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EUROPEAN INTEGRATION AND THE EUROPEANIZATION OF LABOR

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For trade unions, as for national states, the regulation of markets becomes more difficult as markets extend across national boundaries. Historically, as markets expanded unions had to enlarge their strategic domain to keep workers from being played off against each other, undermining wage and labor standards.¹ Never easy even within national boundaries, it is even more difficult to do so when markets transnationalize, particularly in Europe where transnationalization has been carried very far. Accelerated by the “1992” program, European integration will become even deeper with European Monetary Union (EMU). Employers already operate throughout Europe, while national governments have given up important regulatory capacities to the Single Market and begun surrendering macroeconomic policy prerogatives to EMU. European integration has thus given unions strong reasons to develop Europe-wide capacities. Moreover, its political framework is favorable: European Union (EU) institutions allow more political regulation than in other regional blocs or the global economy. Relatively greater intra-European similarity in institutional and development levels also facilitates cross-border union action.

The implications of integration for European unions have proven contradictory, however. While greater than elsewhere, transnational governance in Europe is limited by the EU’s treaty/constitution in areas that most concern labor such as basic union rights - core issues like pay and the rights to organize and strike are explicitly excluded. Social policy more generally remains the prerogative of EU member states. Moreover, EMU institutionalizes restrictive monetary policies insulated from political accountability and raises formidable obstacles to reducing Europe’s high unemployment. In most other respects, European institutions have not gained policy capacities weakened at national level.

Because industrial relations and social policy are left in member states’ hands, unions still have to act in national arenas. EU decision-making procedures have the same effect. While they uniquely combine trans-national and intergovernmental processes, the intergovernmental Council

¹ L. Ulman, “Multinational Unionism: Incentives, Barriers, and Alternatives,” *Industrial Relations* 14, 1 (February 1975), and, with M. Reder, “Unionism and Unification,” in *Labor and an Integrated Europe*, ed. L. Ulman, B. Eichengreen, and W. T. Dickens (Washington, D.C.: Brookings, 1993); and F. Traxler, “European trade union policy and collective bargaining - mechanisms and levels of labour market regulation in comparison,” *Transfer* 2, 2 (June, 1996).

of Ministers has the last word. Pressuring national governments is therefore a more promising way to influence Council decisions than working at European level. Such disincentives to invest in European structures reinforce the chronic obstacles to transnational union action posed by institutional, cultural and language differences. Conflicts of interest, perceived and real, among national unions, often paralleling those of their governments within the EU, are further obstacles. So too is organizational inertia; unions are typically reactive, reproducing habitual behaviors until pressure from new challenges grows irresistible. Most important, despite labor's proclaimed "internationalism," European unions have been profoundly nationalized in the twentieth century.

Although European integration gives national unions reason to trans-nationalize, multiple factors accordingly induce them to "stay home". Yet, a thickening network of transnational union activities has recently been developing, largely within the framework of the European Trade Union Confederation (ETUC). Culminating a slow response to European integration, the ETUC was founded in 1973. For a decade thereafter it lobbied and issued statements with limited influence from a very small Brussels office (despite its large formal membership). But the new challenges of the later 1980s triggered changes in the ETUC's leadership, organization and capabilities which gave the ETUC increased visibility and importance. By the 1990s it had become a limited but genuine participant in European policy formation, and its significance to its member confederations and sectoral organizations was growing. Awareness of the ETUC and the relevance of European action even began to filter down to national and local unions. A European trade union structure with some potential for becoming a European labor movement was thus emerging.

This constitutes our puzzle. Why, despite all the obstacles, did this Europeanization of labor occur? The renewal of European integration itself provided much of the impetus. But an important part of the answer lies in initiatives taken by European political institutions, principally the Commission and Parliament. They provided new incentives to European unions to reconceptualize their strategic interests. The unions have consequently "Europeanized" more than could be expected in the recent decade, largely in response to what European-level policy makers have offered them. But those policy-makers had their own purposes, not always congruent with unions' interests. The first result of this was a particular form of European

unionization which arguably failed to equip European unions to cope with the challenges posed by integration.

In this essay we will analyze the ways in which support from European institutions combined with efforts of union leaders convinced of the need for transnational action to shape the Europeanization of labor representation. The paper begins with a brief review of European integration and related industrial relations issues. Then it turns to the development of Euro-level union structures. Part III assesses the strategic consequences of the interaction between European integration and the ETUC, and the dilemmas posed by the construction of a - meager - European industrial relations system. The paper concludes by proposing that a new era may be opening. This new era will present European-level unionism with new challenges and call for new thinking.

1. Integrating Europe: The Economic Approach and the Subordination of Social Policy

For the EU's founders, European integration was a geopolitical imperative, securing peace by binding Germany to its neighbors as well as uniting Europe in the face of the Soviet threat. They chose to proceed, however, by a strategy of successive increments of economic integration. This "economic approach" meant that integration had to be consistent with the interests whose support was decisive, European capital and national governments coping with economic problems. This, plus the fact that social matters were basic sources of domestic political support for governments, meant that social policy, labor standards and industrial relations institutions were largely excluded from Europe's scope. To this day, therefore, European integration is predominantly about market building through liberalization rather than market regulation.

The EU began as a narrowly trade-oriented adventure, with little legal competence in the areas that mattered most for unions. In its first phase, following the 1957 Treaties of Rome, the goal was to build a "common market" compatible with national models of economic development. Member states retained their industrial, macroeconomic, social and industrial

relations policy prerogatives. Timid attempts by the first European Commission to go beyond this mandate were stopped in the mid-1960's by French President General de Gaulle. The outcome, the "Luxembourg Compromise" (1966) which governed EU institutional life into the mid-1980s, allowed each EU member to invoke "national interest" on matters which it regarded as essential, making unanimity necessary on all controversial issues. The Common Market EU thereby reached a post-war boom equilibrium. European national economies thrived within a Keynesian-welfare state framework as they entered the consumerist era. The EU's customs-free zone and common external tariff gave them space needed to regulate themselves, strike viable domestic political deals and trade with one another while being reasonably well insulated from the outside world, particularly the US. They needed, and wanted, little more. In the 1958 Rome Treaty, issues of employment and remuneration were considered national in essence, excepting only equal pay for men and women enshrined in Article 119.² The free mobility of labor had to be a counterpart to the free movement of goods and capital, leading, in time, to a small body of rules. The major "social" clause was Article 118, which spoke of the need "to promote improved working conditions and an improved standard of living for the workers," but established no instrument beyond the "functioning of the Common Market" for so doing. Broad matters of "social citizenship" remained the responsibility of member states.

After the Common Market phase had been implemented there was a brief rekindling of energies which included social matters.³ Preliminary guidelines for a "Community social policy program" were set out in 1971 followed by an Action Program in 1974. There were measures directed towards the "less favored" -- migrant workers and their families, the handicapped, youth, the poor,⁴ directives on equal treatment of men and women with respect to pay, working conditions, and social security,⁵ and on workers' rights in collective layoffs (plant closures),

² For early social policy see Doreen Collins, in (London: Martin Robertson, 1975). On Article 119 see Byre, , Chapter 8, and Eliane Vogel-Polsky and Jean Vogel, *L'Europe Sociale 1993: Illusion, Alibi ou Réalité?* (Brussels: Presses de l'Université libre de Bruxelles, 1991). See also Roger Blanpain and Chris Engels, *European Labor Law* (Deventer: Kluwer, 1993); Elizabeth Meehan, *Citizenship in the European Community* (London: Sage, 1993)..

³ Enlargement occurred to the UK, Ireland and Denmark in 1973 (without the Norwegians, who refused to join in a national referendum) and the Community acquired its own limited sources of revenue. There were also initial discussions of the need for Economic and Monetary Union.

⁴ The Social Action Program is in *Bulletin of the European Community*, No. 10, 1974.

⁵ The first directive on equal pay for equal work (75/117) derived from Article 119 came in 1975 and was

changes in firm ownership, and firm bankruptcies.⁶ The 1975 creation of the European Regional Development Fund (ERDF) acknowledged the problems of socioeconomic diversity, but member state reluctance to commit to genuine interstate transfers limited its resources. It was primarily in the area of workplace health and safety that the most substantial policy legacy developed.⁷

This burst of new activity was brief, however. Economic difficulties and rising unemployment stimulated new preoccupation with national economic policies and resistance to European solutions. Growing pains from the expansion of the Six to Nine after 1973 also led to chronic budgetary conflicts paralyzing Community decision-making. Proposals for workers' participation (the Vredeling Directive of 1980) were stopped, as well as a number of regulations on working time (on part time and temporary work in the early 1980's).

After the period of "Europessimism," a low point in EU history, integration was renewed in the mid-1980's. The June 1985 White Paper laid out the "1992 program" to establish 'an area without internal frontiers in which the free movement of goods, persons, services and capital is assured', but made little mention of social policy matters. Member states then quickly renegotiated the Rome Treaty to fit the new program, eventuating in the Single European Act (SEA, signed in 1986, ratified in 1987). The SEA linked "1992" to a change in EC decision-making procedures towards "qualified majority" (QMV) for most White Paper areas. Finally, it presented an extended list of EC "competences" -- new areas in which the Community acquired a legal basis to act -- in research and development, the environment, foreign policy cooperation and "economic and social cohesion" (regional policy) and extended QMV to act in some areas of existing competence, notably workplace health and safety.

followed by two more in the 1970s, 76/207 on access to employment and 79/7 on social security and professional certification.

⁶ The first labor directive (75/129) concerned mass layoffs. This and others (on workers' rights in company ownership transfers and relocations (77/187) and bankruptcies (80/297)) are based on Article 100, which allowed the EEC to act generally where member state regulations affected the "establishment or functioning of the Common Market."

⁷ See *Promoting Health and Safety in the European Community* (Brussels: European Trade Union Technical Bureau for Health and Safety, 1991); and *Europe Sociale*, 2/90.

