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TRADE UNION PARTICIPATION IN EC ECONOMIC POLICY-MAKING

by

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Abstract

If European Economic and Monetary Union (EMU) is implemented as provided for in the Treaty of Maastricht, a number of economic powers hitherto wielded by national governments will be transferred to European Community institutions. One question that arises from this is whether union participation in national economic policy-making will be reconstituted at the EC level, or simply lost. Analysis of the Community economic policy-making process reveals that at present trade unions are extensively consulted but have little or no influence on policy outcomes such as the agreement on EMU at Maastricht. Whether the coming of EMU will give unions more bargaining power, and therefore more influence, by necessitating European-level collective bargaining will depend principally on whether unions can mobilise around a common programme sufficiently strongly to persuade the Commission that bilateral negotiations with the European Trade Union Confederation are necessary to ensure the successful implementation of EMU.

INTRODUCTION

Since the end of World War II, trade unions have participated in the making of economic policy to varying extents in a number of Western European countries. To British readers the Social Contract will be the most familiar instance of this, but other examples in EC countries include Concerted Action in West Germany, the Social and Economic Council of the Netherlands, and a number of bipartite and tripartite economic agreements concluded in Italy during the 1970s and 1980s. Union involvement in policy-making is also prominent in some of the countries expected shortly to join the EC, notably Austria, Norway and Sweden. For the most part this has taken the form of consultation, in which government representatives and union officials discuss economic policy without either side making commitments to follow particular courses of action. In these circumstances it is difficult to discern whether the unions have actually influenced government economic policy, but in some cases negotiations have led to agreements which included government commitments to pursue certain union-preferred economic policies in exchange for concessions on the part of the trade unions, most commonly wage restraint. Thus participation has ranged from nominal consultation (France) through consensus-seeking consultation (Germany, Netherlands) and informal negotiations (Italy) to the Social Contact of Britain during the mid-1970s.

If European Economic and Monetary Union (EMU) is implemented as provided for in the Treaty of Maastricht, however, a number of economic powers hitherto wielded by national governments, albeit with decreasing effectiveness, will be transferred to European Community institutions. Monetary policy, for example, will be transferred to a European System of

Central Banks, and guidelines will be set by Council for national fiscal policies. From the point of view of unions seeking influence over economic policy, this development is somewhat problematic: will the participation in economic policy-making that union movements are accorded in some countries at present, and had in more countries in the not too distant past, be reconstituted at the EC level, or will it simply be lost?

Perhaps the most common answer to this question is that union participation is not now important in EC economic decision-making, and that there is little prospect that EMU will be accompanied by increased participation. It is argued, for example, that the position of unions in the EC is weak due to linguistic, ideological and regional divisions within the European union movement, the opposition of business to greater union involvement, and the lack of interest shown by a Council in which, despite recent reforms, a single state (usually Britain) can veto any move to increase union involvement in EC economic policy-making. In addition, recent economic and social developments appear to have undermined the conditions that sustained 'corporatism' at the national level. In regard to EMU in particular, the European Central Bank will be insulated from the sorts of political pressures that unions have traditionally brought to bear on economic policy-makers, and it is widely considered that European-wide collective bargaining is not on the horizon due to factors such as the opposition of business and the incompatibility of national industrial relations systems, which means that European-level wage restraint will not be available as a union bargaining counter in negotiations with EC institutions (see, for example, Streeck and Schmitter 1991, Visser and Ebbinghaus 1992).

As opposed to this, Peter Coldrick of the European Trade Union Confederation (ETUC) argues that the successful implementation of EMU requires unions to be brought into the decision-making process, and wage bargaining to be coordinated at the European level, because otherwise the economic and political costs of the economic convergence needed for EMU will be so great that the enterprise will collapse. That is, union involvement in EC economic policy-making will be expanded because it is crucial to the further development of the European project. He also argues that the new decision-making procedure of the Social Protocol of the Treaty of Maastricht, under which management and labour can negotiate framework agreements and submit them to Council for approval as an alternative to Commission-initiated legislation, incorporates unions more firmly into EC policy-making, and that the Social Dialogue in effect constitutes embryonic European collective bargaining (Coldrick 1990).

It is this ETUC view that I wish to focus on because, if valid, the 'disjointed pluralism' foreseen by Streeck and Schmitter will not come about. Instead, a 'coordinated pluralism', or even a European-wide corporatism, might develop. While it is difficult to make predictions about a situation that is still some years in the future, and which in the meantime may be influenced by any number of unanticipated factors, in this paper I seek to evaluate the merits of this ETUC argument.

But before doing so, it is necessary to place the issue in context by setting out briefly the position of unions in the making of EC economic policy up to the present (mid-1992). By 'economic policies' I mean policies dealing with general economic issues such as employment, trade and monetary policy, rather than sectoral policy, which would require a paper to itself. Unless otherwise indicated, my account is based on interviews in early July 1992 with ETUC officials, EC bureaucrats, and MEPS[1].

