EUROPEAN INDUSTRIAL RELATIONS OBSERVATORY

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The comparative supplement in this issue of *EIRObserver* examines the relatively unexplored issue of the industrial relations effects of outsourcing - the growing trend whereby companies cease to carry out internally various functions outside their core activity, and instead purchase the services or products concerned from outside parties. The supplement focuses on the example of the motor manufacturing sector in the EU Member States (plus Norway).

The supplement finds that outsourcing is a widespread and growing phenomenon as the motor manufacturing industry restructures. It creates a pyramid with major manufacturers at the top, carrying out activities of high added-value, and lower-level suppliers at the bottom, carrying out labour-intensive activities of little added-value amid intense competition, with strong pressure to reduce labour costs and deregulate working conditions. The law provides little regulation of the industrial relations and employment effects of outsourcing - except in some cases where a transfer of undertakings is the first step in the process. Similarly, collective bargaining does little to address the issues arising - such as a fragmentation of employment conditions in the sector - though there are some recent examples of innovation in this area. Outsourcing poses important new challenges for trade unions and, to a lesser extent, employers' organisations.

The features in this issue cover a wide range of topical industrial relations issues, including: social protection reform (pensions in Austria, unemployment insurance in Sweden); bargaining reform (in Italian telecommunications); social partner attempts to tackle racism and xenophobia (Germany); new forms of industrial action (France); trade union restructuring (Norway); and working time reductions (Spain).

EIRObserver presents a small edited selection of articles based on some of the reports supplied for the *EIROnline* database, in this case for July and August 2000. *EIROnline* - the core of EIRO's operations - is publicly accessible on the World-Wide Web, providing a comprehensive set of reports on key industrial relations developments in the countries of the EU (plus Norway), and at European level. On p.15, we provide a brief guide for readers on how to access and use *EIROnline*, which can be found at:,

http://www.eiro.eurofound.ie/

EIRO, which started operations in February 1997, is based on a network of leading research institutes in each of the countries covered and at EU level (listed on p. 16), coordinated by the European Foundation for the Improvement of Living and Working Conditions. Its aim is to collect, analyse and disseminate high-quality and up-to-date information on key developments in industrial relations in Europe, primarily to serve the needs of a core audience of national and European-level organisations of the social partners, governmental organisations and EU institutions.

Mark Carley, Editor

EUROPEAN FOUNDATION *for the Improvement of Living and Working Conditions*

EU

Commission issues new five-year social policy agenda

The European Commission has issued a Communication on a new social policy agenda in which it sets out its proposed objectives and actions in this area over the coming five years. All the main social policy issues are covered, including gender equality, discrimination, the new work environment and fundamental rights. The social partners are also called on to play an active role in the development of policy.

Proposals for a ''new five-year social policy agenda'' were issued by the European Commission on 28 June 2000 in the form of a Communication to the Council of Ministers, the European Parliament, the Economic and Social Committee and the Committee of the Regions (COM(2000) 379 final). This document follows on from the discussions concerning employment and information technology which took place at the Lisbon European Council meeting, held in March 2000. Most specifically, the Commission hopes to modernise the ''European social model'' and to convert the political commitments made at the Lisbon summit into action.

In its Communication, the Commission lists its objectives in a number of areas and follows this by proposing a range of actions, taking the form of either new initiatives or commitments to progress existing proposals.

Full employment and quality of work

Towards more and better jobs

The Commission defines an objective of raising the employment rate in Europe to as close as possible to 70% by 2010 and increasing the proportion of women in work to over 60% by 2020. It lists a number of action points which it deems necessary in order to achieve this, including:

- to propose Community incentive measures in the field of employment, based on Article 129 of the Treaty establishing the European Community (TEC);
- to invite the social partners to contribute and cooperate more systematically to the European employment strategy and to develop dialogue and negotiations ''at all relevant levels'', and in particular in the area of lifelong learning; and
- to undertake a review and assessment of the impact of the ''Luxembourg process'' of annual EU Employment Guidelines and National Action Plans on employment.

Anticipating and managing change

The social policy agenda states the objective of developing a ''positive and proactive approach'' to change by informing both companies and employees of both the employment and the social consequences of ''integration measures'' such as mergers and acquisitions. In addition, the Commission believes that working conditions and contractual relations need to be adapted to the ''new economy'', whilst ensuring that the appropriate balance is maintained between flexibility and security. Its proposed actions include:

- launching consultation of the social partners on modernising and improving employment relations. This has already taken place - the Commission's consultation paper was issued to the social partners on 26 June 2000;
- following up the forthcoming social partner negotiations on temporary agency work. Negotiations are occurring during 2000 following the decision taken by the Union of Industrial and Employers' Confederations of Europe (UNICE) in May to enter into talks at European level on this issue;
- consulting the social partners on the need to establish, at European level, voluntary mechanisms on mediation, arbitration and conciliation for conflict resolution;
- completing and codifying Community legislation on working time;
- adopting the draft Directives relating to the European Company Statute and the information and consultation of employees at national level;
- codifying and simplifying health and safety legislation and adopting a Communication on Community strategy relating to health and safety at work;
- launching a Communication and action plan on the financial participation of workers; and
- inviting the social partners to pursue negotiations and collective bargaining ''where appropriate'' on issues related to work organisation and new forms of work and to begin discussions which might lead to negotiations on ''the shared responsibility between business and employees regarding the employability and adaptability of the workforce, in particular with regard to occupational mobility''.

The knowledge-based economy

Proposals on exploiting the opportunities of the ''knowledge-based economy'' follow on from the conclusions of the Lisbon summit. The most concrete proposal is to invite the social partners to focus their discussions on lifelong learning and new forms of work which are related to information technology.

Promoting mobility

In order to ensure the free movement of workers in the Community, the Commission wishes to remove all obstacles to geographical mobility. It will also monitor the application of Community rules on free movement of workers and develop mechanisms to facilitate mobility, including the use of new technologies. Proposed action includes:

- adopting existing proposals on the simplification and extension of Regulation 1408/71 on social security for migrant workers and Regulation 1612/68 on freedom of movement for workers;
- creating a pensions forum which will address the issue of supplementary pensions and mobility. After discussion in the forum, the Commission intends to propose an instrument on transferability of supplementary pensions; and
- issuing a Communication regarding problems related to free movement in the public service, and undertaking ''specific actions'' to encourage the mobility of researchers, students, trainees, teachers and trainers.

Quality of social policy

Modernising and improving social protection

The Commission wishes to modernise and improve social protection in the Community in response to a number of factors, including the development of the ''knowledge economy'' and changes in social and family structures. It wishes to improve cooperation between Member States and enlist the help and involvement of all relevant actors, including the social partners, non-governmental organisations (NGOs) and social protection institutions. Concrete proposals for action include:

- issuing a Communication on the future of social protection in the medium and long term, with particular reference to pensions;
- establishing a social protection committee and supporting its work by helping to develop objectives, indicators and the exchange of good practice;
- preparing a joint Commission/Council annual social protection report; and
- developing cooperation with Community institutions, social partners and social protection institutions in order to devise an agenda for modernisation.

Promoting social inclusion

The Commission aims to prevent and eradicate poverty and exclusion and to promote the integration and participa-

tion of everybody in economic and social life. Concrete action points in this area include:

- launching a consultation of all relevant actors on the best ways to promote the integration of people who are excluded from the labour market;
- issuing an annual report on inclusion policy; and
- evaluating the impact of the European Social Fund (ESF), including the EQUAL initiative.

