 and 2007. They found that collective agreements including opening clauses applied to one third of the surveyed establishments, 33 per cent of which actually adopted the clause.

In both periods, empirical evidence suggests that works councils play a significant role in concluding alliances for jobs at the firm-level. According to Ellguth et al. (2012, 11) making use of opening clauses is more widespread in establishments with works councils (39 per cent) than in establishments without works councils (21 per cent). According to Berthold et al. (2003a and 2003b), due to their information and enforceable codetermination rights works councils can facilitate the conclusion of alliances for jobs particularly if the labour relations at the establishment level is characterised by a lack of trust. In addition, empirical evidence shows that works councils generally prefer changes in working time to wage reductions unless the economic situation is too severe (Berthold et al., 2003b; Massa-Wirth/Seifert, 2005). If wage concessions cannot be avoided due to the imbalanced stage of business, the management and workers' representatives usually decide to suspend regularly stipulated wage increases, cut (holiday or Christmas) bonuses and/or abolish other perks.

Prior to 2004/2005 the proportion of establishments that laid down the results of the concession talks in a bilaterally signed document is estimated to fluctuate between one quarter and more than two thirds. However, making use of opening clauses provided by collective agreements regularly requires the conclusion of an additional agreement, in several sectors such as the metalworking and electrical industry also signed by the union and employers' association and/or a works agreement between management and works council.

### 3. Italy: Fiat.. and then what?

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An important recent development in the Italian collective bargaining system is the national agreement on representation and representativeness for national industry-wide agreements signed on 31st May 2013 by the president of the employers' organization Confindustria and the leaders of the three major trade union confederations. This intersectoral agreement marks the end of a decade of division among the three most important union confederations in Italy started with the refusal by the Cgil to sign the agreements of 2002 and 2009, and represents an important step towards regulating representation and collective bargaining in Italy. The deal includes important details for the measurement and represents an advancements towards the decentralization by explicating the criteria for making company-level bargaining generally binding for all the organizations belonging to the signatory parties (Pedersini,

2013b). With the new deal, RSU elections will be proportional and the rule that used to save three seats for the three signing unions is abolished. Moreover, in order to take part in the negotiations for the national collective agreement, the federations of the signing union organizations need a level of certified representativeness no lower than 5 per cent, abolishing the previous rule in the Statute of Workers (Article 19), which allowed some businesses to sign agreements with minority unions (Mura, 2013a).

Another important trend in collective bargaining in Italy is the increasing attention and implementation of company level agreements. According to Ocsel (2012), the subject primarily being discussed in collective bargaining still remains wage policy (discussed in the 48% of the company agreements) but, as a consequence of the economic and financial crisis about the 28% of company agreements are taking into account measures related to crisis and restructuration management. Wage policies are discussed mainly in the manufacturing sector (about 26%), public sector (16%) and chemical sector (14%), and usually concerns the bargaining of the variable wage component especially in those companies that are experiencing better economical performances. In the last years the company level bargaining is also assuming a defensive role, trying to control redundancies and helping workers made redundant. Most of these agreements, in fact, concern wage guarantee fund to protections and employment stability. 22% of company agreements regard trade union rights, mainly union representation structure and the right to assembly, and working time. The latter topic has major importance not only at the level of collective bargaining but also at the decentralized level and concerns mainly flexibility issues (51%), working time distribution (32%), part-time (29%) and overtime (22%). Even if less frequent than in the past due to financial cutbacks, internal welfare is a subject in 18% of the company agreements especially in the manufacturing (20%) and construction (12%) sectors. The main issues regarding internal welfare involve services and agreements (78%) like incentives, concierge service and on-site childcare; supplementary pension, insurance and health schemas (63%) and improvement to statutory requirements (53%) as additional maternity and parental leave.

In this context, it is particularly interesting analysing the biggest car manufacturer, Fiat, break-away from employers' Confederation of Italian Industry (Confindustria) and the new group-level agreement that is upsetting the traditional Italian industrial relations systems.

Moreover, the globalized competitive dynamics are generating new needs in terms of flexibility and reshaping the collective bargaining system. Some trends are for example the ever increasing decentralization of collective bargaining but also challenges related to restructuration processes and outsourcing processes – as in the case of Vodafone Italy - that often involved the relocation of manufacturing and services in other countries. The economical and financial crisis in fact, has had a strong impact on the Italian industrial relations and can has forced to take important autonomous initiatives.

Italy is facing a great challenge that goes through a transformation of the traditional industrial relations system in order to reach not only more flexibility but also an evolution towards more cooperative relationships between social actors. After a long period of divisions and conflicts, the most important Italian trade unions have recently started again to move in the same direction and to cooperate in order to reach a more positive relationships with employers and managers. These actors are becoming increasingly aware that cooperative labour relations and managerial initiative are not in competition but can coexist.

Anyway, not exactly in this direction are going the last decisions undertaken by the Fiat's management team that, on one side, are emphasizing the decentralization of bargaining at the company level but, on the other side, are defining a new framework

of industrial relations that resizes the role of trade unions and employer associations in the bargaining structure.

Another important actor in this picture is the financial crisis. Challenges posed by restructuration processes as well as redundancy needs require once again a process of triangulation between management, unions and local or central institutions in order to protect employment security and stability. Within this issue, the process of relocation of manufacturing and service activities in emerging countries has a large impact on employment and is concerning the public opinion due to the risk that many companies may leave because of the environment uncertainty and lack of political plans aimed at creating the conditions necessary to revitalize the economic system and improving competitiveness.

Moreover, budget constraints at the governmental level are encouraging associations of employers, trade unions, foundations and non-profit organizations to find new ways to cope with the needs created by reduced public welfare provision. This sort of “second welfare” is a way to offer the same benefits that often enjoy employees of larger organizations also to those people working in SMEs, in a context in which industrial relations are gradually changing in response to the growing demands for workers’ welfare protection

#### ■ **Subjects primarily being discussed**

A critical issue in collective bargaining in Italy is working time and flexibility. On average the collectively agreed weekly working time is 38 hours. Part-time agreements are traditionally few implemented and the part-time employment rate is in general quite low (17% - Eurostat) penalizing especially female employment. On the other side, it’s increasing the amount of involuntary part time workers, those who work part-time because have not found a full-time job. Before the crisis they were about the 40 per cent of employed part-time while now represent more than half of them (CNEL, 2012). Moreover, the average number of actual weekly hours of work reveals that Italian workers spend on average 36.3 hours at work (Eurostat, LFS).

This context requires also new models of collective bargaining – more managerial and advanced – and new subjects need to be discussed as in the case of “Treviso’s agreement”.

## 4. United Kingdom: limited collective bargaining

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Collective bargaining coverage in the UK is relatively low, as noted above, and the coverage rate is falling. Coverage in the private sector is particularly low, and for trade unions, this represents certainly one of the main challenges in relation to industrial relations.

Another trend and challenge for trade unions is falling trade union membership. According to WERS 2011, the percentage of workplaces with any union members fell by six percentage points, from 29% in 2004 to 23% in 2011. The percentage in which a majority of workers were union members fell from 14% to 10%.

Recognition by employers of trade unions for negotiating terms and conditions of employment also fell, although not so sharply – the percentage of workplaces with recognised trade unions fell from 24% in 2004 to 21% in 2011.

The main challenge of the past five years, for both employers and employees, has been coping with the effects of the economic crisis in Europe. For employers, the main concern has been to continue to operate effectively in times of reduced demand and

reduced consumer spending power. Cutting labour costs and minimising increases in labour spending have therefore been strategies adopted by many employers.

The number of days lost to industrial action was very high in 2011 (1,380,000, compared with 563,000 the previous year), giving rise to media reports that industrial action was becoming increasingly common in the UK. However, a Chartered Institute of Personnel and Development (CIPD) report released at the end of 2012 claims that 90% of those days lost were due to a single national day of action that took place in November 2011, and that the long-term trend is towards declining industrial action. Further, the CIPD notes that over 90% of days lost to industrial action have been in the public sector. The study included only a few employers affected by industrial action, and those that were affected did not view it as a serious problem (Gamwell, 2012). The CIPD report also found that there was a range of alternatives to strike action, such as trade unions balloting on strike action, but not actually taking action. Other alternatives to strike action include street demonstrations, consumer campaigning and boycotts of global brands in order to protest against employment conditions within the supply chain.

## ■ **Subjects primarily being discussed**

### — **Engaging with the recession**

Employers have been adopting a range of cost-cutting strategies to try to cope with the ongoing economic downturn. Where unions or employee representatives are present, these will be negotiated. If no employee or trade union representatives are present, the employer is likely to put them into place by unilateral decision. The latest WERS study (WERS 2011) found that 33% of employees reported a cut or freeze in pay as a result of the recession, with 19% reporting restrictions on access to paid overtime, and 6% a reduction in non-wage benefits. Other impacts reported by WERS 2011 respondents included an increase in workload (29%), work reorganisation (19%), and restrictions on access to training (12%).

The above-mentioned CIPD study also looks at the way in which employers and employees are engaging in the context of the recession. It finds that where collective mechanisms are in place, employers are using them, although this is taking place in the context of a general trend towards lower collective bargaining coverage and therefore increasing direct communication with employees (see above).