The post-1985 renewal of European integration through “1992” ignited business and public enthusiasm and allowed key European actors, the Commission in particular, to move forward boldly. This second stage of integration allowed greater scope for labor market regulation by both social policy and trade union action. Commission President Jacques Delors, in particular, hoped that movement towards completing the internal market would promote “spillover” into new areas.⁸ Social and industrial relations policy matters still had a relatively low priority, however. The SEA preserved unanimity rules over most social and labor law measures, even if it did allow QMV on health and safety issues.⁹ New commitments to “economic and social cohesion” (Article 130A) provided openings for regional development policy, exploited by the “reform of the structural funds” which began in 1988. Finally, in a new Article 118b, Commission promotion of “social dialogue” between capital and labor at European level was encouraged. The European Parliament’s new “cooperation” powers were more than footnotes, since the Parliament’s Social Democrat-Christian Democrat majority would become a major public advocate and lobbyist for a larger EC social policy role.

“Market building” continued to take strong precedence, however, and social matters were broached only after the Single Market program was well underway and EMU in the pipeline. The 1989 *Community Charter of Basic Social Rights for Workers* was the centerpiece of the Commission’s social policy program. Rather than laying down a set of enforceable rights, however, the Social Charter was a “solemn commitment” on the part of member states -- eleven, given British rejection -- to a set of “fundamental social rights” for workers.¹⁰ The Action Program of November 1989 promised legislative initiatives to implement the Charter where a case could be made that the EU’s existing treaty base allowed them.¹¹ Only proposals whose

⁸ This is discussed at various points in George Ross, *Jacques Delors and European Integration* (Cambridge: Polity/Oxford, 1995)

⁹ This followed new Articles 100A and 118A, introduced because health and safety regulations might be used as non-tariff barriers to competition.

¹⁰ The list of 30 items included rights to freedom of movement, employment and remuneration, improvement of living and working conditions, freedom of association and collective bargaining, vocational training, equal treatment for men and women, information, consultation and participation for workers, workplace health and safety, protection of children and adolescents, and the rights of the elderly and the disabled. Every worker was to have a right to adequate social security although only “according to arrangements applying each country.”

¹¹ A table of the proposed initiatives is presented in *Social Europe* 1/90. Ultimately, by January 1, 1993 47 different instruments would be prepared and submitted to the Council of Ministers, less than half directives or

treaty bases were Article 118a or 100A or Article 119 (equal treatment) had much of a chance of getting through Council and even then only after intergovernmental bargaining weakened the texts. In general, excepting health and safety measures, which rapidly became a strong grid of transnational regulations, added regulatory value was modest.¹²

In general, however, the post-1985 rush of integrative energy became so intense that two new Intergovernmental Conferences were called for 1991 which led to the Maastricht Treaty on European Union (TEU). The main thing Maastricht did was initiate movement towards Economic and Monetary Union (EMU), Europe's current, and perhaps most momentous, step in economic integration. EMU will create a single currency managed by a European System of Central Banks (ESCB), comprised of a European Central Bank (ECB), in which authority over monetary policy is vested, and EMU member state central banks, which are to implement ECB policy. EMU was specifically designed to implement a highly restrictive monetary policy, with little concern for employment levels. The ECB's main assignment is price stability, and to assure its pursuit of it, it is to be independent, on the model of Germany's Bundesbank. EMU membership was also made contingent on meeting "convergence criteria" -- national central banks had to become independent and economic performance had to meet tough targets for lowering public deficits, debt, inflation levels, interest rates, and the stability requirements of the Exchange Rate Mechanism (ERM). Beginning in January 1999 the EMU "11" (all EU members excepting the UK, Denmark, Greece and Sweden) will have to observe stringent rules set forth in the Dublin and Amsterdam "growth and stability pact" to assure continued restrictive policies for convergence.

Maastricht also brought a new "Social Protocol" which modestly expanded the EU's authority on social standards. The British remained outside, meaning that legislation binding all

regulations with the rest non-binding "recommendations" or "opinions."

¹² Of the nine most contentious legislative proposals three were meant to regulate "atypical" (part-time and temporary) employment, of which only one passed the Council. A directive on working time passed in watered down form. Others were on "pregnant women" to prevent firing, stipulate minimum levels of remuneration for maternity leave and protect health and safety during pregnancy, updating an earlier 1975 measure on collective layoffs (plant closures) requiring timely information of certain kinds. Perhaps the most significant proposal involved establishment of "European Works Councils" in transnational firms. But this and a proposed directive applying legal and collectively bargained rules in force in a member state to workers "posted" by their employers to work there temporarily, along with a later proposal prescribing parental leave, were not enacted until use of the Maastricht Social Protocol. See Philippe Pochet, *Programme Social: Le Bilan*, Working Paper 5 of the Observatoire Social Européen (Brussels: 1993)

but the British could be enacted without British participation, until the Amsterdam Summit of 1997.¹³ Under the Social Protocol QMV was extended to “working conditions” and “information and consultation”. Moreover, it made possible binding negotiated agreements as a substitute for legislation (using a “negotiate or we will legislate” system), a provision which made negotiations a formal part of European social policy formation which was itself the product of negotiations between the social partners.

Action under the Social Protocol was delayed because of the unanticipated difficulties of ratifying Maastricht. Thus the first proposal was in the second half of 1993, on European Works Councils, a matter of the “information and consultation of workers” in multinational corporations with a long EU history.¹⁴ Failure to get a negotiated agreement on EWCs led eventually to a legislated Directive in 1994 which mandated EWCs in all multinationals above a certain size and with a European presence. The Commission used the Social Protocol again in early 1995, this time on parental leave, also an issue with a long history.¹⁵ The social partners reached agreement in the early fall of 1995 on the “first European bargain”, officially signed in December of that year and given legal force with a Directive (96/34/CE) in June, 1996.¹⁶ Substantively, the measure made very modest progress but it did establish the political precedent of negotiated legislation under the Social Protocol.¹⁷ The Commission then introduced the

¹³ The scope for legislation under this procedure is expanded to include social security and social protection of workers; protection of workers whose employment contract is terminated; and representation and collective defense of the interests of workers and employers, including co-determination, but only under unanimity. Moreover, legislation is limited even in these areas by a clause explicitly excluding any EU legislation dealing with pay or the rights to organize, strike, or impose lockouts.

¹⁴ The history stretched back to the 1980 Vredeling Directive that had been buried because of British obduracy and a lobbying barrage from the American Chamber of Commerce in Europe and UNICE. The Social Charter Action Program had also proposed a directive and the Council’s unwillingness to pass it was the primary reason for its reintroduction under the Social Protocol. *Transfer*, 2/95, has an extensive bibliography from different European sources on EWCs and related matters, pp. 320-328.

¹⁵ See the special issue of *Social Europe* (3/91) on equal opportunities for women and men.

¹⁶ Commission of the European Communities, *Proposal for a Council Directive on the framework agreement on parental leave concluded by UNICE, CEEP, and the ETUC*, Brussels, 31 January 1996, COM(96) 26 final. The right is individual and non-transferable (to assure equal treatment of men and women). Additional provisions protect those exercising the right against discrimination, including the entitlement to return to the same or equivalent job and acquired rights, while enabling employers some variation in compliance under special circumstances. No provisions are made for income maintenance during leave, which is left to member states and social partners.

¹⁷ By the time it was proposed, the right it guarantees (and often considerably more) already existed in all but three of the 14 countries covered.

procedure for some left-over Social Action proposals on “atypical work” in 1996, leading to another agreement in 1997.¹⁸ Further negotiations on the nature of part-time labor contracts were begun in 1998.

The Commission’s 1995-1997 Medium Term Social Action Program anticipated few new legislative measures, however, and signalled the end of the Delors-type activism in social policy. It advocated shifting the emphasis to a “process of collective reflection” by European institutions, member states, and social partners. This process is aimed at achieving the “creation of jobs” which is identified as the “top priority” of social policy, but for which “responsibility lies mainly with individual Member States”. The Program took a stand against doing so by deregulation, insisting that “the economic and social dimensions” must be “treated as mutually reinforcing rather than conflicting, objectives”.¹⁹ The role of European institutions is now conceived as facilitating coordination and pooling of experience and ideas rather than setting down binding common standards.

2. The Tentative Europeanization of Trade Union Structure

The architects of European integration tried to stimulate transnational interest representation from the outset. The functionalist strategy conceived by Jean Monnet posited the development of Euro-level interest representation around the Commission and other EU institutions as a royal road towards policy “spillover” and full-fledged European political culture. It made sense, therefore, for European institutions and political entrepreneurs to use their resources to entice important interest groups to invest themselves more in Euro-level processes.

¹⁸ Negotiators agreed on a framework accord on May 14. The core of the accord was the application of the principle of “pro rata temporis” to atypical (that is, part time and temporary) workers who should not be treated any less well across the range of benefits and conditions than full time workers, with such things prorated according to working time. Not all of the ETUC’s constituents liked the deal however, in particular the DGB. See *Le Monde*, May 16, 1997, p. 38.

¹⁹ Commission of the European Communities, *Medium Term Social Action Program 1995-1997*, Communication, Brussels, 12 April 1995, pp.2-3.

The pattern of investment by what came to be called the “social partners” was quite asymmetrical in the first, Common Market, period of EU expansion, however. Business, with a lot at stake, formed the Union of Industrial and Employers’ Confederations of Europe (UNICE), a year after the Rome Treaty. Some trade unionists also saw a need for a new Euro-level organization, but union divisions delayed the establishment of the ETUC until 1973. The new ETUC was open to all EFTA and EEC unions, Christian, Communist or ICFTU branches. It also gave limited representation to regional sectoral organizations -the European Industry Federations (originally EIC’s - Confederations with their names changed in the 1990s to EIFs). The new Confederation was thus a broad organization with a strong claim to be the sole representative of unions at the European level. With insufficient support for Euro-level action among its members, however, the ETUC could not do much more initially than be a modest liaison and lobbyist for national union confederations.²⁰ Moreover, the ETUC’s inclusiveness built internal diversity which made it hard to reach common policies and action.

The ETUC’s early attempts at exerting influence were largely confined to the rarified and small Brussels arena and dissociated from the members it nominally represented. The new Confederation initially had high hopes for “proto-corporatist” initiatives by the Commission, but it quickly withdrew from most in 1978 after concluding that neither employers nor governments were interested in serious commitments.²¹ By then, energies for broader European integration had all but disappeared and Europessimism set in. The “1992” project created tremendous new momentum, however, and brought new efforts by European institutions to promote Euro-unionism which eventually brought revitalization of the ETUC.