Promoting gender equality

The Commission wishes to promote the full participation of women in ''economic, scientific, social, political and civic life''. Action points include the following:

- implementing the new Community framework strategy and specific programme on gender equality (see box) and further strengthening equality rights by making full use of the Treaty - particular reference is made to a proposal in 2002 for an equal treatment Directive based on Article 13 in areas other than employment and occupation;
- adopting the proposal for a Directive modifying the 1976 equal treatment Directive, issued on 7 June 2000; and
- inviting the social partners to strengthen their social dialogue, particularly in the areas of equal pay, gender desegregation of the labour market, and reconciliation between family and working life.

Reinforcing fundamental rights and combating discrimination

The Commission notes that future action on fundamental rights and discrimination, in particular the adoption of the proposed Charter of fundamental rights of the European Union, will build upon the recently agreed Directive on equal treatment irrespective of racial and ethnic origin. It proposes a number of action points, including:

- adopting the proposed general Directive banning discrimination in employment on grounds of racial or ethnic origin, religion or belief, disability, age or sexual orientation, issued as part of the anti-discrimination ''package'' in November 1999;
- adopting and implementing the proposed action programme to combat discrimination, also issued as part of the anti-discrimination package;
- issuing a report on the functioning of the monitoring centre on racism and xenophobia;
- proposing that 2003 should be the ''European year on disability'' and organising an annual ''European day on disability''; and
- launching a consultation of the social partners on data protection and inviting the social partners to contribute further to the eradication of discrimination in the workplace.

Promoting quality in industrial relations

The agenda's section on ''promoting quality in industrial relations'' focuses on the social dialogue, with the objective of ensuring that it makes an effective contribution at all levels to the challenges identified. A number of suggestions for action relate to the review, improvement and better coordination of existing social dialogue structures, including:

- consulting the social partners at European level in order to identify areas of common interest, including those which offer the best possibility for collective bargaining;
- monitoring the representativeness of the social partners at European level and updating a study on the issue;
- launching a reflection group on the future of industrial relations;
- promoting the interaction between European-level and national-level social dialogue by organising round-tables on issues of common interest, such as work organisation, the future of work and new forms of work; and
- organising a conference to review with the social partners the functioning of the social dialogue structures at both intersectoral and sectoral levels and proposing adaptations if necessary.

Implementation and monitoring

In order to monitor and control social regulation, the Commission proposes the creation of some new structures:

- a high-level group of Member State officials which will be briefed to work with the Commission on the implementation and review of Community legislation and facilitating its transposition. Particular areas cited are working conditions, equal treatment between men and women and anti-discrimination; and
- the development of a network of national labour inspectors in order to monitor the implementation of Community legislation. This would be formed along the lines of existing structures in the area of health and safety.

Commentary

This social policy agenda spanning the coming five years contains a variety of interesting proposals, including some which could have far-reaching consequences for the development of European-level social policy and social regulation. In terms of the progression of existing proposed instruments, the Commission gives a clear indication that it will push for progress on issues such as the European Company Statute, the proposed Directive on national-level information and consultation of workers, the proposed Directive outlawing discrimination on a wide range of grounds and the proposed revision of the 1976 equal treatment Directive. The latter two proposals are relatively new. The former two, however, have been on the table for some time - around 30 years in the case of the European Company Statute and since November 1998 in the case of the proposal on national-level information and consultation. If agreement in Council can be reached on these two issues, progress will definitely be deemed to have been made.

The other area of particular interest here is the emphasis placed on the future role of the social partners at European level, which are encouraged to formulate their views, to contribute more fully and to negotiate in a range of areas. The most potentially far-reaching of these is the Commission's pledge to consult with the social partners on the need to establish, at European level, voluntary mechanisms in the areas of mediation, arbitration and conciliation for conflict resolution. This would be the first time that these issues will have been discussed in a European framework, and as such would be a significant development. (Andrea Broughton, IRS)

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21 July 2000

New gender equality action programme

In the same month as the new social policy agenda was published, the European Commission issued a proposal for a fifth gender equality programme. The ''Community framework strategy on gender equality'' is intended to run from 2001 to 2005, taking over from the current fourth medium-term Community Action Programme on equal opportunities for women and men (1996-2000), which is set to expire at the end of 2000. The proposal is based on a total of 13 separate objectives, each one backed by a series of action points. The focus is predominantly on encouraging research on a number of issues, in addition to promoting exchanges of ideas and best practice. However, in the employment area there is a concrete commitment to review the 1975 equal pay Directive - exploring possibilities for its improvement and looking particularly at the functioning of legal remedies - in addition to pledges to propose further legislation if necessary.

AUSTRIA

Controversial pensions reform in place

Despite protests by organisations representing employees, in July 2000 the Austrian parliament passed the coalition government's far-reaching new pension reform.

On 5 July 2000, the Austrian parliament passed the reform of the pensions system initiated by the coalition government of the populist Freedom Party (FPÖ) and the conservative People's Party (ÖVP). The reform consists of two elements: new pension regulations set out in the 2000 social law amendment Act (SRÄG 2000); and additional labour market measures set out in the 2000 labour law amendment Act (ARÄG 2000).

The main reform measures introduced by the new legislation are set out below. Most of the regulations entered into force on 1 October 2000.

Pension changes

Increased entry age for early retirement

The earliest age at which employees may take early retirement and receive a state retirement pension - on grounds of a long contribution history or of unemployment, or to receive a partial pension (Gleitpension) - is increased by 18 months to 56.5 years for women and 61.5 for men. The increase will be phased in over two years, with an increase of two months on 1 October 2000, followed by further two-month increases every three months until 1 October 2002.

Reduced pension levels for early retirement

At present, the pension entitlement for workers who retire before the normal retirement ages of 60 for women and 65 for men is reduced by 2% per year. This annual reduction now increases to 3%, a rise to be introduced over the period during which the entry age for early retirement is being increased - ie between 1 October 2000 and 1 October 2002. Persons who retire after the normal retirement ages of 60 for women and 65 for men will receive a pension increment (Steigerungsbetrag) of 4% for every year worked after normal retirement age; previously, an increment of 2%-5% could be received, depending on the retirement age. If the employee's pension entitlement is already 80% of the maximum (ie 80% of the insured employee's former annual earnings up to the earnings limit liable to social insurance contributions) the annual increment is 2%. Increments may bring pension entitlement up to no more than 90% of the maximum.

Temporary exemption provisions

Older employees in certain age groups - those born before 1950 for women and 1945 for men - may still retire from the previous early retirement ages of 55 for women and 60 for men, without facing the new higher reductions in pension entitlement for early retirement. Periods of time off work for childcare and for military service are counted as contribution periods to pensions insurance of five years and one year respectively. People who planned to retire early between 1 October 2000 and 1 February 2001 under the former regulations, and who will consequently quit employment between 31 August 2000 and 31 December 2000, may still retire from the previous early retirement ages, without facing the new higher reductions in pension entitlement for early retirement.

Hardship cases

The pensions insurance institutions may give financial assistance to people in a situation of hardship due to the higher early retirement age. For this purpose, the pensions insurance support fund has been increased by 50% to ATS 250 million (EUR 18 million).

Reduction of invalidity and disability pensions

Under the old legislation, special measures applied to invalidity pensions (for blue-collar workers) and disability pensions (for white-collar workers), if this pension was less than 60% of the maximum. Instead of the usual methods of calculating pensions (see above), a more favourable formula was applied, with those concerned having their pension entitlement increased by 1.8% per year of missed contributions. The reform determines that the rate of increase will reduced from 1.8% to 1.72% over 2001-4. By 2005, only the general pension calculation methods will be applied.

Reduction of widow and widower pensions

From 1 October 2000, widows and widowers will receive 0%-60% of the deceased spouse's pension, rather than the previous 40%-60%. In addition, the formula for calculating the pension of widows and widowers will be considerably worsened, leading to substantial cuts in pensions.

Labour market measures

The pensions reform is accompanied by several labour market measures aimed at supporting the employment of older workers.

