

# Mapping key dimensions of industrial relations





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## Country codes

### EU Member States

AT	Austria	FI	Finland	NL	Netherlands
BE	Belgium	FR	France	PL	Poland
BG	Bulgaria	HR	Croatia	PT	Portugal
CY	Cyprus	HU	Hungary	RO	Romania
CZ	Czech Republic	IE	Ireland	SE	Sweden
DE	Germany	IT	Italy	SI	Slovenia
DK	Denmark	LU	Luxembourg	SK	Slovakia
EE	Estonia	LT	Lithuania	UK	United Kingdom
EL	Greece	LV	Latvia		
ES	Spain	MT	Malta		

### Country groups

EU15	Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom
EU12	Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia and Slovenia

## Abbreviations used in the report

CEE	central and eastern European
EU-LFS	European Union Labour Force Survey
EU-SILC	European Union Statistics on Income and Living Conditions
GDP	gross domestic product
HTI	high-technology industry
KIS	knowledge-intensive services
LKIS	less knowledge-intensive services
LTI	low-technology industry
OECD	Organisation for Economic Co-operation and Development
SES	Structure of Earnings Survey

### European Industrial Relations Dictionary

In this report, a number of key terms relating to European-level industrial relations are discussed. For a comprehensive overview of each of them, visit Eurofound's European Industrial Relations Dictionary, at <http://www.eurofound.europa.eu/observatories/eurwork/industrial-relations-dictionary>

The following terms are discussed in the report:

Co-determination	Information in the enterprise
Employee representation	Participation
Entrepreneurship	Quality of work
European works councils	Representativeness
Fundamental rights	Workplace innovation

# Executive summary

## Introduction

Industrial relations systems involve a complex web of rules, with political, economic, labour and social inputs interacting with institutions and practices to generate outcomes. These outcomes can be wage-setting agreements, employment relationships, as well as other intangible assets, such as trust, mutual recognition, cooperation schemes, social and industrial peace. Embedded as they are in national – and, increasingly, transnational – political, economic and social environments, industrial relations systems have undergone important changes in the last decades of the past century. The aim of this research is to monitor and analyse to what extent these changes and developments have affected both the understanding and the dynamics of these systems. Based on contributions from Eurofound’s network of European correspondents in all 28 EU Member States, the report identifies and discusses key dimensions – and underlying subdimensions – relevant to industrial relations systems in Europe in the 21st century. The report also assesses existing data sources and proposes indicators that can be used to measure these different dimensions.

## Policy context

Throughout most of the 20th century, the role of industrial relations and its importance for the political, economic and societal context was not questioned. The actors (trade unions and employers) were seen to play a strong role; the processes (collective bargaining and industrial action) were visible to citizens; and the outcomes (collective agreements and labour law) played an important, if not central, role in the governance of work and employment.

However, from the 1980s onwards, factors such as increased globalisation, technological progress, declines in trade union density and the decentralisation of collective bargaining started to exert a significant impact on industrial relations systems. In recent years, moreover, relevant changes in some EU Member States as a consequence of the economic and financial crisis have accelerated some of these long-term trends and resulted in new developments: the decline of collective bargaining coverage; the destandardisation of employment relations; the reduction in the size of the public sector workforce; and changes in welfare systems in many countries.

## Key findings

### Four key dimensions

The research highlights the following aspects as being key dimensions of industrial relations systems:

**Industrial democracy** – based on the autonomy of the social partners as well as on the participation and representation rights of employees in the governance of the employment relationship.

**Industrial competitiveness** – based on an economy with a consistently high rate of productivity growth. The complex relationship between economic competition and industrial relations is captured through the four sub-dimensions of industrial competitiveness: increasing productivity and growth, establishing a strong base of market stability, providing high-quality resources for businesses to utilise and creating an environment of innovation and entrepreneurship.

**Job and employment quality** – based on career and employment security, health and well-being, the ability to reconcile working and non-working life and the opportunity to develop skills over the life course.

**Social justice** – based on the fair and non-discriminatory distribution of opportunities and outcomes within a society. By defining it in terms of self-determination and self-realisation, social justice brings together four concepts: equality of opportunity and equality of outcome, as well as non-discrimination and fundamental rights (both of which underpin the first two concepts).

### Relevance and interconnectedness

The conceptual framework and the four dimensions were pre-tested in terms of their ability to map national industrial relations systems. Overall, the findings showed the relevance of the key dimensions to European governments and social partners. All the key dimensions and sub-dimensions proposed are, to some extent, valid, relevant and regularly debated at national level.

The interconnectedness of the four dimensions was also highlighted: the proposed dimensions are not compartmentalised or mutually exclusive. On the contrary, they work well together and are seen as key components of an industrial relations framework.

### Role of stakeholders

The holistic approach of the conceptual framework can provide valuable insights to stakeholders, aiding in understanding the relationship between the key dimensions in a given industrial relations system as well as the priorities set by the actors.



The interpretation, application and implementation of the key dimensions depend on the stakeholders' affiliation and their national industrial relations system. It could be useful to develop a harmonised conceptual framework, especially for cross-country comparisons and mutual learning processes.

### Debates and discussion by relevant actors

**Industrial democracy** is mostly seen as a strategic dimension for the trade union movement, but appears to be less important for employers and governments.

**Industrial competitiveness** appears to be the most debated dimension at national level. Even though it is a new concept within the context of industrial relations, it is profoundly rooted in the debate on efficiency.

**Social justice** is an issue that is much less discussed, although, with societies becoming more heterogeneous and unequal, in particular in the wake of the crisis, this dimension has come to the fore in recent years.

**Job and employment quality** is discussed in an uneven way across the EU28 Member States, as the importance of this dimension is highly dependent on the performance of the national labour markets. However, fundamental changes taking place in the field of work and employment are challenging this dimension and call industrial relations systems as we know them today into question.

Following a methodological process of defining criteria to be applied to each dimension, a draft set of indicators has been identified aimed at further mapping and analysing the four dimensions and their subdimensions.

## Conclusions

Despite the dramatic transformation of collective industrial relations in recent decades, there are good reasons why industrial relations still play an important role in EU Member States and in society today. Sound, effective and well-functioning industrial relations have the following characteristics:

- they are efficient mechanisms involving both sides of industry in achieving better business performance and equitable outcomes in line with the principle of horizontal subsidiarity;
- they are tools for redistributing income, as well as achieving social and industrial peace;
- they provide a set of collective values (such as trust, industrial peace and cohesion), not only for the relevant actors but for a society as a whole.

Applying key dimensions of the conceptual framework aids in:

- examining the dynamics of industrial relations and analysing how industrial relations systems are changing and adapting to new challenges;
- monitoring and assessing developments in principles and values and their operational application in the industrial relations systems in the EU;
- ensuring a sound balance between social justice (equity), industrial democracy, and industrial competitiveness (efficiency).

Measuring the key dimensions and subdimensions is a challenging exercise that can be completed only by applying the indicators to the national industrial relations systems. A follow-up project will complement the conceptual framework by refining and applying the indicators to the industrial relations landscape in Europe. On the basis of the results, either a dashboard with a set of relevant variables or an index summarising and aggregating variables in order to make comparisons over time and across countries could be developed.



# Introduction

According to its four-year-programme for 2013–2016, the mission of the European Foundation for Living and Working Conditions (Eurofound) – to provide knowledge to assist in the development of social and work-related policies in accordance with its 1975 Founding Regulation – remains as valid today as it was then:

*The aim of the Foundation shall be to contribute to the planning and the establishment of better living and working conditions through activities designed to increase and disseminate knowledge likely to assist this development. With this aim in view, the tasks of the Foundation shall be to develop and to pursue ideas on the medium and long-term improvement of living and working conditions in the light of practical experience and to identify factors leading to change.*

The programme also states that Eurofound should be the

*first port of call for comparative information on industrial relations and social dialogue ... this new key corporate text describes the agency's vision as follows: 'Eurofound's vision is that this knowledge will be used in the development of effective policies that lead to the improvement of quality of life and work in a competitive and fair Europe'.*

(Eurofound, 2013a, p. 9)

## Background, objectives and scope of study

In 2004, Eurofound looked at the concept of 'quality' in industrial relations (Eurofound, 2004). From an economic policy perspective, striving for quality in industrial relations means promoting more and better jobs, addressing persistent unemployment, raising labour force participation and employment, and strengthening the conditions for high-productivity, sustainable growth. From the perspective of European social policy at the time, the quality aspect of industrial relations is underlined in the efforts on the part of social partners at all levels to implement the Lisbon Strategy objectives and to achieve the ambitious goals set by the European summits of Nice (2000) and Stockholm (2001).

Previous Eurofound studies had explored the issue of quality in industrial relations in light of Economic and Monetary Union, both in the private and public sectors, and in relation to the impact of globalisation and European integration on industrial relations. The aim of the 2004 study was to develop a draft set of indicators that could be applied to industrial relations in the context of the priorities set out in the European social policy agenda. The 2004 Eurofound report explored the concept of quality in industrial relations against a

background of EU policies and of industrial relations theories and research.

The study's first task was to draw up a conceptual framework for establishing comparative indicators that could serve as an instrument assessing various aspects of industrial relations in terms of quality. However, the 2004 report fell short of submitting a robust framework for a conceptual mapping exercise of industrial relations.

Building on a 2012 Eurofound project that examined what constitutes a meaningful social dialogue, and on previous projects from 2002 to 2004, this project will map, analyse and discuss dimensions and indicators for a comparative framework of industrial relations. The project will then identify and assess existing data sources that can be used to measure the different dimensions of the comparative framework. Lastly, the project will identify possible data gaps that may be filled through Eurofound's future work in the 2017 project, 'Application of the key dimension'. In another future step, this framework may be used for comparisons with other industrial relations systems around the world.

The current four-year programme commits Eurofound to examining the dynamics of industrial relations and to analyse, in a comparative way, how industrial relations systems are changing and adapting to new challenges. This strand of research activity would be facilitated by the existence of an agreed comparative framework identifying the key dimensions of industrial relations, indicators and data sources that can be used to describe and assess developments across the Member States. Improving the tools for assisting comparative research in this field is likely to result in higher policy relevance of findings. In this context, Eurofound's forthcoming 2017–2020 work programme states: 'At national level, Eurofound will map the situation of social dialogue and social partners in the framework of the key dimensions of industrial relations developed by the Agency. This will allow identifying areas where mutual learning or support could be helpful.'

The following two research questions guide the current study.

- Which elements can be identified as the key dimensions and subdimensions of a comparative framework for industrial relations?
- Which indicators and which data sources can be used for measuring these dimensions?

In terms of its methodology, the project consists of an in-house desk research exercise with input from an expert seminar. First findings on dimensions and indicators of a comparative framework were discussed with Eurofound's stakeholders and researchers from

academia in an expert workshop on 27–28 November 2014 in Brussels. Interim findings were also discussed with Eurofound stakeholders at the advisory committee meeting for industrial relations on 6 October 2014 in Dublin and on 24 April 2015 in Leuven. The final validation exercise was based on short contributions from national correspondents in all EU28 Member States. Correspondents from Eurofound’s European Observatory of Working Life (EurWORK) were also asked to look for relevant national statistics and submit them with associated metadata.

## Definitions of industrial relations

Scholars have attempted to define industrial relations ever since the 1920s. Two of the earliest definitions are as follows: ‘The focal point of the field ... is the employee–employer relationship’ (Social Science Research Council 1928, cited by Sisson, 2008) and ‘in the broadest sense, the term “industrial relations” comprises every incident that grows out of the fact of employment’ (National Industrial Relations Conference Board, 1931, cited by Kaufman, 2008b, p. 316).

The most recent definition stems from the European Commission’s report *Employment and social developments in Europe 2015*, which states that industrial relations ‘are the collective relationships between

workers, employers and their respective representatives, including the tripartite dimension where public authorities at different levels are involved. Industrial relations are the structural and institutional context (including informal institutions) in which social dialogue takes place’ (European Commission, 2016a, p. 210).

In this report, industrial relations is defined as the collective and individual governance of work and employment.<sup>1</sup> Industrial relations as a field of study (Beaumont, 1990) stems from the Anglo-American sphere of academia and is not present to a similar extent in continental European curricula. Industrial relations as a field of study goes back to Beatrice and Sidney Webb (1898) in the UK and John Rogers Commons in the US (Commons, 1919, 1989). The central concern of industrial relations is the collective regulation (governance) of work and employment, and as Dunlop (1993) would have put it, the actors, processes and outcomes of the industrial relations system. For too long, industrial relations has neglected the individual governance of work and employment, and in doing so has excluded important forms of regulation that seek to balance the employment relationship but that are individual in nature (such as minimum wage laws and unjust dismissal protections). Consequently, the decline in membership of collective actors (such as trade unions) and collective processes (such as collective bargaining) were conducive to a decline in the field of study.

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<sup>1</sup> Adapted from Keith Sisson (2010), *Employment relations matters*, IRRU, Warwick.

# 1 Industrial relations during and after the crisis

Throughout most of the 20th century, the role of industrial relations and its importance for the political, economic and societal context was not questioned. The actors (trade unions and employers) were strong and visible; citizens could understand the processes (collective bargaining and industrial action); and the outcomes (collective agreements and labour law) played an important, if not central, role in the governance of work and employment. This was the golden age of industrial relations (Strauss, 1989, p. 242).

This situation changed at the beginning of the 1980s in both industrial relations practice and in academia. Some industrial relations megatrends surfaced, which – since the beginning of the global economic crisis – have become more acute: mergers of industrial relations actors; a decline in trade union density; the decentralisation of collective bargaining; opt-out and opening clauses of collective agreements; a reduction in the extension of collective agreements; labour quiescence; and a decline in industrial action. The most recent Eurofound comparative analytical report (2013b) on the impacts of the crisis on industrial relations as well as a subsequent overview report (2014a) have tried to map these megatrends and to assess how these were induced or accelerated by the crisis or – alternatively – not impacted by the crisis at all.

## Collective bargaining under pressure

Industrial relations represent a subsystem in the societal construction. Some authors who are mostly aligned with the more recent rise of the human resources management approach consider a narrow notion of industrial relations as a mechanism for establishing terms and conditions of employment. Most authors, particularly in continental Europe, suggest that industrial relations is a broader, multifaceted subsystem influenced by ideology and political decisions, regulatory options, economic developments, social tendencies and technological changes, among others. In short, industrial relations goes beyond the workplace, the undertaking and the shareholders' borders to fit into society as a large 'plurality of stakeholders'. This vision also reinforces the interdependency of industrial relations actors, processes and outcomes with their environment.

In both narrow and broad approaches, collective bargaining is considered to be at the heart of industrial relations systems. One of the clearest results of recent Eurofound industrial relations research has been a multi-country trend towards decentralisation in collective

bargaining. It could be argued that this trend has been in train for some decades now and that the crisis has merely exacerbated and accelerated the process, owing to the need for more flexibility and for agreements to be more tailored to companies' individual circumstances. Glassner and Keune share this view, arguing that 'the crisis has also tended to reinforce longer-term trends, such as the decentralisation of collective bargaining, shrinking bargaining coverage, and declining union densities' (Glassner and Keune, 2012, p. 368). The only countries with a trend towards centralisation have been Finland and, to a limited extent, Belgium. The collective agreement itself – as an instrument for collectively regulating wages and other employment conditions – is manifestly now at risk in those countries (Schulten, 2013). In the same vein, Marginson argues that articulated, multiemployer bargaining has come under further threat from the crisis (Marginson, 2013). In light of the Eurofound study, and other studies, it appears that in the Nordic and central-western European industrial relations regimes, decentralisation, if it has happened, has taken place in a more organised manner. By contrast, in the programme countries, and in particular in the Mediterranean systems, disorganised centralisation seems to prevail (ETUI, 2013, p. 56). In the Mediterranean Member States, the combined effect of more governmental unilateralism and the decentralisation of collective bargaining has led to less multiemployer bargaining and a drop in collective bargaining coverage.

In sum, the principle of horizontal subsidiarity has been hollowed out in many of the 28 Member States and a certain degree of convergence towards the central and eastern European regimes of industrial relations can be observed (ETUI, 2013, p. 56; Meardi, 2012a). One is tempted to call this the 'East-Europeanisation' of industrial relations in times of crisis. This process is marked by a vanishing importance of sectoral collective bargaining as well as weakening links between the interprofessional, sectoral and company levels of collective bargaining (Ghellab and Vaughan-Whitehead, 2004; Visser, 2013a). Yet even within the model of central and eastern European industrial relations, a drift towards the more voluntaristic and less tripartite or neo-corporatist structures and processes seems to have taken place (Glassner, 2013).

Another paradigmatic change concerns collective bargaining coverage and its related mechanisms either extending or reducing the scope of application of collective agreements: more extension mechanisms, more opt-out and derogation clauses, less favourability, and non-continuation of collective agreements on expiry.

Most EU Member States have some sort of mechanism that provides for extending collective agreements, which can be important for ensuring agreement coverage across a whole sector. Some countries have made changes to extension mechanisms, although not all are directly linked to the crisis. This trend follows another that has been prevalent in Germany for several years: the introduction or increased use of opening clauses (Eurofound, 2013b). Another dimension of decentralisation can be seen here via the abolition of the ‘favourability principle’ in according workplace agreements unrestricted priority over higher-level agreements (Schulten, 2013). According to Visser (2013b), the introduction of opening clauses does away with this principle. In some Member States, there exists an automatic continuation of collective agreements on expiry – for example, in Spain (*ultraactividad*), Greece (*metenergeia*) and Portugal (*sobrevigência*). These automatic extensions came under immense pressure during the crisis and have been revised in several Member States. Other impacts on collective bargaining have included: a drop in the overall volume of bargaining, as the bargaining parties find it hard to agree; the conclusion of agreements of shorter duration, which is deemed to be more suited to the changing economic climate and uncertain times in some countries; and curbs on provisions allowing collective agreements to remain in force for a period once they have expired.

Marginson (2013) argues that

*...the viability of multi-employer bargaining arrangements as a cornerstone of labour market regulation across much of western Europe has rested on a number of features, including a high degree of employer organization and (less crucially) union organization which have ensured a high level of workforce coverage, supportive state policies including mechanisms to legally extend the coverage of agreements to all of the relevant workforce, and the capacity to articulate bargaining across different units and at different levels.*

In a number of Member States, government austerity measures and budget cuts have led to marked downward pressure on pay, such as pay cuts and pay freezes – particularly, although not solely, in the public sector. In countries where wage indexation systems operate, there has been pressure to reform these systems, both from the EU and from national employers.

On the question of whether the severity of the crisis’s impact on industrial relations can be linked to industrial relations typologies, a case could be made that those countries in the Mediterranean grouping appear to have suffered much more than those in the Nordic or central groupings. It is, of course, difficult to disentangle the different threads here – the countries in which the impact of the crisis has been the most severe on industrial relations are also those where the crisis has had the most

severe economic impact. The social partners in Greece, Portugal and Spain, for example, have had little room for manoeuvre given the scale of the economic adjustments these countries have had to make.

Finally, academia argues that the industrial relations systems of Nordic and central countries contain more potential flexibility for actors and processes (for example, opening clauses in collective agreements), enabling them to adapt more readily to changes in the economic environment. Further, it argues that these countries have more solid links between levels and a less adversarial industrial relations climate and culture overall, all of which may well have contributed to their resilience during the crisis. In addition, in countries where the tripartite systems are well established and function strongly, there seems to be more scope for a joint response to the crisis, provided that these were not dismantled. Dølvik et al. (2012) note that the Nordic models still seem to retain much of the capacity for flexible adjustment that was earlier attributed to them and that trade unions have shown wage restraint and consented to new forms of local flexibility in working time and pay in order to safeguard jobs.

To conclude with a quote from Hyman, ‘In times of economic crisis, the overriding challenge is therefore to interlink bipartite subsidiarity and decentralization with higher-level authoritative norm-setting, creating new links between different levels of regulation and different issues on the regulatory agenda. Without this, social dialogue in hard times is likely to prove increasingly ineffectual’ (Hyman, 2010, p. 14).

## Trend reversal on the horizon?

The first modest signs of a possible trend reversal in industrial relations post-crisis can be observed from the beginning of 2015 (Eurofound, 2015i). A number of major collective agreements at national, sectoral and cross-sectoral level have been renewed, renegotiated or have come under discussion. Several of the examples presented here are from the countries that were hit hardest during the crisis and/or in which collective bargaining has been most affected, such as Croatia, Ireland, Slovenia, Spain and Greece. It is too early to talk about a reversal of the trend in collective bargaining in general, but some tentative optimism may be justified. In particular, this report only deals with major national cross-sectoral agreements or pacts and can only draw on patchy data from sectoral- or company-level bargaining. Also, there are Member States (such as Romania or Hungary) where collective bargaining has been strongly impacted as a result of the crisis, but no substantial recent agreements or changes to restore collective bargaining legislation exist that can be reported. The Irish and the Greek examples suggest that in Member States where collective bargaining has been strongly affected, a possible return to collective bargaining could

be on the agenda. The Slovenian example shows that a return to the pre-crisis system is possible, although with some alterations, even after systemic change. The change of scope is also noteworthy: the 2014 agreement in Slovenia is more like a social dialogue pact. Despite difficulties and prolonged bargaining processes in several countries (the Netherlands (2015), Spain (2015) and Belgium (2015)), successful outcomes in terms of social partners reaching agreements even in a more challenging economic context suggest that collective bargaining remains alive and stable in most Member States.

Portugal has experienced the greatest fall in collective bargaining coverage. The most recent figures from the branch/company level for 2014 suggest that the drop in collective bargaining coverage has stopped, but coverage remains at an extremely low level. There are several examples of governments across Europe attempting to promote the institutional role of collective bargaining, albeit not always to the full satisfaction of all parties involved. The most important example was perhaps the introduction of the German Act on the promotion of collective bargaining autonomy (Eurofound, 2015; ILO, 2016).





## 2 Industrial relations developments: From systems theory to varieties of capitalism

In parallel to the above trends in industrial relations practice, paradigm shifts in theory also took place.<sup>2</sup> First the turn to strategic choice approaches and then the eclipse of industrial relations by human resources (HR) in companies and universities put the question blatantly on the table. The shifts stem from the Anglo-American sphere of academia and are not present to a similar extent in the continental European curricula.

Industrial relations is grounded in an interdisciplinary approach: it is at the crossroads of economics, law, political science, sociology, psychology and HR as well as a number of other related disciplines. Most scholars would acknowledge in 2016 that industrial relations is more of a field of study than a discipline (Flanders, 1965; Laffer, 1974, p. 63; Boivin, 1989). Scholars contend that industrial relations is an academic discipline, since it does not strive to elaborate general laws or to predict outcomes. This is the main objective of all theory building of the grand disciplines. Yet this narrow view of industrial relations may be contested. According to Sisson, industrial relations 'seeks to identify key regularities and asks why they occur as they do, what are the underlying mechanisms producing them and any variations, what effects do they have and what are the conditions under which they happen. In doing so, it is also very careful to emphasise the contingency of events and the importance of context' (Sisson, 2010, p. 2).

### Systems theory

One of the classic monographs in the field, if not the most prominent one, is John Dunlop's *Industrial relations systems* (Dunlop, 1993). Drawing on Talcott Parsons's sociological theory, Dunlop's approach focuses on the systematic character of labour relations and was conceived as an 'analytical theory' by its author. Dunlop's industrial relations systems consist of a normative framework regulating work organisation, working conditions and labour relations of the workplace. According to Dunlop, industrial relations systems display certain common features despite their heterogeneity: 'There are marked differences in industrial relations among enterprises, industries and countries. While each workplace is unique to a degree, there are groups of situations with common industrial relations features' (Dunlop, 1993, p.43).

In Dunlop's terms, one can define industrial relations as 'an analytical subsystem of an industrial society on the same logical plane as an economic system, regarded as another analytical subsystem' (Dunlop 1993, p. 45). The main components of the Dunlopian system are actors and a web of rules (or in other words, processes). He states:

*The actors in given contexts establish rules for the work place and the work community, including those governing the contacts among the actors in an industrial relations system. This network or web of rules consists of procedures for establishing rules, the substantive rules, and the procedures for deciding their application to particular situations. The establishment of these procedures and rules – the procedures are themselves rules – is the center of attention in an industrial relations system.*

(Dunlop, 1993, p. 51)

This rather steady, stable, but also static Dunlopian system has been criticised on a number of grounds and by many subsequent scholars (Blain and Gennard, 1970, p. 399; Rogowski, 2000, pp. 93–105). First of all, it is said to underestimate the role of governments (in other words, of politics) in the decision-making process and Dunlop was attacked for his more or less 'antiseptic' vision of the state. Second, Richard Hyman, for example, criticised the Dunlopian system for being too focused on the maintenance of stability instead of taking into account processes giving rise to conflict. Forms of conflict are the dependent variable in Hyman's approach and he attributes these conflict-prone processes mainly to ownership, structures and control of the industry. Only recently, Hyman described Dunlop's grid more as an approach than a theory, which 'proves to be useful to organise material'.