UNION PARTICIPATION UP TO 1992

Looking back to the beginning of the European Community in the late 1950s, it is clear that during this period trade unions were kept at arms length by the founding members. Despite widespread union support for European integration, consistent with their internationalist tradition, unions were unable to exercise any major influence on the formation of the Treaty of Rome. The union demand for a democratic and transnational governing body was not met, social policy was given a low priority, and most unions were disappointed at the liberal economic orientation of the Treaty. In addition, trade unions were accorded a much less important place in the EEC institutions than they enjoyed in the European Coal and Steel Community (ECSC). Until its merger with the EEC Commission in 1967, the membership of the ECSC High Authority always included two or three unionists, one of whom was nominated jointly by the socialist International Confederation of Free Trade Unions (ICFTU) and the International Confederation of Christian Trade Unions (ICCTU). In contrast, unions were not given any representation on the EEC Commission. Similarly, while the worker representatives on the ECSC Consultative Committee were nominated by trade unions, nominations for worker representatives on the EEC's Economic and Social Committee (ESC) - which had not even been

[1] For their cooperation, without which this account would not have been possible, I would like to thank Nikolaus Adami, Peter Coldrick, Reinhart Eisenberg, David Foden, Tom Jenkins, Marc Maes, M. Morin, Derek Reed, Mathias Ruete, Wilfrid Schneider, Ludwig Schubert, Jo Sinclair, Jean-Marie Triacca, and Wim van Velzen.

included in early drafts of the Treaty of Rome due to German opposition - were left in the hands of national governments (Barnouin 1986, pp. 5-7; Bouvard 1972, pp. 72, 81, 113; McLaughlin 1976, p.11).

One source of union weakness at this stage was lack of unity, as at the European level trade unions were organised into separate socialist, Christian Democratic and communist confederations. This disunity persisted until 1974, when the Christian trade unions, plus the Irish Confederation of Trade Unions and the Italian communist confederation CGIL, joined the European Trade Union Confederation (ETUC), which had been created by socialist unions from the EC and EFTA countries in 1972 (ETUI 1991, pp.7-21; for full accounts of this process see Barnouin 1986, Bouvard 1972, Visser and Ebbinghaus 1992). Since then almost all of the national union confederations in EC countries have been members of the ETUC, including most white-collar confederations. The main exceptions are a number of specialist union centres, such as managers' unions, and the French communist confederation CGT. In addition to national confederations, an increasing number of transnational sectoral European Industry Committees have become affiliated.

The ETUC's decision-making procedure ensures that only measures with broad support are passed: its triennial Congress takes decisions on the basis of a two-thirds majority, each member confederation having been allotted four seats plus additional seats for each 500,000 members. While this limits the scope and specificity of ETUC policy proposals, it helps to preserve movement unity. Between Congresses decisions are taken by two-thirds majority by a 46 member Executive Committee, on which all member confederations are represented. The current ETUC President is Norman Willis of the British TUC. Economic policy formulation takes place mainly via the Economic Committee, which prepares position papers for Executive Committee consideration. The Commission-funded European Trade Union Institute also plays a role in policy research (ETUI 1991, pp.22-30; Barnouin 1986, p.72).

While it is clear that unions are extensively consulted in the EC economic policy-making process, each of the main institutional forums in which this has taken place up until now (mid-1992) - the Economic and Social Committee, the Standing Employment Committee, Tripartite Conferences, and the Social Dialogue - have important shortcomings from the unions' point of view.

The Economic and Social Committee

As mentioned earlier, the Economic and Social Committee (ESC) is the body prescribed by the Treaty of Rome for sectional interests to be represented in the EC's decision-making process. As a means through which trade unions may participate in EC economic policy-making, however, the ESC has limitations.

First, worker members of the ESC are nominated by national governments rather than being representatives of national trade union movements or the ETUC, although most are members of ETUC affiliates, meet regularly to work out common positions, and cooperate closely with the ETUC (Barnouin 1986, p.79; Danton 1990, p.130).

Second, worker representatives, as Group II of the ESC, constitute only about a third of its 189 members, with the other two-thirds being made up by employers (Group I) and other interests such as small and medium-size business, professional groups, farmers, consumers and environmental groups (Group III). As ESC Opinions are adopted by majority vote, this means that for Opinions to represent union views they must gain support in other Groups. This is made especially difficult by the fact that business interests are represented in Group III as well as Group I, and efforts to produce large majorities tend to lead to lowest common denominator reports that do not reflect union views very clearly (Barnouin 1986, pp.81-83).

Third, the role of the ESC is strictly advisory, its principal task being to give Opinions on matters referred to it by the Commission or by Council, in particular proposed legislation. Consultation is mandatory only for a limited number of issues, none of which are economic (Kirchner and Schwaiger 1981, pp.150-153), although the Commission and Council have, and often use, an option to refer other matters to the ESC. Since 1972, however, the ESC has had the right to formulate Opinions on its own initiative (Barnouin 1986, p.81), and this has led to Opinions on issues such as the economic situation (these are issued each year) and Economic and Monetary Union.

Finally, the ESC is consulted fairly late in the policy-making process, when it tends to be difficult to influence the content of legislative proposals (Nugent 1991, p.217).