Overall, then, it would seem that in the UK, employers have been having to deal with the consequences of the recession (over three-quarters of the WERS 2011 respondents had taken some kind of action that had had a direct impact on their workforce, in response to the recession). However, as reported above, this seems to be mainly focused on pay cuts and freezes. Employees have not been widely experiencing cuts in working time – only 5% of employees in the WERS study reported having to reduce their contractual working hours. This is in contrast to the strategy of short-time working adopted in many other EU Member States, such as Germany and Italy, where state subsidy is available to enable employers to reduce working time for employees rather than make redundancies. Although some employers in the UK have tried to do this, recognising that it is costly to re-recruit once the economy picks up, the fact that no state subsidies are available has limited this practice.

### — **Flexible working**

Flexible working is a popular way of increasing employee commitment and loyalty, which in turn decreases employee turnover and recruitment cost. Flexible working can also have positive benefits for the employer's business in terms of increasing the flexibility of production or services. A great number of larger companies now offer a

wide range of alternative working patterns and extend the right to request flexible working to all employees – there is currently a legal obligation for an employer to consider (although not grant) a request for flexible working from workers with children under the age of 16 (or 18 in the case of children with disabilities).

There seems to be evidence that the practice of flexible working is growing in the UK. According to the 2011 annual survey on employment trends from the CBI and recruitment specialists Harvey Nash, almost all of the employers (96 per cent) that responded to the survey offered at least one form of flexible work, and 70 per cent had three or more types available to staff. In particular, the survey found that there has been particularly rapid expansion in recent years in the use of teleworking and the provision of career breaks/sabbaticals. Another key finding of this was that the increased use of flexible working looks set to continue in the next few years, as many employers said they were currently considering introducing additional flexible working arrangements. Further, the survey acknowledges the role that the recession has played in this trend: “Since 2008, responses to the recession have included more widespread adoption of two forms of flexible working: nearly half of employers (46%) participating in the survey now offer career breaks and/or sabbaticals. Many firms introduced these as a way to reduce labour costs and cut staffing on a temporary basis during the recession but – realising that employees value them – have opted to retain them” (CBI/Harvey Nash 2013, p.34). Other popular forms of flexible working include flexi-time, term-time working, job-sharing, annualised hours, compressed hour and teleworking.

#### — **Zero hours contract**

One of the main areas of flexibility in UK employment relations recently has been an increase in the practice of concluding so-called zero hours contracts (whereby employers hire workers but do not specify any working hours, calling them in to work just when they are needed). This has been the focus of debate in the UK in the past few weeks, as recent figures show that there has been an increase in the conclusion of these types of contracts. According to a report released in June 2013 (Resolution Foundation, 2013), based on data from the UK Office for National Statistics, the number of people employed on zero hours contracts rose from 134,000 in 2006 (0.5 per cent of the workforce) to 208,000 (0.7 per cent) in 2012. Zero hours contracts are held by a large proportion of young people – 37% of those on such contracts are aged between 16 and 24. The report estimates that 8 per cent of workplaces across a wide range of sectors use zero hours contracts. Specifically, 20 per cent of those employed on zero-hours contracts work in health and social work, 19 per cent in hospitality, 12 per cent in administration, 11 per cent in retail and 8 per cent in arts, entertainment and leisure. The report notes that this form of contracting has become popular in the UK in times of recession, as a way for the employer to cut costs and reduce risk: “It is not hard to see why zero-hours contracts can appear attractive to employers. They allow for maximum flexibility to meet changing demand. They can facilitate the management of risk, reduce the costs of recruitment and training, and they can, in certain circumstances, enable employers to avoid particular employment obligations” (Resolution Foundation 2013, p.4. However, the report also notes that zero hours contracts can have significant disadvantages for employees in that they do not guarantee regular, or indeed any, hours of work and therefore income. This also makes planning difficult for those with financial or other responsibilities.

Trade unions are keen to tighten up regulation on zero hours contracts in order to protect workers. The UK government is currently looking at the issue.

## — Involvement of worker representatives

Worker representatives must, by law, be informed and consulted in certain circumstances, such as if the employer wishes to make collective redundancies or engage in a business transfer. In contrast to many other European countries, there is no general practice of setting up works councils in companies, and the 2002 EU Directive on information and consultation of employees does not really seem to have changed the situation in the UK. WERS 2011 estimates that there are joint consultative committees in only 6% of UK workplaces. Where works council-type bodies or European Works Councils exist, however, employee representatives will typically receive some kind of training, either through a trade union or organised by the employer. Despite this lack of formal structures, the UK is characterised as a country in which there is relatively high involvement and influence of employees over organisational decisions (Eurofound 2013).

Further, employee participation is relatively widespread in the UK. The Involvement and Participation Association (IPA), which promotes employee engagement, involvement and information and consultation, defines employee participation as a process whereby there is joint commitment, from employees and the employer, to the success of the organisation, joint recognition of the other party's legitimate interests, joint commitment to employment security, joint focus on the quality of working life, joint commitment to operating in a transparent manner, and joint commitment to add value to the arrangement<sup>3</sup>.

## ■ Collective bargaining in the field of competitiveness and employment

There does not seem to be a great deal of data regarding collective bargaining and competitiveness. Trade unions are focusing their campaigning at present on trying to secure pay increases for public sector workers after a two-year pay freeze (public sector workers will receive a pay increase this year), and encouraging employers to increase pay in the private sector. Trade unions are also concerned that the economic crisis is having more far-reaching effects on the workforce, in areas such as health, wellbeing, bullying and harassment, heavy workloads and rising stress levels.

There is a wide range of bargaining activity taking place that aims to increase competitiveness and employee engagement. Where trade unions are present, companies will engage with them in order to create new arrangements and new ways of working. Where trade unions are not present, which is mostly the case in the private sector, companies will often put into place arrangements after overall consultation with the workforce.

The above-mentioned CIPD report examines recent trends in employment relations and collective bargaining in some detail, based on interviews with senior HR professionals across the country. It concludes that there are no particularly new trends, although there is a shift of focus during the recession, towards issues such as workplace culture, consultation of employees rather than negotiation, and a need to motivate employees: "The research suggests that the challenges most senior HR professionals and ER specialists are facing today are recognisably similar to those they were facing five or even ten years ago. Where pressures have increased, this often feels to those directly involved in managing them to be more a continuation of long-term trends than the result of a one-off disturbance. Nevertheless the background is one of relentless commercial and financial pressures, and the focus of attention

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<sup>3</sup> IPA website: <http://www.ipa-involve.com/partnership-in-the-workplace/>



continues to shift – from machinery to culture, from negotiation to consultation, from pay to motivation and from collective to individual relationships” (CIPD 2012 p.2).

In terms of the subject matter of bargaining or employment relations, the CIPD notes that employers are finding it harder to use pay as an incentive, as it is difficult to increase pay during these economically challenging times. Therefore, employers are having to look elsewhere to motivate and engage employees. The main concern for employers seems to be ensuring that they have flexibility to adjust working patterns or employment conditions to reflect changing commercial realities. Having said this, some organisations, such as those operating in the health sector, are finding that they need to cut back on flexible working patterns, according to the CIPD report: “In recent years our financial situation has become increasingly challenging with pressure for more efficiency savings. This has forced us to review our flexible working arrangements. In the early years we were able to accommodate a high degree of flexibility and gave line managers discretion to agree individual working patterns with staff to meet disability, caring, childcare and other needs. However, the resulting working ‘restrictions’ took up a significant amount of scheduling time and were affecting the efficiency of the trust. Around half of staff had their own individualised working arrangements, within a shift structure supporting a service that had to be delivered 24/7”. HR interviewee from NHS Direct (CIPD 2012 p.13).



### 3. 9 businesses, 9 economic realities, 9 new approaches to negotiations on businesses' competitiveness

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There are few similarities between the British situation where the company is not under the obligation to negotiate working time arrangements but has a lot of room for manoeuvre to do unilateral adjustments and the German model built on a strong tradition of social partnership where the social partners supervise and control adjustment possibilities at sectoral level.

Likewise, there are no similarities between Italy where collective agreement prevails over the law and where the social partners' independence is a principle, and the French legalist tradition that is constantly emphasizing the issue of the link between the law and contact, with the will to give more weight to the latter, without really succeeding.

In this context, it doesn't come as a surprise that recent changes to collective bargaining in these countries didn't follow the same paths. However, analysing these 9 cases can at least prove one thing: in these countries, and probably everywhere in Europe, economic and social changes are blurring the lines, regardless of the room taken by collective bargaining in industrial relations.

#### 1. The French auto industry: looking for better competitiveness

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##### ■ **Renault: shared understanding of the company's stakes with the social partners**

With the crisis that has led to a drop in car sales and a loss of markets, Renault's management and unions have worked, on the one hand, on the necessary reduction of production costs to improve the competitiveness of French businesses and, on the other, on maintaining jobs.

Renault's management committed to maintain 71,000 vehicles in France, maintaining its industrial sites and engineering operations, which represents the heart of Renault's trade.

To that end, Renault committed not to appeal to a social plan but it won't replace positions by 2016, and then to recruit 760 people for critical skills. In return, employees accepted, among other things, annual working time (35-hour week in average) whereas calculation is currently weekly and, for some workers, below 35 hours.