Jacques Delors succeeded in making “social dialogue” an explicit Community objective in the SEA’s Article 118B which stated that "the Commission shall endeavor to develop the dialogue between management and labor at European level which could, if the two sides consider

²⁰ In addition to Corinne Gobin, *L’Europe Syndical* (Brussels: Presses de l’ULB, 1997), our main source for the ETUC’s history is Jon Erik Dølvik, *The ETUC, Social Dialogue and the Europeanisation of Trade Union Policies in the 1990s* (unpublished doctoral dissertation, Oslo: University of Oslo, 1997).

²¹ The Commission set up a “Social Partners” unit plus various sectoral tripartite bodies, the most important being the tripartite Advisory Committee on Safety and Health in 1974, providing a forum for union input into proposals for workplace health and safety directives. Although the ETUC was not formally represented on it, it came to play an information and coordination role for the national trade union representatives in it.

it desirable, lead to relations based on agreement." The initial "Val Duchesse" discussions began conflictually in 1985 and did not get very far, however.²² None of the parties had a mandate to negotiate. This was an asset to UNICE, since its objective was to avoid European level regulation and bargaining.²³ On the union side the ETUC wanted Euro-level regulation, whether through legislation or negotiation, but like UNICE, it was primarily a -- quite weak -- organization of national Confederations. Because two of its largest constituent organizations, the German DGB and the British TUC, had no capacity to negotiate, it was difficult to imagine the ETUC itself officially bargaining.

Social dialogue was relaunched in 1989 in the glow of the Social Charter. The contradictory purposes of the organizations again made discussion frustrating and produced few results. This time the Delors' Commission was eager to make it work, however. This meant a new strategy to get the social partners talking to one another in serious and, eventually, binding ways. Since preventing such serious talk was UNICE's most important reason for being there was little to be gained from trying to persuade UNICE to be more reasonable. The large imbalance of resources already available to employers meant that UNICE was unlikely to change on its own.²⁴ The ETUC, on the other hand, really wanted European-level labor market regulation, and if it could get it through Euro-level bargaining, so much the better. But the ETUC was very weak.

The stakes and resources of each of the major social partners were different, therefore, leading the Commission to an asymmetrical approach, seeking first to strengthen the ETUC and national union movements to become stronger European actors. The Commission recognized that European-level unionism was unlikely to be strengthened if this depended upon resources generated from its national constituents alone. Euro-level resources to help in the strengthening task might help. A stronger ETUC, partly dependent upon Commission resources, might be a

²² See Janine Goetschy, "Le Dialogue Social Européen de Val Duchesse," in *Travail et Emploi*, 1/91 for the antecedents of post-1985 "social dialogue." A review of social dialogue including a compendium of joint opinions and other documents is provided in *Social Europe* 2/95.

²³ On the employers' side, the UNICE Secretary General, Zygmunt Tyszkiewicz, could not have been clearer about disinterest in real negotiating. See "European Social Policy- Striking the Right Balance," *European Affairs*, Winter 1989.

²⁴ Although not directly at the disposal of UNICE, a small organization without significant financial support from the Commission, such company resources form a pool that can be tapped as needed.

useful ally for the Commission in broader political matters. Most important, a more effective ETUC might cause UNICE to reconsider its nay-saying.

Delors took the lead in his speech to the 1988 ETUC Congress in Stockholm when previewing the Social Charter.²⁵ His speech later in the same year to the British TUC's Bournemouth Conference prodded a major, formerly anti-European, constituent of the ETUC to new European commitment. Delors, his staff and DG V also systematically encouraged the ETUC, in particular by supplying money to fund the ETUC's internal activities.²⁶ The small costs involved allowed the ETUC to hire new staff and build a larger, more autonomous, headquarters organization endowed with new capabilities.²⁷ The Commission thus carefully opened and nourished privileged networks of communication between itself and the ETUC while Delors himself, who knew many ETUC leaders, was willing to devote precious time to cultivating them further. Financial support from European institutions also strengthened European trade union structures at sectoral and company level, particularly through the 15 existing European Industry Committees (EIFs).²⁸ Commission and Parliamentary support for EIF efforts in the preparation for "European Works Councils" in MNCs was especially significant.²⁹ The meetings that proliferated then were financed by a new budget line set up by the European Parliament in 1992. The money amounted to more than four times the total of all existing EIF

²⁵ Jacques Delors, in *le Nouveau Concert Européen* (Paris: Odile Jacob, 1992), pp. 74-80.

²⁶ The Commission thus underwrote ETUC meetings in Brussels and elsewhere (travel, translation) to the tune of several million *ecu* per year. It was also quite generous to the European Trade Union Institute (ETUI), the ETUC research arm, funded an organ called AFETT (set up in 1986) to train unionists about new technologies. In 1989 it began providing subsidies to ETUC activity on health and safety through the Trade Union Technical Bureau (TUTB). In 1990 it added support of the European Trade Union College (ETUCO), a new creation to train to engage in European level activity.

²⁷ TUTB and ETUCO, in particular, were important in this respect.

²⁸ As organizations of unions rather than an organization of confederations, the EIFs were European-level structures directly subject to control by national unions that might potentially serve as instruments for cross-national joint action vis-a-vis employers, the "bodies which might one day be the main union parties in European-level bargaining." *European Industrial Relations Review* 211, August 1991, p. 25.

²⁹ This first involved major infusions of EU money to organize meetings of worker representatives of MNCs pending adoption of a 1991 directive on EWCs and, then, after it became clear that the Directive would be tied up in the Council of Ministers, the Commission decided to fund EIF efforts to prepare EWCs proactively.

budgets combined and quickly became a major factor in EIF organizational and resource growth.³⁰

The broader context of these European institutional efforts was the post-1985 relaunch of integration. The Single Market and the new situation it created contained both threats and opportunities for unions. As member states and business grew more receptive to European solutions to their problems the settings ETUC constituents faced were certain to change rapidly. Strident union warnings about “social dumping” almost immediately after the announcement of the “1992” program were one sign of union awareness of this. The inevitable transnationalization of markets from “1992” stimulated a new willingness among unions, increasingly on the defensive in their national contexts, to look to trans-national strategies. These two processes - the Single Market and the willingness of the Commission and other European players to provide encouragement to more European unionist activity - created new opportunities for trade unionists committed to building European level action.

Serious efforts to rethink the ETUC did not really begin until after the 1988 ETUC Congress, when the confluence of impulses toward change from the Commission and from within the ETUC became clearer. Delors' Stockholm speech ended with a plea for unions to join him in defending the “European model of society”: In Delors' words

we need all our strength at the moment that the great peaceful revolution . . . which will mean the disappearance . . . of physical barriers between the twelve but will also result in a common home, Europe. In order to do this . . . we need a powerful trade union movement which shares our overall vision and which will help us and thus prove we are moving forward.³¹

Delegates urged that the ETUC be given “increased means to become a united and coherent force” for “a true social and contractual European policy,” through “strengthened structures and

³⁰ The meetings brought together union representatives from multi-national corporations that were likely to fall under an eventual European Works Council law. The Parliamentary money came from Budget line B3-4004. 14 million Ecu were appropriated for 1992 and 17 million in subsequent years. Although most of the money covered meeting costs, it also covered related EIF expenses, enabling them to hire additional staff, while adding very substantially to the very meager resources at their disposal for serving their constituents. They were thus able to gain a higher profile and legitimacy within the ETUC as well as with their own member unions and, importantly, with the workplace level activists who attended the meetings.

increased membership, enhancing efficiency both in terms of finances and staff,” and increased cooperation among an increased number of industry committees. That this implied the delegation of increased authority to the ETUC was explicit.

The 1988 Congress authorized the preparation of broad reform proposals to be put to the next Congress in 1991. Change was an internal matter for unions and could only be brought about by the national confederations. The German DGB, representing the most powerful European labor movement, was a prime mover out of dissatisfaction with the ETUC’s ineffective responses to the Single Market.³² The Germans found support in the Italian Confederations who strongly desired a more supranational ETUC. Together they requested a working group on ETUC organization, set up by the ETUC Executive Committee in December 1989 and chaired by Johan Stekelenburg, president of the Dutch Confederation of Labor (FNV). The “Stekelenburg Report”, “For a More Efficient ETUC”, was adopted at the end of 1990. The report justified organizational changes mainly because of the EU and recommended that the ETUC “become a genuine confederation with appropriate competences and tasks,” implying “the transfer of some competences from national to the European level” including “not only setting priorities but also executing them,” to “coordinate collective actions, build up international trade union countervailing power and organize solidarity through actions promoting common objectives.” It proposed changes in policy-making structure by establishing a new Steering Committee and giving more power to the ETUC leadership. It also urged an increased role for the EIFs. The ETUC, until then an organization of national confederations, would become one with a dual membership base consisting of cross-national sectoral as well as national intersectoral organizations.³³

³¹ Most of the speech is reproduced in Delors, *Le Nouveau concert europeen*, pp. 71-80.

³² The German industrial relations system, constructed around solid sectoral corporatism, could conceivably be disturbed by Euro-level decisions, particularly those involved in the social dimension, and this might be avoided by a stronger and organizationally modified ETUC, within which the German voice would be powerful.

³³ Concrete proposals in this direction were limited, however. The EIFs were to be given voting rights on the Executive Committee except on constitutional and financial issues (on the ground that the committees did not pay dues, inasmuch as their affiliates paid dues to the national confederations), and they were allotted three seats, rotated among them, on the new Steering Committee.

The 1991 Congress, where the report was discussed, announced a higher priority to European transnational union action and emphasized the ETUC's function as the organizational vehicle for such action, including the formulation and implementation of joint strategies in collective bargaining and the representation of joint interests in the EU legislative arena. It also selected a new leadership. In a deal brokered by the DGB, Emilio Gabaglio from the Italian CISL became the new General Secretary (over a Dutch candidate backed by the Nordic unions). The first Deputy General Secretary slot went to Jean Lapeyre, the French master of the Delors-Commission connection. Organizational and procedural changes were meant to draw leadership of ETUC member organizations into closer collaboration with the new leadership. In particular the EIFs were made ETUC member organizations on a footing more closely approximating that of the national confederations.