In addition, Dunlop's view on both trade unions and employers as actors was criticised as being too simplistic and monocausal. On the one hand, management's autonomy and prerogatives were underestimated. On the other hand, Dunlop's systems theory started from a conception of unitary trade unions with common objectives. In reality, trade union research has underlined the heterogeneity of the union movement, with individual unions having their own political lives and ambitions. Furthermore, focusing on the systemic

2 This chapter draws on Welz (2008).



character of industrial relations, Dunlop did not pay enough attention to the individual unit of analysis, especially in regard to the motives and driving forces of the key actors.

In cooperation with Kerr, Harbison and Myers, Dunlop refined his system approach in 1960 by adding a dynamic dimension to it. Industrial relations systems are likely to enter into patterns and trajectories, which are characterised by uniformity and diversity – the first due to ongoing processes of industrialisation, and the second deriving from a bundle of factors that are country-specific, such as the character of the industrialising elite, the differences in cultures as well as historical, economic and demographic factors having different impacts in the specific settings of industrial relations systems. In 1970, Blain and Gennard enlarged Dunlopian system theory by introducing process variables allowing the mapping and analysis of change in the system. They also introduced personality factors to account for psychological influences on the system. Two decades later, this paradigm was further developed by Katz and Darbishire (2002) in their paradigms of convergence vs divergence.

## Autopoietic systems

Dunlopian systems theory has encountered various challenges over time. Critics have pointed to a variety of components within the Dunlopian system that, according to them, have necessitated improvement and further theoretical deduction. Above all, it is the ‘elements’ of the Dunlopian system of industrial relations (actors, contexts, ideologies and rules) that were thought to be in need of stronger theoretical roots, since they were lacking definitions and theoretical deductions. Rogowski’s main criticism stems from the reasoning that Dunlop does not sufficiently analyse the processes of industrial relations, such as the processes of collective bargaining, industrial conflict and dispute resolution. Above all, Rogowski criticises Dunlopian systems theory because it ‘remains at a classificatory level and that it does not perceive the full internal complexity of industrial relations systems’, since Dunlop has a ‘rather mechanical understanding of systems theory, which tends to conceptualize industrial relations as a trivial machine’ (Rogowski, 2000, p. 104).

Following Luhmann, modern society is segregated into a variety of function systems, such as economics, law, art, education and politics. Teubner (1993) has applied Luhmann’s concept to the function system ‘law’, for which he has identified a steady development from diffuse societal law, over autonomous law to autopoietic law. Rogowski claims ‘that it is possible to construct an autopoietic industrial relations system in analogy to Teubner’s construction of an autopoietic legal system. Procedures, action, norms and a retained body of

knowledge can be found in industrial relations systems as well’ (Rogowski, 1998, 2000). Rogowski advocates transferring the paradigm shift that has taken place in systems theory to the discipline of industrial relations. Instead of focusing on structures and functions, the analysis of interactions and communications of the system should move to the forefront, since these are ‘constitutive of the self-reproduction or autopoiesis of the system’ (Rogowski, 1998, 2000).

Luhmann’s main thesis is that ‘there are self-referential systems ... that have the ability to establish relations with themselves and to differentiate these relations from relations with their environment’ (Luhmann, 1995, p. 13).

Going beyond the input–output model as proposed by Parsons (1951) and Dunlop (1993), Rogowski proposes a system of industrial relations based on Luhmann’s above-defined concept of autopoiesis (the capacity of a given system to reproduce itself). According to Luhmann, the point of reference of systems theory is first of all the difference between system and environment. Systems are oriented by their environment, not just occasionally and adaptively, but structurally, and they cannot exist without an environment. Without difference from the environment, there would not even be self-reference, because difference is the functional premise of self-referential operations. In this sense, boundary maintenance is system maintenance. Within Luhmann’s approach to social systems it is important to distinguish between the elements and the relations of a system, since ‘just as there are no systems without environments or environments without a system, there are no elements without relational connection or relations without elements’ (Luhmann, 1995, p. 20). Consequently, Rogowski points to the importance of differentiating between the elements and the structures of an industrial relations system, since self-reproduction only takes place at the level of the elements and not at the structural level. Autopoietic systems are cognitively open at the structural level, but closed at the operational level (Rogowski, 2000, p. 105). This is a radical solution insofar as no environmental factors can have a direct influence on the systems’ reproduction. To sum up, Luhmann identifies communications, instead of interactions, as the essence of a social system; as Rogowski puts it ‘social systems reproduce themselves through self-reference of communications ... and boundary maintenance is achieved within function systems by applying a system-specific binary code’ (Rogowski, 2000, p. 105).

If communications are the essential process of industrial relations as postulated by this school of thought the Eurofound conceptual framework should try to map and analyse these via its dimensions, sub-dimensions and indicators. Relevant indicators for this mapping exercise are the ones dealing with information, communication and participation as will be discussed at a later stage of the report.

## Political economy

Analytical frameworks derived from political economy theory are subdivided in two main schools: Marxist and non-Marxist. In the Marxist theoretical strand, industrial relations are a patent outcome of a subjacent class struggle between capital and labour. Marxist theory links industrial relations to the basic power structures between the employers and trade unions at national, European and international level. Ralph Miliband put this very poignantly in 1969: industrial relations from this analytical framework's view is 'the consecrated euphemism for the permanent conflict, now acute, now subdued, between capital and labour' (Miliband, 1969, p. 80, cited by Blyton and Turnbull, 2004, p. 9). In 1975, Hyman asserted that 'an unceasing power struggle is therefore a central feature of industrial relations' (Hyman, 1975, p. 26). At the core of this approach are the employees, their representatives and their means of collective mobilisation and action. John Kelly asserts that Hyman followed three objectives when criticising the pluralist industrial relations mainstream of the time: 'exposing the conservative ideological assumptions of the pluralist academic orthodoxy in industrial relations; demonstrating the necessity to analyse industrial relations as antagonistic class relations between labour and capital; and defending the rationality and legitimacy of workers' struggles' (Kelly, 1998, p. 20).

In 1998, Kelly further refines Hyman's critique. He accuses Dunlop's system of stabilising the capitalist structures and existing power relations and sees instead collective interest representation, actions and dispute settlement as the main dependent variables of a theory on industrial relations. Kelly's main intellectual focus is on the perceived injustice of workers caused in line with Marxist argumentation by the exploitation and domination of the workers. The apogee of Marxist theory of industrial relations was in the 1970s, but this theoretical strand doubtlessly lost impact with the collapse of the communist regimes in the late 1980s. Its focus on employee mobilisation also puts the theory into difficulties given that trade union density rates and industrial action data have shown a continuous decline for the last 30 years. Finally, since this school of thought is deeply embedded in Marxism, it poses problems for the development of a self-contained theory of industrial relations, a fact acknowledged by Hyman in the late 1980s.

The non-Marxist strand of political economy theory analyses industrial relations in terms of a balance of power between the two sides of industry at company, sectoral and intersectoral levels. Within this school, four different approaches are to be distinguished according to union strategy in its response to managerial prerogatives.

- The maximalist employees' strategy is one of strict opposition to cooperation with the employers' side in the event of crisis, restructuring and change at

company, sectoral and national levels; such an approach is widespread in the left-wing French unions, such as the General Confederation of Labour (CGT).

- The interventionist strategy, promulgated by the Italian Confederation of Workers' Trade Unions (CISL), cooperates with the management side in an incremental and selective manner.
- The defensive particularistic approach, used by the UK Trades Union Congress (TUC), is centred on impeding change and reform by the trade union side.
- Finally, the corporatist strategy has to be mentioned in the context of the different strands of political economy. It is based on a model of trilateral cooperation and social partnership between governments, trade unions and employers – for example, the Irish Congress of Trade Unions (ICTU).

## Strategic choices

*This is why we believe that the concept of strategy, or strategic choice, will add a more dynamic component to systems theory.*

(Kochan, McKersie and Capelli, 1984, in Baird et al, 2011, p. 147)

The golden age of the application of systems theory to industrial relations was in the 1950s, with its culmination point being Dunlop's seminal publication in 1958.<sup>3</sup> This trend reversed quite sharply in the 1980s, when the industrial relations discipline came under the strong influence of human resource management (HRM), and within this strand under the cap of strategic choice theory. Industrial relations theory also failed to address issues beyond collectivism and – in doing so – neglected individual employment relations. This oversight allowed HRM to occupy this space. Following on this, Kaufman concluded in 2008 that 'integrating human resource management (HRM) into the industrial relations field is a welcome and overdue development' (2008a, p. 315). Ever since, the dominant industrial relations approach in the Anglo-Saxon scientific community has been the strategic choice paradigm (Miaz, 2005, p. 11).

The main characteristics of this approach are a strong focus on the company level (especially the leading role of HR managers), less attention to the role of the state in industrial relations systems, economically oriented trade unions and decentralised collective bargaining structures. The Massachusetts Institute of Technology (MIT) is the cradle of strategic choice theory and its main advocate is Tomas A. Kochan. Strategic choice can be interpreted as a theory descending from Dunlop's systems theory in explaining the essence of industrial relations strategies of government, capital and labour in a changing environment. All three actors make strategic choices. Kochan feared that Dunlop's process of collective bargaining was threatened by globalisation, increased competition and right-wing policies. The strategic choice focus, especially in the Anglo-Saxon

world, has been primarily on the company and its HR practices (Martin and Bamber, 2003). Industrial relations both in the US and the UK are built on either management decisions or collective bargaining. Since management in both countries favours a broad definition of its own prerogatives, collective bargaining, as a labour relations process, is strongly dependent on union power and the legal framework in place. Strategic choice theorists have thoroughly analysed the decline in collective bargaining coverage in America and the UK. Thus, a major topic of the strategic choice approach revolves around the eclipse of industrial relations by HRM, a process that has largely undermined the position of trade unions in recent years.

At the same time, multi-employer bargaining plays a secondary role in the strategic choice approach. The study of trade unions is not at the top of the agenda of the research designs of strategic choice researchers. According to Kochan and Katz, 'unions make a number of strategic choices concerning their collective bargaining strategy' (1988, p. 371). From within the strategic choice approach it is, however, possible to view the unions as actors competing for the employees' interests either among each other or with other actors, such as works councils. The strategies of trade unions, just like those of management, could consist of seeking competitive advantages in the quest for effectiveness and efficiency.

The assumption of an existing unity of interests between management and employees penetrated HRM in the 1990s and served as another paradigm explaining trade union decline. Strategic choice equally neglects the role of the state in labour relations, especially in the wake of deregulatory policies in the US and the UK in the 1980s and 1990s, which loosened the governmental grip on managerial prerogatives and weakened the role of collective bargaining. Tripartism, social dialogue and social partnership have not been among the research priorities of the strategic choice school either. This may be accounted for by the fact that, as explained above, strategic choice theorists mainly come from outside of Europe, such as the US, or from countries where the social partnership approach is viewed – at least from the management side – with a critical eye.

## Mapping varieties of capitalism

An early account of the 'convergence–divergence' debate was the contribution of Kerr, Dunlop et al in 1960. The authors strived to add a dynamic dimension to the Dunlopian system. According to Kerr et al (1962), industrial relations systems are likely to enter into patterns and trajectories that are characterised by uniformity and diversity, the first due to ongoing

processes of industrialisation and the second deriving from a bundle of factors that are country specific, such as the character of the industrialising elite, the differences in cultures as well as historical, economic and demographic factors having different impacts in specific settings of industrial relations systems (Kerr et al, 1962, pp. 16–17; Kaufman, 2011b, p. 16).

In 2002, the concepts of uniformity and diversity were further refined by Katz and Darbishire in their paradigms of convergence vs divergence. This analytical framework leads to a focus on the degree of convergence and/or divergence within and across industrial relations systems in countries, levels and sectors. The authors argue that a number of key trends influence national industrial relations systems and that these are intrinsically connected to the decline of trade unions and the growth in inequality. On the one hand, authors postulate that these increasingly numerous variations across and within industrial relations systems adhere to common patterns or trends, such as trade union decline, decentralisation of collective bargaining, labour quiescence, etc., which are causing a certain convergence across and between national systems – a development giving rise to the phrase 'converging divergences'. A Eurofound study (2011) has found similar trends of conversion across a 'variety of sectors' in the EU. On the other hand, Katz and Darbishire (2002) come to the conclusion that the industrial relations systems of the EU Member States have by and large become more heterogeneous than homogeneous, with more discrete systems evolving over time.

In their paradigmatic publication from 2001, Hall and Soskice further develop and enlarge the 'convergence/divergence' dichotomy by the 'varieties of capitalism' approach (Hall and Soskice, 2001, p. 8). In the case of liberal market economies (LMEs), such as in Ireland and the UK, the role of the state is limited and market forces prevail in the form of 'competitive market arrangements' (Hall and Soskice, 2001, p. 8). Trade unions and employers' organisations are 'less cohesive' and managerial prerogatives at company level do prevail. Concomitantly, the labour market tends to be rather deregulated, and henceforth 'highly fluid' (Hall and Soskice, 2001, p. 8). The employment relationship is characterised by a comparatively low degree of employment protection. LMEs rely on external markets and do tend to treat labour more as a commodity. Collective bargaining is most prominent at company level in such a way that single-employer bargaining prevails. Extensions of collective agreements are also not frequent and trade union density rates are low. Market forces prevail over state regulation and red tape is minimised.

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3 John T. Dunlop prepared his 1958 edition during a sabbatical at the International Institute for Labour Studies of the ILO in Geneva.

In terms of the flexicurity paradigm, LMEs tend more toward the flexibility end. Common law is the basis of the legal system of LMEs (Kaufman, 2011b, pp. 26–27). When it comes to benchmarking LMEs, their ‘comparative institutional advantage’ (Kaufman, 2011b, pp. 36–37) is the flexibility of the labour market and industrial relations structure, which according to the authors fosters innovation, productivity and economic performance – in a nutshell, industrial competitiveness.

On the negative side, the LME models seem to account for more adversarial industrial relations, more social injustice and less social cohesion, as indicated by the Gini Index (Kaufman, 2011b, pp. 26–27). According to the World Bank, the ‘Gini index measures the extent to which the distribution of income (or, in some cases, consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution’.<sup>4</sup>

In coordinated market economies (CMEs), such as in Austria, Belgium, Denmark, Finland, Germany and the Netherlands,<sup>5</sup> the state is more visible in regulating employment relations. The invisible hand (Smith, 2008,

p. 292) of the market is coordinated by a denser web of industrial relations rules in terms of Hall and Soskice’s ‘non-market modes of coordination’ (Hall and Soskice, 2001, p. 8). Labour markets are mostly internal, more regulated either by statute or collective bargaining, and employment protection is also higher. The main level of collective bargaining is the sectoral level, or in very rare cases, the interprofessional level (such as in Belgium, Finland and Ireland before the crisis) and multiemployer bargaining prevails. Extension mechanisms are more frequent and trade union and employers’ organisation density rates are higher than in LMEs. Employees are able to voice their interests through strong unions or different varieties of work council structures. In terms of flexicurity, CMEs tend more towards the security end (Kaufman, 2011b, pp. 26–27). In terms of benchmarking, CMEs outperform when it comes to more cooperative industrial relations, more social cohesion and social justice, and a more committed workforce. On the other side, since CMEs tend to have more regulated labour market and employment relationships, they fare less well in terms of labour costs, labour market flexibility and capital investment (Kaufman, 2011b, p. 28).

4 Definition of Gini index: <http://data.worldbank.org/indicator/SI.POV.GINI>

5 Hall and Soskice claim that France, Greece, Italy, Portugal and Spain are in a more ambiguous position.



### 3 Do industrial relations still matter in 2016?

Do industrial relations still matter in 2016? Yes. Industrial relations matter on a very practical level, since everyone, not just workers, is affected by them. For example, family members are affected by the income, safety standards, working hours, etc. of the working members of a household, while communities, consumers and shareholders benefit from productive industrial relations assuring industrial peace and keeping strike numbers down.

Yet collective industrial relations and the context in which they operate have undergone dramatic changes over recent decades. Fordist mass production in largely industrial economies has given way to more varied production models in predominantly service economies (if not yet knowledge economies). There has been a rise of individualisation in society at large, which affects the self-perception of the workforce and their attitudes towards both their work and the collective institutions that represent their interests. The growth in female employment and changing gender roles have brought new emphasis to issues of work-life balance, care arrangements and working time patterns as topics for social dialogue. And the flexibility needs of companies (responding to consumer demands) and workers have come onto the agenda of social dialogue. Taken together, these factors have contributed to a (at least partial) destandardisation of employment relations, which has posed a major challenge to the traditional actors in industrial relations, whose role has been questioned not only in the practical sense of declining membership strength and organisational density, but in the reduced political acceptance of their role and of the legislative underpinnings of the work they do and the agreements that they reach (Eurofound, 2015g). Finally, according to Eurofound research and other sources, the public sector has borne the brunt of pay cuts and pay freezes. Some Member States also reduced the size of the public sector workforce. Welfare and pension provision were reduced in many countries. Common outcomes were reductions in unemployment benefits and other welfare payments, and pension reforms that typically increase the retirement age and change the calculation of payments (Eurofound, 2014a; Guardiancich, 2012). All of this happened in a sector that was (and still is) much more highly unionised than the private sector.

In this context, it may be instructive to reflect on the circumstances in which effective industrial relations can take place. A number of factors appear to be important: the support of the public authorities, the autonomy of the negotiating parties and the trust between the parties.

The support of the public authorities can take very different forms, from logistical and technical support for the actors, through providing political incentives to the parties to engage in dialogue, up to legislative support to extend and generalise the outcome of negotiations. Examples of all of these can be found at both European and national level, though recent developments have generally been to restrict or end such support. The autonomy of the negotiating parties is seen by the social partners themselves as of crucial importance, which is reflected in different ways in the various national settings and at European level. Clearly, the European social partners have concerns that some of the procedures of European economic governance have undermined their autonomy, and this has implications for the degree of trust among the parties. Past experience does demonstrate, however, that a 'virtuous' cycle of interactions between social partners and public authorities is possible, in which bilateral exchange and the interventions of the public authorities lead the negotiating parties to understand that engaging in dialogue offers the best prospects of reaching their goals (Eurofound, 2015g).

In some Member States, the erosion of the collective governance of the employment relationship in the past decades contributed to an imbalance between industrial democracy, industrial competitiveness, decent work and social justice. After a decade of relative stability in the 1990s, collective bargaining systems and processes in the EU since the end of that decade have undergone a steady change that has accelerated since 2008. The main indicators of this change are the more rapid decline of coverage rates and regulatory changes in a number of collective bargaining practices and processes, particularly in regard to the extension of collective agreements, functional hierarchies and the growing importance of company-based bargaining processes. This acceleration of change has affected not just the countries that experienced the worst of the crisis. In fact, the adjustment and significant shift towards more decentralised and sometimes fragmented and individualised bargaining systems seems to be a process of catching up, whereby countries in southern Europe in particular have caught up with developments that occurred previously in other countries. In addition, the social, equity-related and redistributive aspects of collective bargaining and its subsidiary role in regard to social and employment security have been weakened.



Industrial relations still matter because, in the governance of the employment relationship, functioning and effective industrial relations assure a sound balance between social justice (equity), industrial democracy, and industrial competitiveness (efficiency). After all the changes and developments that have taken place over the past decades, it is also important to further map and analyse the pillars and components that comprise the industrial relations system in the 21st century. Firstly, industrial relations are perceived by some actors, such as the trade unions, as a tool to strive for social justice,

income redistribution and social peace. Secondly, as an efficient mechanism involving both sides of industry, it is also well placed to accomplish better business performance and productivity as well as general progress and growth in the EU Member States, which is an important strategic objective for employers. Finally, industrial relations matter in order to better understand and implement current and future challenges: well-functioning and balanced industrial relations provide a set of values, trust and assets – not only between actors and key players, but to society as a whole.



# 4 Identifying four key dimensions

The identification of key dimensions and indicators of industrial relations started 15 years ago when the European Commission elaborated a number of indicators for job quality in its 2001 Communication (European Commission, 2001). It coincided with the birth of the ILO's concept of decent work in 1999, which placed emphasis on the quality of work, including respect for workers' rights and their right to participate in the workplace. Very few of the European Commission indicators, however, dealt with industrial relations. One year later, in 2002, the High Level Group on Industrial Relations and Change came up with 14 indicators for benchmarking the quality of industrial relations, which were a mixture of quality criteria as well as process and outcome indicators (European Commission, 2002a). Some of these are closely related to Marco Biagi's indicators, as mapped in a 2002 Eurofound report (Eurofound, 2002a). In light of the Biagi and other indicators, the High Level Group in its report presented recommendations:

*The report significantly highlights three issues which must be addressed in order to improve the European dimension of industrial relations: the interaction between European industrial relations and the national and local level; the interaction between bipartite and tripartite processes at European level; and the interaction between the sectoral and intersectoral levels.*

(Eurofound, 2007)

After all this time, no further analysis has been carried out at institutional level aimed at revisiting the main components or dimensions of the industrial relations systems. Now, the effects of the crisis and the urgent challenges that Europe is facing call for a review of the

existing foundation of these systems. As Meltz argues:

*Asserting that industrial relations is concerned with balancing efficiency and equity is not to say that other disciplines are not concerned with efficiency and equity. The terms efficiency and equity are drawn from economic literature where both are discussed. The difference is that in economics, for example, the two tend to be viewed as competing objectives, whereas a central concept in industrial relations is that they are primarily complementary objectives.*

(Meltz, 1989, p. 112)

In the introduction to this report, industrial relations is defined as the collective and individual governance of work and employment. After an extensive literature and policy document review, the following concepts are proposed as key dimensions of the mapping exercise:

- industrial democracy;
- industrial competitiveness;
- social justice;
- job and employment quality.

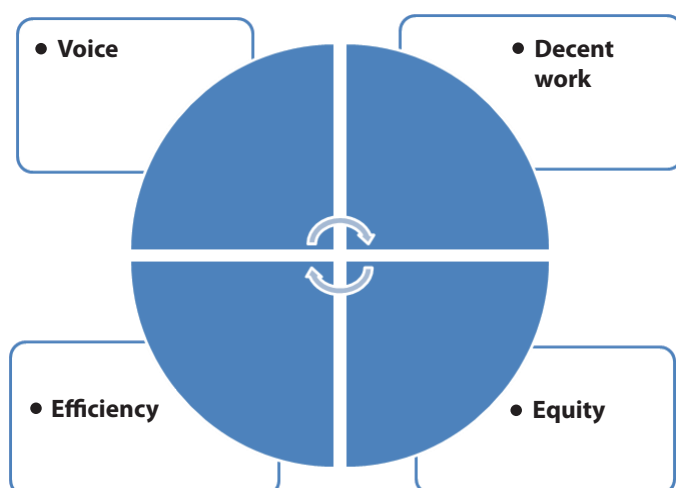
Industrial relations still matter in 2016, since the good (individual and collective) governance of work and employment assures a sound balance between social justice (equity), industrial democracy (voice) and industrial competitiveness (efficiency).

## Industrial democracy

*Thus, the Industrial Revolution and democratic revolution slowly joined together, creating toward the end of the nineteenth century a growing awareness of and demand for industrial democracy.*

(Kaufman, 2004c, p. 21)

Figure 1: Key dimensions of industrial relations



Source: The figure and narrative draw on Budd (2004b), but see also Meltz (1989).

The first dimension of our mapping exercise is industrial democracy. Sidney and Beatrice Webb coined the term 'industrial democracy' in their seminal publication of 1898, which some eminent academics have called the best book ever written on British trade unionism. Not without a certain degree of humorous exaggeration, Harrison tags British trade unionism as a footnote to 'industrial democracy' by the Webbs (Harrison, 2000, p. 218; Clegg, 1955).<sup>6</sup> In *The history of trade unionism*, the Webbs carefully defined one of the industrial relations actors, the trade unions, as a 'continuous association of wage-earners for the purpose of maintaining and improving the conditions of their employment' (Webb and Webb, 1898, p. 1). For the first time, the Webbs identified collective bargaining as one of the key processes of industrial relations (Gabriel, 1978, p. 334).

As for the term 'industrial democracy', the Webbs, according to Müller-Jentsch, use this key concept in a twofold manner.

*The first meaning is laid down in Part I of their book, titled 'Trade Union Structure'. Their conclusion was: 'We find that Trade Unions are democracies; that is to say their internal constitutions are all based on the principle "government of the people by the people for the people."'*

(Müller-Jentsch, 2008, p. 261)

Furthermore, trade unions 'have solved the fundamental problem of democracy, the combination of administrative efficiency and popular control' (Webb and Webb 1897, p. 38). This is the internal dimension of the Webbs' industrial democracy, which one could call, in line with Seymour Martin Lipset, also 'union democracy' according to Müller-Jentsch (2004, p. 261).