A pay freeze is also planned for 2013/14/15 but profit-sharing will be increased in return.



This agreement is one of the first negotiated and probably the one whose scope and impact will be most observed.

Please note that a new way of bargaining was approved: sharing the stakes of the negotiation in advance with the trade unions and taking the time to develop a shared, joint diagnosis.

Will this recent agreement (April 2013) serve as a model in an uncertain economic environment? PSA also signed a competitiveness agreement in October 2013.

Since the law of June 13, 2013 provided the legal framework, a lot of agreements have been signed, especially in the metal industry, following the German example.

## 2. The German metal industry, in the vanguard of competitiveness agreements

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### ■ Assessment made by German metal employers

Earlier (see p.16), we have seen that decentralization in Germany mainly took place via the opening clauses negotiated in the sectoral agreements. These clauses allow businesses, under some circumstances, to derogate from the provisions contained in the collective agreement, sometimes allowing them to deeply change the organization of working time. It is also the sectoral collective agreement in the metal industry that allowed reshaping the pay structure to tie a greater share of pay to productivity. To report on these negotiations, which helped businesses adjust to the new economic deal, we interviewed, on June 18, 2013, Karsten Tacke, Vice Director of Gesamtmetall, the umbrella organization of the employers' associations in the metalworking and electrical industry. Facing the large union federation in the sector – IG Metall – , Gesamtmetall, was the other player of the framework agreements negotiated at sectoral level, allowing to develop company agreements adapted to their economic realities and obligations. Founded in 1890, the association represents the common interests shared by Germany's largest industrial sector. Gesamtmetall aims to improve industrial relations and working conditions, and thus the performance of the German M+E industry. This is crucial for creating and securing competitive jobs in Germany. Gesamtmetall speaks for 22 member associations representing 6,300 companies and 2.1 million employees. Most member companies use the collective bargaining mechanism, others do not. Negotiating party is IG Metall.

Regarding the adoption of opening clauses, the involvement of the employers' associations is deemed crucial for the efficient adoption of opening clauses by the companies. As the social partners were, in 2002/2003, confronted with the threat of statutory opening clause to be established, they decided that the derogation of collective standards requires the joint approval by the union and employers' association (Pforzheimer Abkommen). This settlement is, thus, notably in contrast to those with opening clauses that grant the management and the works council total autonomy if some conditions hold. According to Mr Tacke, collective bargaining in the metalworking and electrical industry has been stabilized by the provisions of the "Pforzheimer" agreement and the acceptance of sectoral provisions has been raised. In addition, it has increased the awareness of the social partners for the specific challenges and needs of the individual companies. In this respect, collective bargaining at the sectoral level has become more efficient and more effective.

About the flexible working time, besides wages, working time arrangements are deemed the most significant issue in collective bargaining and both employee representatives and employers perceive need to action. According to Mr Tacke,

flexible working time is the logical consequence of the reduction in working time which the union enforced by industrial action in 1984. A 35-hour working in western Germany (38 hours in eastern Germany) are only feasible in globalised markets if working hours can be deployed flexibly. While the employers currently focus on increasing flexibility to overcome a looming shortage of skilled labour, IG Metall is striving for more autonomy of the employees to balance work and family life more effectively.

About overhauling the framework agreement on wages, from the employers' point of view, the modernised framework agreement on wages (called Entgeltrahmenabkommen, ERA) is, with regard to sectoral agreements, said to be state-of-the-art. Tasks and the corresponding pay scheme are completely overhauled, the distinction between blue-collar and white-collar employees abolished. Likewise the moderate wage policy and the Pforzheimer settlement, the revised framework agreement has also raised the acceptance of the collective bargaining system among the companies. Thus, the various regional employers' associations in the metalworking and electrical industry have intensively promoted the adoption of the new pay scheme as well as have given advice and support to the companies during the implementation process. According to Mr Tacke, the affected establishments have very much appreciated the services provided by the employers' associations. Furthermore, ERA has become an attractive reference for non-member firms many of which have adopted the standards.

## ■ **Assessing industrial relations in the metal and electrical industry**

Industrial action occurs occasionally in contrast to the chemical industry, but IG Metall, the regional employers' associations, and Gesamtmetall have, particularly over the last decade, cultivated an atmosphere that have promoted the finding of appropriate solutions in a timely manner. Despite bargaining rounds in the sector have mainly been dominated by wage issues – i.e. affecting distribution – social partners have learnt to find mutually acceptable solutions even if the latter sometimes mean to forego its demands. According to Mr Tacke, in this respect collective bargaining in the metalworking and electrical industry notably differ from that in other sectors, such as the service industries.

Conflicts in the service industries partly caused by inter-union competition are said to jeopardise the collective bargaining system in Germany. Thus, Gesamtmetall calls for legal intervention to ensure the principle of one company, one agreement and to restore bargaining uniformity. This holds even if crafts unions have not expanded their ambitions and activities to the metalworking and electrical industry. Nonetheless, it is feared that specific occupations might form coalitions besides IG Metall resulting in undermining the peace-keeping character of the sectoral agreement. In addition, Gesamtmetall expects that, in this case, IG Metall's wage policy would become more aggressive resulting in more strikes and/or larger wage increases both jeopardising the competitiveness of the member firms. Finally, the employers' also assume that fairness and equity between various staff groups would vanish.

individual employers to take advantage of cost savings, facilities and services that would normally only be available to large firms, and to distribute contract management costs among a wider number of recipients (Maino & Mallone, 2012).

### 3. Preparing businesses for the planned liberalization of their sector: the Deutsche Bahn's example

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To study this case, we have interviewed Werner Bayreuther, Director of AGV MoVe that represents companies in the rail sector most of which are affiliated to Deutsche Bahn. It was held on 25 June 2013. The Employers' Associations of Transportation Companies (Arbeitgeberverband der Mobilitäts- und Verkehrsdienstleister, AGV MoVe) represents around 70 companies operating in transportation, constructing and maintaining the infrastructure in the railway sector as well as providing services for the former that are affiliated to Deutsche Bahn. The AGV MoVe reports a total of about 180,000 employees working in its member companies. Negotiation parties are the Railway and Transport Union (Eisenbahn- und Verkehrsgewerkschaft, EVG) and the German Engine Drivers' Union (Gewerkschaft Deutscher Lokomotivführer, GdL).

#### ■ **DB, a German company unlike any other**

The most important issues currently are the deregulation and decentralisation of collective standards. Via opening clauses authority to define standards are supposed to be delegated to the partners at the establishment-level. Thus, collective bargaining issues are to be better aligned with codetermination issues. Due to the evolution of Deutsche Bahn – from a former state-run business to a privatised though state-owned company – collective bargaining actors and procedures still do not match with codetermination actors (works councils) and procedures to cope effectively with current and future challenges in an international, liberalised transport market. At least, the decentralisation of collective standards concerning measures dealing with demographic change (s. Collective agreement on dealing with the demographic change – see below) was partly successful.

From the AGV-MoVe's point of view, increased decentralisation is deemed necessary concerning agreements on wages and working time in the various divisions (long-distance transport, local transport, rail cargo, railway infrastructure and rail-affiliated services) as well as for employees with specific tasks (train operation, train deployment, repair and maintenance, engine drivers, service operator, administration). The collective agreement on wages and working time for engine drivers was concluded with the GdL though engine drivers are organised both by GdL and EVG.

Over the last decade employment at Deutsche Bahn and its affiliates has been the most relevant issue. In 2005, a specific collective agreement was concluded that aimed at safeguarding jobs. The settlement expired in 2011 and its provisions were subsequently transferred into the collective agreement on overcoming the challenges arising from demographic change. Though the agreement currently applies only to EVG-members while the negotiations with GdL are still on hold, the domain of the collective standards has increased.

#### ■ **Collective agreement on dealing with the demographic change**

Qualitative issues of collective bargaining are predominantly governed by the relatively new collective agreement on dealing with demographic change which was concluded only with EVG. This settlement includes several elements which pertain to a life-cycle-orientated human resource management approach, such as lifelong training and learning, a job guarantee for young workers who have finished their apprenticeship as well as for ageing workers, measures to balance work and family life more effectively and schedules allowing a smooth transition from work to retirement.

Since April 2013, Deutsche Bahn provides a budget totalling 25 million euro per year for funding partial retirement (including part-time work in kind of a four-day-week) in the latest stage of the career. The fund is available only for workers aged 60 and above who have minimum tenure of 20 years and have been exposed to specific burdens, such as shift work. Beneficiaries receive a payment that equals 87.5 per cent of their former salary. Deutsche Bahn estimates that, on average, around 10,000 employees can refer to the scheme over the next five years. If the fund is not completely exploited the remaining amount will be devoted to financing long-term working time accounts. Thus the programme does not only favour older workers, but also younger employees. In addition, the flexibility of the company in designing life-cycle-orientated HR practices is increased.