The Congress did not reflect a broad consensus on new goals, however.³⁴ It did not endow the ETUC with the authority and resources to "become a genuine confederation with appropriate competences and tasks." Deciding what competences were to be transferred from national to European level was left to the Executive Committee, where obstacles to a stronger ETUC were rooted in the diverse structures and interests of its national constituent bodies. Just as important, the ETUC's financially strapped members were in a difficult position to provide more resources. Thus even after the Congress it would remain a small organization, its six-member secretariat backed by a staff of 30. Resource poverty was even more true for the EIFs.

The October 31, 1991 Agreement and its incorporation two months later into the Maastricht Social Protocol put the issue of the ETUC's negotiating authority on the agenda more quickly than had been anticipated. The central actor was the Commission. As already noted, the Commission understood that UNICE would only deal under constraint. The Commission had therefore been seeking ways to provide it by making bargaining at Euro-level a lesser evil to UNICE. To what? One answer was EU legislation. The Action Program following the Social Charter played an important part in making the connection. Beginning in later 1990 the

³⁴ While the Italian and Belgian confederations pushed especially vigorously in a transformative direction, the Nordic confederations and the TUC opposed significant departures from the ETUC's established practices. The DGB, having brokered the changes aimed at re-energizing the ETUC, was itself barred from supporting genuine supranationalization by its own member unions, notably IG Metall.

Commission produced a substantial number of pieces of legislation, in the process consulting regularly with the "social partners." While employers could anticipate that much of the legislation would not pass the Council, some would. UNICE did not like what it could project from this. There was always the chance that social legislation would encourage a broader political dynamic towards more Commission intervention and perhaps even a broadening of the treaty. To UNICE this threat was a serious matter: however well-designed EU legislation might be, it was bound to be more constraining than no legislation or a bargained agreement on the same matters.

Thus the Commission's asymmetrical strategy of brandishing the threat of legislation to change UNICE's position bore fruit. Early on in the yearlong Maastricht talks the Commission tabled an ingenious "negotiate or we will legislate" proposal as part of drafting new social clauses. The Commission's paper, which sought to expand the EU's social policy scope, included a clause that would allow the Commission to announce its intention to "act" in a specific area, after which the "social partners" would have a short period to negotiate an agreement in place of actual legislation. Were this negotiation to succeed the Commission could then submit it to the Council which might then give the bargain full legal status. The Commission reasoned that if its competencies and QMV had been expanded the social partners would have to develop new interests in Euro-level negotiating. For UNICE negotiating would be a way of watering down and "flexibilizing" what might otherwise be strong EU legislation. For the ETUC it could open paths to European level collective bargaining.³⁵

This proposal, originally buried, ended up as the core of the Maastricht Social Protocol. On October 31, 1991, after assiduous Commission work, the "social partners" agreed to repropose the Commission's "negotiate or we will legislate" idea. UNICE did this to hedge its bets. If more social legislation might come after Maastricht then UNICE preferred bargaining because employers' bargaining strength could soften Commission proposals. UNICE also reasoned that the October 31 proposals were extremely unlikely to be accepted at Maastricht because the British were adamant about refusing any change in the treaty's social provisions. UNICE could thus feel free to engage in "low cost talk". An unexpected turn of events at the

³⁵ The history of all this is discussed in George Ross, *Jacques Delors*, Chapters 3 and 6.

very last minute at Maastricht led the eleven to go ahead without Britain on the Social Protocol, however, and exposed the risks UNICE had taken.³⁶

While the Maastricht Social Protocol reflected a clear effort by the Commission to join with the ETUC to overcome employer resistance to negotiations at intersectoral level, the Commission's commitment to bringing employers to the bargaining table at the sectoral level was more uncertain and ambiguous. Employer resistance to sectoral negotiations was facilitated by their European organizational structure at that level. The largest number of sectoral business organizations are industry rather than employer associations, and this is typically invoked to justify refusal to enter into social dialogue, leaving it to UNICE to discuss social dimension matters. UNICE has sought to reinforce the virtual monopoly of representation on such matters this gives them by confining social dialogue to discussion among European level inter-sectoral organizations, where it can count on blocking things. Social dialogue has nevertheless been established in some sectors, typically with Commission support, especially where there are special EU programs as in vulnerable sectors such as agriculture, coal and steel and textiles, but business participants have usually followed UNICE's line opposing anything like negotiations. Moreover, sectors accounting for about half of Europe's jobs, including the core engineering sector, have not entered into even such minimal social dialogue. Meanwhile, even thinking about serious sectoral bargaining remains stymied by employer refusal to deal.³⁷

³⁶ Briefly, the Dutch proposed a very diluted social policy proposal to the Maastricht negotiators at the last minute. Although this was designed to allow the British to sign on to the new deal without much compromise on social policy, John Major judged that he had to refuse it for domestic political reasons. With social policy then threatening any positive outcome from the talks, the Commission, aided by Helmut Kohl, threw the stronger Social Protocol text back onto the table and it was accepted by the eleven.

³⁷ However, the very fact that some separate Euro-level sectoral business organizations exist opens up the possibility that some may deviate from UNICE's position. Employer unity behind UNICE's opposition to sectoral social dialogue has indeed been by no means complete and durable. Some employers like those in construction and commerce, have stated that UNICE does not represent them and have readily entered into sectoral dialogue with EIFs. Even within UNICE, there was some retreat and consideration of organizational changes to avert the defection of employers with an interest in sectoral level discussions. EIF strategy for bringing employers to the table has focused on making the most of this possibility. EIFs thus have begun to seek circumstances under which employers can be drawn into discussions over some issue where there is some potential for a precedent-setting agreement. Such circumstances typically arise when there is some Commission action employers want to influence, and they have reason to believe that they will be more successful if they approach the Commission or other bodies jointly with unions. Thus, the EIFs' ability to pursue this strategy depends heavily on Commission actions, much like the ETUC's ability to get UNICE into Social Protocol negotiations. The EIFs argue, however, that the Commission does not deploy these incentives consistently, robbing them of much of their potential effectiveness. In particular, most of the directorates hide behind the Commission's bureaucratic division of labor, denying any obligation to set up social

The support that sectoral EIFs have received from European institutions has been concentrated on their organization of trans-border labor representation at the multinational company level. As noted earlier, besides bolstering EIF legitimacy this has put at their disposal financial resources much greater than their dues provided.³⁸ The establishment of European Works' Councils has already had very important effects in extending the structure of European unionism down to company level. The number of companies covered by the directive is uncertain, but the best estimate puts it at a little over 1,500. If all of them set up EWCs with 30 members (the maximum under the directive unless companies and employees agree on larger or smaller, or multiple, EWCs), and if the unions are involved in forming and operating the EWCs, several tens of thousands of workplace activists would be drawn into transnational union work. Even if some companies succeed in excluding unions, a large number of new EWC members will engage in rethinking union actions on a transnational basis, develop new practices of collaboration with colleagues from other countries, and construct new transnational linkages with union bases within companies. The ETUC itself has had to generate the intellectual and financial resources to help train EWC members (through ETUCO and TUTB) and the EIFs are having to develop the capacity to support them.³⁹

There is a definite bias in the kind of European union structure, therefore. The intervention of European institutions has primarily cultivated the top, or intersectoral level, at which the ETUC leadership operates, and secondarily, the lowest, or MNC company level, where EWCs are being formed. It has given least support to the intermediate, or sectoral level, which are the EIFs' turf, except insofar as they organize EWCs rather than attempt to engage employers

dialogue concerning the implications of the measures they take on the ground that all social matters are the responsibility of DGV -- the catch being that DGV is precluded from any say in measures for which the other directorates are responsible. DGV acknowledged this in preparing a Commission *Communication Concerning the Development of the Social Dialogue at Community Level* COM (96) 448 prov., Brussels, 18 September 1996. The final version was pending at the time of writing.

³⁸ The EU funds were renewed annually even after the EWC directive was enacted, at first until it was scheduled to come into force in September 1996 and now in order to support the EIFs' services to EWC negotiators and members.

³⁹ Transnational linkages on the local level are also being constructed through Interregional Trade Union Committees (ITUCs) set up by the ETUC in regions where there are cross-border labor markets. There were 28 ITUCs by the end of 1995 but there was significant activity in only a few of them. See Jean-Claude Prince, *Les Conseils Syndicaux Interrégionaux en Europe*, ETUI Discussion and Working Papers, 1995.

at the sectoral level. Because employer resistance is virtually complete (and no employer counterpart in any form exists in some sectors) and Commission efforts to overcome it so meager it has been difficult for EIFs to avoid concentrating their activity on EWCs. Even the ETUC's support for the development of sectoral level negotiations has been ambiguous. It has described such negotiations as an important part of the European industrial relations system it seeks, and recently echoed the EIFs' complaints of inadequate Commission support of sectoral social dialogue. However, the ETUC has not supported the EIFs in some situations where the potential for sectoral agreements opened up. This structural bias raises issues about the strategies that may be facilitated or inhibited by the kind of structure that has been developed.