Unemployment insurance

Changes in the area of unemployment insurance include the following:

- from July 2000 to 2002, certain age-groups are entitled to receive unemployment benefits for a prolonged period (78 weeks), if they have made contributions to the unemployment insurance scheme for 15 years out of the previous 25;
- the duration of unemployment benefits for people over the age of 45 participating in training organised by the National Employment Agency (AMS) will be extended. This measure is temporary, from 1 October 2000 to 31 December 2003; and
- the level of financial assistance for training leave will increase. This measure is also temporary and will end by 31 December 2003.

Incentives and disincentives

Employers which hire people over the age of 50 will not have to pay the employer's contribution to unemployment insurance in respect of such employees (3% of gross income). Until now, this ''bonus'' applied to employment of people aged 55 or older. The reform also amends a disincentive scheme, whereby employers which dismiss an employee over the age of 50 who has been employed for 10 years have to make payments to the unemployment insurance system. This payment now starts at 0.2% of the employee's gross income for 50-year-olds and increases with every three years of age up to the maximum of the current employer's contribution to unemployment insurance (3% of gross income). If the employer does not report the dismissal of older workers to the AMS (see below), the disincentive payment increases by 30%.

Early-warning system

Companies are now obliged to report all dismissals of workers aged over 50 who have been employed in that company for at least six months to the AMS at the time of the dismissal. The AMS must take measures in order to find employment for the worker involved in the company concerned or elsewhere.

Part-time work for older workers

The existing part-time work for older workers scheme (Altersteilzeit) involves reducing the working hours of an older worker, who receives partial compensation for the loss of income from the employer. The latter is then reimbursed by the unemployment insurance system. The relevant legislation has been changed in several ways, most notably as follows:

- the scheme may apply to women from the age of 50 and to men from the age of 55, until the new early retirement age

(56.5 and 61.5 respectively), which means that part-time work can be agreed for 6.5 years;

- the new rules require a reduction of the hours of full-time workers by 40%-60%, and a reduction of the hours of part-time workers by at least 80%;
- the compensation for loss of income must amount to at least 50% of the difference between the former income and the new part-time income;
- the employee's earnings for the purpose of calculating social insurance and severance payments remains the same as before switching to part-time employment;
- participants are required to have made 15 years of contributions to unemployment insurance within the previous 25 years;
- the obligation on employers to employ a substitute worker to cover the hours freed by a worker participating in the scheme is abolished;
- the whole period of part-time employment is included in the period for determining pensionable earnings;
- the employee's working hours may be unequally distributed over the period of part-time employment; and
- the new regulations will apply until 31 December 2003.

Contesting dismissals

The employment contracts adjustment Act (AVRAG) is amended to provide new rules on employment protection for older workers. Older employees in certain age-groups who are employed in a company with fewer than five workers may now contest a dismissal in the courts within one week of the announcement of the dismissal, if the dismissal is seen as ''socially unjustified'' and the worker has been employed in the company for at least six months. The dismissal is regarded as ''socially unjustified'' if it injures the ''essential interests'' of the employee.

Reactions

The pensions reform and the supplementary labour market measures were vigorously opposed by the organisations representing employees - the Austrian Trade Union Federation (ÖGB) and the Chamber of Labour (BAK).

According to BAK statistics on the employment status of older workers before they reach early retirement age (see the table above), 34% are unemployed and 12% are ill. The government's reform will, in the view of the employee organisations, worsen the position of these people, as they will be forced to remain employed or unemployed for longer. This worsens the employment situation of other groups, such as older persons seeking re-employment. Furthermore, the higher entry age and higher pension reductions for early retirement are argued to involve a ''breach of confidence'' in the existing legal regulations. Many people will be adversely affected by these measures, especially if they do not have the opportunity to work until they reach the entry age. In BAK's view, the supplementary regulations which cover hardship cases are not sufficient to re-establish confidence.

Employment status of older people before reaching retirement age, 1999

Status	Number	%
Employed	27,600	47
Unemployed	7,400	12
Others	4,000	7
Total	**59,000**	**100**

Source: BAK.

Regarding the new labour market regulations aimed at supporting the employment of older workers, BAK also questions various aspects. For example, only half of all employees in the relevant age group are still employed, while the others are mostly unemployed or ill. Many important new measures are only temporary and are restricted to very few age-groups. In BAK's view, the funding of the proposed measures is still unclear. In order to implement the pension reform and the labour market initiatives, a redistribution of funds may take place to the disadvantage of other supported groups.

ÖGB has brought a complaint of unconstitutionality before the Constitutional Court, because the pension reform is seen as breaching confidence in legal regulations. In addition, ÖGB regards the government's reform as a redistribution from workers to companies, the self-employed and agriculture.

Commentary

The pension reform was pushed through under time pressure by the government, since the incidence of early retirement has increased considerably in recent years. The need for a reform is widely accepted by the social partners, but the appropriate measures to be taken are hotly debated between the government and the organisations representing employees. Despite a protest strike by transport workers and the threat of further industrial action (see box), the government did not change its policy and seems committed to proceeding with its reform plans. Conflicts about this issue are very likely to continue, since some government experts regard this new reform as insufficient to stabilise the pension system in the future. (Angelika Stueckler, University of Vienna)

AT0008228F (Related records: AT0002212F)
18 August 2000

Reforms spark industrial action

The government's reform plans relating to pensions and expenditure cuts in social welfare have disrupted Austrian industrial relations' normal consensual atmosphere severely and resulted in strikes and other action by ÖGB and its affiliates. On 28 June 2000, ÖGB held a ''day of action'' in response to the cuts in the welfare system. The numerous actions organised by ÖGB included warning strikes by the Union of Railway Employees (GdE), with all trains in Austria halted for an hour, and 26 ''company meetings'' in Vienna local transport, in which about 4,000 employees participated.

The main reason for the rail workers' strike was government proposals for changes to their pension system. Pension provisions are still comparatively favourable for rail workers, who may retire after only 35 years of employment. Accordingly, the average retirement age for rail workers is 54.4 years, compared with 57.5 for private sector white- and blue-collar workers. The specific employment status and privileges of rail workers came under attack from the mid-1990s, when they ceased to be civil servants, onwards. In 1997, the ÖVP/ Social Democratic Party (SPÖ) government of the day attempted to reform the rail workers' retirement regulations, and in the course of negotiations, GdE accepted higher pension contributions instead of an earlier retirement age. Against the background of this deal with the former government, GdE sees the reforms recently proposed by the new right-wing administration as a clear breach of existing agreements and of trust by the government. The strike on 28 June was the first conducted by Austrian rail workers since 1965.

The company meetings held by unions in public transport in Vienna also sought to express opposition to the government's measures. In addition to general concerns about the decline of the social welfare system, those participating also expressed specific concerns over a deterioration of employment conditions in public transport, such as expected pay reductions for new recruits and measures such as the abolition of paid breaks.

The leadership of the Union of Public Services (GöD), which represents federal and provincial government employees, is considering the strategies it should deploy against the government, after the failure of negotiations over new pension regulations for public employees. The possible strategies include strikes and other forms of action, with the union preparing itself for a ''collision course'' with the government.

AT0007225F

FRANCE

"Social terrorism" breaks out in closure disputes

During summer 2000, French industrial relations was dominated by a number of grim labour disputes. Starting at the Cellatex plant in the Ardennes, where workers threatened to blow up the factory, employees in a number of plants faced with closure used similar tactics to press for better severance packages.

On 5 July 2000, the workforce at the Cellatex rayon-spinning plant at Givet in the Ardennes occupied the plant, which was due for closure. The 153 employees came up with a novel pressure tactic, threatening to "blow up" the plant - using its stocks of copper sulphide, caustic soda and sulphuric acid as explosives - if their demands for FRF 150,000 (EUR 22,900) severance pay per employee and two years' guaranteed pay were not met.