As a consequence of these factors, the ESC is generally considered by unions and others to be rather ineffective, more a sounding board for the Commission and Council than an avenue through which influence can be exerted (Nugent 1991, p.215). Although Commission and Council staff attend ESC plenary and committee sessions, and the Commission reports on ESC Opinions every three months, Opinions are not systematically considered by Council but are merely made available to Ministers.

The Standing Committee on Employment

The Standing Committee on Employment (SCE), which currently meets twice a year, is the only permanent body in which consultation and dialogue takes place between Council, the Commission, employers and unions. It is chaired by the Labour Minister of the country holding the Council Presidency and was originally set up in 1971 to carry out the recommendations of a tripartite conference on employment and social affairs held in Luxembourg in April 1970. These recommendations pertained to the gathering of information and statistics on employment and the formulation of an EC employment policy, although the SCE was not given any decision-making power on these matters. Soon after its inception a deadlock arose between Council and the ETUC concerning the procedures for the selection of worker representatives, which resulted in an ETUC boycott of the SCE between 1973 and 1974. However in January 1975 the ETUC was allocated 17 of the 18 trade union seats, with the French CGT, CFTC and CGC alternately occupying the remaining seat.

As a means of participating in EC policy-making, from the union point of view the SCE has been impeded by lack of agreement on the causes of unemployment, the restriction of its purview mainly to relatively narrow labour market issues (Barnouin 1986, pp.86-89; EC 1984, p.13), and the absence of Economic and Finance Ministers from its meetings. In addition, there is at present little real dialogue between Council and the social partners (the ETUC, the private employers UNICE and the public employers CEEP). The social partners do not actually meet Ministers until after conclusions are agreed through a process of alternate meetings between the Chair, the Commission and the social partners, on the one hand, and the

Chair, the Commission and Ministers, on the other, which consider and progressively refine a draft based on an initial Commission paper.

Tripartite Conferences

Although tripartite Conferences between unions, employers and Council were held in 1970 and 1974, these dealt mainly with social issues and, like the SCE, did not include Ministers with economic portfolios. In November 1975, however, the first Tripartite Conference with economic Ministers was convened as a result of ETUC pressure, but although a consensus was reached on the nature and causes of the economic situation, agreement was not obtained on the appropriate remedies. At this stage even the ETUC itself was divided, with its two biggest constituents, the TUC and DGB, at loggerheads.

At the second Conference in June 1976, however, targets were agreed for employment and price stability and an agreed economic strategy was adopted as the official EC medium-term economic programme. In addition, a small steering group composed of representatives of unions, employers, the Commission and the Council Presidency was set up to monitor progress; the role of the SCE was strengthened; and the Economic Policy Committee of representatives of national governments and central banks was scheduled to start discussions with the social partners on economic policy.

Progress towards the targets set by the programme was not forthcoming, however, and the ETUC accused governments, employers and the Commission of failing to implement the decisions of the Conference. A further Tripartite Conference in June 1977 made little further progress, with increased conflict developing between unions and employers. Meetings with the Economic Policy Committee were marred by the fact that government representatives remained completely silent. The November 1978 Conference was equally unproductive, with governments using the occasion more as a listening post than as a forum for discussion or negotiation. Since meaningful contact with Council was the raison d'etre for the ETUC seeking these Conferences, these experiences led to its withdrawal from the process (Barnouin 1986, pp.90-95), and no further Tripartite Conferences have taken place.

The Social Dialogue

This new forum for dialogue between employers and unions was launched in January 1985 when the newly-appointed Commission President, Jacques Delors, convened a meeting of the leaders of the ETUC, UNICE and CEEP at Val Duchesse. The stated aim of this meeting was to try to find common ground between employers and trade unions on economic and social issues, and this was given legal force by the Single European Act of 1986. The new Treaty Article 118b states that "the dialogue between management and labour at the European level could, if the two sides consider it desirable, lead to relations based on agreement" (DGV, undated, p.9). In addition, the Commission sees the Social Dialogue as a means of educating the social partners on economic and social realities and as a way of ensuring union support for the internal market.

At first the Social Dialogue appeared to make good progress. In November 1985 working parties were set up on macroeconomic issues and on the new technologies, and agreement was reached on supporting the Commission's Cooperative Growth Strategy for More Employment. This was an economic plan developed in DGII (Economic and Financial Affairs) to reduce unemployment by making increased investment possible via cutting interest rates, keeping wage increases below the level of productivity increases, and expanding public investment within a monetary and budgetary framework oriented towards low inflation. Other parts of the programme included completing the internal market as soon as possible, promoting training and research, reforming taxation so as to encourage investment, and developing new forms of business financing. The agreement on the Cooperative Growth Strategy, which was reaffirmed in Joint Opinions reached in November 1986 and November 1987 (DGV, undated), represented a trade-off: the unions acknowleged the need for wage restraint while employers acknowledged not only that employment should be the top priority, but also that governments should work with unions as well as with employers and that public investment should be increased. Employers also recognised the importance of the social dimension (ETUC 1988, p.73). Despite being endorsed by Council in November 1985, however, the Cooperative Growth Strategy never received the practical backing of most governments (ETUC 1991, p.50), which rendered it ineffective.