Those issues aside, a significant Europeanization of labor representation has nonetheless been accomplished. The 1991 ETUC Congress was an important milestone. The changes it made, combined with the linkages to national constituencies being created by the new units established prior to the Congress (TUTB and ETUCO) and expanded by the linkages to EIFs through the formation of trade union committees in multinational companies, began putting into place a multi-level structure through which the ambitious federalist vision of the ETUC might potentially be realized. Since the 1991 Congress the most important change has been the establishment, after much controversy, of procedures for ETUC conduct of negotiations under the Social Protocol. The ETUC's organizational resources have also been considerably strengthened.⁴⁰ Significant developments occurred on sectoral and local levels as well. The EIFs remain small and unevenly effective and much of their effort continues to be focused on MNCs, but because of the availability of funds their status and resources have been strengthened. However, per capita dues of some have recently risen to 3 to 4 times those to ETUC, providing solid evidence of increasing member union commitment as well as decreasing dependence on European institutions for their resources, with the increasing strategic room for maneuver this permits. They have intensified cooperation among themselves, developing collective identity

⁴⁰ The TUTB has expanded and sharpened its technical skills. Trade union education services have been rationalized by the integration of AFFETT with ETUCO, while ETUCO's general offerings have expanded considerably. The ETUC Women's Committee is more active. The European Trade Union Institute, ETUC's oldest arm, has been rescued from dusty obscurity by a new director launching new activities, including conferences, publications, and a quarterly journal (*Transfer*). ETUI now has a higher profile and more influence outside and inside the ETUC. In general, the different units of the ETUC are better integrated and a new synergy is palpable.

through regular joint meetings and joint organizing work on EWCs.⁴¹ Largely with their help, the formation of EWCs has accelerated and EWCs are creating European networks of union activists at company level, providing channels for direct cross-border linkages among unions in addition to those at sectoral and intersectoral levels.

All in all, then, ETUC, no longer a “head without a body”, has extended its scope downward to draw national and local union officials into transnational activities of various sorts. This has nonetheless been largely a top-down process, driven by the interplay of actors in the European institutions and European level trade union organization with common stakes in legitimating a European union structure more than by the conviction of national level trade unionists of the need for Eurolevel action or by any pressures from below. Thus, as one observer suggested, the story of the Europeanization of labor has been one of “structure before action”.⁴² It can also be seen as one of structure before strategy. Indeed, the process by which the structure has been developed poses fundamental strategic issues for unions. Beyond the common stakes in the Europeanization of labor, the purposes of unionists convinced of the need for that and the purposes of EU actors who provided the incentives that have strongly influenced the development of that structure do not necessarily coincide. Moreover, there are diverse conceptions of the strategies that structure should serve, both within and among different levels of that structure and among different national labor movements. We turn now to a discussion of those issues.

3 . Strategic Dilemmas

⁴¹ The EU money enabled the EIFs to organize over 490 preliminary meetings, usually at union request, in 290 multinationals between 1991 and the summer of 1994, resulting in a modest growth in agreements prior to the directive’s enactment. The EMF alone, which concentrated on this activity, held 155 meetings in over 100 different companies during this period, followed in many by meetings which went on to further stages. As of August 1994, the EMF meetings had culminated in agreements in 18 companies, plus unwritten understandings with 7 others. Once the directive had been adopted, many companies which had refused to set up works councils unless legally obliged to, rushed to make voluntary agreements before September 1996 when the directive goes into effect.

⁴² Lowell Turner, “The Europeanization of Labor: Structure before Action,” *European Journal of Industrial*

The structures of European unionism have developed in ways which present the ETUC and its constituents with strategic dilemmas in both the collective bargaining and political arenas.

The ETUC has consistently articulated an expansive vision of its role as the instrument for mobilizing and orchestrating the resources of unions throughout Europe and bringing them to bear on the course of European integration. In the words of a 1995 Congress statement:

The emergence of new economic and political power systems at European level calls for the establishment of countervailing force by the unions. This necessitates common objectives and common negotiating strategies, mechanisms for European trade union action to back up these objectives in the event of dispute, and real cross-border coordination. Building up trade union counter-pressure in Europe is thus essential in order to ensure that European construction pursues the objective of sustainable and lasting development, capable of creating jobs for all men and women, as well as that of social progress and solidarity. As a unitarian and pluralist organisation and the representative of the labour movement in all its breadth and diversity, the ETUC sees itself as the instrument which will serve that purpose.⁴³

These aspirations meant going well beyond “Brussels lobbying” to become a player in European level policy deliberations and a bargaining organization negotiating binding agreements with employers at the peak level of a multi-tiered European industrial relations system. In short, ETUC sought to do at European level what the most powerful national union confederations did, or aspired to do, in their own countries. In this light the ETUC viewed negotiating the October 31 Agreement, its embodiment in the Social Protocol, and subsequent opportunities to negotiate substantive agreements which could become Community law as major breakthroughs. The ETUC leadership’s strategic ambitions were not completely shared, however. Issues about the ETUC’s bargaining role thus became the focus of a long internal controversy. Those concerning the political arena, in particular about the overall course of integration, may have evoked less controversy but ultimately they pose the most profound dilemmas.

Bargaining

Relations 2, 3 (November 1996).

⁴³ ETUC, “Jobs and solidarity at the heart of Europe,” Resolution adopted at the Eighth Statutory Congress, Brussels, May 1995, pp. 27, 29.

What the most enthusiastic Europeanizing trade unionists hoped was that social dialogue would develop into genuine Euro-level collective bargaining. As a “genuine confederation with appropriate competences and tasks,” the ETUC would negotiate binding “framework agreements” with its intersectoral employer counterparts to be implemented at national and local levels. It would also coordinate Euro-level sectoral bargaining strategies and the European dimensions of national affiliates. This was a very problematic hope, however, because the ETUC’s two largest member confederations themselves, the DGB and the TUC, had very limited bargaining roles while some confederations which had significant collective bargaining roles in the recent past, most notably Sweden’s LO, were losing them. The issues of how bargaining authority and subjects should be distributed among different levels, which was simultaneously being posed in most national industrial relations systems, was forced to the top of the ETUC’s agenda by the Maastricht Social Protocol. Protracted internal controversy followed. Initially the main tension was between the ETUC Secretariat and some of the member confederations. Next it was between the Secretariat, supported by many of the confederations, and the EIFS.

The ETUC leadership, expecting Maastricht to be ratified sooner than it actually was, convened a conference on “European Collective Bargaining -- ETUC Strategy” in June 1992 where the Secretariat staked out an ambitious claim to a collective bargaining role for itself. In reaction, with the Secretariat’s role in negotiating the October 31 agreement in the background, German and Nordic participants opposed this claim. With other German union participants, the DGB argued for a “bottom-up” approach to Euro-level bargaining. Collective bargaining presupposed bargaining power, so national unions first had to be strengthened before national collective bargaining could be coordinated and an “independent European trade union counterforce” developed at sectoral level. The ETUC might provide the context within which such coordination would occur but could itself only engage in bargaining at the intersectoral level some time in the future. Collective bargaining, conceived as contingent on genuine bargaining power, accordingly had to be distinguished from the negotiation of agreements on legislation contemplated in the Social Protocol. The DGB was even skeptical about this, but was willing to see the ETUC negotiate when given case-by-case mandates. The Nordics would not go even that far, rejecting negotiated European labor market regulation altogether and insisting instead upon legislation. Most Latin participants as well as the TUC supported negotiations by the

ETUC. This division corresponded roughly to one between unions that were strong and weak, respectively, in their national contexts, with the weak unions looking to Euro-regulation to compensate for their lack of national resources.

The ETUC leadership responded with a draft position paper to the October 1992 Executive meeting again laying out a broad rationale and ambitious agenda. Stressing the importance of rights of association, collective action, and bargaining for democracy, it called for explicit recognition of these rights at European level while arguing that their effective exercise required the ETUC to play a key role, not to replace or weaken what happened at national level, but to give it “a new dimension,” enabling the ETUC’s constituent organizations to coordinate national and transnational “bargaining issues” to counteract the deteriorating effects of economic integration on national collective bargaining. It further proposed that Euro-agreements be “framework” deals to be filled in and made binding at national, sectoral and transnational levels. Again, this expansive view of the ETUC’s role was resisted. Instead, it was decided to establish a set of guidelines, or “bargaining order”, authorizing the ETUC to negotiate exclusively within the framework of the Social Protocol, under strict supervision by its affiliates. The leadership’s supranationalist ambitions ran up against strong resistance from national actors, paralleling federalist versus nationalist struggles over the integration process more broadly. Even if the 1991 Congress marked the ETUC’s considerable strengthening and revitalization, then its constituents were not ready to let the Social Protocol turn it into a collective bargaining agent. In any event, as long as UNICE refused to bargain, the question of the ETUC as bargainer was moot, whatever was decided.

The second phase of the controversy, in the context of successful bargaining about parental leave, was over using the Social Protocol to promote sectoral as well as intersectoral negotiating. It was triggered when the employer organization for commerce, Eurocommerce, declared that it was not bound by the parental leave deal because UNICE did not represent it. The corresponding EIF, EURO-FIET, therefore felt it necessary to negotiate a separate agreement. In response, the Secretariat renewed its efforts to establish authority over sectoral negotiations, which the EIFs as a group staunchly resisted. The Secretariat was supported by most confederations, with the notable exception of the DGB. The Secretariat’s position revealed a

tension between the ETUC's avowed support for cross-national bargaining at all levels, including the sectoral, and its stake in protecting its monopoly of representation of labor at the intersectoral level as well as the binding status of agreements reached there. Given the ETUC's earlier declarations, it could have been expected to welcome any precedent-setting opportunities for sectoral bargaining that arose, but the construction EIF, EFBWW, as well as EURO-FIET, met opposition to separate sectoral agreements. Various reasons were advanced, but in this instance the ETUC seemed wary of supporting Eurocommerce's claim that UNICE was not representative, lest it open the door to claims by minor union organizations that the ETUC was not representative either. Although the Council's adoption of the parental leave agreement as a directive rendered the issue moot, the Secretariat tried to gain statutory control over future sectoral negotiations. Its effort was supported by most of the confederations, concerned with their own problems in maintaining their positions in national union structures, but it was strenuously resisted by all the EIFs. Faced with the prospect of a sharp split between them and the confederations, the Secretariat backed off, agreeing to rules assuring the EIFs' autonomy at the sectoral level.

In both phases of the controversy the Secretariat had to settle for less than it initially desired. By 1996 it was left with a role as bargainer in intersectoral negotiation under the Social Protocol, a process of negotiated legislation which is collective bargaining only in a very special sense. This role had already been established in practice in the initial Social Protocol negotiations over European Works Councils and parental leave, during which the "bargaining order" issues concerning its performance were essentially resolved. For the EWC's they were handled in an *ad hoc* manner by regular close contact between the General Secretary and affiliates, assuring that there would be no surprises. Procedures for the entire process were further elaborated in the parental leave negotiations, in ways which were judged satisfactory. In the Protocol process the ETUC's role is now accepted by its affiliates. Just as important, getting to this point involved national affiliates and their member unions being drawn into taking European level activity more seriously than ever before. By demonstrating that significant matters could be at stake in them, the Social Protocol negotiations compelled national union leaders with the real power -- those politically responsible for collective bargaining at national level -- to sit up

and take notice and engage themselves in the controversy, even if they were often concerned mainly with heading off what they saw as threatening in the European level activity.