The second meaning is incorporated in the much larger Part II on 'Trade Union Function' and indicates an external dimension. Here it is primarily 'the method of collective bargaining' that is the equivalent of industrial democracy (Müller-Jentsch, 2016, pp. 46–47). According to the historic account of Kaufman (2004c, p. 83), it was the First World War that promoted the concept of industrial democracy when it 'suddenly burst forth into the public consciousness ... and became a full-blown social movement, espoused not only by trade unionists and social reformers but by many employers'. Poole et al (2011) define industrial democracy as follows: 'In a broad sense, industrial democracy may be defined as the exercise of power by workers or their representatives over decisions within their places of employment, coupled with a modification of the locus and distribution of authority within the workplace' (Poole et al, 2011, p. 214).

According to a recent account by Hyman there is another 'outside' element to industrial democracy:

*democracy could not end outside the factory gates: workers were stakeholders in the firm that employed them and must have industrial citizenship rights. Hence the third stage was the demand for industrial democracy: employees should possess an effective voice within enterprise decision-making in order to shape the organization of their own work and, not least, to control the ability of the employer to hire and fire.*

(Hyman, 2016, p. 14)

Kaufmann stresses the multi-level dimension of industrial democracy according to the Webbs:

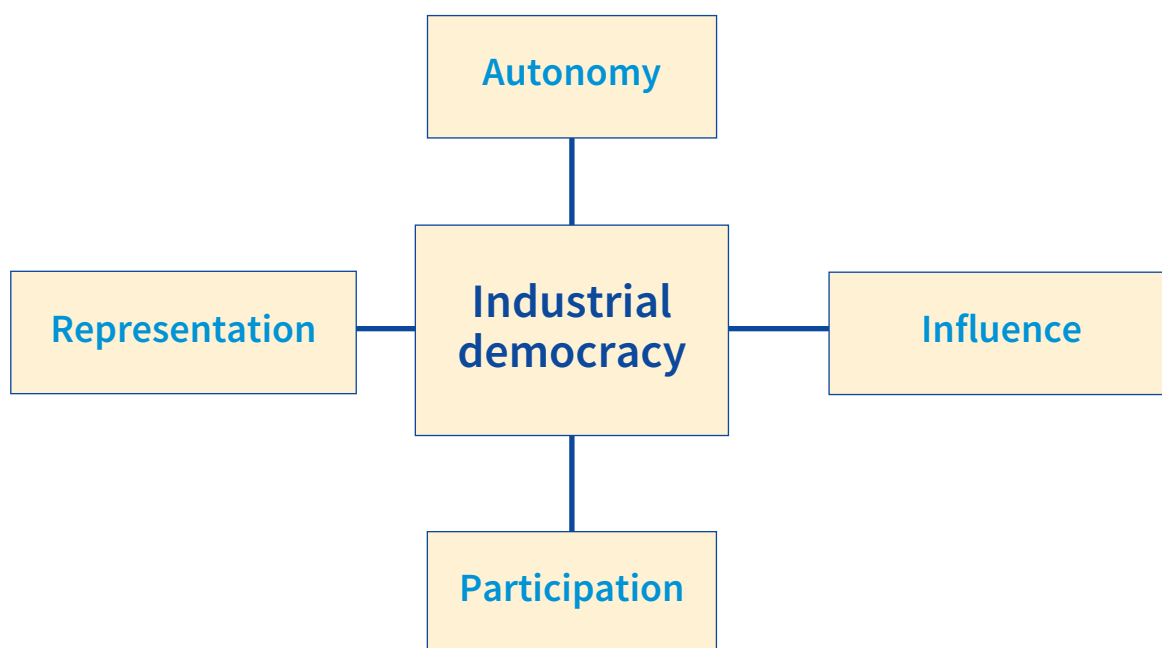
*The industrial democracy function of trade unions occurs at two levels, according to the Webbs. The first is at the level of the industry and workplace. Here the trade union provides the worker voice and influence on the terms of the employment contract and the administration of the rules of the workplace. Only then, say the Webbs (p. 842), is there really 'freedom of contract'. The second tier of industrial democracy is at the level of the state. Here trade unions participate in the national political process and, in particular, advise and counsel government in the setting of the national minima.*

(Kaufman, 2004c, p. 176)

In the UK, industrial democracy went out of fashion with the Donovan Commission but came back to the forefront in the 1970s with the Bullock report talking of the democratic imperative of participation. Translated into more modern and detailed processes, for the purpose of this mapping exercise, industrial democracy is defined as encompassing all participation rights of employers and employees in the governance of the employment relationship, either directly or indirectly, via trade unions, works councils, shop stewards or other forms of employee representation at any level (European, national, sectoral, territorial, workplace). We agree with Gumbrell-McCormick and Hyman that 'democracy is both an end in itself and also a means to other value ends' (2013, p.197). Industrial democracy is based on the autonomy of both sides of industry as collective organisations and their collective capacity to influence decision-making. On a scale from low to high participation, these rights range from information and consultation to co-determination and board-level workers' involvement as well as other forms of employee voice, such as industrial action and dispute resolution.

<sup>6</sup> For an account of the early meaning of industrial democracy, see also Clegg, H.A. (1955), *Industrial democracy and nationalization: A study prepared for the Fabian Society*, Blackwell, Oxford, pp. 1–12.

Figure 2: Subdimensions of industrial democracy



Source: Eurofound authors

Autonomy, representation, participation and influence have been identified as subdimensions of industrial democracy, based on EU law, policy documents, social partner texts, company practices and academic contributions.<sup>7</sup>

### Autonomy

The principle of ‘autonomy of the social partners’ is embedded in most of the legal systems of the EU28 as well as in a variety of texts of international and European organisations, such as Articles 5 and 6 of the European Social Charter, Article 11 of the European Convention on Human Rights of the Council of Europe, and Conventions 87 and 98 of the ILO. The principle of autonomy of the social partners, being anchored both in national as well as in international legal systems, has been recognised as one of the general principles of EU law according to Article 152 of the Treaty on the Functioning of the European Union (TFEU). This implies that national governments, the European Commission and the European Parliament can step back from their regulatory competence in favour of the principle of autonomy of the European social partners and of a decision-making process which is based on sufficient functional representativeness. However, as recent Eurofound research has shown, one of the impacts of the crisis on industrial relations was an increased trend

towards unilateral decision-making by governments at the expense of social dialogue, in particular in the public sector (Eurofound, 2013b; 2014a). The question of the autonomy of the social partners is particularly pertinent when it comes to wage-setting mechanisms. On 1 February 2013, the Employment Committee (EMCO) organised a tripartite meeting on wage developments, productivity and prices, wages, employment and unemployment, and wage inequalities. There was strong criticism regarding the format and purpose of the meeting from both employer and trade union representatives. The EU social partners stressed the importance of their collective bargaining autonomy, and trade union representatives in particular voiced their concern about what they saw as interference from EU institutions in national-level wage determination and wage policy (Eurofound, 2013c).

Primary EU law refers to the notion of ‘autonomy of the social partners’ in Article 152 of the TFEU: ‘The Union recognises and promotes the role of the social partners at its level, taking into account the diversity of national systems. It shall facilitate dialogue between the social partners, respecting their autonomy.’

In the Resolution concerning the recurrent discussion on social dialogue adopted on 19 June 2013, the ILO recognised the importance of the autonomy of the social

<sup>7</sup> In 1969 Derber, for example, identified 10 elements of industrial democracy: sovereignty, representation, majority rule, participation, equal rights, due process, minority rights, responsibility, minimum employment standards, and information (Derber, 1969, pp. 181–182). Some of these elements have been taken up by other key dimensions of Eurofound’s conceptual framework.

partners as one of the fundamental measures for supporting social dialogue:

*Members, with the support of the Organization, should:*

[...]

*(2) Respect the independence and autonomy of workers' and employers' organizations and refrain from interfering in their establishment, functioning and administration.*

*(3) Ensure that collective bargaining is carried out in observance of the autonomy of the parties.*

(ILO, 2013)

For the vast majority of scholars, too, Blanpain states that 'free collective bargaining and the autonomy of the social partners have always been regarded as fundamental aspects of the freedom of association'. Blanpain continues that 'autonomous collective bargaining constitutes a prerequisite for a pluralist democratic society' (2012, p. 816). However, the autonomy of the social partners has come under threat during the global economic crisis. This finding was corroborated by Eurofound, which saw an upswing of governmental unilateralism in many EU Member States in the crisis at the expense of the autonomy of the social partners (Eurofound, 2014a).

## Representation

Eurofound's European Industrial Relations Dictionary (EIRD) describes employee representation 'as the right of employees to seek a union or individual to represent them for the purpose of negotiating with management on such issues as wages, hours, benefits and working conditions'. Employee representation is rooted in the Member States' labour laws on trade unions and the representation of workers at workplace and enterprise levels. It may encompass a range of issues concerning, for example, terms and conditions of employment, working practices, conduct at work, health and safety, and many others. It is most closely associated with trade unions, both at the macro level of consultation/dialogue, which influences major issues of social and economic policy, and in collective bargaining, which determines pay and other terms and conditions of employment. It is also found in various forms of participation by workers, including 'works councils' and 'enterprise committees'. According to Kaufman, 'workers should be given opportunities for voice, representation and due process in the workplace. Some form of industrial democracy or "constitutional government in industry" is highly desirable' (Kaufman, 2004c, pp. 128–130).

In the European Union, employee representation was first declared mandatory under two Directives in the decision of the European Court of Justice in *Commission of the European Communities v. United Kingdom* Cases C-382/92 and C-383/92 [1994]. Directives further developed the principle of mandatory employee

representation. First, at EU level in Community-scale undertakings and Community-scale groups of undertakings, Directive 94/45/EC, which was recast in 2008 (Directive 2009/38/EC), requires the establishment of a European works council, or a procedure for the purposes of informing employees and consulting with them, where requested by employees or their representatives or triggered by management. Second, Council Directive No. 2002/14/EC establishes a framework for informing employees and consulting with them at national level. Other directives have dealt with employee involvement in the course of collective redundancies and transfers of undertakings, safeguarding workers' information and consultation rights.

Legitimate representation has as a prerequisite the representativeness of the actors representing their affiliates. According to the EIRD, representativeness 'is a criterion used by the European Commission to identify the "management and labour" whom it must consult and who may initiate the social dialogue'. The concept of representativeness is not referred to in EU legislation. The European Commission first used this concept in its 1993 *Communication on the application of the 1992 agreement on social policy*. Representativeness became the key issue of dispute in the UEAPME legal case in 1996. The General Court asserted that agreements reached through social dialogue – which are then transposed into directives – may be challenged on grounds of their democratic legitimacy. The Court deemed this necessary since the directive was not subject to scrutiny by the European Parliament (General Court, 1998).

Another interesting development in terms of representation has been the emergence of new social movements and industrial relations actors in Greece, Portugal, Romania, Spain and Slovenia. These movements aim to support workers who have been hit by the crisis but who are not represented, or who are under-represented, by trade unions – principally migrant workers, young workers and precarious workers. The new social movements have questioned the political institutions, established parties and social partners. The European social partners, the European Commission and the ILO are of the opinion that European social dialogue and civil dialogue are to be kept separate, and that social dialogue is not susceptible to be opened to other actors: 'Employers' and workers' organizations are distinct from other civil society groups in that they represent clearly identifiable actors of the real economy and draw their legitimacy from the members they represent' (ILO, 2013, p. 12). The European Commission concludes that 'because of their representativeness, trade unions and employers' organisations have a particular role' (European Commission, 2002b, p. 6) in comparison with civil society actors when it comes to consultation processes at EU level.

## Participation

In the rather strict terms of the EIRD, ‘participation’ refers to mechanisms for the involvement of employees in management decision-making by means other than information and consultation. It further distinguishes between direct and indirect participation. ‘Direct’ employee participation is practised face to face or individually between employees and managers, whereas ‘indirect’ participation occurs through employee representation (Poole et al, 2011). Employee participation is referred to in Council Directive 2001/86/EC supplementing the European Company Statute in regard to the involvement of employees. Article 2(k) defines participation in particular terms as

*the influence of the body representative of the employees and/or the employees’ representatives in the affairs of a company by way of the right to elect or appoint some of the members of the company’s supervisory or administrative organ; or the right to recommend and/or oppose the appointment of some or all the members of the company’s supervisory or administrative organ.*

This very definition of participation is repeated in Council Directive 2003/72/EC of 22 July 2003 supplementing the Statute for a European Cooperative Society in regard to the involvement of employees.

The 2015 Eurofound report *Third European Company Survey: Direct and indirect employee participation* applies a somewhat broader definition of the term. The study tried to map participation along a continuum of employee participation processes, from no participation at all to co-determination. The first level of participation reflects practices in which employees (or their representatives) receive no information about company decisions that would be a precondition for participation. The next, intermediate, level includes participation practices in which employees participate by receiving information. In a further step, employees not only passively receive information, but are also consulted. In other words, they are listened to and ideally heard. The highest levels of participation rights are attained when employees are granted codetermination rights (for example, *Mitbestimmung* in Germany) (Jirjahn, 2011; Eurofound, 2015e). The Eurofound report was able to identify a correlation between the level of wage coordination and the degree of employee participation.

*More centralised levels of wage coordination are associated with more extensive indirect employee participation and extensive direct participation. Limited direct employee participation, on the other hand, is less common in countries in which wage coordination is largely centralised. This could imply that national-level institutions are a more fertile ground for the development of more extensive forms of employee participation.*

(Eurofound, 2015e)

## Influence

In industrial relations as a field of study, two main schools of thought have opposed each other: the unitarist and the pluralist strands (Barbash, 1989, p. 159). The unitarist school of thought assumes that within an organisation, be it at firm, company or sectoral level, the interests of both sides of industry are congruent, harmonious and non-adversarial. Management and labour are believed to be pulling in the same direction, trade unions are perceived as superfluous and conflict is seen as the result of suboptimal management. In pluralism, on the contrary, management and labour are understood as actors with their own legitimate interests and objectives, which, at times, may be in direct conflict with those on the other side of industry. Conflicts are resolved via the industrial relations process of collective bargaining, and if the latter fails, by industrial action and dispute resolution. In the framework of the pluralist school of thought, the concept of influence (or in other words, bargaining power) is of utmost importance.

Bargaining power is the relative ability of the two sides of industry to exert influence over the other side in the context of collective bargaining with each other. Or as Chamberlain put it, ‘the ability to secure another’s agreement on one’s own terms’ (Kuhn et al, 1983, pp. 143–144). Somers argues that for bargaining power to be a useful concept, it has to be broken down into its two major components: ‘the subjective notion of “withholding” or “withdrawal” and the objective “bargaining position” of the parties, determined by the legal, market, and technological contexts’ (Somers, 1969, p. 47).

When it comes to bargaining styles, industrial relations theory distinguishes between distributive and integrative bargaining. Distributive bargaining is essentially centred on resolving conflicts of interest between the parties. The object of distributive bargaining is fixed and scarce resources (such as money and time) cannot be expanded. Hence, negotiators have to divide the pie. In practical terms, the outcomes of these negotiations are often a win–lose situation. Integrative bargaining is often used in order to expand the pie, with the two sides of industry attempting to achieve a win–win solution (Welz, 2008).

In regard to employee influence, Eurofound’s third European company survey found that in just over half of establishments the employee representation is involved in joint decision-making on important decisions. However, in around one-third of establishments, the employee representation is not involved in, or is only informed about, important decisions. Similarly, around half of the employee representatives (52%) report having had at least some influence, and 17% a strong influence, on the most important decision taken in the establishment in recent years, leaving 31% that did not have any influence at all (Eurofound, 2015f).



Yet influence also reflects the other side of the coin: those practices and contexts through which employees (or their representatives) are able to exert influence (and consequently receive information) at the company, sectoral and national level. The degree of influence starts at national level, measuring the capacity of social partners to exert influence via public decision-making. This refers to the institutionalised regimes that are quite consolidated in the Nordic countries as well as in the social partnership models and in some southern countries. At workplace level, capacity to exert influence exists within the information and consultation frameworks implemented throughout Europe in the wake of the information and consultation Directive 2002/14/EC. At a higher, more influential level, diverse forms of co-determination can be identified that cater for different degrees of influence according to the specificities of each national industrial relations system.

According to the EIRD:

*Co-determination is a structure of decision-making within the enterprise whereby employees and their representatives exert influence on decisions, often at a senior level and at a relatively early stage of formulation. Co-determination may operate in parallel to, and complement, other industrial relations mechanisms of employee representation and influence. Co-determination is rooted in the industrial relations traditions of a number of EU Member States. For example, in Germany there are two distinct levels of co-determination: at establishment level via the works council, and at enterprise level, on the supervisory board of companies. In Austria, works councils have the right to negotiate a 'social plan' in the event of decisions involving restructuring, which may lead to job losses. In Denmark, employees have the right to elect a third of members of the company board, and through this mechanism they exercise a powerful voice in votes on matters that can have a major impact on the workforce.*

The strongest forms of co-determination put quasi-veto rights in the hands of employee representatives (such as in Austria, Germany and Sweden) (Hyman, 2016, p. 15). Another form of co-determination consists of compelling the employer to negotiate with workers' representatives on specific issues, or the right of the employee representative bodies to intervene in essential modifications of work organisation or working conditions (such as in France). In some countries, joint committees have a decision-making capacity on some measures affecting health, safety and risk prevention as well as internal regulations. Certain co-determination rights also appear in the statutes of some Member States, basically in regard to social issues (training, holiday periods, funds) or related to work organisation or wage compensations.

Another form of influence for employees consists of voice at board level in such a way that employees are heard and listened to at the highest level of decision-making within companies. This occurs in some form in almost half of the EU Member States, with employee representatives present both on supervisory and single-tier boards. There are also major differences in the employment thresholds for board-level representation, the proportion of the board made up of employee representatives, the way that employee representatives are chosen, the bodies they sit on and, to a more limited extent, the powers they have. Finally, it must be pointed out that employee representatives at board level also have the same rights and duties as other board members and consequently they are subject to strict confidentiality rules, since they are co-responsible for decisions taken at corporate level.

A final form of influence refers to industrial action. Article 151 of the TFEU states that '[t]he Union and the Member States ... shall have as their objectives the promotion of employment, improved living and working conditions, so as to make possible their harmonisation while the improvement is being maintained', while Article 153(5) of the TFEU 'explicitly excludes the right to strike from provisions over which the Union has competence to legislate' (Eurofound, 2010a). Yet strike action is one of the fundamental means available to workers and their organisations to promote their economic and social interests and to exert influence. The right to strike is explicitly recognised in the constitutions and/or laws of many Member States (Eurofound, 2005). At EU level, the right to strike is enshrined in Article 28 of the Charter of Fundamental Rights of the European Union: 'Workers and employers, or their respective organisations, have, in accordance with Union law and national laws and practices, the right to negotiate and conclude collective agreements at the appropriate levels and, in cases of conflicts of interest, to take collective action to defend their interests, including strike action.'

Finally, the mapping project has identified wage and working time drift as relevant and valid output indicators to measure influence of the social partners (in other words, their bargaining power vis-à-vis statutory regulation by the state). According to the European Central Bank (ECB), wage drift 'is measured as the difference between the annual rate of growth in wages and salaries and that in negotiated wages rather than as the contribution that negotiated wages make to overall wage growth, owing to the data limitations applying to negotiated wages' (ECB, 2013, p. 1). Eurofound defines wage drift as 'the difference between basic wages (collectively agreed pay) and actual wages and salaries. It can result from overtime or increased bonuses' (Eurofound, 2015c, p. 15).

In its report *Working time developments in the 21st century*, Eurofound has defined working time drift as indicating 'the extent to which there is a deviation between the hours workers usually work and the hours

they are expected to spend on work according to agreement(s) achieved via collective bargaining (industry or branch level agreements), company level negotiations (company, establishment, or works agreements) or individual bargaining between employer and employee' (Eurofound, 2016a, p. 57). As one of the main findings in regard to working time drift, the report suggests that when bargaining, in particular at sectoral level, plays the most important role in establishing working time standards – which is the case of the 'negotiated working time setting regime' – overtime tends to be considerably shorter and the level of compliance with agreed normal hours tends to be higher, especially if compared to a regime in which those standards tend to be 'agreed' between employees and employers at an individual level, which is the case of a unilateral working time setting regime. This could be interpreted as a degree of influence of a certain collective bargaining regime on industrial relations outcomes. Piketty notes that 'the institutions and rules that govern democratic debate and decision-making therefore play a central role, as do the relative power and pervasive capabilities of different social groups' (Piketty, 2014).

## Industrial competitiveness

The second dimension for mapping industrial relations is defined by the notion of competitiveness, or in Budd's terms, efficiency: 'Efficiency is the effective use of scarce resources. The standard economic definition of efficiency is Pareto optimality: when no one can be made better off without making someone else worse off' (Budd, 2004b, p. 5). Or as Meltz puts it: 'efficiency provides a central focus for the discipline of economics. The drive for efficiency is grounded in the fundamental assumption that in economics the entrepreneurs seek to maximise profits and the consumers seek to maximise satisfaction' (Meltz, 1989, p. 109).

For the EU-level cross-sectoral social partners, 'as part of the concept of competitiveness an enabling environment for enterprises is key. It encompasses a wide number of factors such as: macroeconomic fundamentals, labour market policies, innovation and investment in R&D, business environment including infrastructure, skills, education and training, labour cost and high performing public services' (ETUC, UNICE, CEEP, UEAPME, 2015, 2016, p. 26).

According to economic and social policy scholars, there is a strong link between efficiency and industrial competitiveness. Mainstream neoliberal economists would by and large agree that competitive markets result in efficient outcomes – that 'economic welfare is

maximised by the invisible hand of economic activity in competitive markets' (ETUC, UNICE, CEEP, UEAPME, 2015, 2016, p. 26). This report goes back to a high-level concept of competitiveness (industrial competitiveness at EU and national level), but not neglecting the firm level, of course. A system of good-quality industrial relations will foster industrial competitiveness. This report defines industrial competitiveness along the same lines as the European Commission:

*A competitive economy is an economy with a sustained high rate of productivity growth, and one of the EU's key political priorities. Competitiveness is a pre-requisite if the EU is to achieve the goals of 'a smart, sustainable and inclusive economy, delivering high levels of employment, productivity and social cohesion', as laid down in its Europe 2020 strategy. To be competitive, the EU must outperform its competitors in terms of research and innovation, information and communication technologies, entrepreneurship, competition, education and training.<sup>8</sup>*

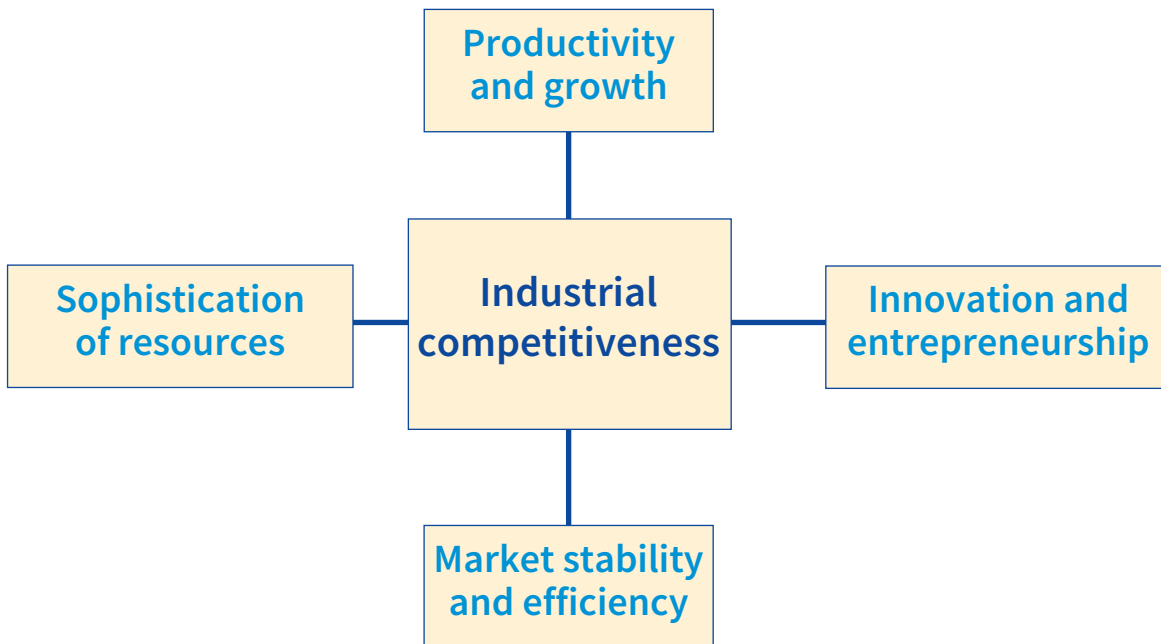
Yet what seems to be a relative easy exercise for the economic subsystem of society – measuring economic efficiency – is a far more difficult exercise in regard to industrial competitiveness. Finding at least a partial answer to this question seems to be one of the most challenging tasks of this report. Industrial competitiveness is based on an economy with a consistently high rate of productivity growth. Competitiveness strongly depends on, among other things, the performance of small and medium-sized enterprises (SMEs). To be competitive, the promotion of research and innovation, information and communication technologies, entrepreneurship, competition, education and training are essential. Developing people's skills and competencies as part of the investment in the capital of human resources is also important in raising competitiveness and improving the quality of work and employment.