After March 1987 the Dialogue entered a period of stagnation, but was relaunched by President Delors at the beginning of his second term in office in January 1989 when he convened another high-level meeting of the social partners at the Palais d'Egmont. This provided for the formation of a political steering group, chaired by Social Affairs Commissioner Vasso Papandreou, and for the creation of working parties on the labour market and on education and training. In addition, the Commission agreed to submit an annual Employment Report to the Social Dialogue and to the Standing Committee on Employment before forwarding it to Council, and undertook to consult the social partners at regional level on structural policy. Furthermore, progress was made on European collective bargaining when in September 1990 the first European framework agreement was reached between ETUC and CEEP on rail and energy distribution (DGV, undated). In 1990 UNICE accepted the extension of the Social Dialogue to the national level (ETUC 1991, p.37). The Social Dialogue has now been extended to the sectoral level with the establishment of joint committees in the areas of road transport, railways, inland navigation, sea transport, civil aviation, telecommunications, agriculture, sea fishing and footwear. Informal groups have been established in the areas of hotels, insurance, banking, retail, wholesale, and intermodal transport.

In March 1992 the Macroeconomics Group was reactivated after a period of dormancy, and discussions on EMU, as well as on the general economic situation, led to agreement on a Joint Opinion on a Renewed Cooperative Growth Strategy for More Employment on 3 July 1992 (Community Social Dialogue 1992). It was clear, however, that again the ETUC had made significant concessions in order to obtain employer agreement, as the main thrust of the strategy was to reduce interest rates by cutting government expenditure and keeping wage settlements low. In return, the employers exempted capital expenditure from the recommended spending curbs, and agreed to expanded training and R&D. The agreement also provided for completing the Single Market and concluding an agreement on GATT.

The Social Dialogue has been the main focus of ETUC efforts to influence EC economic policy since its inception in 1985 but, as the recent agreement on the Renewed Cooperative Growth Strategy illustrates, it suffers from the limitation that Joint Opinions by their nature require employer approval, which severely restricts the extent to which they reflect union views. In particular, employers are resisting the formal institution of European-wide collective bargaining, a prime ETUC objective.

On the other hand, the Social Dialogue does provide a high-level point of contact with the Commission, representatives of which chair its meetings (President Delors at Social Dialogue summits, otherwise the Commissioner or Director-General of DGV (Employment, Industrial Relations and Social Affairs)). In addition, both President Delors and Commissioner Papandreou have maintained a policy of consistent consultation with the ETUC, and the Social Dialogue has enabled regular discussions to be held via the Macroeconomic Group with DGII (Economic and Financial Affairs).

Other Forms of Participation

Apart from via the Social Dialogue, consultation of unions by the Commission in the economic area is limited: the ETUC, which as an EC-wide group has generally been preferred to national unions as the Commission's interlocutor, is not formally represented on the Commission's economic advisory committees but is restricted mainly to committees dealing with labour market issues such as vocational training. However unions are consulted on a sectoral basis, for example by DGIII (Internal Market and Industrial Affairs). In addition, the ETUC President and other Executive Council members meet several times a year with the President of the Commission and with individual Commissioners, and there are also periodic meetings with the whole Commission (Kirchner & Schwaiger 1981 pp.40-51; Barnouin 1986, p.70; Nugent 1991). The ETUC also has good informal contacts with the Commission and is regarded as well-informed about Commission proposals from an early stage.

Union participation in economic policy-making via the European Parliament is limited due to the concentration of union resources on other institutions considered more central to the making of Community economic policy, and this has led to somewhat strained relations with MEPs working in the economic area. Nevertheless, the ETUC does follow the proceedings of the relevant committees, such as the Economic and Monetary Affairs and Industrial Policy Committee; participates in hearings; and maintains some contacts with committee members and staff. The ETUC also maintains contacts both with the various Political Groups, in particular the Socialists (especially on the internal market and industrial policy), and with the non-partisan 'inter-group' of union-affiliated MEPs.

Despite the decisive importance of the European Council and of the Council of Economics and Finance Ministers (ECOFIN) for the formulation of EC economic policy, there has been no real union participation in the decision-making processes of either, apart from via the Standing Committee on Employment and the Tripartite Conferences. The ETUC does, however, maintain contact with the Council Secretariat, and regularly submits opinions and memoranda to both the European Council and ECOFIN. In addition, since the inception of the European Council in 1975 an ETUC delegation has regularly met the current President to submit its demands prior to meetings of the Council. In general the major economic issue raised in these meetings has been employment, but European monetary reform has also been prominent. In recent years the ETUC has also contacted governments prior to their Presidency, but with limited results (Barnouin 1986, pp.72-73; ETUI 1991, p.33; Kirchner & Schwaiger 1981, p.40). Contacts are also maintained with the Committee of Permanent Representatives (COREPER), but these are somewhat limited and COREPER has proved generally unreceptive (EC 1984, p.14; Barnouin 1986, p.72). The unions' lack of success in finding a place in the policy-making process of ECOFIN and the European Council has led to a focus on trying to influence them via the governments of member states, using national union confederations as go-betweens (Kirchner & Schwaiger 1981, pp.38-40; Barnouin 1986, p.73). Due to the close relations between governments and unions in some member states, one consequence of this is that the ETUC is generally well-informed about what is going on in both ECOFIN and the European Council.