Since the bargaining role affiliates accepted for the ETUC was confined to the Social Protocol, it was not at all clear that the ETUC came any closer to realizing its vision of a European industrial relations system where cross-border collective bargaining would play a significant part in regulating the European labor market, and where it would negotiate binding “framework agreements” at the intersectoral level and coordinate bargaining strategies at sectoral and national level. The potential for moving toward it through Social Protocol negotiations is limited as long as the employers will not negotiate except “under the shadow of law.” Moreover, the range of subjects over which that shadow can be cast is narrowly circumscribed by the constitutional limits of the EU’s legislative authority. Finally, even within those narrow limits everything ultimately depends upon the initiative of the Commission, currently disinclined to propose new legislation.

By the same token, the Social Protocol did little to enlarge the possibilities for sectoral negotiations. These, as we saw, were severely limited by employer opposition which neither the Commission nor the ETUC tried consistently to overcome. If the prospects for transnational bargaining at both intersectoral and sectoral levels are accordingly thin, are they any better at the company level? There the 1994 EWC directive seemed to open up new possibilities, but on closer examination they turn out to be quite contradictory.

Having pressed for an EWC directive for nearly a quarter century, the ETUC could plausibly hail it as “a major breakthrough” for European unions, while UNICE, having resisted equally long, warned that unions would now use EWCs “as a major step toward realizing their ambition for pan-European structures and collective bargaining”.⁴⁴ But EWCs will not necessarily serve that purpose. Indeed, in particular circumstances they might even become new obstacles to it, fostering a “transnational ‘microcorporatism’ at the TNC level” detached from any collective bargaining structures above company level, national or European.⁴⁵

The EWCs’ ambiguous potential begins with the directive itself. It requires management to “inform and consult” once a year, with consultation defined as an “exchange of views.” It does not enjoin consultation on any continuing basis or require management response to employees’ views. It provides no mechanisms for suspending decisions until such a response is provided, nor any requirement to negotiate over anything about which the employees are informed. The quantitative scope of the directive is limited as well. Even if EWCs were set up in all covered companies and there is a union presence in all of these (neither likely), this would amount to company level cross-border representation for only a small portion of the European labor force.⁴⁶ Even with union involvement, however, employers can still prevent any metamorphosis of EWCs into collective bargaining institutions by insisting upon the minimum legal observance of the Directive’s terms.⁴⁷

⁴⁴ The following account is based on Dølvik, *The ETUC, Social Dialogue and the Europeanisation of Trade Union Policies in the 1990s*, ETUC documents, and our interviews with participants.

⁴⁵ The ETUC’s view is from *Jobs and Solidarity*, p. 29, 1995 Congress; UNICE’s is from a letter to FT, 6 May 94, cited in Tom Hayes, “Trade Unions and European Works Councils,” Conference on European Works Councils - The Pragmatic Approach, London, 22 September 1995, p. 5.

⁴⁶ Opportunities for excluding unions in setting up EWCs, though varied, are substantial. A few companies tried it with mixed success before the directive came into force, but union avoidance has not become harder since then, for nothing in it requires union involvement. Even if unions are not entirely bypassed, however, there is plenty of scope for limiting their influence in the negotiation, composition, and operation of EWCs. Whatever effect EWCs may have on employee relations in MNCs and suppliers could run in quite different directions, either diffusing higher standards of information and other practices to suppliers or preserving a stratification between a privileged core of workers in the MNCs and supplier workforces with inferior standards.

⁴⁷ The exceptions may not prove the rule, but they throw it into sharp relief. As far as we know, the Volkswagen and Thomson Consumer Electronics agreements are the only ones in which consultation is more meaningful, at least on paper, than an “exchange of views” after the fact. In VW, the Council or its executive committee has a right to comment on major planned changes -- in this instance cross-border transfers of production -- and get a reply from management before the decision is made; Thomson has similar provisions. And in only one case, Danone (formerly BSN), has an EWC gone beyond consultation to negotiation. There, several “joint texts” were agreed on, most

On the other hand, EWC meetings could create a dynamic leading to European-level company bargaining, despite employer intentions. Although central management typically prepares the information it has to provide, this is more than employee members can count on getting at the individual sites they represent. Moreover, management has to explain and justify decisions it would otherwise not have to. Probably more important, the meetings make possible cross-border communication among employee members (especially in prior meetings in the absence of management) which would be difficult if companies were not obliged to cover their costs. Once such communication is established, it can be continued and expanded, sustained by a cross-border network that would probably not otherwise exist. The information thereby exchanged -- beyond what management provides -- can enable unions to compare situations between different sites and verify management claims about other sites.⁴⁸ Beyond that, they can feed the new kinds of information back into established national and local collective bargaining, calling bluffs, bolstering demands, and putting new issues on the agenda.

Let us assume that at least in some circumstances the second dynamic does emerge. TNC managers will face a new dilemma and find it increasingly difficult to unilaterally implement company-wide “human resource management” strategies. What would their response then be? One can imagine many responses, but they might be prompted to try and coopt the EWCs to legitimate or even secure “framework agreements” on some company-wide workplace issues, such as organization and training. Even if wages are kept out of the purview of EWCs, it could be a short step from such workplace issues to pay systems. Negotiating with employee members of EWCs could have the additional benefit of strengthening “the company’s European ‘corporate identity’”. Thus by embracing EWCs to use them for collective bargaining, TNC managers might find them useful for developing “company-specific Europe-wide regulation of industrial relations”.⁴⁹

notably one on “trade union rights,” which have been described as the “first steps to a ‘European collective bargaining system’.” Mark Hall, Mark Carley, Michael Gold, Paul Marginson and Keith Sisson, *European Works Councils: Planning for the Directive* (London: Eclipse Group Ltd and Industrial Relations Research Unit, 1995).

⁴⁸ Hayes, “Trade Unions and European Works Councils.”

⁴⁹ Schulten, “European Works Councils,” pp. 303, 319.

This scenario need not necessarily lead to more Europeanization of collective bargaining, however. Indeed, in the worst case it might further weaken national level unions and industrial relations regulation without any offsetting European level gains. Whether there is a danger of such “transnational microcorporatism” is unclear. Depending on their strength, national labor regimes have constrained TNCs, providing unions with resources to resist the construction of organization-specific employment systems that deviate from national patterns. Precisely because EWCs might be used to overcome resistance to such deviations, workers there might well put more trust in their national unions to protect their interests, particularly when the distribution of investment and jobs at different sites is at stake. Such conflicts of interest could paralyze EWCs, making their atrophy more likely than transnational microcorporatism. On the other hand, where TNC managers are in a position to distribute “mutual gains” while spreading “best practice” among subsidiaries, they might be able to forge cross-border “productivity coalitions” through EWC’s.⁵⁰ TNCs might thereby gain employee support for decentralizing collective bargaining to company level at national subsidiaries at the expense of multi-employer bargaining by national sectoral unions. This could reinforce “common trends towards more decentralized company-specific forms” of regulation,” further undermining national unions’ ability to aggregate interests at more inclusive levels.⁵¹

⁵⁰ Tensions between them and national unions analogous to those historically observed between intra-firm employee participation structures and cross-firm union structures could well result, intensified to the extent that cross-border company loyalty is fostered by EWCs.

⁵¹ If this is a real danger, national unions can hardly avert it and maintain some form of cross-company regulation of employment practices except by joining forces to re-establish such regulation on a cross-border European basis, creating structures for transnational labor representation above company level into which transnational labor representation at company level can be integrated. The only available possibilities for doing so would seem to lie in the EIFs. Yet the role EIFs might play in providing such structures was evidently given little consideration, if any, in the ETUC’s internal debate over European collective bargaining described earlier. While the EIFs won reaffirmation of their autonomy, they have yet to be endowed by their national member unions with anything like the authority and resources to put effective pressure on TNCs to enter into such negotiations. The member unions would presumably not cross that threshold until they concluded that the capacity for cross-company action at the

Economic and Monetary Union

Such complex situations are unlikely to emerge for some time, indeed not before EWCs have been widely established and experimented with. The most immediate dilemmas are more likely to come from EMU and a single currency. The Euro is bound to have a major impact on unions, since it will eliminate exchange rate changes as a means for adjusting to shifts in the relative economic position of different regions. All the adjustment will thus have to take place through the labor market except where fiscal mechanisms are available. With a budget corresponding to little more than one percent of Community GDP (and few prospects for increase), the EU is incapable of more than token fiscal federalism.⁵² Labor can, of course, move from adversely to favorably affected regions. This is problematic, however, because although free movement of labor is one of the “four freedoms”, durable barriers of language, culture, and differences in employment-related institutions such as social security entitlements keep labor mobility very low. The burden of adjustment thus will fall almost entirely on labor costs, including non-wage costs such as social charges. Unions in affected areas will thus be pressed to acquiesce in nominal wage reductions or at least low increases and accept cuts in non-wage costs that erode the financing of bargained or statutory social benefits. Variations in unions’ capacities to resist such pressures imply that regions with stronger unions will lose competitiveness to regions with weaker unions, putting stronger unions under pressure to accept cuts. The potential for a vicious circle of labor cost dumping which will cumulatively lower aggregate income, demand, and employment throughout the Community is clear.⁵³

Monetary union thus creates a new situation. Some argue that it makes “development of a related [that is, European] structure for collective bargaining... necessary and unavoidable”.⁵⁴

European level is essential to preserve whatever capacity for it is left at the national level.