#### — **Collective agreements on raising competitiveness**

Due to the liberalization of the rail system tenders for local and regional lines and routes have to be invited for since 1994. As formerly state-run monopolist Deutsche Bahn has had to enter the tender procedures exhibiting a disadvantage with respect to labour costs. Thus, Deutsche Bahn had, by 2010, aspired to lower labour costs by 15 per cent to remain competitive. As the unions heavily opposed this goal, Deutsche Bahn and the unions jointly accepted that the wage surplus in relation to the competitors should be capped at 5 per cent.

The EVG called for a comprehensive collective agreement covering all local and regional routes irrespective of the operating company that stipulates provisions comparable to those already existing for the DB-affiliate DB-Regio. EVG's aim was to eliminate any wage competition. In 2011, negotiations with Deutsche Bahn and its six largest competitors came eventually to the end after being accompanied with industrial action and arbitration. The agreement stipulates that the competitors may only undercut the DB-Regio-collective standards in open tender by 6.25 per cent at the maximum. The difference is somewhat larger concerning engine drivers as GdL has been able to conclude only a few firm-agreements with competitors of Deutsche Bahn.

#### — **Assessment of industrial relations in the rail sector**

Due to inter-union competition and consecutive bargaining rounds with different unions negotiations have become more difficult. According to Deutsche Bahn atmosphere has significantly deteriorated because the various unions try to gain as much as they can even at the cost of other unions and their members. A rather typical feature is the withdrawal of GdL from the joint negotiations between Deutsche Bahn, EVG and GdL on the measures dealing with the challenges arising from demographic change in April 2012. GdL strove to reach better provisions for engine drivers than those which could be expected in joint negotiations.

Furthermore, rivalry between the unions is further spurred by rivalry between the works councils which may foster or hamper the implementation of the collective provisions at the establishments. In addition, the aggressive member-orientated GdL-bargaining policy has forced EVG to become more conflict-orientated. EVG is compelled to prove their ability to enforce their interests by calling on warning strikes more frequently.

Deutsche Bahn expects a major industrial conflict in 2014 when the ruling framework agreements will expire and GdL is allowed to negotiate also on behalf on members that are not engine drivers. GdL already announced to claim the power of attorney for rail attendants who are currently represented by EVG. In return, EVG already announced to bargain a settlement for engine drivers who are members of EVG.

Thus, AGV MoVe and Deutsche Bahn call for a legal framework that governs inter-union competition and its consequences. Likewise Gesamtmetall, they aim at ensuring

the principle of one company, one agreement and at restoring bargaining uniformity. Statutory provisions to regulate industrial action are deemed ineffective as the courts have, by now, failed to find effective and efficient procedures.

## 4. Fiat, or how to build an industrial relations framework inclined to change

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The recent developments of industrial relations in Fiat, characterized by the company exit from the country's largest industrial group Confindustria, combine both the issue of the general trend towards decentralization of bargaining and of the ways of trade union representation at company level, defining a new framework of industrial relations that is very different from the traditional bargaining structure.

In June 2010 Fiat signed an agreement at its plant in Pomigliano, but the Italian Federation of Metalworkers (Fiom), affiliated to the General Confederation of Italian Workers (Cgil), refused to sign it undermining the success of its implementation.

In December of the same year, with the Mirafiori agreement the company chose a new strategy, creating a new company for each plant and negotiating a new first-level company agreement thereby abandoning the metalworking industry-wide agreement and the practice of second-level supplementary collective agreements at company and plant levels.

Fiat decided not to take advantage of the agreement signed in September 2010 by two of the three major sectoral trade union federations and Federmeccanica, the metalworking employers' association affiliated at Confindustria which included the opportunity to introduce opening clauses at decentralised level. The company refused also to support the attempt to create a sub-sectoral agreement for the auto industry promoted by Federmeccanica and decided, at the end of 2011, to abandon the Confindustria's representation system and the multi-employer bargaining system.

At the end of September 2011, the CEO of Fiat S.p.A. and Chairman of Fiat Industrial S.p.A., Sergio

Marchionne, sent a letter to the President of Confindustria, Emma Marcegaglia, explaining the reasons of his decision.

### THE LETTER FROM MARCHIONNE TO MARCEGAGLIA

Dear Emma,

In recent months, after years of inaction, two important decisions were taken in this country with the objective of creating the conditions necessary to revitalize our economic system.

I am referring to the interconfederate agreement signed by national trade unions on June 28th

and promoted by Confindustria, and, even more important, the passing of Article 8 by Parliament that provides essential mechanisms for labour flexibility, in addition to extending the validity of the June 28th agreement to agreements reached prior to that date.

Fiat was immediate in expressing its unreserved appreciation to the government, Confindustria

and trade unions for the two provisions that would resolve many sticking points in relations with the trade unions and provide the certainties necessary to this nation's economic development.

At a particularly difficult time for the global economy, this new framework would have enabled all Italian businesses to compete internationally under conditions that are less disadvantageous in comparison with those of our competitors.

However, the signing of the interconfederate agreement of September 21st sparked a heated debate that – as a result of the contradictory positions subsequently taken and even declarations by some of their intention not to apply those agreements in practice – has significantly diminished confidence in the effectiveness of Article 8.

There is a risk, therefore, that the effectiveness of the mechanisms provided under the new legislation will be undermined and operating flexibility severely limited.

Fiat, which is engaged in the creation of a major international group with 181 plants in 30 countries, cannot afford to operate in Italy in an environment of uncertainty that is so incongruous with the conditions that exist elsewhere in the industrialized world.

It is for these reasons, none of which are politically motivated or connected to our future investment plans, that I am hereby confirming that, as indicated in our letter of June 30th, Fiat and Fiat Industrial have decided to withdraw from Confindustria with effect January 1st, 2012.

We are evaluating the possibility of collaborating, in a form yet to be agreed, with several local/regional organizations belonging to Confindustria, including, in particular, the Unione Industriale di Torino.

On our side, we will exercise our freedom to rigorously apply the new legislative provisions. Relations with our employees and with the trade unions will be conducted in a manner that does not infringe on any rights of workers and in full respect of the roles of all concerned, consistent with the agreements already reached at Pomigliano, Mirafiori and Grugliasco.

This important decision was reached after long and careful consideration. It is a decision that we cannot back away from because we are committed to playing a leading role in the industrial development of this nation.

Yours sincerely,

Sergio Marchionne

Source: <http://www.fiatspa.com/>

Following this statement, at the end of November 2011 Fiat sent a new one to all involved trade union organizations to inform them about its unilateral leaving from all collective agreements and practices starting from 1 January 2012. Despite the unanimous criticism of trade unions, Fim-Cisl and Uilm-Uil declared their availability to join the bargaining in order to define a new collective agreement as soon as possible. Fiom-Cgil instead, organized several strikes and assemblies in all Fiat's plants. Anyway, all the involved trade unions seated to the negotiations table for defining the new collective agreement who started on 29 November 2011. Fiat wanted to build the new agreement building upon the Pomigliano agreement, but Fiom rejected this condition and abandoned the bargaining table few days after. The new agreement was born on 13 December 2011 thanks to the efforts of the Fiat company management and Fim, Uil, Fismic, Ugl Metalmeccanici and covers about 86,000 workers of the Fiat group in Italy.

- As reported in Pedersini (2012), the new deal includes:
- common group-wide minimum wage rates;
- an increase in the Saturday overtime pay premium from 50% to 60%;
- special yearly bonuses for achievements in the implementation of the World Class Manufacturing system (€200 bonus for 'silver-level' plants and €500 for 'gold-level' plants);
- an extra four-year seniority pay rise, which adds to the existing five bi-annual ones;



- a 0.5 percentage point increase in the company's contribution to the employees' supplementary pension schemes;
- a one-off bonus of €600 for all employees, including those in the Wage Guarantee Fund, to be paid in 2013;
- a shortening of break periods from 40 to 30 minutes. The difference will be reimbursed in the salary;
- an increase in the number of overtime hours the company can organise unilaterally from 40 (as exists in the sectoral metalworking agreement) to 120 hours;
- a standard rota system that organises production working time over 18 shifts on 6 days per week;
- stricter measures on absenteeism with the aim of reducing it to 3.5%.

Moreover, the agreement replaces the election of unitary trade union representation bodies (RSUs) with the appointment of company union representation bodies (RSAs) by the signatory unions, based on Article 19 of the Statute of Workers. As a consequence, Fiom is not allowed to have company-level representatives as it hadn't signed the collective agreement. After a long legal dispute, on July 3 2013, the Constitutional Court declared that a part of Article 19 of Act 300/1970 (the Statute of Workers) was "constitutionally illegitimate."

## 5. Securing employees' fate when operations are transferred: the example of Vodafone Italy

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The economic and financial crisis that is affecting Europe has a strong impact on industrial relations and it is moving the focus more and more on the management of restructuration and outsourcing processes.

In 2007 the telephone company Vodafone Italy launched a referendum about the proposal to transfer a customer care branch employing at that time about 900 employees. The proposal was part of an industrial plan of reorganization of Vodafone's activities aimed at fostering company growth and the development of market segments such as voice and mobile, mobile broadband and communication services for home and office. In order to reach this goal, it turned out to be necessary a process of focusing and specialization of skills, therefore, the company decided to externalize those activities which required specific technical skills as administrative tasks and management of debts such as back office customer care that has been carried out, until then, directly by Vodafone in its offices in Rome, Milan, Ivrea, Padua and Naples.