The Ardennes prefect's office treated this threat very seriously and evacuated local residents. The explosives stored in the plant were allegedly sufficient to completely destroy an area within a 500-metre radius around the plant, which could produce a disaster on the scale of Seveso - the accident at an Italian chemical plant that killed over 1,000 people. On 17 July, the workforce increased the pressure by discharging sulphuric acid into a nearby stream. This catapulted the dispute into the national spotlight. The CGT trade union confederation dispatched the secretary of its textiles federation to the plant and asked the Minister for Employment, Martine Aubry, also to go.

The prevailing attitude to this unusual type of action - which, in the words of sociologist Michel Wieviorka, was "nothing short of terrorist blackmail" - was one of astonishment or disbelief. Some, such as the Minister of the Interior or the Green Party, condemned the workers' actions. Ms Aubry said that "people in despair deserve to be heard."

Talks were reconvened on 19 July. The climate had changed and Ministry for Employment officials attended the negotiations. They resulted in a draft agreement guaranteeing each employee severance benefits of FRF 80,000 (EUR 12,200) and 80% of their present salary for 12 months, plus an additional two-year allowance of up to FRF 2,500 (EUR 380) per month.

Background

The threats had worked, even if they turned out to be a bluff - the employees later revealed that the detonation system had never existed. Furthermore, the 3,500 litres of acid dumped into the stream might be compared with the regular operations of this extremely environmentally-unfriendly plant. On 1 June 2000, up to 65,000 litres were accidentally discharged. The factory had allegedly been exempted from implementing anti-pollution measures, considered overly expensive, for the sake of jobs.

The road that finally led to this desperate industrial action had been a long one. Initially, the Cellatex plant was a subsidiary of Rhône-Poulenc. It was sold off in 1991 and experienced numerous setbacks, including flooding in 1995 and filing bankruptcy in 1998. The factory was bought by the Austrian-based Glanzstoff, which quickly offloaded it, not without first taking away a major customer and the manufacturing process for one type of viscose thread. Consequently, the workforce felt that outsiders were thronging to divide up the spoils. Throughout the dispute, there was talk of a potential buy-out by the German-based H2O Active. However, this never materialised.

Apart from the lack of an alternative commercial plan, the situation was exacerbated by the region's 22% unemployment rate and limited retraining opportunities. Initial proposals made to the Cellatex workforce were seen as tantamount to provocation. The prefect promised workers a monthly compensation package of FRF 2,500 for 24 months and 10 months' paid retraining leave, at 65% of previous pay. In addition to employee pressure tactics, one of the keys to resolving the dispute was the fact that the government stepped in to persuade the Aventis group (formerly Rhône-Poulenc and the pre-1991 owner of Cellatex), to take on (discreetly) a share of the funding for the redundancy plan.

Chain reaction

The events at Cellatex prompted workers elsewhere to take similar extreme action. On 13 April 2000, the Dutch-based Heineken group, the owner of the Adelshoffen brewery in Schiltigheim, near Strasbourg, announced that the plant was to close with the loss of 101 jobs. The dispute erupted on 19 July. A sit-in was organised and the employees threatened to blow up gas canisters. Management received an ultimatum to respond by 20 July, which was subsequently extended by three days and finally suspended on the promise of an extraordinary session of the group-level works council. On 24 July, the striking workers spilled 21,000 litres of beer in Schiltigheim's main street. Talks were convened the following day. Heineken offered FRF 88 million (EUR 13.4 million) for redundancy compensation packages, ranging from FRF 75,000 (EUR 11,400) for those transferred elsewhere in the company to FRF 330,000 (EUR 50,300) for those to whom no firm offer of employment was made. The plant was to close as planned.

Soon afterwards, workers at the Forgeval steelworks in Valenciennes threatened to blow up the acetylene supply to the plant's 15 furnaces. However, they were evicted by the police and union delegates had to accept a less favourable agreement. Then, employees at the Bertrand Faure factory in Nogent-sur-Marne threatened to set fire to their sewing machines in protest at a plan to relocate the manufacture of car seat covers to Tunisia. On 2 August, after a week-long strike, talks were convened and a redundancy plan approved by the plant's 236 workers was hammered out. It provides for a retraining agreement, supplemented by a compensation package of between 17 and 23 months' wages.

Commentary

Apart from the "domino effect", which was undoubtedly a factor, the various disputes outlined above have some shared characteristics. The most striking of these is a certain degree of despair, leading employees to take "extreme" measures, often without giving trade union delegates any input. These workers feel that the economic recovery is passing them by. They work in shrinking sectors, in older plants and in regions of high unemployment. When all around them are celebrating renewed economic growth, they feel disenfranchised. They also feel that they have exhausted all the traditional types of industrial action to try to save their jobs. Successive redundancy plans have meant concessions. For the sake of jobs, many employees have agreed to wage freezes and increasingly intensive work requirements. They have gradually lost any illusions they had of potential retraining. Extreme measures, such as violent blackmail are solely geared to securing the best possible severance package. Events have shown that, to a certain extent, this was arguably a clear-headed approach. (Michel Husson, IRES)

FR0008186F

18 August 2000

Social partners oppose xenophobia and right-wing extremism

Violent attacks against foreigners have sparked a broad public debate on how to tackle the problem of xenophobia and right-wing extremism in Germany, with both employers' associations and trade unions very much involved.

After a new series of violent attacks against foreigners, the issue of xenophobia and right-wing extremism again became a high-profile topic in German public debate in summer 2000. Both employers' associations and trade unions have taken an active role in this debate and have come forward with proposals on how to tackle the problem of xenophobia and right-wing extremism at the workplace.

On 28 August 2000, the Federation of German Trade Unions (DGB) and the Confederation of German Employers' Associations (BDA) issued a joint declaration, stating that the two organisations will provide joint information on the threat of right-wing extremism and will promote initiatives for democracy and tolerance at regional and company level.

Right-wing extremism in Germany

According to the annual report of the Federal Office for Protection of the Constitution, there were approximately 51,400 right-wing extremists in Germany at the end of 1999, with most organised in one of the 134 right-wing extremist organisations. About 9,000 right-wing extremists have been identified as persons who are prepared to use violence. Of these, by far the largest group (approximately 85%) are right-wing extremist ''skinheads''. Since 1996, there has been a steady increase in the number of extremists inclined to use violence.

Apart from organised right-wing extremism, however, there is a much larger proportion of the German people who agree or sympathise with at least parts of extreme-right ideologies. A recent study on behalf of the Friedrich Ebert Foundation came to the conclusion that in 1998 about 13% of the German population were open to extreme-right ideologies (see table 1). In east Germany, the proportion of people with extreme-right opinions was significantly higher (17%) than in the west (12%).

Furthermore, the study showed that the spread of extreme-right orientations is particularly high among blue-collar workers, as well as among unemployed people in east Germany (see table 2). However, the study also made clear that there is a significant proportion of people with extreme-right opinions in almost all groups of employees and non-employees.

Finally, considering the figures by age, extreme-right ideologies are most widespread among people aged 65 or older (see table 3). In east Germany, however, there is also a significant dissemination of extreme-right ideologies among younger people, in particular between the ages of 25 and 34.