Finally, unions are also represented on the Social Fund Committee, which is the only institution stipulated by the Treaty of Rome to deal specifically with unemployment. Due to its concentration on micro-economic issues, such as training and the resettlement of displaced workers, however, it is considered by unions to be too limited to be of much significance (Barnouin 1986, p.84).

ECONOMIC AND MONETARY UNION

Despite an abundance of consultation on economic issues, it is clear that on the eve of Maastricht European trade unions did not have a very strong position in the economic policy-making process of the European Community. Their consequent lack of influence was shown very clearly during the policy-making process leading up to the agreement on Economic and Monetary Union at Maastricht.

After an initial abortive push in the late 1960s and early 1970s centred around the Werner Report (Commission 1970), during which 1980 had been set by the Paris summits of 1972 and 1974 as the target date for economic and monetary union, progress towards EMU received renewed impetus from the creation of the European Monetary System in 1979 and then from the

Padoa-Schioppa Report (1987), which argued that the logic of the Single Market - free trade, fixed exchange rates, and capital mobility - required a single Community monetary policy. This was accepted by the Hanover European Council of June 1988, which appointed a committee to investigate how this could be implemented. The consequent Delors Report (European Economic Community 1989) recommended a single currency, the creation of a European System of Central Banks (ESCB), and the transfer to the EC of national powers over economic and monetary policy. This was endorsed by the Madrid European Council of June 1989 and the Inter-governmental Conferences of December 1990, and formed the basis of the agreement on Economic and Monetary Union in the Treaty of Maastricht (Council 1992, Cameron 1992).

While the ETUC broadly approved the proposals of the Delors Report on the grounds that integration was happening anyway, so that what was required was the empowering of democratically-accountable institutions to regain at the European level the economic powers that had been lost at the national level (ETUC March 1992), this support was at least partly due to the consideration that unions had a better chance of influencing the ultimate shape of European economic and monetary union if they were on board the EMU juggernaut than if they tried to stand in its way, and was qualified by a number of major reservations. Among the most important of these were that sustainable development, full employment (as opposed to "high employment") and economic and social cohesion should be added to price stability as fundamental objectives of the ESCB as well as of the Community in general, rather than being subordinated to price stability. In addition, the ETUC argued that the ESCB should be autonomous rather than independent, that is, free from day-to-day instruction but part of the political process in order both to ensure democratic accountability and to avoid jeopardizing full employment by dividing responsibility for EC economic management. The ETUC also recommended the establishment of an ESCB advisory committee on which trade unions (among others) would be represented. On economic policy, the ETUC considered that EC powers should be greater than recommended in the Delors Report in order to permit macro-economic management of the Community as a whole. In particular, it recommended the introduction of majority voting in Council for economic and monetary matters, and an expansion of the EC budget. In addition, the ETUC considered that the structural Funds should be further strengthened, and that taxes affected by the behaviour of other states, such as capital taxes, should be subject to majority rule. The ETUC also called for systematic consultation of the European social partners via the Macroeconomic Group of the Social Dialogue, and for European-wide framework agreements to be provided for as part of European collective bargaining (ETUC June 1989, April 1990, April 1991).

During the policy-making process leading from the Delors Report to Maastricht, however, the ETUC was not represented on any of the relevant advisory or decision-making bodies, and moreover was not officially consulted. Avenues of influence were restricted to informal discussions, lobbying, contributions to the deliberations of an ad hoc working group of the Social Dialogue, and input to Opinions of the Economic and Social Committee, which reflected few of the above points apart from the emphasis on greater economic coordination and the desirability of an ESCB Advisory Committee (ESC 1989, 1991). It is therefore not surprising that few of the economic demands of the ETUC found their way into the Treaty of Maastricht, although the formulation of Community economic guidelines was made subject to qualified majority voting in Council, a new Cohesion Fund was established, and the structural Funds were strengthened (Council of the EC 1992). In addition, the Social Protocol appended to the Treaty provides for the implementation of European-wide agreements between the social partners. This reproduced an agreement signed by employers and the ETUC in October 1991, and provides a firmer institutional base for European-wide collective agreements than existed previously (Council 1992).

One of the most important reasons for the lack of union influence on EC economic decision-making appears to be that at the Community level trade unions have nothing to bargain with, nothing to exchange for Community concessions on economic policy. At the national level wage restraint has often been used as the trade-off for the adoption of union-preferred economic policies, but at present there is no European-wide collective bargaining that would enable wage militancy to be coordinated at the Community level for use as a bargaining counter by unions. This means that although the Commission in particular is punctilious in taking union views on economic policy into account, it has no compelling reason to adopt them unless they are already close to what the Commission wanted to do anyway. The Commission (and other EC institutions) is only likely to relinquish a preferred economic policy in favour of a union-preferred policy to which it is opposed if the unions offer something in return that is valued even more highly than retention of the original policy. That is, unless unions are both willing and able to offer something for which the governing institutions of the Community are prepared to exchange economic commitments, they are unlikely to exercise any major influence on Community economic policy.