In October the two companies involved in the process, Vodafone and the service provider Comdata, signed a company agreement with the approval of the three sectoral trade unions (the Communication Workers' Union, affiliated to Cgil; the Federation of Entertainment, Information and Telecommunications Workers, affiliated to Cisl; the Italian Communications Workers' Union, affiliated to Uil).

The agreement defines the conditions of the transfer with particular regard to protections and guarantees for the workers involved. The deal has a term of 7 years and the two companies are involved in guarantying full employment stability except in the case of voluntary resignations and dismissals for just cause. In case of bankruptcy of the Comdata group, Vodafone must undertake to find a third party to which all of the workers must be immediately transferred; alternatively, Vodafone must re-hire all of the workers. In addition, the outplaced workers have the right not to be transferred out of the municipality where they are working at the time of the transfer.

The main concern was the maintenance, in the medium term, of the conditions concerning pay and acquired benefits. With regard to contractual rights, to new recruits should be applied the same conditions applied to the earlier Vodafone employees (in order to avoid double contractual regime), while to the transferred workers should be ensured all the rights and economic and legal protections expected by the national and sectoral collective agreements, as well as the benefits provided at company level (e.g. meal tickets, results bonuses, extra health and pension provision). Moreover, Comdata agreed to launch training programs for transferred personnel in order to ensure skills development.

The referendum, held in November 2007, approved the company agreement reached in October with a percentage of 57.4 of the employees voting in favour of it. Anyway, many worker were doubtful the agreement, especially because the Vodafone's branch transferred to Comdata was not organized in a single functional area before the deal (Tajani, 2008).

## 6. Reconciling businesses' need for flexibility and employees' new expectations: the case of Luxottica in Italy

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Although the financial crisis has caused general expenditure cutbacks both in the public and in the private sector, the shift in the ways of life and individual needs of workers employed in advanced countries, as well as changes in the social and cultural context, are emphasizing the importance of meeting individual needs in order to improve job satisfaction, motivation and sense of belonging as well as managing better the work-life balance. For this reason, some companies have started to apply a vast range of social benefits and projects aimed at the people care and well being.

The company welfare system of Luxottica is considered a “best practice” in the Italian industrial relations system. The company is a vertically integrated organization that produces and distributes prescription eyewear and sunglasses of high technical quality and style all over the world. The company is sited in the Veneto region, in the North-East of Italy, and employs more than 60.000 workers worldwide. The company in fact, has a strong global presence in more than 130 countries and is a global leader in the design, manufacture and distribution of high-end, luxury and sports eyewear. The brand portfolio counts 45 well-known brands (Ray-Ban, Oakley, Vogue, Persol, etc.) and the company manages eleven plants, six of which mainly located in the North of Italy.

In 2009 trade unions and the management agreed to introduce a company welfare system for more than 7,000 Italian white- and blue-collar workers. The 2010 benefit package was a first step providing financial benefits, maternity package and health insurance. In addition, the company-level collective agreement signed in October 2011 integrated occupational benefits and work-life balance initiatives as promoting flexibility and providing life-long learning. The deal includes five days' paid paternity leave, an 'hour bank' to accumulate time off to care for newborn children and converting unused training hours (envisaged by the industry-wide agreement) into scholarships (Maino & Mallone, 2012). Some measures directed to increase the flexibility in the working time are an high individual control on work hours and overtime and a wider use of vertical and cyclical part-time arrangements in order to reduce the use of temporary contracts. An innovative scheme is the use of job-sharing in the case of an unemployed or inactive family members or employees' children near to complete their education. In terms of health protection and promotion is introduced an integration up

100 per cent of the pay for employees absent for more than 180 days and are provided training programs on safety, preventive and ergonomics. In May 2013 Luxottica signed a new agreement aimed at extending the 'Welfare' scheme set up in 2009 by offering youth education and training, listening and advice services for employees in psychological or material difficulties and microcredit and solidarity opportunities. The framework is those of a "quality culture" oriented to limiting waste and releasing surplus that is reinvested into social protection (Mura, 2013b).

## 7. Trying local negotiations in SMEs: extending Luxottica welfare system

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The Luxottica welfare system and its Corporate Social Responsibility are good examples of cooperation between trade unions and management in order to strengthen the productive system and also to improve compensations, services and quality of life for all the employees. Employers in fact, are increasingly called to provide what is no longer supplied by the public welfare system such as social protection and investment. The structure of the Italian economy doesn't allow the widespread introduction of internal welfare agreement, work-life balance, workplace facilities and investment in training especially in SMEs because of the cost. Even if territorial second-level bargaining is essentially present in the agriculture, construction and crafts sectors, the territorial bargaining signed by Unindustria Treviso (an employer association that represents the industrial and service sector companies present in Treviso, one of the provinces of the Veneto region) and the territorial structures of Cgil, Cisl and Uil, tries to introduce the "Luxottica welfare model" to the SMEs active in the area. The welfare project is based on the February 2011 'Pact for economic growth' and introduced a regional system of industrial relations to foster company-level bargaining. On 13 January 2012, Unindustria Treviso and the three trade unions reached an implementation agreement that provides a template for company-level agreements. In this way, Unindustria Treviso negotiates directly with insurance companies, service providers and large retailers, to offer small and medium firms the chance to offer to their employees welfare benefits for company-level agreements as for example incentives for school books of employees' children, medical check-up and prevention campaigns and agreements for discount public transport passes or wellness centres. This allows individual employers to take advantage of cost savings, facilities and services that would normally only be available to large firms, and to distribute contract management costs among a wider number of recipients (Maino & Mallone, 2012).

## 8. Involving employees in the annual working time procedure: Premier Foods in the UK

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In the UK, not a lot of businesses make an effort to involve employees and their representatives in change procedures. The UK food manufacturer Premier Foods produces a range of branded products for the UK market. It has more than 35 sites in the UK and employs over 9,000 staff in total. Its plant at Knighton, near Stafford in the English Midlands, employs 249 staff and manufactures custard powder, hot chocolate and trifle mix. It experiences a seasonal surge in demand for its products in the last few months of the year. To meet this demand, it used to employ temporary agency staff and pay overtime to regular staff. However, in 2012, it negotiated with trade unions a new annual hours arrangement to increase the flexibility of its shift patterns and avoid these expenses. The company estimates that this agreement has saved it almost £1

million in its first year of operation. One of the main triggers for negotiating this agreement was the fact that it had lost a customer contract that accounted for almost a quarter of the plant's output, and did not want to make workers redundant. It opted instead for cutting operational costs.

## ■ **The previous Shift System**

Under the previous system, the plant's shift patterns remained static, despite a regular increase in demand for products at the end of the calendar year. Any extra labour flexibility had to be achieved through agency workers or overtime payments. Staff in the process area of the plant used to work 12-hour shifts on a four on, four off pattern, which allowed the plant to operate continuously. Staff in the blending and packing areas of the plant worked a mixture of three-shift rotations and a combination of double day shift and permanent night shifts over a five-day week (Monday to Friday).

### — **Moving to annualized hours**

The company consulted a working time consultant, who recommended moving to an annual hours arrangement, which would be more flexible and better match demand. Under such a scheme, the number of hours that an employee works in a year is the same as if they had worked a constant working week, but there is flexibility to change the actual length of the working week in line with demand.

The company knew that the key to establishing a successful annual hours arrangement is knowing not only the total number of hours required each year to meet demand, but also how and when demand will rise and fall over those 12 months. Having this 'demand forecast' allows it to schedule its shift patterns so that staff work longer hours during the busiest times and shorter hours when business is slow. The company therefore produced a detailed demand forecasts for each of the factory's products for every week of the year, based on historical sales data. This was then converted into a labour demand forecast in terms of actual hours. Annual hours arrangements were then drawn up, net of annual leave entitlement, which was managed separately. The arrangement for the process area of the factory was net annual working hours of 1,896, which related to a 42-hour week. In the other area of the factory, the annual hours total is 1,833, which relates to a 39-hour week.

Annual hours arrangements can also include a number of 'reserve hours' on top of the standard rostered hours to help manage any unforeseen fluctuations in demand. Employees are paid for these reserve hours and it is important for the company that these are managed tightly in order to keep extra costs to a minimum. The company was advised to keep around 100 hours in reserve for each worker. After one year of operation, this was reduced to no more than 60 hours.

Once annual hours figure was agreed, the company analysed demand on an ongoing basis, and found that it rose steadily in the second half of the year – this meant that in March and April, with current staffing levels, staff would only need to work four days a week, but by November, staff would need to work a nine-day week to meet demand. As it is not possible to work a nine-day week, the annualised hours scheme enables staff to work this additional time earlier in the year by increasing production before the increase in demand hits. This is possible as the products the factory makes have a long shelf-life, although the company is careful to manage the process to ensure that it does not produce more surplus stock than necessary.

## ■ **Agreeing the new arrangements**

Meetings were held with review teams on the new shift patterns. The main area of dislike was the lack of opportunity to work overtime and receive overtime pay. This



was then followed by formal consultation with trade union representatives in January 2012, and ballot on the new arrangements in March 2012. The new system was endorsed by 90% of staff and came into force on 1 April 2012.