Criminal offences linked to extreme right

According to figures issued by the Federal Criminal Police Office (BKA), the total number of registered criminal offences with a proven or suspected extreme-right background was 10,037 in 1999, compared with 11,049 in 1998. While the total number of such criminal offences dropped by 9.2%, the number of acts of violence increased by 5.4% from 708 in 1998 to 746 in 1999. Among the acts of violence, there were 630 bodily injuries, 35 cases of arson, 13 attempted homicides and one actual homicide. The level of extreme-right violence was particularly high in the five east German federal states. On average, the rate of acts of extreme-right violence per 100,000 inhabitants was 2.19 in east Germany and 0.68 in the west. Approximately three-quarters of all violent attacks with an extreme-right background were carried out by younger people

Business initiative to dismiss extreme-right employees

At the beginning of August 2000, following the new outbreak of violent attacks against foreigners, the Confederation of German Industries (BDI) sent a letter to all its member companies demanding urgent action against xenophobia and right-wing extremism. According to BDI, a continuation of extreme-right violence could cause grave damage to Germany's international reputation and its attractiveness as an investment location. In particular, foreign companies might become more and more unwilling to locate in east Germany, because they fear violent attacks against their non-German employees. Furthermore, BDI is afraid that the current upsurge in of extreme-right violence might have an negative impact on the German government's recent campaign to encourage software specialists from outside the European Union to come to Germany.

In order to give a clear signal from German business, BDI has called on its member companies to dismiss employees with open extreme-right opinions. The DGB trade union confederation supports the BDI's initiative and calls for close cooperation between management and works councils on this issue. From a legal point of view, however, the dismissal of employees on grounds of extreme-right views is rather complicated. There have been several judgments on this point in the labour courts, with some approving the dismissal of extreme-right employees and some not. According to these rulings, it seems that membership of an extreme-right organisation which has not been banned, or participation in some extreme-right activities outside the company, are not sufficient in themselves to justify dismissal. On the other hand, the labour courts have usually accepted dismissals if extreme-right activities have been pursued within the company, referring to the Work Constitution Act (BetrVG), according to which employees can be dismissed when they ''cause trouble in the establishment'' (BetrVG, Article 104). In any case, the labour court would have to examine every individual case of dismissal on grounds of extreme-right activities.

Trade union commission reports

In May 2000, the DGB executive board presented a report from a ''trade union commission on right-wing extremism'', which was established after the DGB congress in 1998 in order to ''analyse the development of right-wing extremism in Germany from a trade union point of view and to develop recommendations for trade union

Table 1. Dissemination of various extreme-right orientations among German population, May/June 1998

Orientation	Germany	West Germany	East Germany
Right-wing extremism	13%	12%	17%
Authoritarianism	11%	10%	16%
Nationalism	13%	13%	13%
Xenophobia	15%	14%	20%
''Affluence chauvinism'' (Wohlstandschauvinismus)	26%	23%	39%
Neo-Nazism	6%	6%	5%
Anti-Semitism	6%	6%	5%

Source: ''Rechtsextremismus im vereinten Deutschland'', Richard Stöss, Friedrich-Ebert-Stiftung (ed), Bonn, 1999.

action''. The commission was composed of representatives from DGB and its affiliated trade unions, with support from external experts. The main reasons for the establishment of the commission were twofold. First, it has been observed that extreme-right organisations have increasingly concentrated their policies on classic trade union topics, such as unemployment or social policy. Second, the unions have had to acknowledge that there is also a significant problem of right-wing extremism among trade union members. Studies have shown, for example, that in some recent elections there has been an above-average number of union members voting for extreme-right parties.

The trade union commission's report concluded that there is no single reason for the significant dissemination of right-wing extremism in Germany. Although economic reasons such as high unemployment play a major role, one can not relegate the existence of right-wing extremism to a problem of the ''underclass'', since extreme-right orientations can be found in almost all social groups. There are other explanations which put more emphasis on the overall modernisation process of society, which has led to the destruction of traditional milieus and values. In response to these developments, those people who are not able to cope with the overall tendency towards individualisation often look for new systems with a stable orientation - as offered by extreme-right ideologies and organisations. There are further explanations put forward which associate the problem of right-wing extremism with the political culture of society. From this viewpoint, elements of extreme-right ideology can be found not only at the periphery but at the core of society, since, for example, politicians from democratic parties use resentments against foreigners in their election campaigns. Another example could be the widespread neoliberal concepts of economic globalisation and national competitiveness, which are often used to justify social cutbacks and might be easily transformed into a xenophobic way of thinking which makes foreigners responsible for social decline.

Since there are many different reasons for the dissemination of right-wing extremism, the report finds there is also no single and easy way to fight against it. The commission, therefore, recommends a broad range of measures which should be taken by the trade unions in their different areas of influence. The most important place for unions to fight against right-wing extremism is in the establishment and the workplace. Therefore, the unions should first of all use their influence to redress all existing forms of discrimination against foreign employees at the workplace. In the mid-1990s, the IG Metall metalworkers' union launched a campaign involving several activities to prevent racial discrimination at the workplace. One central aim of this initiative was to conclude works agreements guaranteeing equal treatment for foreign workers in all aspects of employment, including pay and working conditions, recruitment, training and promotion. The initiative was inspired by the European-level social partners' 1995 joint declaration on the prevention of racial discrimination (see the supplement to *EIRObserver* 3/97). Until now, however, only a few companies have concluded such works agreements on the promotion of equal treatment of foreign and German employees. Therefore, IG Metall has recently repeated its appeal to companies to start joint action at the workplace.

Another important area for trade unions to tackle the problem of right-wing extremism is vocational training. There are some examples where companies have already successfully incorporated projects against racism and xenophobia into vocational training courses. The commission's report now recommends that trade unions develop, together with employers, joint training programmes which tackle the issue of right-wing extremism. Moreover, the social partners should conclude works or collective agreements which lay down binding guidelines on how to integrate this topic into vocational training. In addition, the commission recommends putting more emphasis on topics related to xenophobia and right-wing extremism within the courses offered by trade union colleges.

Since the current political culture in Germany has been identified as one element in explaining the significant dissemination of extreme-right orientations, the report finally asks the unions to use their political voice, as an important organisation in civil society. Trade unions should openly criticise all political projects or campaigns which might draw on xenophobic resentments, and should promote their own vision of a tolerant and multicultural society.

Table 3. Dissemination of extreme-right orientations, by age groups, May/June 1998

Age	Germany	West Germany	East Germany
Total	13%	12%	17%
14-17	8%	5%	17%
18-24	8%	6%	15%
25-34	10%	8%	20%
35-44	9%	7%	15%
45-54	14%	14%	14%
55-64	15%	15%	17%
65-74	21%	20%	25%
75+	22%	23%	16%

Source: ''Rechtsextremismus im vereinten Deutschland'', Richard Stöss, Friedrich-Ebert-Stiftung (ed), Bonn, 1999.

Table 2. Dissemination of extreme-right orientations, by groups of employees/non-employees, May/June 1998

Status	Germany	West Germany	East Germany
Total	13%	12%	17%
Unemployed	14%	7%	22%
Blue-collar workers	19%	18%	24%
White-collar workers	8%	7%	12%
Civil servants	2%	1%	11%
Self-employed	12%	12%	15%
Non-employed	15%	15%	18%

Source: ''Rechtsextremismus im vereinten Deutschland'', Richard Stöss, Friedrich-Ebert-Stiftung (ed), Bonn, 1999.

Commentary

There is a widespread myth in German public opinion that people with extreme-right views are mainly marginalised persons who tend to have no job and to stand outside of society. In reality, however, the truth is almost the opposite. People with extreme-right orientations can be found in all parts of society and the majority of them are fully integrated into working life. The latter point has been recognised by both employers' associations and trade unions, which have thus called for urgent action at the workplace.