This is where the argument put forward by Peter Coldrick of the ETUC is so important, as Coldrick argues that the introduction of EMU, if implemented as agreed at Maastricht, will deliver to the European union movement the bargaining power it presently lacks because "monetary union necessitates convergent economic performance and ... this necessitates convergent collective bargaining" (Coldrick 1990, p.61).

The main steps in the argument are as follows[2].

1. To join the Economic and Monetary Union, EC member states must meet a number of economic convergence criteria as defined in the Protocol on Convergence Criteria and the Protocol on the Excessive Deficit Criteria of the Treaty of Maastricht (Council of the EC 1992).
2. High wage settlements may threaten the prospects of member states meeting these criteria, in particular the requirement that the annual rate of price increase must be less than 1.5 percentage points above the annual inflation rate of the three lowest-inflation member states.
3. Therefore national governments and EC institutions will have an even greater interest than usual in wage restraint, and will seek to 'educate' the social partners in an effort to ensure that wage rises are coordinated with those in the three lowest-inflation countries. This, in a weak sense, would constitute European collective bargaining.
4. The introduction of a single currency will lead to additional pressure for European-level wage bargaining because this will make cross-national wage comparisons more transparent. For this reason national union pay strategies will increasingly take European comparisons into account.

[2] This account is based on an interview conducted on 23 June 1992, Coldrick 1990 and ETUC December 1991.

5. As a result of this increased transparency of wage comparisons, pressures for wage rises will be especially great in low-wage countries, where workers will demand upwards convergence (as has happened in former East Germany). In order to secure wage restraint in these countries, governments and Community institutions will have to provide the means with which they can build the economic base needed to sustain wage levels comparable to those in the richer member states - that is, to put more effort into achieving economic cohesion in the Community.
6. To do this, the Cohesion Fund and the structural Funds will need to be increased significantly. This will be made more likely by a widening of the scope for qualified majority voting in Council on economic matters, which is likely to occur due to the need to avoid the decision-making paralysis that would result if the increased volume of such decisions remains subject to vetoes exercised by single countries. This problem will become even more acute once the next group of countries join the Community. In order for these Funds to fulfill their purpose of buying wage restraint, national trade unions and the ETUC will need to be involved in their design and implementation. This would represent a form of union participation in economic policy-making that is not presently existent.
7. These developments will combine with other factors to move European collective wage bargaining beyond the weak form referred to above towards a German 'social market' model in which information exchange coupled with informal trade-offs lead to wage settlements that are compatible with both the need to preserve regional competitiveness and the need to retain the external competitiveness of the EC as a whole. Coldrick argues that even now multinational employers take

international factors into account in their bargaining strategies, and that a steady expansion of European collective bargaining in such companies will be reinforced by EC legislation on information and consultation that will increasingly bring companies and their employees together on a European basis. In addition, as the scope of majority voting widens in Council, and EC legislation on a greater range of economic issues can no longer be vetoed by a single country, employers will become more willing to negotiate European framework agreements with the ETUC using the new decision-making power laid down in Article 4 of the Treaty of Maastricht Social Protocol.

8. The need to coordinate wage bargaining with economic policy will lead to a more important role in EC economic decision-making for the ETUC, which will be able to present itself as an arbiter between militant workers and EC institutions. Here the Social Dialogue would be an important forum, in particular the Macroeconomic Group, and Coldrick anticipates that negotiations could lead to future dialogue not only with the Commission but also with ECOFIN, COREPER, and the European Central Bank.

There are, however, a number of possible objections to this line of argument. First, the level of wage settlements is likely to threaten entry into the EMU of only a few countries and may therefore be viewed by governing elites as a national problem rather than as a Community problem. On the other hand, it is likely that the Commission, with its commitment to European integration, would regard it as a Community problem, and this would give the ETUC leverage over the Commission even if Council were less concerned.

Second, some governments faced with an inflation problem may be prepared to tough it out and allow the consequent loss of competitiveness and/or restrictive economic and monetary policies to lead to higher unemployment, which would then snuff out further excessive wage rises. If the Council and the Commission also refused to countenance negotiations with the unions, entry to EMU could (eventually) be achieved by all countries without either increasing the participation of unions in EC economic policy-making or instituting European collective bargaining. Whether this happens will depend upon the political complexion of member governments at the time they wish to join the EMU, and also upon the extent to which neo-liberal economic doctrine continues to dominate policy-making in general.