The number and size of the teams at the factory remains constant, but the actual shift patterns vary greatly throughout the year, ranging from shorter shifts with more time off between April and July and then longer shifts from mid-September through to mid-December.

Achieving staff buy-in to the new arrangements was a key concern for the company, which therefore sought to involve employees as much as possible in the change. This was achieved mainly through the use of review teams in each of the four operating areas. It also produced Q&A documents for the trade union representatives and encouraged staff to ask the working time consultant any questions they may have about how the new arrangements would work in practice. Employees were also offered an incentive payment of £500 to move to the new shift patterns.

The move to annual hours has also brought a change to the way staff are paid. Under the previous arrangements, staff received a weekly pay packet that could vary – sometimes quite substantially – due to overtime. Now they receive 12 equal monthly payments a year. Some staff were concerned about losing the opportunity to earn overtime, but generally speaking they appreciated the stability that receiving the same salary every month would bring.

#### — **Measuring the impact**

The introduction of annual hours has had a significant impact on the factory. It was able to retain 23 jobs that would otherwise have been made redundant, saving a significant amount in redundancy payments and associated costs. Further, a close match has been achieved between demand and staffing levels throughout the year, leading to a 90 per cent reduction in spend on agency staff, and an 85 per cent fall in overtime payments. This has significantly increased the competitiveness of this factory.

## 9. Using employee engagement to steer a course through difficult times: Lancashire County Council in the UK

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Increasing employee engagement is a tool that many employers have been using during the recession to try to improve competitiveness in difficult times, in a context in which pay increases need to be kept to a minimum. In the UK public sector, organizations have to engage in restructuring, following public sector spending cuts. One local government organization, Lancashire County Council, in the north of England, has been focusing on employee engagement as a way of meeting savings targets and protecting the services that it delivers to the public.

In 2010, the Council realized that it was going to come under severe pressure to cut spending by possibly as much as 25% over three years. Given the fact that this was likely to have a huge impact on employee morale, the Council's chief executive decided that the best way forward was to engage the workforce rather than making cuts from the top down, by management decision. Accordingly, the Council described the financial challenges it faced and asked the workforce for their ideas on how to solve them, with the emphasis on all employees contributing to this. Trade unions were also engaged in the process. The Council also decided to make voluntary rather than compulsory redundancies, which meant that there were problems in matching skills to

business need. However, the Council decided that the benefits of sustained or even improved staff moral would far outweigh any downsides.

The outcome of this exercise was that the Council managed to create a saving in excess of 25% of total costs, and this is judged to have had a positive, rather than negative, effect on service delivery. Employee satisfaction ratings have also improved – in an employee engagement survey, those stating that they enjoyed their job increased from 68% to 91% and those who said that they felt valued and appreciated increased from 34% to 52%. Further, the number of employees with zero absence records increased from 40% to 54%.

# Conclusion

## Similarities and differences, stakes and modalities of collective bargaining in an ailing economic Europe

What can we learn from the comparison between these four European countries to guide actions in the coming years?

First, there are two series of particularly striking tensions in EU countries:

- Tensions between a trend to revive minimum collective guarantees (e.g. in Germany), and a more flexible system of collective protection (Southern Europe, France), up to the extreme UK case with the “zero hour contracts”
- Tensions between a reassertion of the sectors’ regulating role and the shift of social standards being increasingly developed in businesses (in Italy with Fiat, in France, but also in Germany with the possibility of temporary derogations to collective standards)
- However, what we can really retain from the examples of the countries analysed is that the crisis has brought the social stakeholders to reach realistic compromises [social realism] and is not driving them to toughen their actions.
- Unionization rates are down everywhere and the union movement is becoming more fragmented in EU countries (including Germany), which is definitely not impervious to these new social regulation stakes.

Fewer conflicts and more cooperation between the social players lead to the necessary compromises on topical matters in all the countries:

Businesses’ competitiveness in return for a temporary employment and investment guarantee: the bargaining topics are the same everywhere (wage moderation, working time arrangements)

# Appendix:

## I. The industrial relations framework in France

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Traditionally, France has had a strong institutional framework of industrial relations: on the one hand a framework for employee representation in businesses (employee representatives, works councils, committees on hygiene, security and working conditions), and a framework for protest and bargaining, where the trade unions have the monopoly.

### ■ **Employee representation in businesses**

Since 1936, all businesses with at least 11 employees have to set up employee representatives following an election. Their primary role is to bring collective or individual claims to the employer. Traditionally, employee representatives deal with local operational issues regarding the application of laws and collective agreements.

In 1945 came the – elected – works council from 50 workers on. This structure has prerogatives on social and cultural activities and, increasingly, the company's good economic progress. It is informed and consulted having regard to projects to carry out in the company. Over the years, this representative structure has received more and more prerogatives. The last to date was in June 2013 when the works council was consulted about the company's strategy for the 3 years to come.

In 1982 came another – elected – structure specialized in hygiene, security and working conditions (CHSCT), which has become very important because issues related to health at work and the work organization have become central and can have an impact on employees' working conditions.

### ■ **Union organisations in businesses**

In addition to elected employee representatives, the union organizations present in the company coexist.

Since a memorable law of 2008, unions get their representativeness and the right to negotiate company agreements following the percentage of votes obtained during the professional election for the works council. Only unions that received 10 per cent of the votes in this election are considered as representative and can negotiate company agreements.

This recent change is fundamental for the trade unions, as some used to be representative simply because they were listed in a decree dating back to 1966, or for others because they had proven their representativeness in court...

Once the election is over and totals are made, the union has numerous rights, including the possibility of bargaining with the employer.

In businesses, there are more and more bargaining topics, often imposed by the law.

One of the most strategic negotiations is that on pay (1982), but many other themes joined (forward planning, working time arrangements, disability...), hence the importance for a trade union to be around the bargaining table.

## ■ Other bargaining levels

In France, in addition to the corporate level, which has particularly grown recently, there are two other levels:

- **The industry level:** more than 750 sectors, but this level has become particularly weak in recent years in favour of company negotiations.
- Remember that, with the extension of sectoral agreements, 98% of employees are covered by a sectoral collective agreement guaranteeing minimum remuneration and classification charts.
- **The national/cross-industry level:** this level has seen the most changes in recent years.

First, the Larcher Act in 2007 stated that the government should subject all social matters to negotiations (or at least offer it to the national social partners) before sending a bill to Parliament.

This is why, now, each year, the President and Prime Minister present a social agenda (M. Sarkozy) or organize a Big Social Conference for two days of dialogue (M. Hollande), about all possible reforms, with the social partners. The latter can either take hold of the subject and open negotiations at national and cross-industry level, or leave the lawmaker to vote the laws.

Since 2007, a lot of national cross-industry agreements (ANI) have been signed on matters as varied as stress, seniors, professional equality, violence at work, secure employment (2013) or the quality of life at work (2013). But the ANI does not automatically apply, it needs to go through Parliament and be made into law ...which makes it hard to get French collective bargaining to look credible!

## 2. The industrial relations framework in Germany

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### ■ Legal Frame of collective bargaining

The freedom of establishing social partner organisations and the right of unions, employers' associations and individual companies to conclude collective agreements is an essential part of German industrial relations (Lesch, 2006; Lesch, 2010). It is laid down in Article 9 section 3 of the Basic Law of the Federal Republic of Germany. It grants employees and employers the right to negotiate salaries and working conditions without any intervention by the government. They can form organisations coalitions in order to preserve and promote economic and employment conditions. The freedom of association does create the opportunity for employees and employers to join forces in trade unions or employers' associations. It does, however, also allow the individual employee or firm to refrain from joining a union or association and to stipulate wages and working conditions on an individual basis.

The collective bargaining autonomy is organised by the Collective Agreement Act (Tarifvertragsgesetz), the Posted Worker Act (Arbeitnehmerentsendegesetz), the Works Constitution Act (Betriebsverfassungsgesetz), and the Minimum Working Conditions Act (Mindestarbeitsbedingungsgesetz). In addition, the freedom of establishing social partner organisations warrants unions to call on strike and employers to lock out striking workers. Furthermore, industrial action is bound to be strictly collective, i.e. an individual employee must not strike on his or her own. Thus,



legal industrial action requires labour disputes having to address issues of collective bargaining (Kissel, 2002, 217). Properly speaking, it is regulated by court ruling which defines criteria applicable to such action. For example, politically motivated strikes and wildcat strikes are not permitted (Kissel, 2002, 245). Collective bargaining autonomy implicitly requires that the bargaining power of unions and employers or employers' associations is balanced. Court ruling is expected to maintain the bargaining power balance and to prevent one bargaining party from being dominated by the other.

## ■ **Collective bargaining level and coverage**

Collective agreements may be concluded on both the industry or sectoral level and the company level. Strictly speaking, collective settlements, by law, stipulate the working conditions only of those employees who are member of the corresponding union. However, it is generally said that the companies voluntarily apply the collective provisions also to the non-union members working in the company except those whose individual working contracts stipulate more favourable provisions than the collective agreement.