It is obvious that an effective fight against xenophobia and right-wing extremism requires close cooperation between employers and employee representatives. In order to ensure that the recent demands and announcements of both sides will lead to practical initiatives, they would seem to be well advised to conclude joint agreements which determine concrete measures in every company, in order to secure in every respect equal treatment of foreign and German employees. (Thorsten Schulten, Institute for Economic and Social Research (WSI))

DE0008277F (Related records: DE0003252F, DE9809276N, TN9706201S)

18 August 2000

Sectoral agreement signed for telecommunications

Liberalisation and privatisation of the Italian telecommunications market has led to the creation of many new companies in the sector, creating a situation of confusion in collective bargaining. In June 2000, the national trade union and employers' confederations reacted by signing an agreement which regulates pay, conditions and industrial relations for all the companies operating in the sector. The agreement is the first example of a new form of bargaining organisation that the unions are seeking.

Until the 1990s, telecommunications services in Italy were a state monopoly, managed by Società Italiana per i Telefoni (SIP), a state holding company belonging to the IRI group. SIP's organisation underwent many changes over recent years and it was renamed Telecom Italia prior to privatisation in the late 1990s. The telecommunications market is also undergoing liberalisation, first concerning mobile telephones and then fixed-line telephones. Liberalisation will be completed in 2000, with the extension of the possibility for competing companies to manage the ''last mile'' of the Telecom Italia network, which means reaching consumers directly.

The enlargement of the range of telecommunications services provided to individuals and companies has led to the creation of many new companies which provide services using the Telecom Italia network. The proliferation of such companies, created by firms already operating in other sectors, has posed the problem of the representation of both workers and employers (see the supplement to *EIRObserver* 6/99). When Telecom Italia was a state monopoly, the company's collective agreement also represented the national collective agreement for the entire sector. Now, the wage levels and employment conditions provided for by the Telecom Italia agreement are considered as very onerous by the new companies, which have generally refused to apply it to their workers. Trade unions too have preferred to continue to apply the same collective agreements which already cover the firms which have created the new telecoms companies.

Thus, Tim (mobile telephones) and Tin.it (one of the main Italian internet service providers) apply the Telecom Italia agreement. Omnitel (a fixed-line and mobile telephones company created by Olivetti and now controlled by the German-based Mannesmann) applies the metalworking agreement. An unusual situation was brought about the creation of Wind (a company providing fixed-line and mobile telephone services, controlled by Enel, the state-owned electricity generation and distribution company). Unable to apply the same agreement as for Enel workers, and in the face of a dispute with the trade unions, which were unable to resolve the problem of representation, Wind decided to have a company agreement negotiated directly with the central union confederations. A similar situation has arisen at Blu, a telecoms company created by the Società autostrade motorway company.

The Confindustria employers' confederation has also had to deal with the problems arising from the creation of the new telecoms companies and their organisation and representation. Telecoms companies affiliated to Confindustria have established a sectoral association, Federcomin, though it is not authorised to represent them in collective bargaining.

In order to resolve the bargaining confusion within the sector, Confindustria and the three main trade union confederations, Cgil, Cisl and Uil, decided to negotiate a collective agreement for the whole industry. Confindustria negotiated on behalf of employers, given Federcomin's non-bargaining role, while the union confederations negotiated on behalf of the employee side, in the light of the fact that telecoms workers are not organised by a single sectoral union within each confederation (eg Telecom Italia workers are represented by the telecommunication workers' unions and Omnitel workers are represented by metalworkers' unions).

The agreement

A new collective agreement for the entire telecommunications sector was signed on 28 June 2000 after a long series of talks. It represents the means to move from company agreements to a genuine agreement for the whole telecoms sector. The agreement can be applied to all the companies which already operate in the sector, and to all companies which enter the sector (see below). The scope of application is very wide, as the agreement may potentially be adopted by all companies providing telephone services, data transmission services and networking services - a growing sector which, at present, employs more than 300,000 people.

The negotiators of the new agreement tried to adopt the common regulations already present in the various national collective agreements applied by new telecoms operators without worsening them, and at the same time to foster greater flexibility in employment relations and working time. The main points of the deal are set out in the box on p.10.

The new national collective agreement for telecommunications signed by Confindustria and the three union confederations can be applied by companies in the sector on a voluntary basis. This application must be negotiated with the trade unions and Rsu workplace employee representative bodies in each company. These negotiations should harmonise the existing pay and conditions in the firm with those provided for by the new national collective agreement.

Reactions

The trade unions are very satisfied with the new agreement, which they see as protecting workers from ''social dumping'' - ie competition among companies on employees' working conditions. Pier Paolo Baretta, the confederal secretary of the Cisl confederation, expressed the hope that ''this agreement will lead the way towards a different bargaining approach, able to aggregate wide areas, reducing the segmentation of the present bargaining structure.'' Mr Baretta believes that the deal is very innovative because is ''the first genuine guarantee agreement, based on the minima and regulations common to all the workers of the sector''. Nevertheless, trade unions are worried that organisational conflicts among the various sectoral trade unions which currently represent telecoms workers could be resumed.

Rinaldo Fadda, vice-general director of Confindustria, invited the trade unions not to exploit the fact that the agreement confirms the existing two-tier structure of bargaining, which the employers' confederation is currently seeking to modify. Mr Fadda also underlined ''the capacity of understanding and of analysis of Cgil, Cisl and Uil towards the situation and especially during the preparation and the negotiation of the agreement''.

Gianfranco Viaggiano, the manager responsible for general affairs and trade union relations at Omnitel, commented in a positive way on the conclusion of the agreement, but he preferred not to commit himself about the application of the accord at Omnitel, which at present applies the metalworking agreement.

Main points of the telecoms sector agreement

• Weekly **working time** is set at 40 hours, but companies will be able to modify weekly hours by communicating the change only four days in advance. Weekly hours may be averaged out over a six-month reference period, with a maximum of 48 hours per week and 12 hours per day. The agreement provides for this average 40-hour week to be reduced by 72 hours a year. Workers may take these 72 hours as paid leave in periods of two hours or more, or they can decide to receive pay for the hours instead. The agreement provides for the establishment of an ''individual hours account'', in which workers may accumulate overtime hours and subsequently take them as leave. The operation of this scheme will be defined by June 2001 by a specific joint committee.

• **''Atypical'' employment contracts** (fixed-term contracts and temporary agency work) will be permitted at levels exceeding those provided for in the existing agreements. Atypical workers may constitute up to 30% of the overall workforce, if the company is located in the south of Italy (Mezzogiorno) and 26% if the company is located in the central and northern parts of Italy. This percentage does not include part-time employment contracts and can be increased by a further 10 percentage points through company bargaining. Companies will be able to use atypical contracts in order to deal with situations such as personnel shortages due to holidays, training leave or courses, particular periods of production which need particular skills not available in the company, and peaks of activity due to new orders or to the launch of a new product.

• **Job-sharing** - when an employer signs an agreement with two people to cover a single job - and **telework** are regulated by the agreement.

• The **structure and the content of the agreement** can be adapted according to the employment needs of the sector. A joint ''observatory'' will monitor the sector's evolution and the performance of the bargaining structure. The observatory - which will be composed of 12 experts, and will set up specific committees - will assess the soundness of the bargaining system and identify the possible need for adjustments.

• The **industrial relations system** created by the agreement provides workers' representatives with a right to information at national, local and company level. At national level, information will have to be provided on the future prospects of the sector, employment trends and competitive needs. At local level, attention will be focused, in a more limited way, on employment trends, while at company level information will be provided on investments, technological organisation and their organisational consequences, the environment, vocational training, working time and the improvement of the service provided.

• A joint national committee will be entrusted with the management of **vocational training**. This committee will analyse training needs and develop targeted projects.

• The agreement confirms the **bargaining levels** established by the July 1993 national intersectoral agreement, which entrusted national sectoral bargaining with the general regulation of employment conditions and pay minima, and company bargaining with specific conditions and the negotiation of performance-related pay.