⁵² The 1977 McDougall Report recommended a budget of 5 to 7 percent of community and GDP and the ETUC has been urging an initial increase to at least 3 percent. Philippe Pochet and Liliane Turlout, “Une construction inachevée,” in Otto Jacobi and Philippe Pochet, eds. *Union Économique et Monétaire et Négociations Collectives* (Brussels: Observatoire Social Européen, 1996), p. 24. While central governments in the U.S. and Canada account for at least half of general government expenditures, the EU budget accounts for only 2 percent of such expenditures in the Community. Klaus Busch, “Le danger de dumping social et salarial,” in Jacobi and Pochet, eds. *Union Économique et Monétaire et Négociations Collectives*, p. 39.

⁵³ Ibid., pp. 24, 37. Busch, 37.

⁵⁴ B. Keller, “Towards a European system of Collective Bargaining?” in R. Hoffman, O. Jacobi and B. Keller,

Others argue, on the contrary, that while monetary union makes such Europeanization necessary, it also makes it impossible.⁵⁵ That, from a neo-liberal standpoint, is what monetary union is supposed to do, in fact. No matter how centralized, national or sectoral trade unions which could dampen wage competition within national labor markets separated by different currencies will become regional trade unions within a single European labor market in direct competition with each other. Common ground will be difficult to find precisely because competition would become the only available mechanism to protect jobs. Creating a currency area too large for “an effective wage cartel” thus creates a highly decentralized European wage bargaining structure.

EMU’s built-in restrictive macroeconomic policy regime accentuates its dangers. With unemployment at Great Depression levels and governments locked by Maastricht (and even more by its subsequent interpretation) into policies that can only make it worse, trade unions are under enormous pressure to save jobs wherever they can, not just sectorally but in individual companies, straining solidarities even within the latter. Under these circumstances, the prospects for constructing common cross-border cross-company collective bargaining strategies, not to speak of mobilizing the bargaining power to implement them effectively, seem extremely slim. Instead of providing the impetus for a Europeanization of union strategy that could avert the threat of microcorporatism that EWCs may pose, then, monetary union, as designed, could well reinforce that threat.

The Political Arena

Possibilities for building up trade union counter-pressure in the European market arena envisioned by the ETUC rest ultimately on the trajectory followed by European integration.

eds., *German Industrial Relations Under the Impact of Structural Change, Unification and European Integration* (Düsseldorf: Hans Böckler Stiftung, 1995) quoted in Marginson and Sisson, “European Collective Bargaining: a Virtual Prospect?” p. 1.

⁵⁵ Birgit Mahnkopf and Elmar Altvater, “Transmission Belts of Transnational Competition? Trade Unions and Collective Bargaining in the Context of European Integration,” *European Journal of Industrial Relations* 1, 1

Influencing that trajectory to create more favorable conditions is the most fundamental strategic challenge facing the ETUC and its member unions. The ETUC's persistent position has been that political integration is essential to assure the survival of the "European model of society" in an economically integrated Europe. Its response to the Maastricht Treaty conveyed the flavor of this. Given that "the economic and monetary integration of the European economies is happening anyway . . . what is required is the empowering of democratically-accountable institutions so as to regain at the European level those powers to manage our economies which have increasingly been lost at the national level".⁵⁶ The ETUC has also shared with the EU's founding fathers and their successors, notably Jacques Delors, the belief that political union could be achieved only through successive installments of economic integration, a belief buttressed by confidence in "spillover" from economics to politics. The gaps between the ETUC's "spillover" hopes and the actual course of integration since the mid-1980s have thrown the dilemmas of relying on the "economic approach" to political integration into sharp relief, however.

In response to the 1985 White Paper the ETUC welcomed the promise of growth and employment while criticizing the Single Market's "one-sided approach", which posed "serious dangers for workers" by failing to take into account "social realities and necessities". Subsequently, the ETUC called repeatedly for measures to make sure that economic integration fostered upward convergence of social and labor standards rather than a race to the bottom.⁵⁷ The ETUC's view of the needed measures was most fully elaborated in its 1988 "European Social Programme" and, encouraged by Delors' speech at its 1988 Congress, its proposal for a "Community Charter of Fundamental Social Rights". To avert social dumping, the ETUC argued, rights had to be guaranteed at European level through the "two channels" of legislation and negotiation. "Basic social legislation" was needed to establish the general principle of "fundamental social rights" defined as "the classical basic rights" of workers to organize, bargain collectively, and strike, and to have their employment conditions regulated by collective agreement or law; through rights to social protection, health and safety at the workplace, and

(March 1995), p. 102.

⁵⁶ *Declaration on the Treaty on European Union* adopted by the ETUC Executive Committee, 5-6 March 1992, p. 3.

⁵⁷ "Creating the European Social Dimension in the Internal Market: European Social Programme," adopted by the Executive Committee, February 1988, Preamble.

equal treatment regardless of gender. They would also include “completely new standards such as the right to information or participation in the introduction and application of new technologies”, cross-border “representation structures for European multinational companies”, a “framework for European industrial relations”, and rights to further training, recognition of credentials, and educational as well as parental leave. Once it was established that these rights were enforceable, it was up to the Commission to propose separate legislation spelling out how each of them was to be assured. Anticipating the Social Protocol, it called for the negotiation of agreements between the European level social partners to lay the basis for additional legislation as well as to secure compliance at all levels.⁵⁸

The ETUC’s quest for a social dimension got mixed results, as our survey of EU social policy showed. It failed to achieve the principle of an enforceable set of social rights: the 1989 Social Charter ended up being no more than a “solemn commitment” with no constitutional added value. The measures in the Action Program following the Charter all lay within areas where there was already a clear treaty base. Most Action Program legislation was in workplace health and safety where QMV had been opened by the SEA. The October 31, 1991 Agreement and the Maastricht Social Protocol was a breakthrough for the ERUC. And the Social Protocol made possible the EWC directive, the parental leave and atypical work agreements plus hopes for the passage of a few more items. The ETUC achieved these modest successes in the EU’s highly segmented policy arena largely through the social dialogue mechanism where it could be part of alliances, often led by Delors and deftly managed by his lieutenants, with substantial member state support. This was most notable when it meshed with the political strategy pursued by the leader of the most powerful one, Helmut Kohl. Such political constellations were few and far between in the post-Maastricht period, however. In particular, the ETUC and national union movements were shut out of the arena in which the fateful decisions shaping EMU have been made.⁵⁹

⁵⁸ “European Social Programme,” and “Community Charter of Fundamental Social Rights,” adopted by the Executive Committee, December 1988.

⁵⁹ The ESCB was designed behind closed doors by committees of central bankers, finance ministers, and heads of government. See, for example, the account in David Cameron, “Transnational relations and the development of European economic and monetary union,” in Thomas Risse-Kappen, *Bringing Transnational Relations Back In: Non-State Actors, Domestic Structures and International Institutions* (Cambridge: Cambridge University Press, 1995).

The ETUC supported EMU while severely criticizing its design. It also tried to lobby for the package of Euro-financing for infrastructure and job creation proposed in the 1993 Delors White Paper (which in 1994 became the “Essen” process) which got practically nowhere. By the mid-1990's, after a deep recession and as the convergence criteria began to be taken seriously, it had become clear that EMU and the Single Market were consolidating a high unemployment/low growth regime in Europe that was likely to last well into the future. The “growth and stability” pact decided at the 1996 Dublin European Council and consecrated at Amsterdam in 1997 reinforced this. In an extremely restrictive macroeconomic environment, it is hard to imagine that any amount of upward harmonization of labor standards could offset the effects of mass unemployment. Moreover, labor standards are increasingly threatened and efforts to create a European labor movement undermined. Business and governments push to deregulate and weaken unions on the pretext that this will create jobs, as people desperate for jobs are willing to take them at substandard wages and conditions, and as unions in different countries and sectors are pitted against each other.

The ETUC has consistently criticized EMU's design and the inflexible interpretation of the convergence criteria, stressing the social costs being imposed and the political resistance this has generated. It has pointed out that no amount of “supply-side” reform, the current orthodoxy, can do much to bring unemployment down without the demand stimulus that EMU has ruled out. Despite all this, the ETUC continues to support the strategy of integration of which EMU is a part. It reasons that monetary union in itself is needed, even if its formulation is faulty, to prevent competitive devaluations and blunt the constraints imposed by international financial markets, thereby creating the necessary conditions for a coordinated macroeconomic stimuli. It also holds that EMU is needed politically to keep the integration process going, and that if it failed Europe would be in an even worse situation. Concerns about Germany inform this view; an independent ECB is a price worth paying to keep Germany on board. The ETUC's present position, then, is not to reject EMU but to remedy its flaws, even though it is quick to recognize that it has not been able to deflect the course of integration via EMU from its dangerous path.⁶⁰

⁶⁰ The ETUC position is summarized in Coldrick, “EMU Revisited;” David Foden, “EMU, Employment and Social Cohesion,” *Transfer* 2, 2 (June 1996); and Emilio Gabaglio, “Economic and Monetary Union,” 23 February

The ETUC's pro-EMU commitment ultimately rests on its view that the development of transnational union capacity coterminous with the scope of the already existing Single Market depends on strengthening European political institutions. This puts the ETUC in the excruciating bind of being tied to the *particular* strategy for political integration that has been adopted, however, despite its flaws and contradictions from a labor perspective. Official support for EMU is still fairly widespread among member confederations, for diverse reasons, but even there support is fraying in the face of rising popular disenchantment.

Contrary to the functionalist hopes the ETUC has shared with many of Europe's builders, there is in fact nothing automatic about the extent to which social and political union accompanies economic integration: it is determined by political choices. So far, the ETUC and its national affiliates have had limited impact on those choices. Whether their positions reflect realistic political judgments is open to debate. Our analysis suggests that the success of Delors and the Commission in mobilizing ETUC support for their own integration strategy may have had more influence on the ETUC's positions than the latter have had on the choice of integration strategy. It is not clear that this has been the price paid for the support by European institutions on which the Europeanization of labor has been so dependent, but it is a question that has to be faced.

Conclusions: How Do Transnational Industrial Relations Systems Develop?