For the purposes of this project, a simple measure of GDP growth or productivity growth is not enough to capture the concept of industrial competitiveness. The definition above provides a starting point, but not the whole picture in order to understand how industrial competitiveness interacts with industrial relations. This report contends that competitiveness and industrial relations go hand in hand, and not purely in a one-way causal direction. In other words, a competitive economy is improved by a good system of industrial relations, and a highly competitive economy creates an atmosphere for good-quality industrial relations.

8 Competitiveness web page, EUR-Lex website: <http://eur-lex.europa.eu/summary/glossary/competitiveness.html> (accessed 11 July 2016)



Figure 3: Subdimensions of industrial competitiveness



Industrial competitiveness in the form of increasing productivity and growth depends on establishing a strong base of market stability, providing high-quality resources for businesses to utilise and creating an environment of innovation and entrepreneurship to make the most of them. With these four subdimensions of industrial competitiveness in mind (productivity and growth, market stability, sophistication of resources, and innovation and entrepreneurship), the complex relationship between economic competition and industrial relations can be more appropriately captured. With the goal of a more complex understanding of competitiveness in mind, and one that highlights the connection with industrial relations, the analysis will focus on these four subdimensions.

### Productivity and growth

Any analysis of competitiveness of a national economy would not be complete without including variables that directly describe the productivity and growth of the economy. The OECD defines productivity as:

*a ratio between the output volume and the volume of inputs. In other words, it measures how efficiently production inputs, such as labour and capital, are being used in an economy to produce a given level of output. Productivity is considered a key source of economic growth and competitiveness and, as such, is basic statistical information for many international comparisons and country performance assessments.*  
(OECD, undated)

Productivity is one of the most relevant variables governing economic production at national level and consequently it is an essential factor of competitiveness. It is a knock-on factor: increasing productivity has a multiplying effect on other economic variables. Furthermore, national productivity is usually calculated by dividing GDP by the country's total population. An increase in this measure/ratio implies that each person in that country produced more goods and services on average, and therefore there is more wealth as profits increase. The link between inflation and productivity is also well known, as the latter can greatly influence the former, particularly through wage increases. In short, increasing productivity is a major challenge for economies and thus governments and enterprises, as it is strongly associated with more competitive industry and undertakings as well as with better standards of living.

At workplace level, productivity is related to several fields, not only to wage increases or employees' productivity. Other relevant factors contributing to productivity are related to work organisation, including: appropriate workflow and workload; HRM policies to evaluate the cost of labour; fair pay and career opportunities and subsequently providing training facilities; learning environment; technological investment, etc.

Productivity and economic growth are the outcomes of a competitive economy, but they do not capture the whole picture of competitiveness. There is a reason that a figure for GDP growth was not provided and then simply suggested as the definition of competitiveness. For example, a country that experiences a terrible natural disaster and is forced to invest large amounts of capital

and labour into rebuilding basic infrastructure is not more competitive in this rebuilding phase than it was before the natural disaster, but this would show as an increase in GDP due to the investment needed to rebuild. Growth and productivity are certainly key dimensions of competitiveness, but they are indicative of an environment of competitiveness and do not guarantee competitiveness on their own.

### Market stability and efficiency

The foundation on which to build a competitive economy, and subsequently a quality system of industrial relations, is a stable, efficient market. In order for an economy to be competitive, there needs to be a framework in place for businesses to operate, and that framework must be conducive to competitive economic performance. For instance, it is very difficult to foster a competitive economy or a quality system of industrial relations if the nation is at war, suffering from epidemic diseases or is held hostage by high levels of corruption. That is the most basic example of market stability, but a market conducive to competitiveness and quality industrial relations is defined by much more than just making sure the social partners are safe enough to operate. The legal provisions for a competitive economic environment must also be present, and those are much more complicated than simply providing security.

The legal side of market stability requires setting up rules for economic interaction that promote competition, and subsequently growth. It is beyond the scope of this report to delve too deeply into economic law, but certain legal provisions are essential for industrial competitiveness. For instance, a nation that does not offer legal protection for property rights (both physical and intellectual) will have a very hard time fostering a competitive economy. Legal provisions and state actions that protect property rights, control inflation and offer a channel for international trade that is not either prohibitively costly or restrictive are among the elements of building a competitive economy that fall under the subdimension of market stability. The concept of market stability, or efficiency, seeks to identify some of the most basic structural needs for economic competition.

### Sophistication of resources

Having a stable structure for economic interaction does not in itself guarantee competitiveness. The next step is to give the social partners something to work with: resources. The conventional economic view of resources emphasises physical, natural resources, but the tools that businesses have at their disposal in order to compete in the market are highlighted here. These can essentially be broken down into three primary categories: financial resources, infrastructure and human

capital. Each one of those categories is self-explanatory, and together they make up a combination of resources that companies have at their disposal.

The connections to competitiveness in each category are easy to understand once they are broken down. Financial resources, in the form of loans, investment options and general capital availability, are a key component of competitiveness because they allow companies to invest in their own productivity. A state with financial resources that are affordable and easy to access will be able to grow a more competitive economy, and subsequently a better system of industrial relations. Financial capital in businesses allows for the hiring of new workers and the introduction of new practices. It also allows businesses to take risks that are vital to economic growth and increasing productivity.

Infrastructure's role in industrial competitiveness is to provide the structure and foundation for economic interaction, similar to the concept of market stability, but on a physical level. States with advanced networks of roads, ports and IT infrastructure give businesses the opportunities to operate more efficiently by connecting them with their suppliers, employees and customers quickly and safely. The transmission of goods and knowledge across and past the borders of a country is a central factor in how efficient the economy is, and in turn how competitive the economy becomes.

The final element of resource sophistication is people. Developing people's skills and competencies (as part of the investment in the capital of human resources) is essential for improving the quality of work and employment. Research indicates that policies aimed at enhancing workers' skills contribute to an improvement in employment performance. More efficient workers who perform better naturally enable greater levels of productivity, and subsequently a more competitive economy. Key elements of human capital development include public education, workplace training and, increasingly, as Eurofound's web page on *Human capital* outlines, workplace counselling.<sup>9</sup>

Industrial competitiveness requires a base of market stability, but that base can only be built upon if the proper resources are available for businesses to utilise. High-quality infrastructure, readily available financial resources and high levels of human skills development lead to a more competitive economy and an improvement in the quality of work for employees.

### Innovation and entrepreneurship

If an economy is built on a strong structural foundation and has sophisticated resources at its disposal, the next step to industrial competitiveness is an environment that encourages innovative practice to continue increasing

9 <http://www.eurofound.europa.eu/areas/humancapital/index.htm>

productivity. Innovative practice can take the form of new products or practices from existing companies that are seeking to be more competitive, or it can be seen in the birth of new companies that introduce new technologies, products or ways of doing business. BusinessDictionary.com defines innovation as:

*the process of translating an idea or invention into a good or service that creates value or for which customers will pay. To be called an innovation, an idea must be replicable at an economical cost and must satisfy a specific need. Innovation involves deliberate application of information, imagination and initiative in deriving greater or different values from resources, and includes all processes by which new ideas are generated and converted into useful products.<sup>10</sup>*

As in the definition above, innovation typically brings to mind technology and the development of new products, but businesses also have many possibilities for innovation in terms of workplace organisation. The EIRD discusses ‘workplace innovation’ as follows:

*According to the European Commission, workplace innovation is a generic term used to describe ‘innovations in the way enterprises are structured, the way they manage their human resources, the way internal decision-making and innovation processes are devised, the way relationships with clients or suppliers are organised or the way the work environment and the internal support systems are designed’. Workplace innovation aims to increase employee motivation and enhance working conditions. This in turn can impact positively on a range of factors such as productivity, organisational performance and competitiveness. Workplace innovation is often combined with other types of innovation, such as technological innovation.*

As previously mentioned, both existing and prospective businesses can make use of innovation, and as the definition of competitiveness from the European Commission states, entrepreneurship plays a central role in making use of innovation to improve competitiveness. Entrepreneurship is the second of the four pillars of the European Employment Strategy. This concept aimed to promote the development of new businesses in general and the growth of small and medium-sized enterprises SMEs in particular. This was to be achieved through the creation of a ‘new culture of entrepreneurship’ in Europe. The European Commission viewed entrepreneurship as a crucial element in achieving the political objectives set at the European Council meeting in Lisbon in 2000, where the EU committed itself to becoming ‘the most competitive and dynamic knowledge-based economy in the world’ within a decade. Entrepreneurship is seen as a driver for economic growth, competitiveness and job

creation as well as a vehicle for personal development and for resolving social issues.

The European Commission launched its Green Paper on Entrepreneurship in 2003 and set out the following points for policy action: liberalising regulations that most directly impinge on entrepreneurship and the activities of SMEs; improving access for start-up enterprises and SMEs to financial markets; reducing costs for new enterprises and SMEs; improving innovation; supporting cooperation and strengthening of networks between innovative enterprises and research and knowledge institutions; promoting the implementation of innovation and information and communications technology (ICT) applications by start-up enterprises and SMEs; and improving services provided by the authorities to start-up enterprises and SMEs.

In 2012 the European Commission launched the Entrepreneurship Action Plan, which is built on three main pillars:

- entrepreneurial education and training;
- creating an environment where entrepreneurs can flourish and grow;
- developing role models and reaching out to specific groups whose entrepreneurial potential is not being tapped to its fullest extent or who are not reached by traditional outreach for business support.

This action plan and its key actions were followed up by the Commission through the competitiveness and industrial policy and the Small Business Act.<sup>11</sup> Under the heading ‘Gearing labour market and social policies to boost self-employment and entrepreneurship’, this subdimension also figures prominently in the 2015 *Employment and social developments in Europe* report (European Commission, 2016a, p. 54).

## Social justice

*...universal and lasting peace can be established only if it is based upon social justice.*

Preamble to Constitution of the International Labour Organization

Social justice is one of the most important outcomes of industrial relations. Henceforth it will be another dimension for this report’s mapping exercise of a polity of good governance, or as John Rawls put it in his seminal publication, *A theory of justice*, ‘Justice is the virtue of social institutions, as truth is of systems of thought. A theory however elegant and economic must be rejected or revised if untrue; likewise laws and institutions no matter how efficient and well arranged must be reformed or abolished if they are unjust’ (Rawls, 1973, p. 3).

<sup>10</sup> <http://www.businessdictionary.com/definition/innovation.html>

<sup>11</sup> [http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/index\\_en.htm](http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/index_en.htm).

Kaufman, by drawing on Commons, claims that ‘social justice should be an explicit goal of policy in industrial relations. Not only is social justice a goal for its own intrinsic ethical worth; social justice is also a crucial ingredient for effective capital–labour cooperation and avoidance of industrial conflict and civil disorder. Free trade is welcome as long as it is also fair trade’ (Kaufman, 2004c, pp. 128–130). Coming from the vantage point of another school of thought, mobilisation theory, ‘it is the perception of, and response to, injustice that should form the core intellectual agenda for industrial relations’ (Kelly, 1998, p. 126).

Social justice is also the leitmotif of a number of international organisations, research institutes and academics dealing with social dialogue and industrial relations. For example, it is deeply enshrined in primary Union law. Article 3 of the TFEU claims that the Union ‘shall combat social exclusion and discrimination, and shall promote social justice and protection, equality between women and men, solidarity between generations and protection of the rights of the child’. However, the term ‘social justice’ is highly contested; defining its meaning is often the subject of controversy and is influenced by historical and cultural contexts. In fact, while John Rawls argues for an ‘ideal theory’ of social justice, the influential scholar Amartya Sen questions such universal claims (Rawls, 1973). For him, one has to accept that there is sometimes a plurality of ‘right answers’, which are determined by the standpoint and ideology of the people involved.

The key dimension of social justice as one of the outcomes of an industrial relations system is particularly at stake when the system has to cope with a major economic and political crisis, like the 2008 Great Recession. Habermas recently pointed out that in the context of a global economic and fiscal crisis, the state has to balance the interests of companies’ industrial competitiveness with those of the citizens in ‘equal freedoms for all and ... calls for social justice in the currency of fair income distribution and status security, as well as of public services and the provision of public goods’ (Habermas, 2015, p. 92). Habermas criticises the fact that in the context of the current crisis, the neoliberal narrative accords priority to industrial competitiveness over demands for social justice (Habermas, 2015, p. 92). In a similar vein, Atkinson argues that the mere play of market forces may give rise to concerns about social justice and fairness (Atkinson, 2015, p. 308). In addition, Piketty (2014) asserts that:

*a market economy ... contains powerful forces of convergence ... but it also contains powerful forces of divergence, which are potentially threatening to democratic societies and to the values of social justice on which they are based. The principal destabilizing force has to do with the fact that the private rate of return on capital,  $r$ , can be significantly higher for long periods of time than the rate of growth of income and*

*output,  $g$ . The inequality  $r > g$  implies that wealth accumulated in the past grows more rapidly than output and wages.*

Another example par excellence for the plurality of social justice concepts is the changing definition of what constitutes just labour. During an address to the British Trades Union Congress (TUC) in Dublin in 1880, an Irish scholar, Dr John Kells Ingram, came up with the postulate that labour should not be a commodity (O’Higgins, 1997, p. 225). Yet 39 years later, Article 427 of the Treaty of Versailles establishing the first principles of the newly created ILO stated that ‘labour should not be regarded merely as a commodity or article of commerce’. The introduction of the qualifying ‘merely’ happened at the instigation of the British delegation (O’Higgins, 1997, p. 225; Rodgers et al, 2009, p. 7). In 1919, the commodity theory of labour was contested by John Rogers Commons, one of the pioneers of industrial relations in the United States. He also put forward his theory of industrial goodwill. For Commons, ‘goodwill of labour is a collective goodwill that does not play one labourer against another, or the unemployed against the employed, or take advantage of the needs of a class, but acknowledges labourers’ solidarity of interest as well as the individual labourer’s self-interest’ (Commons, 1919, p. 19). Goodwill is productive and based on reciprocity and competitive persuasion, or in other words, ‘the knowledge of alternatives and the freedom to choose them’ (Commons, 1919, pp. 19–24). In short, goodwill is the soul of a company (Commons, 1919, p. 20).

The current ILO Constitution on the basis of the Declaration of Philadelphia of 10 May 1944 reverted back to Ingram’s wording: ‘Labour should not be regarded as a commodity or article of commerce’. In the words of Sisson: ‘unlike other resources, “human resources” are embodied in people and cannot be “commodified”’. Moreover, employers do not own employees in the way they do other resources – if they did, it would be tantamount to slavery’ (Sisson, 2010, p. 3).

In 2004, John W. Budd coined the objective in another, some would say more modern, way when he argues that labour is human and that the employment relationship should have a human face (Budd, 2004b, 2011). Meltz argues that equity considerations are based on the human factor of labour, which distinguishes it from mere commodities (Meltz, 1989, p. 110). In 2008, the ILO adopted the Declaration on Social Justice for a Fair Globalisation. According to the ILO, this declaration is only the third major statement of principles since its Constitution of 1919. Building on the Philadelphia Declaration of 1944 and the Declaration on Fundamental Principles and Rights at Work of 1998, it expresses the vision of the ILO and serves as a powerful reaffirmation of ILO values (ILO, 2008, p. 2).

*Although labour is traded in markets much like any other commodity, it is in certain respects a unique commodity because the labour is embodied in and*

*inseparable from the human being who supplies it. Once suppliers of inanimate objects such as wheat and steel sell their goods, they have no reason to care if the wheat is stored in a cold or hot place or the steel is treated with dignity or harshness by the new owner. The situation is very different for the seller of labour, however. The seller of labour is inseparable from the labour itself and must be physically present at the point of production and personally experience whether the work is onerous or pleasant, the room is hot or cold and the employer is fair or grasping. This fact makes the labour exchange far more complex, as many additional considerations enter into the negotiations between buyer and seller, and of far greater social significance since flesh-and-blood people are being utilized in production.*

(Kaufman, 2004c, p. 23)

In his seminal publication from 1944, Karl Polanyi distinguished real from fictitious commodities: real commodities are produced for sale on markets.

*The crucial point is this: labor, land, and money are essential elements of industry; they also must be organized in markets; in fact, these markets form an absolutely vital part of the economic system. But labor, land, and money are obviously not commodities; the postulate that anything that is bought and sold must have been produced for sale is emphatically untrue in regard to them. In other words, according to the empirical definition of a commodity they are not commodities. Labor is only another name for a human activity which goes with life itself, which in its turn is not produced for sale but for entirely different reasons, nor can that activity be detached from the rest of life, be stored or mobilized; land is only another name for*

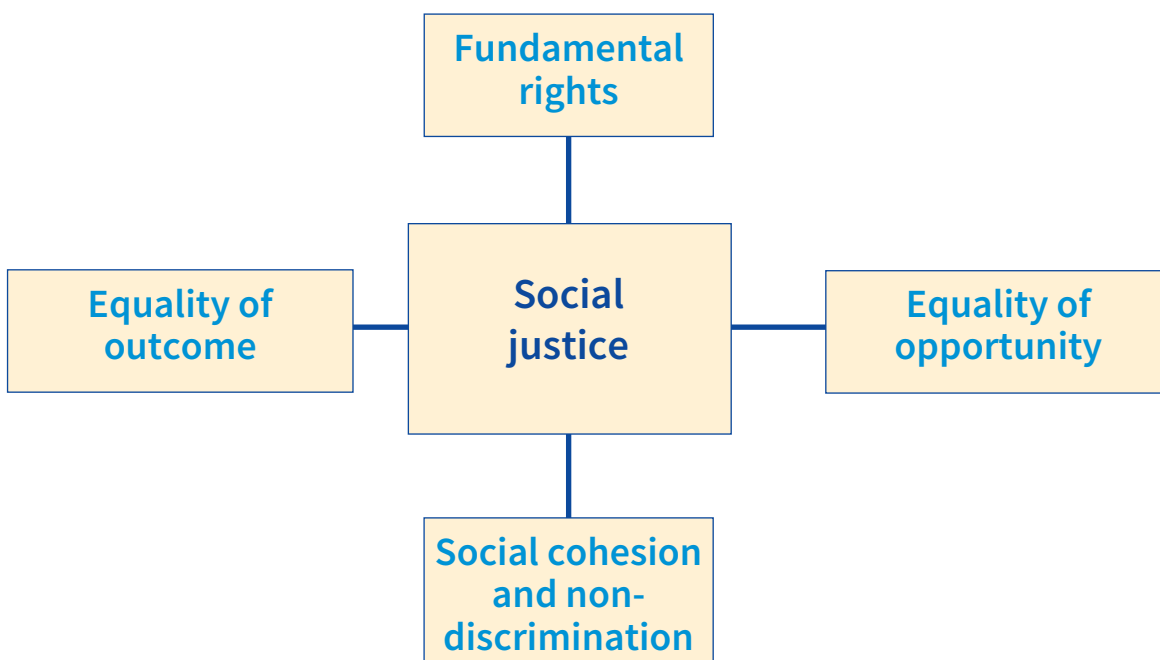
*nature, which is not produced by man; actual money, finally, is merely a token of purchasing power which, as a rule, is not produced at all, but comes into being through the mechanism of banking or state finance. None of them is produced for sale. The commodity description of labor, land, and money is entirely fictitious.*

(Polanyi, 2001, pp. 75–76)

This modern understanding of just labour already hints at the encompassing present-day concept of social justice. Bearing in mind its contested nature and interpretation, it is possible to conceptualise social justice as a current reflection of recent theories of social justice. Henceforth, social justice refers to the aim of realising a fair and non-discriminatory distribution of opportunities and wealth within a society in order to strengthen the ‘capabilities’ of each individual of achieving the kind of lives they have reason to value. In other words, a socially just society attempts to secure equal opportunities for self-determination and self-realisation for each individual, thereby guaranteeing social inclusion, cohesion and a decent quality of life. Respect for and the protection and fulfilment of human rights is at the heart of realising social justice. Law, policies and other institutions support social justice in the areas of education, health care, social security, labour rights, public services, taxation and the regulation of markets.

By defining it in terms of self-determination and self-realisation, social justice brings together several concepts, which will be referred to as subdimensions of social justice: equality of opportunity and equality of outcome, as well as non-discrimination and fundamental rights, both of which underpin the former two concepts.

Figure 4: Subdimensions of social justice





In its 2015 concept paper *Sustainable work over the life course*, Eurofound argues that ‘issues of social justice need to be borne in mind when examining the factors underpinning sustainable work over the life course’ (Eurofound, 2015h, p. 2). On 26 November 2015, the European Commission insisted in its 2016 Annual Growth Survey that ‘greater attention is given to social fairness in the context of the new macroeconomic adjustment programmes’ (European Commission, 2015a, p. 16).

## Equality of opportunity

The notion of fair equality of opportunities is often discussed and referred to in political debates. Its basic claim is that everyone should have an equal starting point in life. According to Rawls (1973, p. 62), this requires not only that positions are distributed on the basis of merit, but also that all citizens have reasonable opportunity to acquire the skills on the basis of which merit is assessed. For Yale scholar John Roemer (Roemer, 2009, p. 56), equality of opportunity is only achieved if so-called ‘circumstances’ that are beyond the control of the individual (such as family background) do not determine the outcomes. Rather, outcomes are supposed to be solely the result of one’s own efforts and preferences. In a sense, it aims at removing arbitrariness from the selection process, allowing everyone to have an equal chance to compete with others. For example, the considerably high salary of a doctor is (to some extent) justifiable if it can be attributed to effort (to his or her hard work at medical school and within his or her profession). However, it is considered unjust if the salary or the position itself is the result of pre-existing advantages, such as parental influence or unequal education possibilities (Atkinson, 2015, p. 10).

Hence, on the one hand equality of opportunity demands strong legal protection of the equal treatment of every citizen for access to positions (an issue that is discussed more extensively in the section on social cohesion and non-discrimination). On the other hand, it requires the government to invest in its citizens as a means of empowering them to take advantage of the opportunities around them. For example, this might include vouchers for children of poor families to go to private schools or the provision of vocational training institutions to enable life-long learning. In doing so, ‘unfair’ advantages and unequal access to positions are levelled out, allowing every citizen to reach his or her personal goals on the basis of effort and preferences.

## Equality of outcome

However, in order to reach equality of opportunity and hence to secure citizens’ ability of self-realisation, equality of outcome must be addressed as well. While equality of opportunity is an ex ante concept (in that it focuses on an equal starting point), equality of outcome is to be understood as an ex post notion – it refers to redistributive activities concerning ex post economic outcomes. This is not to be confused with the elimination

of all differences in economic outcomes; certain differences in economic rewards might be justifiable, as mentioned above. Rather, the goal is to focus on reaching a certain state of equality that allows for self-determination and self-realisation and hence a just society to emerge.

This concept has regained momentum in both the political and the academic discourse in recent years. Regarding the former, much focus has been placed on rising inequalities of income in most EU Member States, with rising gaps between the lowest and highest percentile of the income hierarchy. This development has triggered new civil society movements, such as the Occupy movement, which framed current income inequalities as unjust and hence unacceptable, but also political reactions, most prominently by Christine Lagarde, president of the International Monetary Fund. In a speech at the World Economic Forum in Davos on 22 January 2015, she argued that ‘excessive inequality was not conducive to sustainable growth’ (Irish Independent, 2015). According to IMF research, countries with more equal income distributions tend to have significantly longer growth spells (Berg and Ostrey, 2011).

Another milestone was the 2014 publication of the influential book *Capital in the twenty-first century* by Thomas Piketty (2014), which has steered academic and political discussion about the increasing inequalities of wealth. His main argument is that in countries where the rate of return on capital outstrips the rate of growth, inherited wealth will always grow faster than earned wealth. Wealth will thereby concentrate to levels incompatible with social justice.

These manifestations of inequalities of outcome inevitably affect equality of opportunity, as other academics argue. Wilkinson and Pickett (2010) as well as Blanden (2011) show that there are strong correlations between inequality of income and intergenerational social mobility. Consequently, Giddens and Diamond (2011, p. 101) argue that ‘the promotion of equal opportunity in fact requires greater material equality: it is impossible for individuals to achieve their full potential if social and economic starting-points are grossly unequal’. Or in the words of Atkinson, ‘today’s ex-post outcomes shape tomorrow’s ex ante playing field: the beneficiaries of inequality of outcome today can transmit an unfair advantage to their children tomorrow’ (Atkinson, 2015, p. 11).