• As regards **pay**, national minima have been defined, taking into account the minima set out in the national metalworking agreement, which coincide with the lowest rates currently applied in telecoms companies. A monthly average increase of ITL 80,000 (EUR 41) over the next two years has been agreed. Performance-related pay will be negotiated at company level.

• The agreement provides for a **job classification** system based on seven occupational levels. Given the continuing development of the sector, the occupational profiles will be verified and updated in future. A specific national joint committee will be responsible for this matter.

In late July, Telecom Italia negotiated with trade unions a set of four ''harmonising'' agreements, applying the new sectoral agreement. These enshrine the principle that existing pay and conditions will be applied to workers already in employment, while the new national collective agreement will be applied to newly recruited workers. This seems to be the path that will be followed by all the main telecoms companies.

Commentary

The new national collective agreement for telecoms is highly innovative in terms of the Italian industrial relations system. The situation brought about by the proliferation of telecoms companies following the liberalisation of the sector has posed new problems for Italian trade unions.

The first problem concerns disputes among sectoral trade union organisations about the representation of workers. These problems are common in ''anglo-saxon'' countries where trade union structures often do not match the boundaries between different sectors, and unions have thus developed procedures for resolving demarcation disputes. In Italy, trade unions are organised on sectoral lines, with sectoral trade unions able to represent just one sector and forbidden to organise workers in other sectors. The Italian approach has been unable to manage the new phenomena of outsourcing (see the supplement to this issue) and the creation of new operations in innovative sectors by companies which have traditionally been involved in other sectors, as has been the case in telecoms. The problem is still live, but has relaunched the debate on the restructuring of Italian trade unions along broader sectoral lines (such as industry, services or public employment). For example, Cisl's textiles and chemicals sectoral trade unions have started a merger process, while the debate is still open in the other two confederations.

Another subject which emerged during the debate among the social partners over the telecoms agreement concerned the reform of bargaining structures. Confindustria wants to reduce the current two-tier bargaining structure to a single level - the national sectoral level or the decentralised level. Trade unions are very cautious, but are still in favour of the present bargaining structure.

At national level, the prevailing attitude is to widen the scope of national collective agreements, to extend them to more than a single sector and consequently to reduce their importance and substantive contents. Trade unions would like to fix common basic rules and rights at national level for the main bargaining areas and to limit national wage bargaining, whose only aim would be to maintain the purchasing power of salaries, and strengthen decentralised wage bargaining.

The telecoms agreement is just the first result of a long round of negotiations which will start during the coming months and which will aim at reaching a tripartite agreement on the flexibilisation of the labour market and the reform of bargaining structures. (Domenico Paparella, CESOS)

IT0007158F (Related records: TN9912201S, IT0003147N, IT0006268F, IT9803223F)

31 July 2000

Bargaining round progresses relatively quietly

The average wage increase stands at 3.4% in the 2000 Dutch collective bargaining round. Other notable points in recent bargaining include increasing attention to performance-based pay, the integration of partially disabled people, employability, job opportunities and flexible pensions.

Almost all the main agreements in the 2000 bargaining round (*EIRObserver* 3/00 p.10) were concluded by the end of June. The main contents of the bargaining round, plus key developments in 1999, are summarised below.

Pay bargaining

The unions entered the bargaining round demanding wage increases around 4%, while employers sought a figure of 2%. On balance, the unions achieved relative success: the average increase stands at around 3.4%. Agreements reached in 2000 for 2001 point towards wage increases flattening out - eg a wage increase of 3.85% has been agreed in metalworking for 2000, and an increase of 3.45% in 2001.

Nonetheless, employers have not left the negotiating table empty-handed: one third of agreements contain agreements on performance-based pay, a subject previously considered taboo by the unions. According to the VNO-NCW employer's confederation, in March 2000 up to 84% of all employees covered by a collective agreement had some form of individual, variable payment.

Work pressure and combining work and private life

At the start of the bargaining round, the unions emphasised agreements on keeping work pressure and stress in check. A recent study indicated that 78% of Dutch people see work pressure as the main ''illness of current times''. Of the agreements concluded in 2000, 40% contain new provisions on the quality of work. The number of provisions on absence from work and work pressure has also increased.

One topic that received attention for some time is combining work and private life. Various recent laws and proposals envisage an increase in the choices for individuals in this area, and this issue has also received more attention in bargaining. Around half the agreements concluded in 2000 include provisions on childcare facilities, leave options and leave accrual, while a quarter include individual ''multiple-choice'' systems for employment conditions. A recent example is the July 2000 agreement for 116,000 government officials and 74,000 defence employees: workers may now work 80 hours fewer or 100 hours more a year, without necessarily eroding pension rights.

Labour Inspectorate's report

The Labour Inspectorate carries out regular research into subtopics in collective agreements. Its 2000 spring report, reviewing agreements concluded in 1999, highlights the following themes.

Partially disabled people

The number of completely and partially disabled people in the Netherlands is consistently high. Attempts are being made to decrease the influx of new disabled people and increase the rate of recovery. The government has attempted to use legislation to stimulate the integration and reintegration of occupationally disabled people, and such provisions have also been included in collective agreements. The Labour Inspectorate research reveals that 92 of 132 agreements studied include provisions on one or more of the following topics: integration policy; reintegration policy; and adaptation policy. Most provisions are aspirational; but 20 agreements (notably in industry, construction and energy supply) contain more concrete measures concerning job placement for partially disabled employees. Some agreements reserve a number of job positions, while others facilitate placement of disabled employees up to a percentage (2%-7%) of the total workforce.

Employability

The Labour Inspectorate distinguishes six instruments to promote employability: training; training leave; personal development plans; company development plans; performance and assessment interviews; and a payment policy that provides incentives. Provisions relating to directly work-linked training appear more often than provisions on general training (such as Dutch-language courses for immigrants). Some 20 agreements (covering 21% of the employees affected by the agreements surveyed) include a right to training, with the same number (covering 26% of employees) including an obligation to undergo training. In 42 agreements (covering a third of employees) provisions relating to personal development plans have been included. Provisions on performance and assessment interviews are included in 55 agreements, and a direct link between such interviews and employability is established in 32 agreements.

Job opportunities

Of the 132 agreements, 82 contain provisions on job opportunities for particular groups, such as job opportunity plans or provisions on jobs within the framework of special public employment schemes. Of these agreements, 35 state how many positions must be created. The most common target groups are long-term unemployed people, followed by people from ethnic minorities and the occupationally disabled. Similarly, 35 agreements include provisions on work reintegration schemes.

Flexible pension schemes

Both the cabinet and the tripartite Social and Economic Council are pushing for the conversion of current early retirement (VUT) schemes (with payments based on a cost allocation scheme) to more flexible ''pre-pension'' schemes (based on a capital funding system). Earlier studies from the Inspectorate revealed that the social partners have increasingly met such demands. Of the 132 agreements studied, 87 include a pre-pension scheme. The proportion of agreements including only an early retirement scheme has now dropped to under 25%. The average retirement age for early retirement schemes is currently 60 and, for flexible pension schemes, 61.2. The average level of payment displays a downward trend in the direction of 70% of last-earned salary.

Commentary

The 2000 bargaining round progressed relatively quietly following skirmishes surrounding performance-based pay at Akzo and Philips. The media have presented an image of the employers having ''bought'' this quiet in exchange for numerous concessions regarding secondary conditions of employment. In view of persistent labour shortages and inflation of over 2%, the average (primary) wage increase of 3.4% could be seen as moderate. It is more striking that agreements reached now for 2001 feature more limited increases. The unions appear to be heeding the cabinet's call to take account of the introduction of a new tax system in 2001, which will decrease the tax burden by an average of 5% and could, in combination with sharp wage increases, overheat the economy. In the present very tight labour market there are, however, clear signs that actual pay increases are higher than collective agreements suggest. The most noteworthy development in the bargaining round is that the unions appear to have withdrawn their opposition to performance-based pay. In July 2000, the country's largest union, FNV-Bondgenoten, announced that it would be making payment for all employees in the form of stock options and shares a main point of its policy. (Robbert van het Kaar, HSI)

NL0007199F (Related records: NL0003184F, NL00021182F, NL0006195F, NL9912175F, NL9808194F, NL0003183N)

21 July 2000

NORWAY

AF union confederation to be dissolved

The Confederation of Norwegian Professional Associations (AF) has decided to dissolve its organisation in 2001, marking the culmination of a long period of internal turbulence.