We began with a puzzle. European integration has involved the creation of trans-national markets in a context of national industrial relations systems. As integration progressed, it would have seemed logical, *a priori*, for unions, central actors in these national systems, to follow their market adversaries and trans-nationalize, for without they would be exposed to new and threatening pressures. Yet a number of obstacles seemed to stand in the way. First, trade unions were deeply rooted in their national societies. Their resources were national, as were their ideas

about how to use them. The payoffs from the national use of these resources, if dwindling, still seemed greater than foreseeable returns from a trans-nationalization which risked diluting national union power. Moreover, the cumulative differences between national economic structures, union organizational patterns, industrial relations systems and “cultures” (including languages) created further incentives to “stay at home”. These incentives were reinforced by the institutions and strategies of European integration. The “economic approach” to integration militated powerfully in the direction of transnational liberalization and deregulation – “market building” -- and discouraged the relocation of regulatory activities and social policies to European level. In addition, the intergovernmental character of policy decision making in European institutions made it rational for unions to try to use their influence on national governments.

European unions thus needed to trans-nationalize to follow market integration but faced a very strong set of incentives discouraging them from doing so. Despite this, however, there has been considerably more trans-nationalization, largely through the growth and changing scope of the ETUC, than this analysis led us to expect. Hence our puzzle. A solution, we suggested, lay in large part in the ways in which particular European institutions -- especially the Commission -- had set out to provide incentives to unions to invest more at European level. These incentives also favored the goals of those in the union movement who themselves advocated further Europeanization of union strategies.

The puzzle was not quite solved, however. The pattern of union Europeanization which resulted was ambiguous for European unions themselves. The ETUC was strengthened and changed in response to both market integration and the growing role of European legislation in regulating it -- some of which, in workplace health and safety, for example, is very important. This interaction led to the Maastricht Social Protocol and its enticing promise of European level collective bargaining. The products of the Social Protocol have been relatively slim, however. The parental leave agreement was a huge precedent for intersectoral bargaining at European level, but its substance was weak. The EWC directive could, in the best of circumstances, foster a substantial development of genuinely transnational unionism but it could also foster a transnational micro-corporatism that would further weaken national unions’ capacity. Apart from

recent agreements on atypical work, which are significant, there seems little likelihood that the precedent established by the Social Protocol will be followed in any important areas.

Organizations, and industrial relations systems, are shaped in the interactions between different strategic actors at specific historic junctures. Thus particular interactions between national European Union movements, “Europeanizing” elements emanating from these movements and European institutions have played a central role in structuring the ETUC, its goals and strategies. One significant effect of these interactions has been the commitment of the ETUC to the general vision of European integration held by the Commission and other institutional players. An important tradeoff followed. The ETUC prior to the “1992” period was a weak Brussels lobby. Those in charge of the ETUC may have “gone native” in the rarified atmosphere of Euro-discourse, but it mattered little because the ETUC was not very influential. Changes in Europe after the mid-1980s meant that the ETUC became more important. As this happened it began to desire and claim roles broader than simple lobbying and in the process developed a deeper commitment to what one might label the “European ideal”. Beyond details of structure and strategy, this may be the most significant consequence of the fostering of the ETUC by European institutions.

It is worth reflecting more about the so-called “European ideal”. European integration has been carried forward, in large part, by an ideology whose core is that European integration is a good in itself worth promoting through thick and thin. Behind this are different propositions about the virtues of undercutting nationalism and national identities, the positive economic and social contributions of a unified market space, the need to defend the special nature of European culture and society not to mention the usual array of interests seeking their own goals. Like most ideological commitments, however, the European ideal has had a life of its own beyond any different interests it serves. Being “European” is being virtuous in an otherwise menacing setting, analogous to being a socialist, conservative or devotee of a particular religious creed in other contexts. There are “Europeans” all over Europe, to be sure, but Brussels is their capital. And the critical mass of Europeans live in those European institutions, primarily the Commission, whose charge includes producing and sustaining this European credo. Commissioners, high level Eurocrats and Euro-parliamentarians are not only technicians and skilled administrators; they are

also militants. Groups that become unduly dependent upon contact with and the resources of these militants and their institutions are almost certain to be tempted towards “conversion experiences” to the European ideal.

ETUC insiders decided in the later 1980's that the use of resources offered from Brussels was one way to generate the new prominence which they needed to promote their urgent messages about the importance for European unions of transnational action. They could rely for additional support for their goals on their more “European” contacts in different national movements. The cost of these resources was significant ETUC support for the initiatives of those supplying them, particularly in the Delors’ Commissions. In this exchange there was an implicit promise to the ETUC that the Commission’s particular European strategies would lead to a real expansion in European social regulation and the foundation of a genuine European industrial relations system. The Commission was unable to produce as much as it promised, however. Perhaps the ETUC was naive in expecting such things. Perhaps the Delors and his Commissions were naive in thinking that the market-building that they helped promote would lead to spillover into new European regulatory activities. Perhaps some part of both the ETUC and the Commission’s hopes were dashed by changing circumstances.

In the event, the ETUC found itself restructured along lines that were only partly its doing and not always clearly to its advantage. It also had to commit, albeit often critically, to the deeper trajectories of European integration sketched out from the Single Market through Maastricht to EMU. This might have made some sense when it seemed, in the Social Charter period, as if the dam against European level social policy was about to give way to compensate for the liberalization brought by the Single Market. This did not happen. Committing to Maastricht turned out to be an even larger leap of faith. Economic and Monetary Union, as designed, is arguably inimical to the interests of European workers and unions. Yet all good Europeans - and the continuing need of the ETUC for Euro-level resources means that the ETUC has to be seen as such - have had to line up behind EMU, even if many, including some of the more central architects of EMU itself, now do so with heavy hearts. EMU is already costing jobs and making it virtually impossible for governments to confront the consequences of these lost jobs. The future will bring more of this. In addition, EMU may be a clear step backwards in the EU’s

lifelong struggle to overcome its deep “democratic deficit” by removing policy options from member states and giving them to unelected and statutorily independent central bankers. Yet if EMU does not happen, beyond the likelihood of substantial monetary dislocations in the immediate future, it will be a huge setback for European integration, perhaps enough of a setback to change the directions which Europe has set over these past decades. The ETUC, along with a good many other actors, has managed to put itself in a position of being damned if it does support EMU and damned if it does not.

The coming of EMU, whose initial 11 members were decided in spring 1998, may have brought the beginnings of an important change in the ETUC’s strategic environment, however. Member states began, in one form or another, to speak of national “pacts” in which unions and employers would collaborate for national competitiveness in anticipation of change brought by EMU. This process, if it deepens, could “renationalize” union concerns. At its core, national unions, in their various weakened states, are called upon to make sacrifices in the interests of greater flexibility and efficiency. These sacrifices will likely include wage moderation and consent to labor market and welfare state reforms. What unions can ask in exchange is less clear, but there is space for creative response in the form of new commitments to serious training programs, for example, of progressive rather than dismantling reforms of social protection programs, plus safeguards against the “savage” dismantling of labor law and contractual protection which “flexibility” might otherwise bring.

These changes could close off some of the opportunities for the ETUC to continue the intersectoral bargaining and lobbying strategies it has pursued since the later 1980s. Other things being equal, they could also undercut many of the arguments that the ETUC has built up over recent years being for its own significance. They could create new opportunities as well, however. “Pactism” and renationalization pose dangerous problems to national unions. Narrow national agreements to make economies leaner and meaner for EMU could lead to intra-European competition leading to a race toward the bottom. Individually, the national unions might be unable to avoid such a self-destructive course. They might therefore slip into a collective action trap from which they could escape only if some exogenous actor exists enabling them to act jointly. It is precisely this essential “public good” that the ETUC is in a position to provide. The

function of coordinating its national constituents' strategies which it had envisioned but was denied on traditional wage bargaining would thus become indispensable to them in the new context of negotiating terms of national adjustment to EMU.

In performing this role, the ETUC could also enter into new coalitions with European institutions. New initiatives from the Commission and Parliament reflect a search for ways to foster "upward" emulation among national responses to the constraints and opportunities of EMU. The 1997 Amsterdam Treaty's employment clauses were quickly translated into the proposal of the Luxemburg Summit for annual national pacts for employment (the first of which had been produced by late spring 1998). This exercise, if carried out effectively, could make different national trajectories toward employment creation more vigorous and transparent, making clear as well when any given member state seems set on pursuing a "beggar thy neighbor" course. These national pacts will eventually be articulated with national economic policy programs which the Commission is also fostering. The ETUC could become an important player politically, in the instances where the national pacts are commissioned and then considered. It could also play a very significant role in coordinating - and thereby "Europeanizing" - national union responses to the demands which pact writing will pose for wage restraint, bargaining for greater flexibility and social protection reforms. And although the Commission's employment initiatives mainly involve labor market "supply side" innovations (training and "life-long learning") rather than demand side macroeconomic initiatives, there is no reason why the ETUC could not push for both. Thus it could exercise its position in the process to maximize the positive possibilities of supply-side proposals while also arguing for greater demand side action from the ECB and member states. Europe's rapidly changing political context, marked by shifts toward renewed social democratic governmental strength promoted by national concerns about employment, might make this approach more productive than it was in the earlier 1990s.

How could a transnational industrial relations system develop? The question is unanswerable. To begin with, national industrial relations systems took a much longer time to take shape than the brief period surveyed. If the development of such national systems is a precedent, though we have no reason to think that it was, then we must be very careful to avoid

premature conclusions. It may turn out that the trajectories begun so tentatively by the ETUC and its constituents lead to something resembling a real European level industrial relations system with capacities to protect and sustain workers' interests in the new global economy, even if this seems wildly optimistic now. A pessimistic outlook may be the more realistic, however. What we can say is that up to this point the development of the ETUC as a "movement" has not really followed the historic lines of most national labor movements where long decades of debate, mobilization and struggle made unions strong and confident enough to oblige states and employers to concede their legitimacy. The ETUC has so far developed largely by borrowing resources from European institutions to gain legitimacy with its own national constituents and using the openings provided by these European institutions to try to elicit changed employer behaviors. The ETUC, in other words, has developed from the top rather than as a mass organization built from the bottom out of a broader social movement. EMU and the changes that it will engender offers new opportunities and new threats. Perhaps the ETUC will be able to build upon these and the experiences we retrace in this paper to become a different kind of transnational unionism in the next millennium.