## Fundamental rights

Fundamental rights are now part of the EU legal order. However, the original treaties did not contain provisions relating to basic human rights. The European Economic Community was limited to economic matters and the European Court of Justice (ECJ) first developed protection for fundamental rights in economic and commercial interests, rights to property and the freedom to pursue a trade or profession.

Moreover, the ECJ was impelled to include fundamental rights in the EU legal order so as to defend the principle of supremacy of EU law. The threat to the supremacy of EU law over national law arose when national constitutional courts resisted Community action, insofar as they considered it to be violating fundamental rights protected in national constitutions.

In *Stauder v. City of Ulm*, Case 29/69, [1969] ECR 419, a Commission decision was said to be contrary to basic rights under German constitutional law. The ECJ managed to interpret the Commission's action to avoid this conflict, but added (paragraph 7): 'Interpreted in this way, the provision at issue contains nothing capable of prejudicing the fundamental human rights enshrined in the general principles of Community law and protected by the Court.' On the one hand, the ECJ emphasises that fundamental rights as general principles of Community law are autonomous from specific principles protected by the constitutional laws of individual Member States. On the other hand, these fundamental rights as general principles of EU law are rooted in the national legal cultures and reflect the constitutional traditions of the Member States.

As regards fundamental rights in the field of employment and industrial relations, the preamble to TFEU confirms the Member States' 'attachment to fundamental social rights as defined in the European Social Charter signed at Turin on 18 October 1961 and in the 1989 Community Charter of the Fundamental Social Rights of Workers'. Article 151 of the 'Social Chapter' of the TFEU begins:

*The Union and the Member States, having in mind fundamental social rights such as those set out in the European Social Charter signed at Turin on 18 October 1961 and in the 1989 Community Charter of the Fundamental Social Rights of Workers, shall have as their objectives the promotion of employment, improved living and working conditions, so as to make possible their harmonisation while the improvement is being maintained, proper social protection, dialogue between management and labour, the development of human resources with a view to lasting high employment and the combating of exclusion.*

Some authors have considered these references as an incorporation of the fundamental rights in the treaties.

The Charter of Fundamental Rights of the European Union includes seven chapters divided into 54 Articles covering fundamental rights relating to dignity, liberty, equality, solidarity, citizenship and justice. Of particular interest to employment and industrial relations are the provisions on protection of personal data (Article 8), freedom of association (Article 12), freedom to choose an occupation and right to engage in work (Article 15), non-discrimination (Article 21), equality between women and men (Article 23), 'workers' right to information and consultation within the undertaking (Article 27), the right

of collective bargaining and collective action (Article 28), protection in the event of unjustified dismissal (Article 30), fair and just working conditions (Article 31), prohibition of child labour and protection of young people at work (Article 32) and reconciliation of family and professional life (Article 33).

The latest development in the integration of fundamental rights in the EU legal order has been the incorporation of the Charter of Fundamental Rights of the European Union, initially proclaimed at the European Council at Nice on 7 December 2000, into primary EU law by the Treaty of Lisbon, which took effect on 1 December 2009. The ECJ can also draw upon a range of international law sources of fundamental rights in the labour field. The Council of Europe's Social Charter is referred to in the treaties. Ratification by all Member States of ILO conventions, for example Convention No. 87 of 1948 (Freedom of Association and Protection of the Right to Organise) and Convention No. 98 of 1949 (Application of the Principles of the Right to Organise and to Bargain Collectively), has produced a common foundation of fundamental rights of labour in all Member States of the EU.

Fernandes and Maslauskaitė (2013) ask whether a new social dimension is needed for the Economic and Monetary Union (EMU) only or for the EU in its entirety. They stress (as does Jacques Delors in the foreword to the publication) 'that the social dimension must be mainstreamed in all EU and member states' initiatives' (Fernandes and Maslauskaitė, 2013, p. 13). The European social model, of which social dialogue is a central pillar, has been challenged in the course of the crisis. The recent attempts to strengthen the social dimension of the EMU address some of the initial weaknesses of its design in order to make it fairer, more competitive and better able to promote growth (Costamagna, 2015). At the same time, after seven years of economic crisis in many of its Member States, the EU is faced with less cohesion, more inequality and EU citizens' increasing lack of trust in the process of European integration. Or as Jacques Delors put it, 'If the single currency jeopardises the European social model, there is no way that it can garner the support of Europe's citizens' (Fernandes and Maslauskaitė, 2013, p. 11).

At the occasion of the 30th anniversary of European social dialogue launched in Val Duchesse on 31 January 1985, both Vice-President Dombrovskis and Commissioner Thyssen reiterated that social dialogue was a prerequisite for social market economy and crucial to both competitiveness and fairness. President Juncker also called for the need to combine monetary stability and social fairness: 'The stability of our single currency is as important to me as social fairness in implementing structural reforms' (Juncker et al, 2015; European Commission, 2015a). In the keynote address at a conference organised by Eurofound in cooperation with



the Greek presidency of the European Union, Sir Christopher Pissarides put the argument into a more general perspective:

*...social dialogue is essential in maintaining some balance in the distribution of wealth. Agreements about wages and working conditions based on dialogue between organised labour and organised employers are likely to have a better outcome for distribution than atomistic capitalism. But the conundrum how to ensure that the rewards from innovation and growth remain strong after redistribution is unresolved.*

(Pissarides, 2014)

For this to happen, a stronger involvement of the social partners is needed (European Commission, 2015b; Eurofound, 2016b).

## Social cohesion and non-discrimination

The concept of cohesion goes beyond the legal framework of non-discriminatory, equal treatment in that it focuses on inclusive activities of both politics and society. The Council of Europe defines social cohesion as ‘the capacity of a society to ensure the well-being of all its members, minimising disparities and avoiding marginalisation’ (Council of Europe, 2008). Low employment rates, an ageing population, changing family structures and social exclusion have put quality of life issues at the top of the EU social policy agenda. Recognising the need for additional comparable data on the subject of living conditions, Eurofound launched a pan-European Quality of Life Survey (EQLS) in 28 countries in May 2003. This was the first step in a major initiative to monitor and report on living conditions and quality of life in Europe. The second EQLS was carried out in 2007 and the third one in 2011–2012. Fieldwork for the third EQLS took place from the end of September 2011 to early February 2012 and covered 34 countries: 27 EU Member States and Croatia, Iceland, FYR Macedonia, Montenegro, Serbia, Turkey and Kosovo (Eurofound, 2012d). Fieldwork for the fourth EQLS will start in September 2016. It is being carried out in all 28 Member States and all five candidate countries. Eurofound’s research in this area relates to the key priorities of the EU social agenda – full employment and a more inclusive society – and will continue to be a major focus in the Agency’s Programming Document 2017–2020. Areas of research undertaken by Eurofound include a three-phase report on the issue of disability and social inclusion, which identified policy initiatives that can facilitate social and economic integration, as well as examining ways to retain people with chronic illnesses and disabilities in employment. A key focus is the active inclusion of young people with disabilities or health problems, as recent research has shown an increase in the take-up of

incapacity benefits by young people of working age in EU Member States.

In the context of an ageing population and increasing demand for care services in the EU, there is growing concern about the supply of suitably qualified care workers. Low pay, low status and high rates of turnover and burnout make it difficult to attract workers to the care sector and keep them in their jobs. Another key focus has been the exploration of employment initiatives for an ageing workforce. Another Eurofound project has examined if, and to what extent, regional social capital is a factor both in combating social exclusion and in promoting employment in disadvantaged regions. The study on a new organisation of time over working life provides a significant input into the emerging debate in Europe on employment, social protection and care over the life course.<sup>12</sup>

In a joint report with Eurofound, the Bertelsmann Foundation defines social cohesion as follows:

*A cohesive society is characterised by resilient social relations, a positive emotional connectedness between its members and the community and a pronounced focus on the common good. Social relations, in this context, are the horizontal network that exists between individuals and groups within the society. Connectedness refers to the positive ties between individuals and their country and its institutions. A focus on the common good, finally, is reflected in the actions and attitudes of the members of society that demonstrate responsibility for others and for the community as a whole. These are the three core aspects of cohesion.*

(Eurofound, 2014c, p. 6)

According to the EIRD, the principle of equal treatment requires that all people, and in the context of the workplace, all workers, have the right to receive equal treatment and will not be discriminated against on the basis of criteria such as age, disability, nationality, race and religion. The EU has been an important force in combating discrimination and in promoting the equal treatment principle in employment and industrial relations. From the beginnings of the European Economic Community (EEC), its common market objective of fair competition among employers meant that the non-discrimination principle was at its core. Discrimination was initially the focus of EU attention in two respects. The EU Member States’ economic objective of creating a common labour market through the free movement of workers required the prohibition of discrimination on grounds of nationality (Article 45 TFEU) and the different treatment of workers who are nationals of a Member State of the EU is thus prohibited if based on grounds of their nationality.

12 <http://www.eurofound.europa.eu/areas/socialcohesion/index.htm>

The equal treatment principle goes hand in hand with the non-discrimination principle. The latter requires the equal treatment of an individual or group irrespective of their particular characteristics and is used to assess apparently neutral criteria that may produce effects that systematically disadvantage people possessing those characteristics. The principle of non-discrimination has been affirmed by Article 21 of the Charter of Fundamental Rights of the European Union and has been integrated by

the Treaty of Lisbon into primary Union law via Article 6 of the TEU. In the context of employment and industrial relations in the EU, the principle has two applications in the TFEU: Article 18 of the TFEU, which prohibits discrimination on the grounds of nationality, and Article 157 of the TFEU, with its requirement for ‘equal pay for female and male workers for equal work’. The principle of non-discrimination on the basis of nationality was essential for the establishment of a common labour market in Europe (Article 45 of the TFEU).

### Box 1:

#### EU action against gender-based discrimination

Initially the principle of non-discrimination was applied to gender-based discrimination in relation to equal pay for women and men (Article 119 EC, now Article 157 TFEU) as the ‘pay gap’ between male and female earnings was – and still is – significant in every Member State. The concept of ‘pay’ was given a particularly wide definition so as to include fringe benefits and eventually also occupational pensions.

The legislation to promote equal pay depended on being able to show that there were comparable workers of the opposite sex whose pay was higher. However, occupational segregation in terms of gender, which meant that in many workplaces certain occupations were predominantly or exclusively occupied by one gender, made it very difficult in practice to identify such a comparator.

Gender equality is now a key part of the Treaty on the European Union (Article 3 TEU) and the Treaty on the Functioning of the European Union (Article 8 TFEU). Union law also allows the EU to adopt minimum requirements and to support and complement the activities of the Member States in regard to the integration of people excluded from the labour market as well as promoting equality between women and men in regard to labour market opportunities and treatment at work (Article 153 TFEU).

Furthermore, gender equality is central to the Charter of Fundamental Rights of the European Union, which states that equality between women and men must be ensured in all areas, including employment, work and pay (Article 24). As regards secondary Union law, several directives setting minimum requirements to ensure equal opportunities between women and men have been adopted since 1976:

- Directive 2010/41 on the application of the principle of equal treatment between men and women engaged in an activity in a self-employed capacity;
- Directive 2006/54 on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation (recast);
- Directive 2004/113 implementing the principle of equal treatment between men and women in the access to and supply of goods and services;
- Directive 79/7 on the progressive implementation of the principle of equal treatment for men and women in matters of social security.

In 2014 the European Commission published a Recommendation on strengthening the principle of equal pay between men and women through transparency.

In addition to the above, the European Commission combats violence against women and has proposed EU accession to international conventions to fight violence against women.<sup>13</sup> The Women on Boards proposal, which has proposed legislation with the aim of attaining a 40% objective of the under-represented sex in non-executive board member positions in publicly listed companies, with the exception of SMEs, also needs to be mentioned in the context of gender equality.<sup>14</sup>

Finally, gender equality is one of the six policy domains under ‘Equal opportunities on the labour market’, part of the European pillar of social rights.

Sources: EIRD; European Commission (2016b)

<sup>13</sup> European Commission press release *Commission proposes EU accession to international Convention to fight violence against women*: [http://ec.europa.eu/justice/newsroom/gender-equality/news/160304\\_en.htm](http://ec.europa.eu/justice/newsroom/gender-equality/news/160304_en.htm)

<sup>14</sup> European Commission press release *Women on boards: Commission proposes 40% objective*: [http://ec.europa.eu/justice/newsroom/gender-equality/news/121114\\_en.htm](http://ec.europa.eu/justice/newsroom/gender-equality/news/121114_en.htm)

Another underpinning condition for a just society is citizens' access to certain liberties and fundamental rights, as these are indispensable safeguards for the preservation of decent living and working conditions.

Eurofound's research in this area relates to the key priorities of the EU social agenda – full employment and a more inclusive society – and these will continue to be a major focus. Areas of research undertaken by Eurofound include a three-phase report on the issue of disability and social inclusion, which identified policy initiatives that can facilitate social and economic integration, as well as examining ways to retain people with chronic illnesses

and disabilities in employment. A key focus is the active inclusion of young people with disabilities or health problems, as recent research has shown an increase in the take-up of incapacity benefits by young people of working age in EU Member States.

Another Eurofound project examined if, and to what extent, regional social capital is a factor, both in combating social exclusion and in promoting employment in disadvantaged regions. The study on a new organisation of time over working life provides a significant input into the emerging debate in Europe on employment, social protection and care over the life course.<sup>15</sup>

## Box 2:

### EU action against discrimination on other grounds

Discrimination on the **grounds of racial or ethnic origins** is outlawed by Council Directive 2000/43/EC of 29 June 2000. The directive implements the principle of equal treatment between people irrespective of racial or ethnic origin. Article 2 defines the concept of discrimination and states that it encompasses direct and indirect discrimination, harassment and instructions to discriminate. 'Direct discrimination' occurs where one person is treated less favourably than another has been or would be treated in a comparable situation on the grounds of racial or ethnic origin. 'Indirect discrimination' occurs where 'an apparently neutral provision, criterion or practice' would put a person of a certain racial or ethnic origin at a particular disadvantage compared with other people unless objectively justified by a legitimate aim and where the means of achieving it are appropriate and necessary.

**Religion or belief discrimination** refers to differential treatment of individuals or groups based on their system of belief or worship. Council Directive 2000/78 establishing a general framework for equal treatment in employment and occupation prohibits discrimination, either direct or indirect, on the basis of religion or belief. It covers 'conditions for access to employment', including 'selection criteria and recruitment conditions', 'employment and working conditions including dismissals and pay' and 'membership of, and involvement in, an organisation of workers or employers, or any organisation whose members carry on a particular profession, including the benefits provided for by such organisations' (Article 3).

However, with respect to churches and other public and private organisations premised on religion or belief, Article 4(2) states that Member States may keep national legislation or develop new law that incorporates existing national practices so that differential treatment based on a person's religion or belief will not amount to discrimination where, by reason of their occupational activities or the context in which they are performed, religion or belief constitutes a 'genuine, legitimate and justified occupational requirement'. In addition, the directive does not affect the right of churches and other organisations, acting in accordance with national constitutions and laws, to require individuals working for them to act 'in good faith' and with loyalty to the organisation's ethos.

**Discrimination with respect to sexual orientation** refers to different treatment on the basis of an individual or group's sexual preference. In establishing a general framework for equal treatment in employment and occupation, Council Directive 2000/78 prohibits discrimination on the grounds of sexual orientation. It goes some way towards reversing the consequences of the decision by the ECJ that European Community law did not prohibit such discrimination on the grounds that sexual orientation discrimination was outside EU competence (see *Grant v. South-West Trains* Case C-249/96, [1998]). The decision was widely criticised for retreating from the principle of prohibiting discrimination based on sex [1996]. Although not in effect for consideration in the Grant case, the Treaty of Amsterdam provided that the Community could 'take appropriate action to combat discrimination based on ... sexual orientation' (Article 13). The ECJ pointed this out in its judgment, implying that the fundamental right at issue in Grant could have been protected in the event of Article 13 conferring EU competence. Council Directive 2000/78 now accomplishes this purpose.

Source: EIRD

## Job and employment quality

The fourth and final dimension is job and employment quality, which has been operationalised by Eurofound for a number of years.<sup>16</sup> In 2002, Eurofound developed an influential conceptual framework in which job quality was built upon four blocks: ‘career and employment security’, ‘health and well-being’, ‘reconciliation of working and non-working life’ and ‘skills development’ (Eurofound, 2002b). Since that time, the European Working Conditions Survey (EWCS) has evolved further, as has scientific study of the workplace, facilitating improved indicators for some concepts. Very recently this research has been complemented by a concept paper on sustainable work (Eurofound, 2015h). The present report, however, builds on the 2002 framework and puts it into practice via the four key dimensions of industrial relations identified above. Bearing Eurofound’s previous extensive work in mind, the main elements of the Agency’s earlier research on this key dimension will be only briefly summarised.

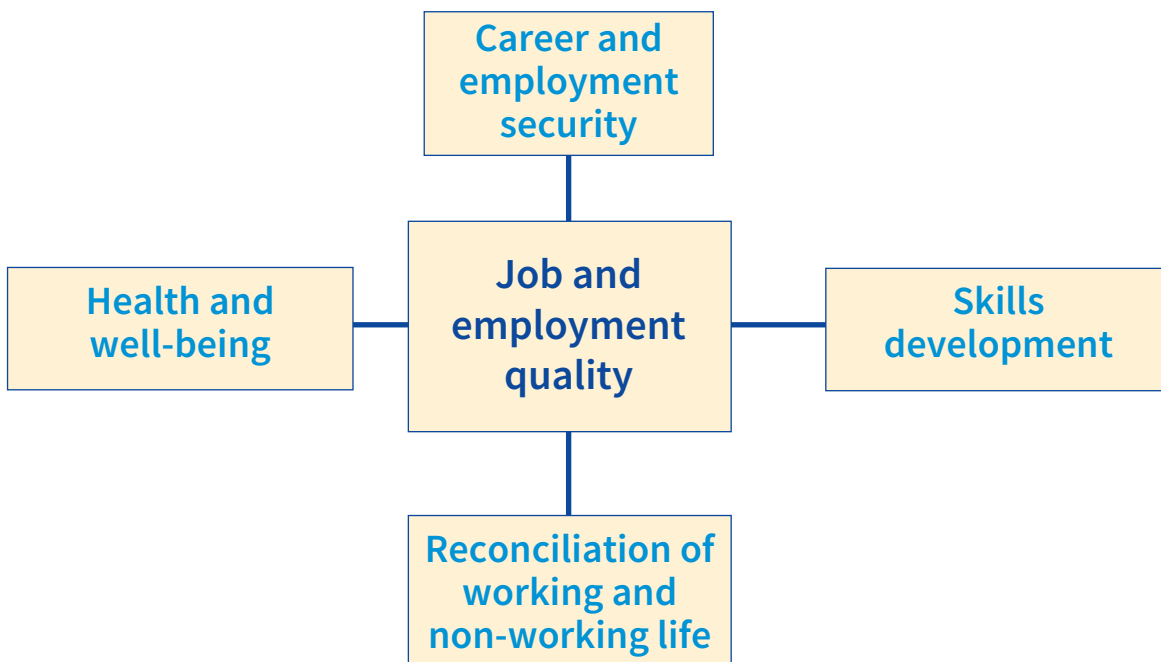
Job and employment quality, or quality of work, refers to the EU’s objective to promote ‘improved living and working conditions’ as laid down in Article 151 of the TFEU. While the commitment to improving working conditions was already a part of the Treaties of Rome, it

was further stipulated in the 2007 Charter of Fundamental Rights of the European Union. The commitment was renewed by the Lisbon Strategy, aimed at combining ‘sustainable economic growth with more and better jobs and greater social cohesion’. It incorporates policy concerns on employment, competitiveness and adaptability, particularly in debates on balancing flexibility with security, the so-called ‘flexicurity’ concept. The European Commission’s renewed Social Policy Agenda 2006–2010 (COM(2008)412 final, 2 July 2008) emphasised the joint goals of ‘more and better jobs’, since ‘the aim is not only to have more jobs but also to develop quality jobs, in particular those linked to the knowledge-based economy’.

Improving quality of work is also an important objective of European social dialogue. A number of European framework agreements and frameworks of action address issues regarding the quality of work. These include:

- the agreement on telework (2002);
- the framework of action on lifelong learning (2002);
- the agreement on stress at work (2004);
- the framework of action on gender equality (2005);
- the agreement on harassment and violence at work (2006).

Figure 5: Quality framework of work and employment



Source: Eurofound (2002b)

<sup>16</sup> For more specific information on this dimension, see Eurofound (2012c).

According to ETUC (2015):

*job quality has to be defined in the EU, even if it is a multi-dimensional concept and an agreed European definition remains difficult to achieve. At the international level, the ILO has defined the concept of 'Decent Work' as 'work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men'. While no such comprehensive definition can be found at European level, the European Employment Strategy (EES) nevertheless contains an overarching objective of 'promoting job quality'.*

The concept of job quality has its roots deep in the social sciences, having long been discussed from various angles by sociologists, economists and psychologists. The first approach is exemplified in the work of the United Nations Economic Commission for Europe (UNECE), which has recently settled on seven dimensions, each with multiple indicators, to capture the 'quality of employment' as part of its work designed to help support improved employment policies. For instance, UNECE's approach incorporates measures of inappropriate child labour as a negative indicator for employment quality, thus taking into account the age of the worker rather than just the job itself. 'Quality of employment' is a broader concept

than job quality and deploys indicators (such as the unemployment rate) of items at the macro and meso levels as well as those related to jobs. Also wide-ranging is the ILO's concept of 'decent work', for which multiple indicators have been proposed, extending to indicators of union density, social protection, child labour and old-age pensions (Ghai, 2003; Bescond et al, 2003).

The objective concept of job quality focuses on the essential characteristics of jobs that meet workers' need for good work. This research again uses four building blocks, but sets them up in a somewhat different way. Two sets of extrinsic job features are examined, 'earnings' and 'prospects', alongside a somewhat larger set of intrinsic features of the work itself, which are termed 'intrinsic job quality' and 'working time quality'. Each set contains elements, and the different disciplines, especially economics, sociology and occupational psychology, often make different assumptions about which are most important. For example, economists tend to put a good deal of weight on wages because of their relationship to income and then to living standards, while others sometimes focus their discussions on certain intrinsic aspects of the job.

An approach is adopted here that incorporates these multidisciplinary insights while looking to obtain indices that are not unduly sensitive to alterations in the assumptions. On the one hand there is the subjective concept, in which job quality is the 'utility' that a worker derives from his or her job. That utility depends on job

**Figure 6: The four key dimensions of industrial relations**



Source: Eurofound

features, such as the wage, hours and type of work, but it is subjective in that each worker has preferences over the different job features. On the other hand, in the objective tradition, job quality is constituted by the features of jobs that meet workers' needs from work. As such, any objective concept stems ultimately from a theory of what human needs are and proceeds to investigate how far jobs meet those needs. For example, Maslow's hierarchy of needs can be applied to the world of work, leading to a focus on a limited number of key job characteristics. Similarly, Green (2006) adapts Sen's capability approach and develops the idea that a 'good job' is one that offers workers a high capability to do and be things that they value. The capability to achieve well-being depends on how much jobs enable workers to exercise influence over work and to pursue their personal work-related goals. The needs that workers choose to prioritise will vary, but a high-quality job is one that allows for a full range of needs to be met. The ILO's concept of 'decent work' is another objective concept, similar in spirit but broader in the scope of needs that it addresses.

Job quality is made up of generic elements that meet universal needs, but the extent of those needs will differ according to a person's circumstances, including the social and physical environment in which a person lives. Work-life balance, for example, is a property of the relationship between the job and the worker who performs it. Whether a job meets the need for a good work-life balance depends both on job features, such as flexible working hours, and on features of a worker's personal life, such as responsibilities as a carer for family members. Job features can usually be categorised according to whether they contribute positively or negatively to meeting workers' needs. Pay, for example, would be regarded positively. Features that are known to pose broad physical or psychosocial risks to health and well-being are regarded negatively. It is in effect the absence or low prevalence of such negative items that are incorporated into the indices of job quality used in this research. In addition, certain job features are covered in the survey, important in their own right, about which there are no unambiguous prior views on whether they are positive or negative in meeting needs. These features have not been used in constructing the indices.