Third, it is not entirely clear exactly what national union movements will do when faced with the problem of convergence. Union movements in Western Europe are very diverse, and may want different trade-offs for their cooperation. Some may be convinced by rational argument alone to moderate their wage claims. Others may reject any interference with free collective bargaining, or demand essentially national-level concessions. Alternatively, trade-offs may be sought at the EC level, but in the social field rather than in economic policy. It is possible that some national unions will opt for collective bargaining on a sectoral level rather than on an inter-sectoral level. Some union movements, especially in the poorer member states, might reject upwards wage convergence in favour of combining with their national employers and government to try to improve their country's competitiveness by undercutting the wage claims of unions in other countries. This would conflict with the efforts of unions in high-productivity countries seeking to prevent capital movements from high-wage towards low-wage countries by imposing high wages on all regardless of labour productivity (Lange 1992, p.237). Streeck and Schmitter (1992) argue that the linguistic, ideological, national, sectoral and regional diversity of European trade unions renders the ETUC of low significance for its national affiliates, and indeed the ETUC is not mandated to sign collective agreements (Visser and Ebbinghaus 1992, p.14) In addition, the prospects of unity are further hindered by factors such as the mutual incompatibility of national industrial relations systems and the recent weakening of unions due to developments such as the rise in unemployment, increased numbers of hard-to-organise temporary and part-time workers, the increased differentiation of collective interests within the union movement (for example as manufacturing unions lose ground to services and public sector unions), and the growing attractiveness of alternative mechanisms of representation, for example the environmental movement (Streeck and Schmitter 1992). The question as to whether European trade unions will be able to unite behind any common strategy for collective bargaining must constitute one of the principal doubts as to whether Coldrick's scenario will be realised.

Fourth, the unwillingness of business to engage in collective wage bargaining on a European level will be a major obstacle to its establishment. At present European employers have a decided preference for subjecting wages to market forces, and would welcome competition between countries and regions on the basis of who could offer investors the lowest wage costs. Their interest is therefore to prevent European wage bargaining by denying UNICE the authority to conclude agreements and by taking advantage of the unanimity rule in Council to ally with one or more national governments in Council to prevent the passage of Community legislation directed to this end.

If these tactics continue to be successful, as seems likely at this stage, then the ETUC will be left with the major Community institutions as its potential bargaining partners. Lack of employer participation would mean that bargaining would have to be over wage claims rather than wage settlements, and any agreement on wage claims would then have to be imposed on employers at the national level. This would not be easy.

There would also be obstacles in the way of successful negotiations with Community institutions.

While the ETUC would ideally prefer to bargain with ECOFIN and/or the European Council, which under the Treaty of Maastricht retain the major decision-making powers over economic policy, the conclusion of agreements would be made difficult by the retention of the unanimity rule for virtually all major Council economic decision-making, which makes it possible for just one government to veto any agreement. But, as Coldrick argues, this may not last: the unanimity rule may well paralyse Council economic decision-making, especially if and when the Community is enlarged from the present twelve, in which case qualified majority voting may be extended to a greater range of economic issues.

The new independent European Central Bank, on the other hand, would appear likely to adopt the Bundesbank policy of refusing to negotiate with trade unions apart from informing them that if wage settlements are excessive, interest rates will be raised and union members will lose their jobs (see K.O. Pöhl, former head of the Bundesbank, quoted in ETUC December 1991, p.1).

This leaves the Commission as the most likely potential wage bargaining partner for the ETUC. The problem is that the Commission would only be able to offer concessions on those aspects of economic policy that are within the Commission's own competence, subject to the cooperation or co-decision procedure (which would bring in the Parliament as well as an important player), or otherwise subject to majority vote in Council with a reasonable chance of being pushed through by the Commission. While the range of economic policy covered here does include the setting of economic guidelines for the Community, these are non-binding, and only the implementation of the structural Funds could be negotiated but not their design: overall economic policy, including the size of the Community budget, would remain out of reach. The consequent narrow scope of any economic concessions could cause problems in securing the acceptance of the terms of any agreement by national unions.

It may also be doubted whether the Commission would be prepared to engage in bilateral negotiations with the ETUC over economic policy, given that up until now its clear preference has been to encourage employers and unions to reach agreements among themselves, but if the Commission perceived EMU to be in serious danger, and UNICE refused to negotiate, then it would seem at least possible that the Commission would enter into talks without the employers. In which case the employers, not wanting to be left out of decisions that may affect their interests, might very well decide to take part after all.

Finally, it is not clear whether any additional union bargaining power gained during the transition to EMU will survive once a country has been accepted into the system and, of the convergence criteria, only the excessive deficit condition remains. Once exchange rates are irrevocably locked, and then a single currency is introduced, wage rises in one country that are significantly greater than those elsewhere will simply lead to a loss of economic competitiveness and thence job losses. This situation is unlikely to elicit a sympathetic response from either Council or the Commission, since such a response would in effect reward excessive wage settlements, although to the extent that the resultant economic dislocation was blamed on the EC it would nevertheless be a cause for concern for the Commission. Only if European-level collective wage bargaining were firmly established by this time would it be possible to use wage demands as a bargaining chip in negotiations with the Commission and/or Council. It would appear, then, that from the unions' point of view the introduction of EMU may represent a window of opportunity to establish European collective bargaining and thus greater potential influence over EC economic policy.

CONCLUSIONS

It should be clear from the first section of this paper that while trade unions are extensively consulted during the formation of EC economic policy, at present they have little influence on its course. While the Commission appears to want to take union views into account, these tend to be disregarded unless they are already close to what the Commission wants to do anyway. Council, composed as it is of national representatives jealous of their decision-making power, is not at all interested in ceding some of this power and complicating the decision-making process even further by allowing significant union participation. And even on the few occasions when Council has endorsed economic agreements made with the social partners, these have generally been ignored by member states.