Furthermore, collective bargaining at the sectoral level can be characterised partly by pattern bargaining. This holds for negotiations taking place in the various regional districts of one specific industry. Provisions settled in a pilot district serve as references which are adopted as they stand or slightly modified by the bargaining parties in other districts. While collective bargaining parties in the regional districts are, strictly speaking, autonomous actors their strategies and actual behaviour are somewhat coordinated. Thus, nation-wide external wage policy effects on international competitiveness and employment can be internalised by unions and employers' associations (at least at a sectoral level).

Collective bargaining at the firm-level is performed by the company's management and the union (organised at the sectoral level or in a specific professional domain). According to the Works Council Constitution Act negotiations between the management and a works council on working conditions which are regularly stipulated by collective agreements are not allowed except an opening clause applies. This is due to the legal provision that a works council must represent the interest of all employees of the firm irrespective of union-membership.

With respect to the coverage of employees, sectoral bargaining prevails. In the western part of Germany 90 per cent of employees covered by collective agreements are paid on the basis of industry-wide collective agreements (Lesch, 2010, 112). The corresponding figure for eastern Germany is 77 per cent. According to the IAB establishment panel, a total of 60 per cent of all employees in western Germany and 48 per cent in eastern Germany were bound by sectoral and firm-level collective agreements in 2012 (Ellguth/Kohaut, 2013). Wages and other working conditions of the remaining employees may, however, be strongly influenced by the collective settlements or aligned with the collective provisions. This applies to roughly 50 per cent of the employees working in companies that are not directly bound to a sectoral or firm-level agreement.

Over the last decades collective bargaining coverage has declined (IAB, 2013). Since the mid-1990s the share of employees adhering industry-wide collective bargaining fell from 70 per cent in 1996 to 53 per cent in western Germany (56 per cent to 36 per cent in eastern Germany). The share of employees working in establishments governed by firm-level-agreements remained more or less constant at a rather low level (actually 7 per cent in the west, 12 per cent in the east). As larger companies are more frequently covered by collective agreements the corresponding firms' coverage rate is notably lower than the employees' one. Likewise the latter, the former exhibits a decline, too. The proportion of establishments bound to a collective agreement fell

from 52 per cent (1995) to 34 per cent (2012) in western Germany and from 26 per cent (1997) to 21 per cent (2012) in eastern Germany (Kohaut/Schnabel, 1998, 4; Ellguth/Kohaut, 2013, 283).

## ■ Role of workers and unions in management (co-determination)

### — Works Councils

According to the Works Constitution Act, employees in establishments in the private sector with five and more employees can elect a works council. In 2012, works councils existed in 9 per cent of all establishments with five or more employees (Ellguth/Kohaut, 2013, 286). Likewise collective bargaining coverage, the coverage of works councils is higher in larger establishment. Thus, the proportion of covered employees (42 per cent) is notably higher. The results of the latest works council elections held in 2010 in more than 1,000 companies show that on average 79 percent of the employees go to the polls (Stettes, 2011). Participation is particularly high if a simplified election procedure is used. In the vast majority of firms candidates are elected directly and individually. Thus the significance of registered candidate lists which represent specific groups within the workforce and can only be voted for as a whole is noticeably lower than in previous elections. Members' degree of unionization ranges between 49 and 55 percent. It is significantly lower in service industries than in manufacturing. In addition, the share of union members in the works council declines as the proportion of female and high-skilled workers rises. It is, however, significantly higher in works councils where the share of reelected members is above average.

By law, employer and works councils are to cooperate with each other in such a way that both the establishment and the workers benefit. Works councils are to represent the interest of the whole staff by being informed by the management, consulting the management, enforcing employees' interest in decision making or even jointly deciding with the management. In this respect, they can conclude works agreements that are binding for both the employer and the employees. If a conflict of interests arises at the level of the establishment and the dispute concerns enforceable codetermination rights, the works council can enforce the setting-up of an arbitration committee. If a dispute over rights arises, the works council can apply to the labour court for an injunction. Finally, it is supposed to monitor compliance with laws and collective agreements.

Main subjects and issues that works councils are dealing with are as follows:

- General political objectives, such as promotion of specific groups (migrants, older and female workers), improving employment prospects at the establishment, and promoting measures in the fields of safety, environmental protection and pollution control
- Labour issues, such as work rules, rules for the prevention of work accidents, implementation of team work, shortening or extension of regular working time, and the introduction and use of technical devices for monitoring employees' conduct and performance
- Work organisation, work place design, implementation of new technologies
- Safety
- Personnel issues, such as guidelines, training, recruitment, dismissals, transfers
- Economic issues, such as the economic and financial situation of the establishment, production and investment plans, relocation. In establishment with 100 and more workers management and works council has to form a committee where the latter is regularly informed by the former on the state of business and where economic issues are to be debated.

According to a representative survey by the University of Bochum, works councils are more frequently involved in the regulation of working time arrangements and in the field of dismissals than alternative bodies of interest representation, such as round tables, spokespersons, other types of staff committees (Hauser-Ditz et al., 2008). These alternative modes of interest representation are even more widespread among companies in manufacturing and affiliated industries than works councils (Stettes, 2008). Voluntarily established joint committees, in which employee representatives and the employer share information and debate and jointly decide on important company policies and strategies, predominately exist in companies with up to 100 employees. Other forms of employee representation, such as staff spokesmen or worker committees, are relatively often established in companies with 101 to 199 workers. Moreover, alternative modes of interest representation are often complemented by flexible wage arrangements, such as profit-sharing and incentive schemes.

Due to the information, consultation and enforceable codetermination rights in various realms of the labour relations, works councils in Germany can be deemed a powerful interest representation of the employees. If they effectively and efficiently perform the collective-voice-function by bundling the interests of the individual workers (Addison/Schnabel/Wagner, 2000), reducing information asymmetries between management and works councils/staff (Freeman/Lazear, 1995), the implementation of a works council can be beneficial for the economic performance of a company. For example, the implementation of a short-time working time scheme or the derogation of collective standards in case of a crisis may be facilitated by a works council. Due to its information rights, its involvement in designing the scheme or its approval, the works council can assure the employees that the economic situation of the firm is severe and the adopted measure can be deemed appropriate. On the other hand, as works council may be inclined to protect the status quo, they may hamper restructuring and slow decision making processes. In this regard works councils can also exert an adverse impact on performance.

According to a survey among managers and works councillors on qualitative issues of industrial relations at the establishment level in 2007, a trustful atmosphere is deemed crucial for establishing efficient and effective cooperation (Niederhoff, 2007, 9). That means in the first place that the legitimation of a works council as representative of the employees should not be denied by the management and its establishment should not be hampered. In addition, shaping a trustful cooperative climate between management and the works council is regarded as an important issues concerning leadership. Of course, this conflict of interest may and will arise due to the different roles of the bodies. Managers, e.g., report more frequently than work councillors that, in particular, the issues restructuring and designing the wage schemes are controversial issues. Nonetheless, a trustful and cooperative climate pave the way for smoothly solving interest conflicts.

#### — **Supervisory Board**

According to the Act on Co-determination (Mitbestimmungsgesetz), 50 per cent of the members of the supervisory board in public and private limited companies with 2,000 and more employees are representatives of the employees. At least two of them are delegates from the union who, however, have to be approved by employee' voting. Staff representatives and union delegates are involved in the appointment of the executives of the company's management board, monitor the latter's operations and may decide that specific transactions require the approval of the supervisory board before being performed. In public and private limited companies with 500 to 1,999 employees one third of the supervisory board seats are allocated to workers' representatives all of them have to be members of staff.

### 3. The industrial relations framework in Italy

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#### ■ The Italian context of the bargaining structure

The Italian bargaining structure is based on three levels: national, sectoral and company level. The third level is based on decentralised agreements signed within companies that allow to increase the bargaining coverage and helps to accommodate the differences between large and small organizations. However, due to the increasing attention reserved by the bigger companies to this bargaining level, decentralized agreements are more common among large companies usually located in the North, therefore the principal level of collective bargaining in the country is the sectoral one (Pedersini, 2013a). Moreover, the main characteristic of the Italian economy is the prevalence of small and medium companies, therefore a fourth level of the bargaining system can be identified in the territorial level that is essentially presents in the agriculture, construction and crafts sectors, but it has increasingly been considered as a new system for providing the same welfare benefits that bigger companies provide to their employees also to those employed in SMEs in order to maximize costs.

#### ■ Employment framework

The Labour Market Report 2011-2012 (CNEL, 2012) produced by the National Council of Economy and Labour reveals that the structural changes in the production system, as for example the population aging, the feminization of the labour force, the shift towards the service sector and the increase in the number of foreign workers in certain jobs as well as the financial downturn, are modifying the characteristics of the labour market.

Of the nearly 23 million employed people in Italy in 2011, 67.8% were employed in the service sector, 28.5% were active in manufacturing and 3.7% in the agricultural sector (ISTAT, 2012). The Italian economy is characterized by a large incidence of small and medium companies, with about 95% of the companies in the manufacturing and service sector having less than ten employees and only 20% of the Italian workers employed in companies with more than 250 employees mainly distributed in the North (ISTAT, 2008). The country presents in fact substantial geographical differences between the more industrialised and developed north and the economically weaker South. There is a large territorial gap in terms of employment, with the employment rate of the North over twenty per cent higher than that of the southern, respectively at 65 and 43.8 per cent in 2012 (ISTAT, 2012).