# 5 Different perspectives on key dimensions of industrial relations

## Tripartite perspective

The following two sections are based on short contributions from the national correspondents of the EurWORK network in all EU Member States and Norway. The first section was to be answered by the experts directly. The following questions were asked.<sup>17</sup>

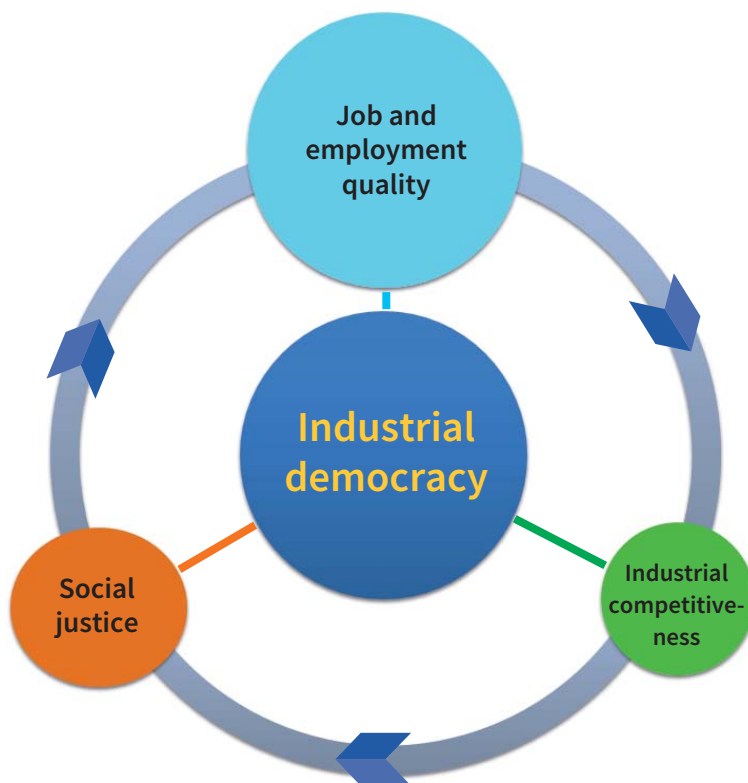
- Are the four strategic objectives described in the diagram discussed publicly and/or debated politically in your country? If they are discussed, please state in which way and who is driving the debate.
- Are the four strategic objectives part of national policy documents? If yes, please provide examples.
- Are other analytical frameworks used by your government or the social partners to analyse policies in relation to objectives of industrial relations?

In the second section, national experts were asked to elicit the views of the national social partners. Trade unions, employers' organisations and government were asked if they considered the identified industrial relations' key dimensions to be:

- relevant in their country context;
- useful for raising awareness and initiating discussions and debates;
- useful for policy development, analysis, implementation and evaluation.

All three stakeholders agreed that all the key dimensions are relevant and useful. Nuances in relevance and usefulness exist depending on the stakeholders' affiliation (management or labour), the industrial relations systems and the country context.

Figure 7: Four key dimensions of industrial relations – relative importance for trade unions



<sup>17</sup> This exercise has been based mainly on the answers provided by the Eurofound network of correspondents to a semi-structured questionnaire launched in the spring of 2015. In order to make it easier to understand the questions, the term 'strategic objectives' was used instead of 'dimensions' when applied to the national industrial relations systems.



### Relative importance of four key dimensions for trade unions and employers

Trade unions represent labour and give voice to the rights and demands of the employee. Therefore, trade unions focus on industrial democracy as a means to democratically participate in and influence workplaces (see Figure 7).

An important outcome of democratic participation is the level of job and employment quality, the extent of social justice and the degree of industrial competitiveness. More specifically, unions tend to be particularly concerned with topics such as wage setting, employment security and equality. Unions tend to criticise the perceived imbalance in public discussions concerning the treatment of the key dimensions, with more attention given to competitiveness than to the other dimensions.

Employers' organisations support and represent the interest of businesses and companies. For a company to be successful it needs to become, maintain or increase its industrial competitiveness. Therefore, employers'

organisations emphasise the dimension of industrial competitiveness. Employer organisations stress that without competitiveness, there will be no economic development, which will make it difficult to maintain and extend social objectives. Employers' organisations also see a need to ensure good job and employment quality, as it supports a healthier and more productive workforce.

For employers, the most important objective is to raise competitiveness (see Figure 8). Social justice is often considered to be the state's role, whereas corporate social responsibility (CSR) plays a crucial role, especially in the centre-east countries.

### Relative importance of four key dimensions for governments

Governments tend to emphasise the importance of all dimensions for ensuring well-functioning industrial relations. Although governments tend to slightly favour industrial competitiveness over industrial democracy, job and employment quality, and social justice, they perceive that all dimensions make a necessary contribution to their societies and economies (see Figure 9).

Figure 8: Four key dimensions of industrial relations – relative importance for employers

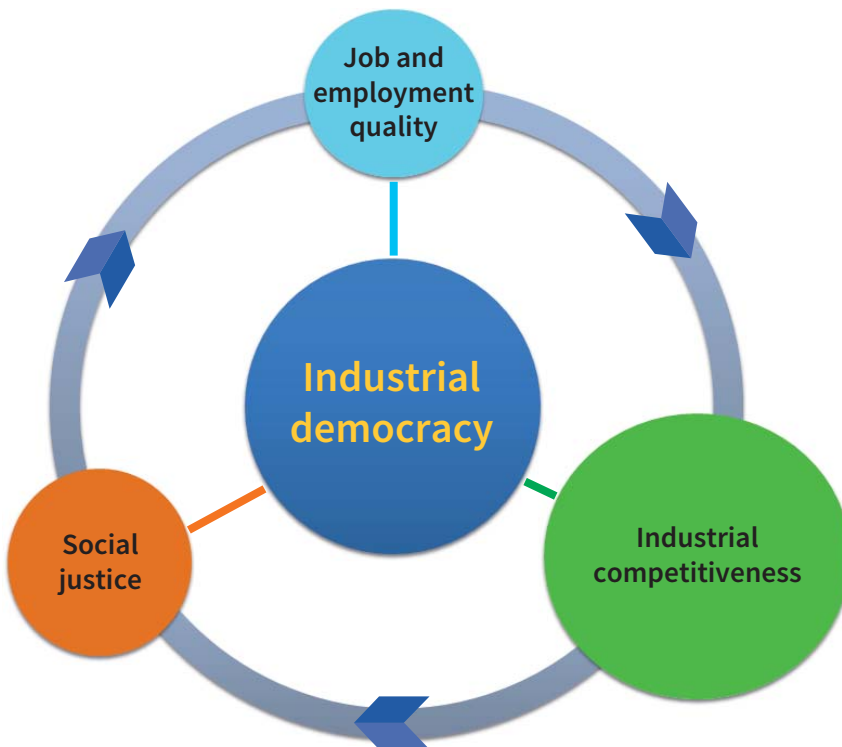
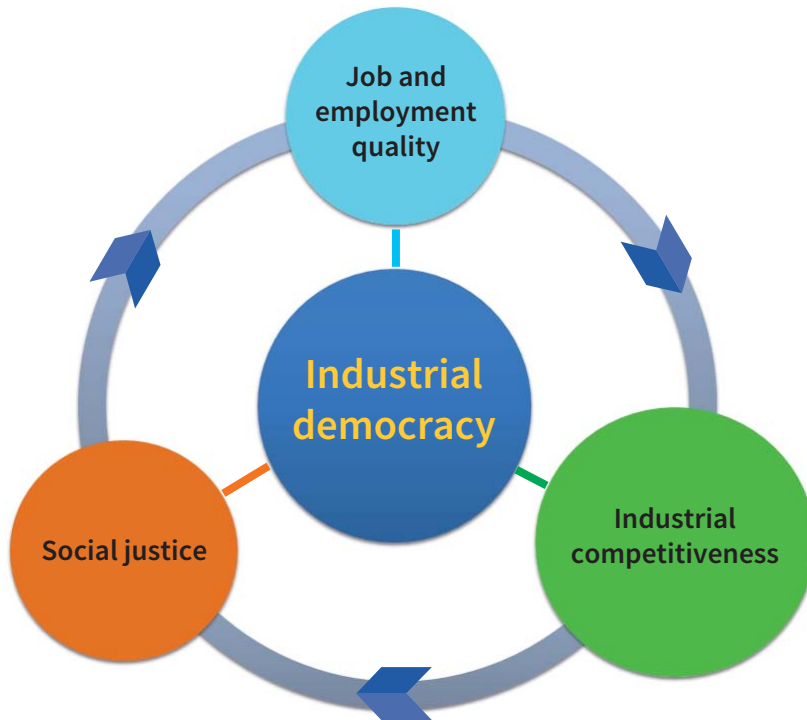


Figure 9: Four key dimensions of industrial relations – relative importance for governments



The nuanced views expressed by the stakeholders on the different dimensions depend on their affiliation to management and labour as well as on the characteristics of the national industrial relations systems, which will be further analysed below.

## Industrial relations systems perspective

This report has also explored the potential fitness of the proposed four key dimensions in the framework of the national industrial relations systems of the 28 EU Member States. A supplementary research objective was to carry out a pre-test in regard to what extent the conceptual framework built up so far might be accommodated into the national practical or theoretical industrial relations frameworks applied. The main research question of this chapter is: to which extent do the proposed key dimensions fit into the national industrial relations systems?

In seeking to answer this, the presence of the key dimensions and their main components or subdimensions in public or specialised debates usually taking place between governments and social partners have been scanned as well as whether and how they show up in national policy documents. This exercise has been mainly based on the answers provided by the Eurofound network of correspondents to a semi-structured questionnaire launched in the spring of 2015. (In order to make it easier to understand the questions,

the term ‘strategic objectives’ was used instead of ‘dimensions’ when applied to the national industrial relations systems. The four dimensions and their components were understood by national correspondents according to their own traditions and academic and public discussions between government and social partners. This means that each dimension and component may have different meanings, or at least not exactly the same meaning, in different countries.)

The starting point of the exercise should be acknowledging the great variety of industrial relations systems in Europe, since it is widely accepted in political and academic grounds. As has been discussed in academia and in the first chapters of this report, industrial relations constitutes a complex system in which economic, labour and social inputs (industrial and production fabric, social partners’ representativeness and capacity, business management) interact with institutions and practices (legislation, collective bargaining, agreements), generating outcomes (wage-setting, employment relationships) and other intangible assets (trust, mutual recognition, cooperation schemes, social peace) – in short, a conceptual framework basically composed of actors (social partners and governments), processes (in which collective bargaining is at the heart) and outcomes (agreements, developments in different economic, labour and social topics) set on certain values. Thus, many authors consider industrial relations to be a subsystem, part of a broader and more complex social and political societal construction.

**Table 1: Regimes of industrial relations**

	<b>Organised corporatism</b>	<b>Social partnership</b>	<b>Polarised, state centred</b>	<b>Liberal pluralism</b>	<b>Fragmented, state centred</b>
<b>Employee representation</b>	Union based, high coverage	Dual system, high coverage	Variable	Union based, limited coverage	Union based, limited coverage
<b>Main level of bargaining</b>	Sector	Sector	Variable, unstable	Company	Company
<b>Bargaining style</b>	Integrating	Integrating	Conflict oriented	Conflict oriented	Acquiescent
<b>Role of state in industrial relations</b>	Limited (mediator)	Shadow of hierarchy	Frequent intervention	Non-intervention	Organiser of transition
<b>Role of social partners in public policy</b>	Institutionalised	Institutionalised	Irregular, politicised	Rare, event driven	Irregular, politicised
<b>Broad geographic region</b>	Northern Europe	Continental western Europe	Southern Europe	Western Europe	Central and eastern Europe

Source: *European Commission (2016)*

In order to test the fitness of the four dimensions in the multifaceted discussions held in 28 complex systems, the national EurWORK correspondents were provided with a more precise understanding of the assessment to be done at national level. Consequently, the classification of industrial relations regimes based on the clusters prepared by Jelle Visser for the European Commission on the basis of existing research have been used, although the homogeneity of these ideal typologies has been seriously challenged due to the impact of the recent Great Recession in some of the countries.

These regimes come from a mix of criteria applied to institutional features such as workers' representation and the role of the state and social partners in general public policymaking and industrial relations. Despite the fact that these criteria have been incrementally fine-tuned (Eurofound, 2014a; 2015d), in some industrial relations systems the effects of the crisis point to the existence of diverging paths (of different economic and social regimes) as well as converging trends (such as decentralisation and the erosion of multiemployer bargaining) that may call into question the full applicability of the industrial relations clusters to the goals of this research project. Finally, this classification groups countries according to a geographical proxy factor, which may be controversial in some specific cases.

The northern industrial relations system is often characterised as organised corporatism. Here, industrial democracy seems to be less relevant to governments due to its relatively robust institutionalisation and governments' limited role in it. Yet the government does play a major role in striving for social justice, particularly through legislation, which is why the trade unions tend to focus less on this key dimension. Industrial competitiveness is considered to be the crucial dimension of industrial relations by the employers in these northern countries.

Governments have a more important role to play in centre-western countries. The industrial relations system is commonly characterised by social partnership. In some countries, however, governmental intervention is seen as constraining trade unions' autonomy to engage in industrial relations. This might be due to the relatively strong support of governments for increasing industrial competitiveness along with employers' organisations in a number of countries. Due to this focus on businesses' competitiveness, trade unions tend to advocate strongly for ensuring and increasing job quality at the same time.

In the southern countries, state intervention in industrial relations is frequent, which is why the system is usually characterised as state-centred. The relatively weak economic performance of southern Europe since the economic crisis is mirrored by the topics discussed and negotiated. The conceptual framework of key dimensions might help to explain the interrelationship of different areas in industrial relations. The framework is considered useful for analysing the impact of austerity measures and for developing coherent measures to overcome the crisis. Under the given economic circumstances, employers' organisations are concerned with a lack of investment, while unions focus on improving working conditions and employee participation. Possibly due to the limited room for investment in companies, some governments focus on the precarisation of jobs. Improving job quality is seen as the trade unions' task, which does not need governmental support or funding.

In the centre-eastern countries, the transition phase to market economies is still reflected in often fragmented industrial relations systems. Legislation related to the key dimensions of industrial relations is less stringent in comparison with other European countries. This comparatively weak legal framework for industrial relations contributes to under-resourced institutions and more voluntary initiatives than mandatory actions. Trade

**Table 2: Four key dimensions from an industrial relations systems perspective**

<b>Centre-west</b>	Austria, Belgium, Germany, Luxembourg, Netherlands, Slovenia	<ul style="list-style-type: none"> <li>• The four dimensions are part of the overall national background in industrial relations.</li> <li>• As such, they are not usually discussed (institutional and cultural assumption).</li> <li>• Industrial democracy – at different levels – is recognised in most Member States and relates well to social dialogue.</li> <li>• Industrial competitiveness has become most relevant: leading goal, taken for granted.</li> </ul>
<b>Nordic</b>	Denmark, Finland, Sweden	<ul style="list-style-type: none"> <li>• Relevance of the four dimensions.</li> <li>• Industrial democracy is not an issue as it is part of the national policies and culture.</li> <li>• Competitiveness and productivity are clearly at the heart.</li> </ul>
<b>West</b>	Cyprus, Ireland, Malta, United Kingdom	<ul style="list-style-type: none"> <li>• Recognition of the dimensions in spite of continental terminology as well as Anglo-Saxon industrial relations.</li> <li>• Terms are too broad for a national discussion.</li> <li>• Competitiveness is most important.</li> <li>• Equality is more common than social justice.</li> </ul>
<b>South</b>	Greece, France, Italy, Portugal, Spain	<ul style="list-style-type: none"> <li>• Familiar and comfortable with the dimensions, except for competitiveness.</li> <li>• Competitiveness has become more relevant in policy documents and policies.</li> <li>• The remaining dimensions (job quality, social justice and industrial democracy) have been challenged in the Member States hit hardest by the crisis.</li> </ul>
<b>Centre-east</b>	Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia	<ul style="list-style-type: none"> <li>• Less familiar with the terms, as they are not used very much in the public debate nor in social partner and government practices.</li> <li>• Other dimensions are more common: freedom of association, and decent work instead of job quality.</li> <li>• Social justice is recognised as a strategic objective but is not implemented.</li> <li>• Competitiveness is the single most relevant dimension. Awareness of incomplete industrial relations systems due to weak social dialogue, lack of institutional capacity and finances. Industrial relations is mainly focused on collective bargaining at company level, wages and improving working conditions ('principle of survival' – Lithuania).</li> </ul>

unions fear a potentially diminishing social dialogue and are concerned about their lack of capacity to influence it. Employers' organisations accept corporate social responsibility on a voluntary basis. Governments concentrate on the skills development of the workforce and the inclusion of minorities in their efforts to promote industrial competitiveness and social justice.

### Industrial democracy

The cross-comparative analysis of this dimension suggests that the meaning of industrial democracy and its implications is well known in the countries included in some industrial relations regimes (northern, southern and continental western Europe) or is at least intuitively understood in those Member States with shorter experiences of industrial relations settings and practices. However, a common understanding of this key dimension across the industrial relations clusters should not be taken for granted. The vast majority of Member States included in the central and eastern model link this dimension to social dialogue, mainly at tripartite and institutional level.

It could be said that countries in the centre-western cluster easily acknowledge that industrial democracy constitutes a pillar of their national industrial relations systems. Industrial democracy is seen as a principle of the industrial relations system itself. Solid systems of employee representation through unions and workers, representation in companies and sectors as well as a wide coverage of collective bargaining are the main features in the industrial relations systems of this model. The model also reflects the importance of well-rooted traditions such as co-determination at workplace level (which is also established in legislation), which shows different levels and intensity across the EU countries.

In **Germany**, the term 'industrial democracy' is used in the academic literature of the 1970s to the 1990s and describes collective bargaining, works councils, co-determination at supervisory board level as well as other forms of worker participation at workplace level. It is based on responsible cooperation between social partners and the concept of the social market economy, which gives a decisive role to the state in setting the framework conditions of industrial relations. Autonomy in collective bargaining and the works constitution (participation/co-determination) are the two

institutionalised pillars of the system. Recent debates shed light on some shift: as of 2015, industrial democracy is debated in the broader conceptual and theoretical context of ‘economic democracy’ (Wirtschaftsdemokratie), which is promoted by the trade unions. The concept implies a stronger regulatory role for the state in the economy and stronger co-determination rights at company level. According to Müller-Jentsch, the German concept of Wirtschaftsdemokratie goes back to Fritz Naphtali (1928/1966).

*Wirtschaftsdemokratie was an ambitious programme to create an organized democratic economy designed as a mix of cooperatives, nationalized industries, companies run by trade unions, economic and social councils at sectoral and national levels, a collective bargaining system, and co-determination both in the economy and in companies. These elements already existed in part, while others needed to be created*

(Müller-Jentsch, 2016, p. 47.)

Müller-Jentsch is also optimistic about the future of industrial democracy in Germany:

*Industrial democracy does have a future in Germany, because co-determination – both as a term (Mitbestimmung) and as a practice – has not been discredited, contrary to socialism and common ownership (Gemeinwirtschaft) which lost their attraction through the past experiences in East Germany and the disastrous managing of companies by German trade unions.*

(Müller-Jentsch, 2016, p. 60)

In **Luxembourg**, industrial democracy has been a relevant debate amongst social partners and the government over the past years based on the reform of representativeness (in this case, unions’ representativeness) and thus is one of the core components of industrial relations. In 2015, a new law extended the prerogatives of the employee representatives by abolishing joint committees (Comité Mixte) in companies with more than 150 employees. The employee representatives in companies with more than 15 workers are elected from a list of candidates that is put forward either by the national representative unions or by the workers, once they represent at least 5% of the workforce. They will manage the rights received from the joint committees during the next general election to be held in 2018. The competences of the special representatives for occupational safety and for equal treatment remain unchanged. The ‘co-determination’ rights will be exercised by the elected representatives only in companies with more than 150 workers. External assistance paid by the employer under certain limitations and advisor’s contributions are now more readily available.

The so-called Dutch ‘polder model’ in the **Netherlands** also stresses the importance of industrial democracy as a framework guiding social and economic policy-making. It refers to the intensive structural consultation and cooperation at different levels (national, sectoral and company level) between government and the social partners in policy formulation and, to some extent, implementation. The social partners, acting independently or in joint institutions such as the Social Economic Council (SER) and the Labour Foundation (STAR), are part of the framework and are drivers of the debate.

**Slovenia** may be considered part of this social partnership regime, coming from a neo-corporatist tradition and turning to a neoliberal one during the crisis, although the Social Agreement 2015–2016 (signed by the government, trade unions and employers’ organisations) declares ‘economic democracy’ as one of the objectives embedded in institutional industrial relations settings.<sup>18</sup>

Similar to the social partnership model, industrial democracy is not debated in the **Nordic countries**, as it is taken for granted there and is thoroughly embedded in national policymaking. The autonomy of the social partners, representation and participation are all features of the national labour markets and the fact that social dialogue is administered by the social partners themselves, without governmental intervention, mirrors this key dimension very clearly. Trust and cooperation are thus rooted in tradition and inherited over decades and henceforth are rarely referred to in national policy documents. Yet in **Finland**, recent developments show the increasing influence of government in industrial relations. In **Sweden**, certain aspects of industrial democracy may be discussed in bipartite negotiations between the social partners as part of the obligation to maintain industrial peace (Co-determination Act, 1976) and while trade unions do not want any reforms, the employers advocate that regulations should be extended to also cover those trade union organisations that are not bound by collective agreements.

Industrial democracy as such is not publicly discussed in the **western countries** as this terminology may not be the most appropriate according to the cultural tradition, although the concepts and the issues behind them seem to largely cover the key elements of industrial relations processes.

Although **Malta** is usually considered part of the western model in terms of collective relations, it seems to diverge in regard to its view on the content and topics covered by industrial democracy when this key dimension is discussed in institutional bodies at tripartite level.<sup>19</sup> The same could be said of **Cyprus**, where there is a long

<sup>18</sup> The social agreement was signed on 5 February 2015, but not by the Chamber of Commerce and Industry Slovenia.

<sup>19</sup> Tripartite discussions take place mainly in the Employment Relations Board (Ministry of Social Dialogue, Consumer Affairs and Civil Liberties) as well as in the Council for Economic and Social Development, an advisory body that issues opinions and recommendations to the government.



## Box 3:

## New developments regarding autonomy and participation in Ireland

In Ireland, aspects such as autonomy and participation are discussed by the social partners, primarily by unions, but they feature less in a public discourse setting. As of 2015, there has been an increase in the level of comment about the way to discuss industrial relations concerning economy and labour issues. As a result, new legislation reforming the industrial relations framework was adopted, basically addressed to respecting the ILO international standards on workers' rights and collective bargaining. The traditional 'voluntary' principle applied has not been affected – that is, employers keep the right to not recognise a trade union or negotiate working conditions with employees, although in this case now trade unions that have a significant number of members working for the employer can go to the Labour Court in order to get recommendations on employment and working conditions. Initially these recommendations are not binding, but they can become so. Additionally, some guarantees are also given to avoid the misuse by employers of recognised 'excepted bodies', that is, groups of non-unionised employees, which now must be 'independent and not under the domination or control of an employer or trade union of employers'. New arrangements have also been put into practice for extending collective sector agreements. In short, representation is a major issue in this industrial relations reform, particularly where a trade union's position is either undermined or rejected by the employer at the workplace. Accordingly, the state's dispute resolution machinery has been deeply reformed too. As of October 2015, the procedures and the five labour-related bodies involved in resolving disputes between employers and staff have been merged into just two. The Workplace Relations Commission is now the first port of call for complaints (then the Labour Court, with extended power, will treat any appeals) and is also competent for conciliation, mediation and advisory services.

tradition of social dialogue, although tripartite cooperation has been hit over the past years as a consequence of the crisis. Even so, new legislation aimed at overhauling the system of industrial relations was passed in 2012;<sup>20</sup> this particularly enhanced the role of the trade unions in representing vulnerable categories of workers from certain EU Member States (such as Bulgaria and Romania), third-country national workers and Turkish Cypriots, most of whom are not organised in unions and thus have no possibility of representation in order to demand their rights.

In the **United Kingdom**, industrial democracy, when broadly defined, is widely debated by unions and academics. The main focus of this discussion is on worker representation and voice and how to strengthen the existing regulations. In turn, employers and other professional groups have also debated these topics, yet more with an emphasis on links between workers' voice and productivity and/or satisfaction. When the government has dealt with employee participation, it has often been more in view of beneficial outcomes and business performance.

The concept of industrial democracy is widely recognised in **southern countries** and forms part of their industrial relations background. All the subdimensions identified

are present in daily life at the workplaces as well as in social dialogue. Some differences can be found in regard to the topics discussed, however, due to the fact that the crisis has put core elements of the industrial relations systems of most of these countries under extreme pressure. **Greece** is a good example of this. In order to implement the fiscal stability programme and to continue receiving loans from its creditors, industrial relations in this country have been challenged over the past years, in particular with respect to the autonomy of social partners. Several reforms adopted to regain competitiveness severely affected collective bargaining: these include allowing 'associations of persons' who are not labour unions to conclude collective agreements;<sup>21</sup> and establishing the national minimum wage by law and by removing it from the purview of the National General Collective Labour Agreement. Other changes affected the duration of collective agreements. The new government has announced that it will undertake a number of legislative reforms aimed at restoring free collective bargaining and the collective autonomy of the social partners.