There are three obvious reasons why unions are not influential in the economic policy-making process of the Community. First, they are not represented on the main decision-making bodies (European Council, ECOFIN, Commission). Second, the institutions in which they are represented have advisory powers only (Economic and Social Committee, Standing Committee on Employment, Tripartite Conferences, Social Dialogue). Third, in these institutions employers have an effective veto on policy proposals, and hence are able to block most union initiatives. For evidence on this last point one need only compare ETUC economic policy statements with the Economic and Social Committee Opinions on EMU (ESC 1989 and 1991) and the two Cooperative Growth Strategies of the Social Dialogue (DGV undated, Community Social Dialogue 1992).

In addition to this, the European Council and ECOFIN are currently dominated by a neo-liberal outlook which conflicts with the policy orientation of trade unions. This may not be a permanent obstacle, as governments may change in member states and neo-liberalism may become discredited due to its inability to deal with unemployment, but the persistence of the unanimity decision-making rule in most economic areas, despite recent reforms, means that deviations from this orthodoxy can still be blocked by a single country.

A further source of union weakness is the degree to which such influence as the ETUC does have is dependent on the current political complexion of the Commission. Although the tacit alliance between the ETUC and the Commission is partly due to the Commission's institutional aim of enhancing Community legitimacy by maximizing support among important economic and social groups, it is clear that the Delors Commission is especially sympathetic to union concerns. Indeed Jacques

Delors himself has a union background in the French CFDT, and has been quoted as saying that "I want to make sure that the trade unions are written into Europe's social and economic decision-making" (Tongue 1989, p.17). It is thus questionable, for example, whether the Social Dialogue would even exist without his active support. The problem is that this relatively pro-union stance of the Commission might not last, in which case the ETUC would find itself in an even weaker position than is presently the case.

The most important cause of union weakness, however, appears to be the fact that at the Community level trade unions currently lack significant bargaining power, because they have nothing significant to exchange for Community concessions on economic policy. Unless this changes, there is little reason to expect any significant strengthening in the unions' position in EC economic policy-making.

According to Coldrick, however, this will change, because the trade union capacity to block the successful implementation of EMU unless their demands are satisfied will give them the bargaining power they presently lack by necessitating the introduction of some form of European-level collective wage bargaining.

Whether this will really come about, however, is uncertain. First, it would require as a prequisite a considerable degree of trade union unity around demands for phased upwards wage convergence and EC economic policy measures such as a coordinated full employment strategy and substantially increased economic support for the poorer member states. Here the situation in post-unification Germany, where the government has sought trade union agreement on measures to harmonise conditions in the two halves of the country, might serve as a model. The extent to which unions are able actively to mobilise in support of such a program, for example by mounting Japanese-style "spring offensives" through coordinating the timing of wage campaigns, will have a large bearing on its chances of success.

Second, business is likely to maintain its hostility to European wage-bargaining, and the application of the unanimity rule in Council is likely to prevent the imposition of such bargaining by Community legislation even if there are leftwards changes of government in the EC over the next few years (and it should be noted that the next British election does not have to be called until 1997). This means that the focus of union efforts to use wage bargaining as a lever to force economic policy concessions will fall on the bilateral relationship between unions and EC institutions. Of these, the retention of the Council unanimity rule on major economic policy issues is likely to keep Council-ETUC agreements on economic policy out of reach - although the need to coordinate EC economic policy may lead to a widening of areas subject to the qualified majority rule - and the European Central Bank is likely to be inaccessible and prone to using interest rates as a weapon against what it sees as excessive wage rises. Of course if the present liberal economic orthodoxy were to be dethroned, perhaps because it was decided that low inflation and low unemployment could not simultaneously be achieved without negotiated wage restraint, then Council might become more cooperative, but this is not likely in the immediate future.

In the end, therefore, the emphasis is likely to fall on striking deals with the Commission on aspects of economic policy that could be realised either by measures taken under the Commission's own jurisdiction or by measures navigated by the Commission through Council on the qualified majority rule. Leverage is possible with the Commission because of its institutional interest in the successful implementation of EMU, and, at present at least, because its President is sympathetic to union concerns. Insofar as Commission concessions are dependent on the cooperation and co-decision procedures, the European Parliament would also be involved. Whether the Commission would be prepared to negotiate with the ETUC on a bilateral basis, given its preference for agreements to be reached between the social partners, is not clear, but if UNICE refused to negotiate it is certainly possible. And if they did take place, UNICE might change its mind in order to have an input.

Finally, it would appear that the best chance of European trade unions gaining a place in EC decision-making will come during the transition to EMU when the need to meet inflation targets will temporarily give them added bargaining power and when, moreover, there will be a considerable degree of institutional flux. If, however, they cannot mobilise around a common strategy at this crucial time, then the pattern of union participation in EC economic decision-making may well remain much as it is at present: a lot of consultation, but very little influence.

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