In terms of unemployment instead, according to ISTAT (2012) the overall unemployment rate was 10.7 in 2012 and the value has sharply increased reaching 12.8 in the first quarter of 2013. Moreover, due to financial crisis and the extensive use of precarious contracts, younger workers are disadvantaged in the labour market and the unemployment rate for the 15-24 years range is much higher (35.3%).

In the last decades the women's participation rate has increased but remains generally low if compared with other European countries. In 2012 the 47.1 per cent among women in the working age were either occupied or actively looking for a job, while the average rate in the EU (27 countries) was 58.6 per cent (Eurostat, LFS).

#### ■ Union and employers' organizations landscape in Italy

Even if it's not possible to talk about an official tripartism, in Italy there are three major union confederations that are:

- the General Confederation of Italian Workers (Cgil);

- the Italian Confederation of Workers' Trade Unions (Cisl);
- the Union of Italian Workers (Uil).

The trade unions are mainly organized by industry and their organizational structure is both horizontal and vertical. The horizontal level is organized in function of territorial issues and is divided into district, regional and national (political trade-unionism). The latter includes all the trade unions that cover productive categories present in a specific territory. The vertical level is organized depending on the type of work sector of the company in which the worker enrolled in the union is employed (Del Conte, 2007).

Starting from the central tripartite Agreement of 23 July 1993 - that together with the Workers' Statute dating from 1970 are the main sources of law and rule governing industrial relations in Italy - tripartite agreements have addressed a number of issues especially in the 90s including income policy, pension reform, labour market reform and economic growth. In the 2000s tripartite negotiations have become less common and the refusal of the Cgil to sign the agreements of 2002 and 2009 caused the disintegration of the trade unions' cohesion.

The Workers' Statute includes the right for workers to organize a plant-level union representation structure (RSA), that is the main channel of employee representation. In addition the tripartite agreement of 1993 introduce a unitary workplace union structure (RSU) elected by the employees choosing from a trade unions' list.

The freedom of association is guaranteed by the Constitution but, according to Visser (2011), trade union density in Italy was above the EU27 average in 2010 - 35.1% of employees were members of a trade union (retired employees excluded) - and is experiencing a negative trend. In particular, there has been a decrease in the percentage of members in the private sector, while it has remained constant or has increased the trade union density in the public sector, as well as it has increased the number of foreigner workers who joined trade unions (Feltrin, 2009). The collective bargaining coverage instead, is about 80% with the highest percentage in metal manufacturing.

In the public and transport sectors instead, the trade union representation is increasingly fragmented and characterized by many autonomous unions. Figures published by the state agency ARAN show that at the end of 2011 the union density in the sector was about 40%. Anyway, these 1,282,000 members were divided between more than 300 unions, of whom, a parte for the five largest unions in the sector (the schools and the general public sector unions of CGIL, CISL and UIL, as well as the CONFISAL affiliate in schools, SNALS, and the UGL, the General Labour Union) that together accounted for well over half of all the union members in the public sector, more than 200 unions had fewer than 100 members and 100 had fewer than ten (Fulton, 2013).

The system of industrial relations in Italy is traditionally relatively conflictual with a strong opposition between the management, on one side, and trade unions, on the other side. Trade unions do not have participation rights in any boards or company's decisional process.

The most important employer confederation is the General Confederation of Italian Industry

(Confindustria) that include all industrial sectors and mediates in the relationship between private employers and trade unions and represents them nationally for economic and industrial policy issues. The employer confederation representing small private companies is the Italian Confederation of Small and Medium sized Industry (Confapi), while Confartigianato and the National Confederation of Crafts and Small

and Medium Enterprises are the artisans' associations, while Confagricoltura and Coldiretti operates in the agricultural sector.

According to Visser (2011), as for the trade union density also the employer organization density - that was estimated at 58% in 2008 – have significantly weakened over the past two decades.

In Italy there is no minimum wage legislation, anyway, even if the most important level for wage bargaining is still the sector, there is an increasing attention on the company level, emphasizing in this way the role and the shift towards decentralized agreements. Usually industry-wide agreements set minimum pay increases for all employees, while second-level agreements can include other variables related to wage as performance.

Territorial second-level bargaining is essentially present in the agriculture, construction and crafts sectors, as well as in commerce and tourism. However, a new model of territorial bargaining is those signed by Unindustria Treviso (an employer association that represents the industrial and service sector companies present in Treviso, one of the provinces in the North-East of Italy) and the territorial branches of Cgil, Cisl and Uil aimed at introducing the “Luxottica welfare model” to SMEs in the area. In October 2011 Luxottica, a company leader in the design, manufacture and distribution of high-end, luxury and sports eyewear, signed an integrative contract for its employees. The goal of the Treviso's agreement is to expand the benefits provided for Luxottica's employees to all those employed in the area.

## 4. The industrial relations framework in The United Kingdom

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### ■ Legal Framework for Collective Bargaining

Collective agreements have no legal basis in the UK, which means that they are not legally enforceable, in contrast to practice in many other European countries. They are deemed to be “binding in honour only”, depending for their ultimate enforcement on the sanctions available to the parties (e.g. industrial action on the employee side). However, certain collective agreements may become implied terms of individual contracts of employment.

### ■ Minimum wage

Since 1999, the UK has had a national minimum wage, made up of a rate for adults aged 21 and above, and lower rates for younger workers aged 18-20, 16-year-olds above school leaving age and 17-year-olds, and apprentices under 19 and older apprentices in the first year of apprenticeship. The minimum wage is overseen by the Low Pay Commission (LPC), an independent body that includes representatives of business groups, trade unions and academics. The LPC makes recommendations to the UK government on the uprating of the minimum wage. Most recently, it recommended below-inflation increases of 1.9% for adults and 1.0% for younger workers and apprentices. The UK government accepted the LPC's recommendation and the increases will take effect in October 2013, bringing the adult rate to GBP 6.31 an hour.

### ■ Strike action

There is no written guaranteed right to strike in the UK. If a trade union that is recognised and independent decides to call for industrial action that seeks to induce a breach of contract (i.e. workers stopping work), the union may be immune from any legal action it would normally face if that industrial action is “in contemplation or furtherance of a trade dispute”, as defined by law. The union must also hold a secret

ballot on industrial action and take the action within 28 days of the ballot, otherwise the strike will not be judged to be legal.

The state has no power to intervene in trade disputes in the UK. However, the statutory body, the Advisory Conciliation and Arbitration Service (Acas) has powers to offer assistance by conciliation or other means, including arbitration if the parties wish. If conciliation fails, ACAS can refer the dispute (if the parties agree) to the Central Arbitration Committee (CAC), an independent permanent body, for adjudication. Whilst not a legal requirement, a CAC adjudication is normally accepted.

Acas has a legal duty to offer free conciliation where a complaint about employment rights has been made to an employment tribunal. It can also provide mediation, conciliation and arbitration if the parties to a dispute request this. Acas also offers individual arbitration as an alternative to employment tribunal hearings

## ■ Level of bargaining

Collective bargaining in the UK takes place predominantly at company level, based on recognition of trade unions for bargaining purposes by the individual employer. Sectoral and national bargaining play no meaningful role in UK collective bargaining.

Since 1999, trade unions have had recourse to a statutory procedure if they wish to be considered for recognition by an employer. A union can apply to the Central Arbitration Committee (CAC) setting out the bargaining unit (which can be a group of employees or the whole of the workforce) that it wishes to be considered for recognition. The CAC will accept the application if at least 10% of the bargaining unit are union members and if it considers that the majority of the bargaining unit are likely to be in favour of recognition. Employers can also use the legislation to derecognise unions, although this has been very rare since the legislation came into force. In 2011-12, the CAC dealt with 33 applications and accepted 24 (CAC annual report 2011-2012). If the CAC accepts an application, the next stage is to determine an appropriate bargaining unit. Once the unit is established, if more than half of the workers in this unit are members of the union, the CAC may order recognition. If the CAC is not satisfied that the union has majority membership, it arranges a ballot of workers in the unit. In certain circumstances the CAC may also order a ballot even where the union has majority membership. Usually, however, the CAC grants recognition where a majority of voters, and at least 40% of all workers in the bargaining unit, are in favour (Carley 2012).

## ■ Bargaining coverage

Bargaining coverage is relatively low in the UK, and falling, according to the most recent Workplace Employment Relations Study (WERS) 2011, which was published at the beginning of 2013. Overall, 13% of workplaces in the UK had workers who are covered by collective bargaining in 2011 (ie all or part of the workforce), a fall from 16% in 2004, when the previous survey was carried out. However, there is a large difference between the public and private sectors: 58% of workplaces in the public sector have employees who are covered by collective bargaining (down from 70% in 2004), while only 6% of private sector workplaces have employees who are covered by collective bargaining, down from 8% in 2004.

In terms of the number of employees covered by collective bargaining, WERS states that across the whole economy, 23% of employees were covered by collective bargaining in 2011, compared with 26% in 2004. In the public sector, 44% of employees were covered by collective bargaining in 2011, compared with 69% in 2004. In the private sector, the figure was 16% in 2011, down slightly from 17% in 2004.

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