In **Portugal**, two subdimensions of this report's conceptual framework have been under intense discussion: representation and influence. Reforms

20 Law 55(II)/2012 on the *Recognition of trade union organisation and of the right to provide trade union facilities of recognition purposes* as part of a package of legislative measures aimed at strengthening legislation provided for by the relevant Convention of the ILO (Convention No. 135). Another example is the amendment of Law N.30 (III)/1995 ratifying the ILO Convention of 1971 on workers' representatives to provide for the employer's obligation to provide access to the workplace for workers' representatives.

21 As a consequence, these collective agreements signed by the association of people (workers) with businesses allow for the establishing of wages lower than those stipulated in corresponding sectoral collective agreements.

resulted from initiatives of both the government and the Troika and included, among other things, stricter criteria for the extension of collective agreements based on the representativeness of employers' organisations and the decentralisation of collective bargaining. The trade unions have seen their influence reduced substantially since 2012 with the dramatic decline of collective bargaining coverage. Also, due to the low trade union density and deficit of workplace representation, trade unions are concerned that the process of decentralisation might have a negative impact.

Since 2012 the most important reforms in **Spain** affecting industrial relations have lacked the support of the social partners, even facing explicit opposition from the trade unions. These reforms have limited the autonomy of the social partners, since company-level agreements have been granted priority over sectoral multiemployer agreements in matters such as basic pay and pay supplements. This scenario can even happen if the social partners decide to establish an alternative structure of collective bargaining and therefore limits the freedom of collective bargaining quite substantially. The criteria for opt-out mechanisms from collective bargaining were redefined in a less restrictive way and now allow employers to unilaterally modify wages on grounds of technical or organisational reasons.

From a different perspective, industrial democracy (*démocratie sociale*) is often used in **France** in a wider context that includes bargaining between social partners as a basis for labour market reforms. Over the past years, there has been a lively debate on industrial democracy between social partners and the government. The most important topics under discussion are participation and representativeness, which also affect the implementation of generally binding collective agreements. After the 2008 reform that introduced the principle that unions have to prove their representativeness in company elections, employers argued for a simplification of the complex structure of workers' representation in companies (staff delegates, works councils, union delegates, health and safety committees), whereas unions aimed to extend employee representation to small companies. The same topics of representativeness and workplace representation are currently under discussion in **Italy**.

According to the national correspondents, industrial democracy is not at the top of the agenda in the **centre-eastern countries**. Furthermore, most of the industrial relations systems in this geographical cluster are under pressure because of the crisis. To some extent social dialogue represents the concept of 'democratic relations' along with other key features such as fundamental rights and freedoms. Some aspects of representation and the

#### Box 4:

##### Recent reforms affecting industrial democracy in France

In 2015, a reform allowed companies to both merge employee representation bodies and to simplify formal procedures. Following a majority agreement, the three main workers' representation bodies (works council, health and safety committee, and employee delegates) are allowed to be integrated in a single common representative body (DUP).

- In companies with between 50 and 300 employees (before the 2015 reform, it was 200).
- In companies with 300 employees or more, following an agreement, it can set out the operation rules (for example, the number of annual meetings, the periods for consultation and negotiation, the topics on the agenda) for the functions to be fulfilled. Employers will be able to use video-conferencing up to a maximum of three times a year unless other arrangements have been agreed.

From now on, employee representation for firms with fewer than 11 employees (the threshold for having employee delegates) will be covered by new regional social partner joint commissions composed of equal numbers of employer and union representatives. These regional bodies will perform advisory and information responsibilities and may facilitate both individual and collective dispute resolution, if the parties agree, prior to going to court. Members of the joint commissions are drawn from these small firms and are allowed to have access to the workplaces with prior employer approval. All employee members of the commissions will receive a five-hour per month credit.

As regards participation in decision-making, the threshold for management boards and supervisory boards to include employee representative members has been lowered:

- 1,000 employees in France (formerly 5,000);
- 5,000 employees worldwide (formerly 10,000).

Furthermore, holding companies must also incorporate employee representatives at corporate level, except in certain circumstances.



## Box 5:

## Important changes in Hungary

Important changes have taken place over the past years in **Hungary**, which reshaped the institutional framework of industrial relations and social dialogue. The current Labour Code, which came into force in 2012, reformulated the 20-year practice of undertaking-level industrial relations through the following measures (among others).

- New criteria for trade union representativeness and entitlement to collective bargaining have been set up.
- Trade unions' rights have been cut, such as the eradication of their right to veto, and the time-off system has been cut too.
- New roles for works councils have been established. Information and consultation rights have been given to works councils, while previously they were shared between works councils and trade unions. At the same time, the new regulation has modified the relationship between trade unions and works councils: overlap in their rights has been eliminated and their interdependence has been weakened.
- Rules on working conditions have become more flexible. The Labour Code allows for collective agreements to derogate from the provisions of the Labour Code to the detriment of employees. Consequently, the regulatory function of collective agreements on working conditions has strengthened, while trade unions have to cope with the challenge of keeping their entitlement to bargain.

The government and the social partners agreed to evaluate the implementation of these measures in 2015 through tripartite discussions.

implications for collective bargaining have been at stake, for example in **Bulgaria**. In the **Czech Republic**, as part of the National Action Plan of Corporate Social Responsibility, there are some debates on social dialogue, increasing protection of trade union members, participation of the stakeholders and the dialogue in company activities. In the Baltic countries, formal social dialogue exists since there are legal conditions for both employees and employers to become equal social partners. Participation rights of employees in the governance of the employment relationship are enshrined in labour legislation. In **Estonia**, several reforms addressing flexicurity in individual employment relationships came into force since 2009 deregulating statutory provisions in employment law. In **Latvia**, the social partners are granted autonomy as collective

organisations and existing legislation provides participation rights by means of information and consultation, direct participation in decision-making at national level, industrial action and dispute resolution. However, in **Lithuania** a frequent emphasis is on a rather sluggish implementation of social partnership: employers are not interested in social dialogue, while employees are insufficiently active in initiating social dialogue and joining trade unions due to low trade union density. Issues related to employees' rights and representation are usually brought into the public domain by trade unions.

In **Poland**, industrial democracy and its components have been nearly absent in public debate and are brought up mainly by trade unions with some support from non-governmental organisations (NGOs). To the vast part of the political mainstream, which either openly or implicitly endorses the trajectory of economic development begun in 1989, the issue of industrial democracy is insignificant, with a minor exception made for CSR. Concerning workers' representation, there has apparently been a setback in the number of work councils over the past few years. The same has happened in **Romania**, where the debate on industrial democracy is limited to key stakeholders and the experts' community. Industrial democracy is part of the legislation, but structural weaknesses can be observed due to the lack of institutional capacity and expertise. In **Slovakia**, some elements related to industrial democracy used to be alternatively driven by (unsatisfied) trade unions or employers, usually in relation to amendments to the labour legislation. The same formal approach has been reported in **Croatia**, where industrial democracy is occasionally publicly and politically debated, but mostly in a non-systematic and superficial way. However, social dialogue does matter: the Croatian government reached an agreement with the social partners ('Partnership for development') in order to successfully realise the forthcoming reforms.

## Industrial competitiveness

Out of the four key dimensions analysed, industrial competitiveness is the most acknowledged and widespread in the national industrial relations systems. It also becomes a transversal issue across all the clusters examined. Even if the terminology sometimes differs, the idea of competitiveness of companies, sectors and countries is commonly discussed at all levels. This dimension has been extensively addressed through social dialogue, particularly at tripartite levels, which also shows governments' interest in this dimension. Furthermore, by and large, improving competitiveness has been the most important objective pursued by the economic, labour law and social reforms adopted as a consequence of the financial and economic crisis. Competitiveness is mentioned in many policy documents, plans, programmes and actions taken at national level.

Although it is one of the current driving forces in economy and labour, competitiveness is perceived differently by key actors in industrial relations. Many of the social partners and governments have different views with respect to the components of this dimension: employers consider it implicitly related to labour costs (wage and non-wage) and thus they usually link both debates. Conversely, unions see industrial competitiveness as being related to another dimension, that is, industrial democracy, particularly workers' representation and participation, along with fair wages and job quality. Governments are usually more concerned with promoting industrial competitiveness at sectoral level as well via transversal policies such as infrastructure, research and development (R&D) and innovation.

Competitiveness is discussed in public debates in most of the countries included in the social partnership model. In **Austria**, the need to cope with international competition is regularly put forward by the employers' organisations asking for wage moderation and for more flexible working hours. In **Germany**, 'responsible cooperation' enshrined in the industrial relations system results in 'social market economy' patterns, which are built around co-determination, autonomy of collective bargaining and wage moderation. In some countries (such as **the Netherlands**) there are specific initiatives to support key elements of competitiveness, such as innovation, entrepreneurship, training and lifelong learning, etc.

Similarly to the previous cluster, competitiveness is even higher on the agenda in the Nordic countries. In **Finland**, industrial competitiveness is very much at the forefront of public debate and increasing productivity and growth has been of the highest political importance in the past few years. The employers' organisations call for more flexibility on the labour market in terms of employment security and wage setting. Increasing labour force participation is another key issue, although seldom as a subject of debate. There has been an increased focus on innovation and entrepreneurship in national policy as well as in the media. Recently, the government asked social partners to renegotiate the renewal of their collective agreements, set out an alternative to measures for reducing wage costs by 5% and study a report putting forward a proposal to decentralise collective negotiations (Planet Labour). In **Sweden**, the debate mainly revolves around what wage levels are compatible with the retention of competitiveness in the global marketplace, companies' difficulties in recruiting workers with the right competencies and how to stimulate R&D and innovation.

Similarly, in the **UK** competitiveness is a major concern of government and also of business. Various policy papers have been produced on this matter. In **Ireland**, too, this dimension is one of the most visible dimensions in the public and political debate, particularly in the context of pressures on wages and wage-related costs during the crisis. The National Competitiveness Council is an independent advisory body that reports to the Department of the Taoiseach (Prime Minister).

## Box 6:

### Industrial competitiveness in Luxembourg

As this is a major issue, Luxembourg has a dedicated tripartite body for it, the Observatory of Competitiveness, created in 2003 within the framework of the EU Lisbon Strategy implementation. Its aim is 'to assist the Government and the social partners in providing guidelines and formulating policies that promote and/or are suited to the concept of long-term competitiveness, which is the source of growth and well-being'. As such, it is a tool for documenting, observing and analysing evolution in the country's competitive position. It is a monitoring unit, responsible for leading a constructive debate between the social partners. Its main tasks are as follows:

- collect, analyse and compare existing data on the national, regional and international levels that relate to economic competitiveness;
- accurately target the dissemination of selected and processed information that is useful for strategic decision-making;
- undertake or commission studies and research on competitiveness, its factors, etc.;
- contribute to the work and to the analyses of international organisations dealing with competitiveness (EU Council, OECD, etc.);
- coordinate the work and the drafting of Luxembourg's National Reform Programme (NRP) within the framework of the European Strategy for Growth and Jobs (Lisbon Strategy and Europe 2020 strategy).

Each year the Observatory publishes an annual assessment on the competitiveness of the Luxembourgish economy. The Observatory also has a website that gathers all the information and publications regarding the competitiveness of the national economy. It acts as a communication platform for all those involved in the implementation of the Europe 2020 strategy in Luxembourg and makes the Competitiveness Scoreboard data available.

## Box 7:

## Recent developments in Finland

Negotiations in Finland take place at national level between private sector business leaders' bodies, the public sector, the church and the three union confederations. This system was used between 1968 and 2007, when it was put aside in favour of sector-level negotiations that were conducted between 2007 and 2011 and resulted in a significant rise in wage costs in a number of sectors. In 2011, business leaders agreed to return to the national centralised system.

National negotiations generally result in agreements that apply to all sectors and to the category of employee concerned. They typically contain a set number of topics relating primarily to wages and other issues seen as important at national level (leave time, gender equality) as well as relating to rules governing other negotiation levels (sectoral and company level). These agreements set the minimum rules and regulations.

In 2015 the government requested a report aimed at assessing the possibilities for making the negotiation system more flexible so as to improve businesses' competitiveness. Government counsellor Harri Hietala has proposed the following reforms (Uutiset, 2015).

- Authorise more local-level negotiation that would afford total flexibility, especially as regards wages. The national agreement would no longer be an agreement over minimum levels of wage rises, but instead it would serve as a basis for negotiation.
- Authorise companies that do not belong to any employers' federation to negotiate agreements with unions at a local level. This marks a departure from current practice, where businesses are not allowed to derogate from the national plan.
- Make working hours more flexible by extending the reference period for calculating working time and by creating a 'working time bank' that would allow workers to build up working hours credits for any overtime they work that can then be exchanged for future paid leave periods, and if agreed locally, by raising the daily hours ceiling to 10 hours and the weekly ceiling to 48 hours.
- Lower the threshold level from 150 employees down to 100 employees that is used to oblige company management bodies to reserve a place for employees' representatives should the union so wish.

The Hietala report was relatively warmly welcomed, with no major issues arising from the union side except for SAK (a union mostly composed of manual workers) over the authorisation of non-affiliated employers' bodies negotiating at local level. The prime minister has thus required that the social partners implement the proposals. However, the main problem does not come from the recommendations, but rather from the whole negotiation package. The framework agreement and the current collective agreements stemming from it expire in 2016, which makes it necessary to proceed with fast-paced negotiations in order to include the measures proposed. Furthermore, to lower wage costs by 5% in the context of what the so-called 'social contract' brings is too difficult for the unions. If there is no agreement, the government has threatened to implement the measures anyway via legislation, which will be a potential erosion of the social climate and a major dispute for both social partners and for the coalition government (the centre-right party governs in alliance with both the Eurosceptic True Finnish Party and the conservative National Coalition Party).

In **Cyprus**, industrial competitiveness has been discussed since the country's accession in 2004; the economic recession has resulted in higher concerns about Cypriot performance in this respect. One of the main points of discussion has been on the automatic wage indexation system and necessary changes to better induce sectoral productivity gains. This system has enjoyed strong support from trade unions as a means of social justice and has remained a non-negotiable issue of collective bargaining for more than 60 years.

In the central eastern Member States industrial competitiveness is present in the debates, yet with varying intensity. In some countries it is relatively new to

the industrial relations systems and mainly appears in sectoral collective bargaining with clauses promoting innovation and competitiveness (**Bulgaria**) and arguments raised by employers claiming more flexibility of work and working time arrangements (Hungary) or reducing high indirect labour costs, such as compulsory insurance contributions (Slovakia). In **Croatia**, the National Competitiveness Council undertakes many activities, but their influence and public response are relatively limited. In the **Czech Republic** this dimension and its components are high on the government's agenda and at tripartite and regional levels. There are significant trends to transfer the debate on 'workforce competitiveness' to the regional level, especially in

relation to the strengthening of the adaptability of the labour force and the reform of the educational system.

In the Baltic countries, industrial competitiveness is considered to be a key umbrella objective that has served to adopt general political reforms, and not only in the context of collective industrial relations. In **Estonia**, the reform of the individual employment relationship was developed in tripartite social dialogue during the economic recession and the amendments were justified by the need to increase the competitiveness of enterprises and the economy, and to support human capital developments. In **Latvia**, the main parameters of industrial competitiveness are discussed, but are not relevant for the industrial relations system. In **Lithuania**, competitiveness in industrial relations is typically focused on reducing labour costs and increasing direct foreign investments, whereas the development of skills and competencies has been rather underemphasised (especially in SMEs).

In **Poland**, industrial competitiveness is dominated by considerations of industrial policy. Attracting foreign capital (in other words, the focus on an 'FDI-driven' economy) and access to EU Structural Funds play a central role, as it does in many of the central and eastern European countries (and **Romania**). The need to improve national competitiveness is taken for granted, so the discourse is built on the assumption that there is a trade-off between industrial competitiveness and wages. Industrial policy also plays an important role in the unions' agenda.

Industrial competitiveness as a concept also attracts considerable attention in the **Romanian** public debate, where the focus is above all on wages and taxation in view of foreign investment. In **Slovenia**, industrial competitiveness is discussed by the social partners mainly regarding labour costs, although the unions promote the idea of making industry more competitive via a stronger emphasis on knowledge and innovation. These topics are included in the *Social agreement 2015–2016* and different national policy documents.

As most of the southern countries have implemented important reforms as a consequence of the austerity policies resulting from the Great Recession, industrial competitiveness has been intrinsically linked to them. The social partners and governments have very different views on the past and present experiences and the role played by competitiveness as a driver for change. The exception might be **France**, as it has been hit less hard by the crisis, and industrial competitiveness linked to boosting investment and creating employment is one of the major issues of a debate that is largely driven by the government and the employers. In early 2014, the socialist government launched an initiative for 'the implementation of a pact for responsibility and solidarity' whose aim is to 'mobilise for employment, industrial competitiveness and the simplification of procedures'. The government presents the concept of

industrial competitiveness as the first pillar of its economic policy, which includes seven dimensions:

- reduction of employers' contributions and corporate taxes and the relaunch of investment;
- financial support for SMEs;
- initiatives to boost exports;
- relaunch of production;
- social economy;
- initiatives to boost the crafts, retail and micro enterprises;
- support for entrepreneurship.

In **Italy**, industrial competitiveness has been debated in relation to innovation and to the role of the full implementation of the structural reforms that could impact on the economic performance of Italian companies. According to the employers' organisations, it is necessary to safeguard industrial competitiveness by supporting the gradual evolution towards a knowledge-based economy and the modernisation of productive systems and infrastructures. Higher productivity, working time and labour market flexibility are also crucial to create a favourable environment for business. In order to have more flexible regulations and to adapt wage increases to the productivity growth of companies, employers have proposed a controlled decentralisation of bargaining to address some rigidities in the wage-setting mechanism and working time. They have also asked for the stabilisation of tax and social security contributions reliefs on productivity wages. The government also focused on sustaining industrial competitiveness by attempting to reduce taxation and to cut red tape in order to encourage companies to increase employment. Moreover, it has been allocating resources to support companies to invest in R&D and energy efficiency, even reconverting their industrial sites. Conversely, the debate on competitiveness came to be linked to the debate on dealing with the economic crisis in **Greece**. In other words, in order for the country to become more competitive, a fiscal stability programme has been implemented, reducing salaries and pensions in the private and public sectors, increasing taxation and fostering a fight against tax evasion and applying extensive privatisations. Social partners, the government and the opposition parties have addressed the components of industrial competitiveness with strongly diverging views. The brain drain caused by the 'forced' migration of highly skilled young people is of particular concern. In **Spain** it has been widely discussed if some of the industrial relations institutions were at the origin of some of the competitiveness problems that the Spanish economy is facing today. The main goals of the central reforms adopted (labour market reforms, increased internal and external flexibility, collective bargaining reform, etc.) were to make it easier for companies to adapt to external shocks and to produce an internal devaluation by means of wage reduction that could improve the industrial competitiveness of the Spanish



economy. The need to have public investment to support industrial competitiveness has been underlined by trade unions. The industrial requalification has been considered relevant to facilitating companies' productivity growth. They have also emphasised the role of additional investments in the social protection sector to ensure that industrial reconversion will be supported by increases in the employment rate and social unemployment benefits.

## Social justice

The topic of social justice as such is not very frequently discussed within the national industrial relation systems, although the concept and most of its subdimensions are easily acknowledged. Social justice could be considered a core dimension, but in practice it is more of a horizontal aim, for example the legislation on equality and non-discrimination. Most of the components of this dimension can be found in national policy documents, social agreements and legislation.

In **Austria**, social justice plays an important role in collective bargaining, understood as distributional justice, which in the view of the trade unions includes fair wage increases. The minimum wage policy plays a particularly important role for distributional justice.

The main components of social justice are usually part of the discussions among the government and representatives of employees and employers in the **Czech Republic**, both in the bipartite social dialogue at the national and sectoral level and in parliamentary discussions. In **Poland**, social justice does not attract significant interest.

In the Baltic countries, the principle of non-discrimination constitutes the general approach to social justice (**Latvia**). In **Lithuania**, discussions in the context of social justice mainly cover issues of remuneration at work. Minimum monthly wage setting is persistently and sharply debated at tripartite level, while fundamental human rights are regulated by the constitution. Employment opportunities for disabled people are the focus of the recent social security reform in **Estonia** and the issues have been strongly debated in the public sphere as well as in social dialogue fora.

The understanding of social justice and its applicability, as well as the priorities, vary amongst countries. For example, in **Bulgaria** the perception is focused on decent and just wages or poverty and social exclusion, or on guaranteed minimum income, as in **Cyprus**.

In other countries (such as **Sweden**), the main issue discussed by the social partners in terms of social justice is the gender wage gap and the unweighted wage differentials in particular. The debate has been how to deal with the fact that women are over-represented in low-wage sectors and in part-time employment, thus earning almost 14% less than the average male worker. The second issue discussed relates to the social exclusion of immigrants. The eradication of exclusion, particularly

in relation to the labour market, has been the aim of many government measures over the past years. Similar concerns on the equal treatment of migrant workers as well as the gender gap, age and disabilities can be found in **Denmark** and **the Netherlands**. In **Finland**, preventing poverty, inequality and social exclusion has been one of the three main priorities of the government since 2011. A recent subject for discussion related to social justice is how to close the gender pay gap in relation to the parental leave system in order to avoid discrimination against young women on the labour market.

In **France**, the focus of recent debates on social justice has largely been on enforcement, as employment tribunals have been criticised for being inefficient in dealing with claims in a timely manner. In **Germany**, social justice can be linked to anti-discrimination and equality issues addressed by works agreements. In contrast, the collective bargaining parties have been slow in taking up these issues; increasingly, however, the gender pay gap, the pay gap between standard and temporary agency workers, and anti-discrimination issues are being introduced into some of the bargaining agendas (in other words, pay equity and equity in working conditions). For example, the recent law on collective bargaining unity argues that collective bargaining serves pay equity at establishment level, as wages are agreed in respect of all occupations and pay levels (covered by collective bargaining). Pay equity relates to the distribution function of collective agreements. According to this conceptual framework, sectoral- or company-level agreements provide a systematic and balanced primary distribution of wages across the pay levels and thus serve 'pay equity at establishment level'. In **Luxembourg**, unions are sensitive to social justice issues and are able to debate such issues, mainly about equal treatment between foreign workers (cross-border or migrants) and national workers.

Social justice in the 'crisis countries' is widely discussed. In **Cyprus** and **Greece**, attention is paid to the rate of poverty and unemployment, which increased dramatically from 2010 onward, as well as the unequal redistribution of income, primarily at the expense of wage earners. In **Portugal** and **Spain**, similar issues are discussed: the nominal wage cuts, the freeze on the minimum wage for three years, the decline of bargaining coverage, pension cuts, the increase in unemployment and long-term unemployment, the reduction of the proportion of unemployed covered by unemployment benefits and the increase in the number of low-paid precarious workers have all undermined social cohesion and equality. As a result, inequality of income has increased and the gender wage gap has been increasing too, alongside the negative consequences of the public budget constraints in areas such as health, education or housing. In **Romania**, some topics associated with social justice, like Roma minority rights or low quality of life in Romania, are discussed more often than others, for example social inclusion or equality.

As part of the political debate on social justice in **Italy** and following the enactment of the Jobs Act in 2015, an experimental means-tested minimum income has been introduced. The question of whether minimum hourly wages should be fixed by law is debated among the social partners. In principle, unions oppose this measure, arguing that collective agreements at national level already establish minimum wages and therefore statutory minimum wages would hamper their autonomy. Yet it seems that the government is planning to apply statutory minimum wages only to sectors not covered by collective agreements. Employers' organisations are in favour of statutory minimum wages and argue that they represent an opportunity for modernising the Italian industrial relations system and are the starting point for second-level negotiation of wage increases linked to productivity growth. Interestingly, the statutory minimum hourly wage will be applicable to both employed and economically dependent self-employed workers.

In the western/liberal countries, the social justice dimension is treated in a different way. In **Ireland**, dialogue on social justice is largely presented and maintained by unions and civil bodies dealing with, for example, migrant rights and human rights. In the **UK**, different aspects of social justice are mainly a concern of the trade union movement in debates around pay setting (cohesion and the gaps between the highest and lowest paid in organisations) and more general discussions of fairness and dignity at work. The government has bodies such as the Equality and Human Rights Commission charged with monitoring and developing policies to combat discrimination and unequal treatment. Debates around fairness are often found in the Low Pay Commission as well as discussions on the level of the national minimum wage.

### Job and employment quality

First of all, it should be noted that many components of the dimension on job and employment quality are regulatory issues and hence are not usually covered by social dialogue and collective bargaining, but rather are a matter of employment law, labour protection legislation and health and safety regulations. In other words, there is a minimum 'social pillar', even sometimes adopted at EU level, determining the discussion on job quality, which is not managed by the social partners, but rather is the prerogative of the state in the web of rules of the industrial relations system.

Furthermore, it should also be noted that the negative impact of the recent crisis on employment in some countries has reduced the levels of importance of job and employment quality as a key dimension of industrial relations, particularly for employers' organisations and governments. The discussion is much more influenced by increasing the number of jobs than their quality.

Job and employment quality plays an important role in the discourse of the unions, but much less so for governments and employers. Job and employment quality plays a relatively minor role in collective bargaining in **Austria**. In **Germany**, national policy documents rarely elaborate on job and employment quality, but in practice trade unions and employers' organisations are typically involved in all the national initiatives concerning these topics (such as the National Strategy on Occupational Safety and Health, the Tripartite Alliance on Vocational Training and Skilled Labour Supply, which calls on the social partners to shape working conditions to better attract female, older, disabled and migrant workers). In **the Netherlands**, the Ministries of Social Affairs and Employment and of Education, Culture and Science regularly commission reports on job and employment quality.

In **Slovenia** this key dimension is the subject of uneven interest: some of the components of employment quality, such as health and safety, are quite developed and often taken up as subjects in public and political discussions, but some others, such as skill development or reconciliation of work-life balance, are rather neglected.

The Nordic countries follow a 'policy mix' in this dimension, in which legislation on the working environment (health and well-being) provides a foundation that can be complemented by collective bargaining. This is what happened during the crisis in **Denmark** when employment security was discussed during the collective bargaining rounds, and for the first time a system of severance pay was introduced in agreements in the private sector. In **Sweden**, most of the discussions about job and employment quality are concerned with the Employment Protection Act and the order of priority rules. The law states that in the event of a work shortage, the employees who have been employed the longest have a right to jobs still remaining, creating a last-in-first-out system. Employers' organisations advocate a reformation of the system so that competence is valued before length of employment, while trade union organisations defend the order of priority rules, arguing that employment security has to be ensured. In **Finland**, employment security has been extensively discussed (to restrict the use of so-called zero-hours contracts, to provide opportunities for part-time workers to do additional work and to tackle underpayment irregularities), while the issues of quality of work life and work-life balance have also been debated lately in public due to concerns about the economic and social sustainability of society.

In the **UK**, job quality is researched and debated in academic circles and it is a major concern of the trade union movement. The recession may have heightened interest in certain aspects of this debate. For example, concerns about work intensification have resulted in some debates about work-life balance and workloads.



Yet at the same time, academia stresses that there is not really a public or union debate around how to tackle these issues, especially in the public sector (Gill-McLure, 2014). Reconciliation of working and non-working life has been, however, a major recent focus for the government, as exemplified by the various policy changes that have occurred in this area, mainly aimed at making work more flexible. In Cyprus, employment quality has not been an issue of major concern among the social partners, nor has it been researched by the academic community.

In the Baltic countries, debates on job and employment quality are closely linked to the concept of flexicurity (such as recent reforms in **Estonia** on individual employment relations and the civil service). Here, employment security was deregulated to make employment more flexible for employees on the one hand, but on the other hand, the objective has been to improve social security via active labour market policies and insurance/replacement of income provisions. Also, skills development via lifelong learning has been the focus of both regulatory reform and social partners' social dialogue. In **Latvia**, career and employment security, health and well-being, reconciliation of working and non-working life, and skills development are treated within frameworks of the EU Structural Funds. In **Lithuania**, the same topics, especially more flexible labour relations and more flexible working time arrangements (in particular, overtime), have been discussed both by the social partners and governments in recent years.

In the southern countries, job and employment quality has been considered to be of secondary importance in the context of the economic crisis. High unemployment is at the top of the agenda and job creation is the main objective. Financially assisted countries such as **Greece** report a decline in job quality, as the imposition of internal devaluation measures has made it a lower priority, along with reduction in wages in the private and public sectors and measures to make lay-offs (individual and mass) easier. In **Portugal**, job and employment security are the most controversial topics since the reforms on individual and collective dismissals and temporary work have substantially reduced employment protection. In **Spain**, the debate on job and employment quality has been especially associated with temporary employment. Job and employment quality has been discussed in France basically because of the trade unions stressing the importance of decent working conditions, work intensification, stress and psychosocial risks. Furthermore, a new law based on a cross-sectoral national collective agreement includes a range of measures on career and employment security. Legislation covers a broad range of issues, such as the right to receive welfare benefits based on previous employment, provisions to reduce the number of short-term contracts, individual training accounts and measures to facilitate internal mobility. In Italy, job and employment quality has been closely related to the

debate on the labour market reform and the Jobs Act, which has introduced a new unemployment benefit scheme.

In the central-eastern countries, job and employment quality are rarely discussed in social dialogue debates as such. However, many of their elements are debated separately. For example, in the **Czech Republic**, the balance of family and work life has been discussed both at tripartite and bipartite levels. In **Bulgaria**, work-life balance and skills developments are on the agenda. Labour market segmentation and the challenge of the demographic downfall have been the focus of attention in **Poland**. In **Slovakia**, employment flexicurity, occupational safety and health, work-life reconciliation as well as intensive discussions on skill levels against the background of a significant mismatch between the qualification of school leavers (particularly vocational education) and the actual demands of employers are all relevant issues that are discussed in this context. In **Romania**, these topics are marginal in the public/political debate and are rarely discussed. In **Hungary**, job and employment quality appears in industrial relations as part of collective bargaining: reconciliation of working and non-working life can be negotiated in relation to working time and wage regulations.

## Process of selecting draft indicators

Taking the comprehensiveness and complexity of the four key dimensions of industrial relations into account, there is an abundance of potentially useful indicators available across EU Member States. In order to depict the indicators that are most important in addressing the defined (sub)dimensions, the selection process was broken down into three main steps.

The **first step** included an extensive review of all datasets available and of all literature relevant to each subdimension in regard to possibly interesting indicators. The collection of the latter was as broad as possible in order to create the most comprehensive overview of each subdimension. The only criteria used in the collection process at this stage were twofold. First, indicators should be brought into association with one or several issues of one of the four key dimensions as defined in the previous sections. Second, respective data should be available at least on a five-year basis in order to allow for continuous analyses of changes in upcoming years.

During this collection phase, national datasets in EU Member States (such as Destatis from Germany), European-wide statistics (such as Eurostat), international data sources (such as the World Bank, ILO Stat and the IMF) as well as other survey-based datasets (such as the EWCS) were reviewed in regard to the four dimensions. Further, existing indexes (such as the Social Justice Index from the Bertelsmann Stiftung or the Social Progress

Index from the non-profit organisation Social Progress Imperative) were broken down into their initial variables and analysed accordingly. Moreover, colleagues and experts were consulted in regard to the four dimensions for the sake of comprehensiveness and validation of the collected indicators.

The result of the first phase was an extensive list of indicators, with at least 90 variables for each of the four dimensions. On the basis of this list, the actual selection phase was initiated, with the **second step** consisting of ordering and restructuring all collected indicators. For this exercise, all indicators were first ordered along the lines of the subdimensions of each dimension. Hence, indicators were not simply assigned to, for example, industrial democracy, but clustered along its subdimensions: autonomy, influence, participation and representation.

For the sake of contextualisation, indicators were further divided within each subdimension into structural indicators (all the factors that affect the context of the subdimension), process indicators (all the actions that make up the subdimension) and outcome indicators (all the effects of the subdimension). While this clustering task did not add value for all subdimensions, it served as a good mental exercise and helped not only to detect gaps and flaws within the set of indicators, but also to identify overlaps between subdimensions. In fact, certain subdimensions had to be redefined in order to clearly distinguish between other subdimensions and to remove contradictions among the latter. In the case of social justice, for example, subdimensions were reformulated in order to give more weight to the concept of equality. In the meantime, 'quality of life' as an initial subdimension was dropped, not only because it considerably overlapped with aspects of the 'job and employment quality' dimension, but also because it did not help to capture social justice in a significant way.

This ordering and restructuring exercise resulted in a comprehensive cross-table of indicators, which was once again discussed in-house through consultation and feedback loops between the authors and in-house experts. The table was adjusted accordingly and new variables were added. In the end, at least 60 indicators were presented for each dimension.

On the basis of this table of indicators, the **third step** was initiated, which included the actual selection process of the most relevant indicators. In order to objectify this selection process, four selection criteria were defined. They were supposed to serve as guidelines for picking the 'most important or appropriate' indicators. They are as follows.

**Relevance:** Can the indicator be brought into strong association with one or several issues of one of the four key dimensions? Will the indicator be able to detect and display a variation that is important enough to warrant further investigation? Due to its importance, this criterion was double-weighted.

**Validity and embeddedness:** Does the indicator indeed measure what it claims to measure? Is it not confounded by other factors? (In other words, does the measure adequately represent all facets of a concept?) How well is it embedded in the overall concept?

**Availability and accessibility of data:** Is time series data available? In which intervals? Is data accessible in the first place? The higher the interval, the more useful the data.

**Comparability:** Is aggregated data comparable across all EU Member States plus Norway? In other words, are all countries in the EU covered by the indicator?

All potentially useful indicators in the mentioned table were assessed along these selection criteria. For each selection criterion, the indicators were graded according to a 0–5 grading scheme, with 0 being 'worst' and 5 being 'best'. The grading of each indicator was peer reviewed by all team members and discussed further whenever the grading differed. The indicators were ranked for each subdimension according to their overall grading score (being the sum of the four criteria mentioned above).

The actual selection then was based on this ranking: depending on their combined comprehensiveness and relevance, the five to seven indicators that were at the top of the ranking of each subdimension were selected for the actual analysis of the four key dimensions of industrial relations. The list of all assessed indicators and their individual assessment broken down to each selection criterion is included in the annex of this report. As for the four dimensions and the corresponding 16 subdimensions, the indicators in the annex have been identified in line with the above selection criteria.

## 6 | Conclusions and next steps

*Hélas, pour parfaire la construction de l'Europe il faut de la patience et de la détermination. Il faut cette patience et de cette détermination dont ont besoin les grandes ambitions et les longs trajets.*<sup>22</sup>

Despite the dramatic transformation of collective industrial relations in recent decades, there are good reasons why industrial relations still play an important role in EU Member States and in society today. Sound, effective and well-functioning industrial relations have the following characteristics:

- they are efficient mechanisms involving both sides of industry in achieving better business performance and equitable outcomes in line with the principle of horizontal subsidiarity;
- they are tools for redistributing income, as well as achieving social and industrial peace;
- they provide a set of collective values (such as trust, industrial peace and cohesion), not only for the relevant actors but for a society as a whole.

Applying key dimensions of the conceptual framework aids in:

- examining the dynamics of industrial relations and analysing how industrial relations systems are changing and adapting to new challenges;
- monitoring and assessing developments in principles and values and their operational application in the industrial relations systems in the EU;
- ensuring a sound balance between social justice (equity), industrial democracy, and industrial competitiveness (efficiency).

The findings highlight the relevance of the four key dimensions to European governments and social partners. All in all, the key dimensions proposed may serve as a monitoring instrument to assess the developments in principles, values and their operational application in the industrial relations systems in the EU. The findings also show that the interpretation, application and implementation of the key dimensions depend on the stakeholders' affiliation and the industrial relations system they are operating in. This means that the project can aim for a framework, but needs to leave the application and implementation to the actors in their given context. A unified conceptual framework has proven useful, especially for cross-country comparative and learning purposes. The task of applying and

implementing concrete activities within the framework is then down to the autonomous social partners. In line with the principle of subsidiarity, vertical and horizontal activities should be promoted by all stakeholders. This report also shows the interconnectedness of the four dimensions and this view may act as a corrective to the tendency to fragment these dimensions. Its value therefore partly lies in stimulating debate and action amongst industrial relations actors and academics to 'see' and understand the importance of this interconnectedness.

The diversity of industrial relations systems and the holistic approach of the key dimensional framework can provide valuable insights to stakeholders. Bringing together the type of industrial relations system (the how) and the topics (the what) might aid in understanding the mutual relationship between both. The framework and its key dimensions help to fill the blanks and therefore add value to existing industrial relations analytical and conceptual frameworks.

Given the stakeholders' different affiliations and the industrial relations context (including their role in it), stakeholders thought that the key dimensions were useful to raise awareness, initiate discussions and debates and for policy development.

Especially in centre-western countries, governments point out that the key dimensions are forming the core of government policies. Terms like *basic elements*, *cornerstones*, *foundation*, *modus operandi* and *actual topics of policy development* are used to describe the relevance of the key dimensions. The thematic areas of the key dimensions are used in discussions or to initiate debates. Governments in particular base and organise their social and economic policy development on the four key dimensions. In contrast, some trade unions questioned if a conceptual framework of key dimensions can be relevant to day-to-day politics. In their experience, practical policy development starts with an actual challenge rather than from an overall strategic objective.

This is an interesting finding, as it might be interpreted as showing two contrasting ways of using the key dimensions in different ways of operating. While governments tend to have strong strategic and longer-term objectives, social partners tend to focus more on immediate, day-to-day issues and solutions. This is not to say that social partners do not have long-term objectives, but they are less relevant in the daily life of a union or an employers' organisation, as (often frequently changing)

<sup>22</sup> 'Alas, to complete the construction of Europe requires patience and determination. This patience and determination are what is needed to achieve great goals and extensive quests' Juncker (2016).

current issues dominate. In contrast, governments and their administrations tend to operate at a slower pace and deal less with immediate issues. Perhaps this report can stimulate unions to adopt a more modulated and long-term approach and encourage governments to see the real-life impact of their macro policies.

In centre-eastern countries it was questioned if a conceptual framework and key dimensions are needed, and if so, who should initiate discussions based on the framework. It was stated that the existing industrial relations system was recently established and that the capacity of the social partners to engage with the system is the major challenge. The unions in particular expressed the view that it is the government's role to initiate debates mirroring the fragmented yet state-centred industrial relations regime in these countries. In contrast to neglecting to initiate discussions by social partners, southern countries tend to appreciate the value of concepts such as industrial democracy and competitiveness for stimulating debates. This is a noteworthy finding, as it might be interpreted as two contrasting self-understandings of social partners' roles in the industrial relations system. The self-understanding of an institution is related to the predominant power balance that influences the bargaining style between parties. The power in centre-eastern countries tends to lie more with employers and underlying topics such as industrial competitiveness. Paired with a perceived lack of capacity, especially of the unions, the bargaining style is generally characterised by concessions rather than conflict or integration. Acquiescent collective bargaining, which mainly takes place on the company level, is mirrored by a passive role in encouraging debates on the sectoral or national level. While the power balance alternates in southern countries, the bargaining style is confrontational and conflict oriented, which might explain the proactiveness in initiating and engaging in discussions more strongly than in centre-eastern countries.

Based on the existing debates reported, it can be confirmed that the four key dimensions proposed play a role in the core of the national industrial relations system, even with different importance and priority. All of them, either totally or partially (that is, some of the components or subdimensions), are regularly debated at national level in some way.

Social market economies that are based on a mix of legislation and influence of social partners in policy-making set the conceptual framework and the operational approach to industrial relations in the Nordic and western-continental groups of countries. For example, international competitiveness is a leading driver influencing the functioning of the social partnership model. This approach can also be identified even in the southern countries, although with a much more important intervention of the state, which is particularly visible during the years of the crisis.

Industrial competitiveness is the most debated dimension by far. Reducing labour costs and increasing productivity are issues linked to this debate much more than other parameters such as research, development and innovation or human capital. Human capital development tends to be discussed in terms of training and development. The importance of the industrial competitiveness dimension is overwhelming and it seems that industrial relations are involved in discussion insofar as the existing labour market regulations prevent the implementation of effective economic development measures. By contrast, the potential role of industrial relations in the promotion of industrial competitiveness is less discussed. This discussion can be part of a broader tendency considering a movement from a collective to a more individual view of industrial relations.

Industrial democracy is mostly seen as a strategic objective of the trade union movement, but is less important for business groups and governments. Formally speaking, there exists an essential legal framework safeguarding the components of this principle, usually part of the labour legislation or even the national constitutions. Representation as well as social dialogue are key components of this dimension. On the other hand, the way in which choices and decisions are made between the actors or unilaterally imposed by one of them (government or employer) – that is, how the power game and the influence function and the conflicts are set – remains an intangible and inherent component of this dimension.

Social justice is not discussed as such in the sense that it has not been a priority of the governance and regulation of the employment relationship. Still, a very common approach is the one which states that countries first must ensure economic growth and wealth accumulation, and only after that can be concerned with social justice issues. However, with societies growing more heterogeneous and inequality gaps widening, social justice-related aspects such as cohesion and non-discrimination have also come into more focus during the last decade.

Job quality is unevenly discussed across the countries. It may be due to the fact that working conditions, health and safety, minimum wage and pay, individual and collective dismissal, pensions and combining work and care are to a great extent regulated by national law. The growing importance of temporary and atypical employment, the difficult classification of certain new forms of employment according to traditional labour law and the undeniable presence of self-employed workers challenge this dimension and, furthermore, question the industrial relations systems as we know it today.

President Juncker has reiterated the need to combine monetary stability and social fairness, declaring: 'The stability of our single currency is as important to me as social fairness in implementing structural reforms' (Juncker et al, 2015; European Commission, 2015b).

As former Commissioner Andor stated in 2013: ‘Europe should be striving for an EMU with a human face’ (Chopin and Fabre, 2013). On 31 January 2015, on the occasion of the 30th anniversary of European social dialogue – launched in Val Duchesse outside Brussels on 31 January 1985 – Vice-President Dombrovskis and Commissioner Thyssen reiterated that social dialogue was a prerequisite for a social market economy and crucial to competitiveness and fairness. By pursuing these goals, the EU is maintaining, or regaining, popular consent, and in doing so, striving for legitimation (Hyman, 2006; Eurofound, 2016b).

As for the next steps to be followed up by the 2016 project ‘Application of the four key dimensions’, two different scenarios can be proposed. The first consists of a dashboard approach aimed at applying the key dimensions to the five systems of industrial relations typologies as outlined above. The second, more ambitious scenario would be to develop, on the basis of the four dimensions and the indicators identified, an industrial relations index in close cooperation with the stakeholders of Eurofound. A dashboard is a set of relevant variables related to a certain topic following the application of theoretical and quality criteria. In turn, an index is a summary of a set of variables using theoretical, quality and statistical criteria by aggregation. An index attempts to address a complex reality, usually in order to make comparisons over time and across countries.<sup>23</sup>

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23 One example is the ELGE Gender Equality (European Institute for Gender Equality, 2015).





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# Annex

# List of proposed draft indicators

## Industrial democracy

Subdimension	Indicator	Sources	Relevance	Validity	Comparability	Availability and accessibility
Autonomy	Government intervention in wage bargaining	ICTWSS	√	√	√	
	Minimum wage setting mechanisms	ICTWSS	√	√	√	
	Time resources for employee representatives	ECS 2013	√	√	√	
Influence	Wage drift	Own calculation/ Eurostat	√	√	√	√
	Working time drift	Own calculation/ Eurostat	√	√	√	√
	Collectively agreed pay changes	EurWORK	√	√	√	√
	Collectively agreed working hours	EurWORK	√	√	√	√
	Number of working days lost through industrial action	EurWORK	√	√	√	
	Level of employee involvement in decision-making	ECS 2013	√	√	√	
Participation	Employee representation at the workplace	ECS 2013	√	√	√	
	Direct employee participation	ECS 2013	√	√	√	
	Indirect employee participation	ECS 2013	√	√	√	
	Predominant level of wage bargaining	ICTWSS	√	√	√	
Representation	Trade union density	OECD	√	√	√	√
	Employers' organisation density	ECS 2013	√	√	√	
	Collective bargaining coverage	SES or ECS	√	√	√	√

## Industrial competitiveness

Subdimension	Indicator	Sources	Relevance	Validity	Comparability	Availability and accessibility
Innovation and entrepreneurship	R&D personnel per 1,000 labour force	World Bank	√	√	√	√
	Number of enterprises newly born in t-2 having survived to t	Eurostat	√	√	√	√
	R&D expenditure	Eurostat	√	√	√	√
	Business churn rate (births + deaths)	Eurostat	√	√	√	
Growth and productivity	GDP growth per capita	Eurostat	√	√	√	√
	Mean wage increase	Eurostat or OECD	√	√	√	√
	Unit labour cost	Eurostat	√	√	√	√
	Unemployment rate	Eurostat	√	√	√	√
	Youth unemployment rate	Eurostat	√	√	√	√

Subdimension	Indicator	Sources	Relevance	Validity	Comparability	Availability and accessibility
Sophistication of resources	Individuals with at least medium level of computer/internet skills	Eurostat	√	√	√	√
	Infrastructure ranking	Global Comp. Report	√	√	√	√
	School expectancy	Eurostat	√	√	√	√
Market stability	Inflation rate	Eurostat	√	√	√	√
	Property rights protection	Global Comp. Report	√	√	√	√
	Incidence of corruption	Transparency International	√	√	√	√

### Job and employment quality

Subdimension	Indicator	Sources	Relevance	Validity	Comparability	Availability and accessibility
Career and employment security	Share of involuntary part-time workers	Eurostat	√	√	√	√
	In-work poverty	Eurostat	√	√	√	√
	Employment status by gender	Eurostat	√	√	√	√
	Income development	EWCS	√	√	√	
	Job security	EWCS	√	√	√	
	Career prospects	EWCS	√	√	√	
	% of unemployed covered by unemployment benefits	Eurostat	√	√	√	√
Skills development	I might lose my job in the next six months	EWCS	√	√	√	
	People participating in formal or non-formal education/training	Eurostat	√	√	√	√
	% of unemployed involved in skills upgrading/ training	Eurostat	√	√	√	√
	Participation in lifelong learning for adults (25–64 years old)	Eurostat	√	√	√	√
Reconciliation of working and non-working life	Long-term unemployment rate	Eurostat	√	√	√	√
	Usual working time	Eurostat	√	√	√	√
	Employment in excessive working time	ILO	√	√	√	√
	Duration of parental leave	edac.eu/policies	√	√	√	√
	Working time flexibility	EWCS	√	√	√	√
Workplace health and well-being	Number of hours spent on paid/unpaid work per week	EWCS	√	√	√	
	Average number of lost days due to sickness absence	Eurostat	√	√	√	√
	Accidents at work	Eurostat	√	√	√	√
	Subjective workplace well-being	EWCS	√	√	√	
	Adverse social behaviour	EWCS	√	√	√	
Number of health problems	EWCS	√	√	√		

## Social justice

Subdimension	Indicator	Sources	Relevance	Validity	Comparability	Availability and accessibility
Social cohesion and non-discrimination	Income poverty/at risk of poverty	Eurostat	√	√	√	√
	Discrimination and violence against minorities	Fund for Peace Fragile States Index	√	√	√	√
	Women's share of full-time employment rate	Eurostat	√	√	√	√
	Gender wage gap		√	√	√	√
	% of people with disabilities in the labour market	Eurostat	√	√	√	√
	People at risk of poverty/social exclusion	Eurostat	√	√	√	√
	Severe material deprivation rate	Eurostat	√	√	√	√
Equality of opportunity	Main reason for temporary employment:	Eurostat	√	√	√	√
	Intergenerational income mobility	Calculations based on EU SILC	√	√	√	
	Impact of socioeconomic factors on educational performance	OECD PISA	√	√	√	√
	Total public expenditure on education	Eurostat	√	√	√	√
	Early leavers from education and training (18 to 24 years old) (%)	Eurostat	√	√	√	√
Equality of outcome	Gini coefficient	World Bank	√	√	√	√
	Low pay incidence – low-wage earners as a proportion of all employees (%)	Eurostat	√	√	√	√
Fundamental rights	Fundamental rights indicators	FRA	√	√	√	√
	Coverage of fundamental rights in domestic law	ICTWSS	√	√	√	







This report maps, analyses and discusses key dimensions and indicators for a comparative framework of industrial relations. It then identifies and assesses existing data sources that can be used to measure the different dimensions of the comparative framework. Lastly, it identifies possible data gaps that may be filled through Eurofound's future work in the 2017 project, 'Application of the key dimensions of industrial relations'. The findings highlight the relevance of the key dimensions to European governments and social partners. The conceptual framework and the key dimensions proposed may serve as a monitoring instrument to assess the developments in principles, values and their operational application in the industrial relations systems in the EU.

The European Foundation for the Improvement of Living and Working Conditions (Eurofound) is a tripartite European Union Agency, whose role is to provide knowledge in the area of social and work-related policies. Eurofound was established in 1975 by Council Regulation (EEC) No. 1365/75, to contribute to the planning and design of better living and working conditions in Europe.