On 21 June 2000, the council of representatives of the Confederation of Norwegian Professional Associations (Akademikernes Fellesorganisasjon, AF) decided unanimously to dissolve the trade union confederation some time in the first six months of 2001.

Background

AF was founded in 1975 as a politically independent confederation for academically-qualified and professional employees. In 1995, when it comprised 36 member unions representing 250,000 employees, it was Norway's second largest union confederation and had the highest membership growth of the three confederations. Its members are predominantly graduates of advanced colleges and university-educated professionals, mostly employed in the public sector.

There have always been tensions between AF member associations, mainly between those representing employees with a state (advanced) college education (eg nurses and teachers) and those representing employees with a university education (eg lawyers and doctors). These tensions have grown in recent years with the affiliation of several female-dominated associations with state college education, and have been generated by conflicting views as to whom to give priority in wage settlements; female-dominated groups with a state college education or groups with higher university education. This, and a general dissatisfaction with AF's organisational profile, led several associations to leave, mostly to join the new Akademikerne confederation (*EIRObserver* 5/98 p.7). By 1999, AF had lost almost half its membership. Furthermore, two other associations signalled their intentions to leave: the Norwegian Society of Engineers (NITO) gained independence from AF in January 2000; while the Teachers' Union Norway is still deliberating a merger with the Norwegian Unions of Teachers (NL).

Failed merger of YS and AF

This process of fragmentation forced AF to rethink its organisational strategies and policies. It initiated an evaluation of the situation early in 1998, leading to the adoption of new organisational principles and the election of Aud Blankholm as AF's new leader in January 1999, in the hope of revitalising the organisation. In May 1999, the leader of the Norwegian Confederation of Vocational Unions (Yrkesorganisasjonenes Sentralforbund, YS), Randi Bjørgen, and Ms Blankholm took a joint initiative to consider a possible merger of YS and AF, creating a new union confederation, with a new name and a new organisational structure. The independent Norwegian Police Federation (PF) later joined the process. The merger would have meant a pooling of 360,000 members.

However, there was internal discontent within both YS and AF over creation of a new employee confederation. The YS bargaining cartel in the state sector, YS Stat, was opposed to the major centralisation of powers envisaged in the report of the joint steering committee considering the merger, issued in February 2000. According to YS Stat, this would impede member unions' ability to pursue normal trade union activities, and deprive individual unions of their basic collective rights, such as authority over their own collective agreements. The proposal was rejected on the same grounds by the largest YS union in the municipal sector, the Norwegian Association of Health and Social Care Personnel (NHS). There was also some opposition within AF, but more important was the alternative agenda of associations such as the Teachers' Union Norway, which meant that they only half-heartedly participated in the deliberation process.

Eventually, neither Ms Blankholm nor the AF board found any reasons to continue the deliberation process, and thus recommended an end to AF's involvement. Although several possible scenarios were considered, the AF council of representatives decided to end the deliberation process and to dissolve AF. The main reason for opting out, according to Ms Blankholm, was the apparent opposition within YS to the new confederation. However, there are also good reasons to believe that 2000's favourable wage settlement (*EIRObserver* 4/00 p.11) may have encouraged certain groups within AF to opt for independence rather than further cooperation.

Commentary

Aud Blankholm blames AF's present situation on a wage policy which has been hostile towards academic and professional occupations, and not so much on AF's internal problems. This policy, according to Ms Blankholm, has lead to a fragmentation of the Norwegian labour market, with the creation of a fourth trade union confederation, Akademikerne, and several organisations choosing to stand alone in wage bargaining. Yet one of AF's main problems has been the long-running interest gap between members with a university education and those with a state college education, which has strained the confederation's internal unity during wage settlements. Many groups have become displeased with AF's apparent failure sufficiently to represent them in wage bargaining, and many thus feel that they are better off alone or in seeking to form alternative alliances.

The decision to dissolve AF indicates that the two largest remaining affiliated associations, the Teachers' Union Norway and the Norwegian Nurses' Association (NSF), no longer view AF as a viable alternative. A possible solution to AF's problems would have been to include a new merged teachers' organisation in the organisation. However, this now seems highly unlikely, especially since a significant number of teachers in both unions prefer an independent union, and may have an even stronger case after 2000's favourable wage settlement.

Many commentators believe that AF's dissolution may enable the Norwegian Confederation of Trade Unions (LO) further to strengthen its position in Norwegian industrial relations. LO's deputy leader, Gerd Liv Valla, has on several previous occasions hinted at a future merger of LO, AF and YS, and she has also sought to improve services to members with higher qualifications and strengthen LO's recruitment of these groups. Furthermore, a YS-AF merger would have significantly challenged LO in the public sector, making the two organisations almost equal in size, but instead LO will now have one confederation fewer to contend with in the public sector wage settlements.

Thus, the organisational map is being redrawn, and as such it is too early to say what consequences the break up of AF will have for Norwegian industrial relations. On the employee side, there is a variety of interests pulling in different and often opposite directions, yet at the same time there is a general recognition of the desirability and need for greater centralisation of trade union powers, especially in relation to wage formation. Furthermore, the bargaining system is presently being reviewed by a public committee with a view to changing the rules concerning bargaining and wage formation, and the committee's findings will doubtless have a bearing on collective bargaining in Norway in future. (Haavard Lismoen, FAFO Institute for Applied Social Science)

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21 July 2000

First sectoral agreement signed on 35-hour week

Spain's first sectoral collective agreement providing for a 35-hour working week has been concluded for car-repair workshops in the Asturias region.

On 14 June 2000, the metalworking federation of the UGT trade union confederation and two Asturian sectoral employers' associations - ASAUTO and ASPA - signed a new regional collective agreement for car-repair workshops in Asturias. This is Spain's first sectoral agreement to introduce a 35-hour working week. The metalworking federation of the CC.OO union confederation, which has minority representation in the sector, did not sign the agreement.

Initial positions

The negotiation of the new Asturias car-repair agreement was long and complex. During the lifetime of the previous agreement, a ''permanent concertation commission'' was created by the unions and the employers' associations to deal with three basic topics to be negotiated in the forthcoming agreement: employment, working hours and seniority.

UGT and CC.OO wanted to address the problem of employment stability and shorter working hours. The Asturias car-repair sector involves around 800 companies and 4,000 workers. It is highly atomised, characterised mainly by small workshops with three or four employees and high levels of temporary employment. The unions sought to introduce measures in favour of job creation and employment stability through a substantial reduction in working hours and the conversion of temporary contracts into permanent ones.

The sectoral employers' associations demanded a substantial reduction in the costs arising from employee seniority, which they considered to be far higher than in other sectors. Under the previous agreement, each five years of service involved a 5% increase in basic pay. The employers considered that this supplement was far higher than in other sectors due to the different wage structure, although the percentage in itself was similar to that of other agreements. In the car-repair sector there are practically no bonuses - the basic wage is comparatively high, and consequently so is the seniority supplement.

Main provisions

The June 2000 agreement introduces a 35-hour week over four years in exchange for the elimination of the seniority supplement for new recruits and its limitation for present workers. The main points of the agreement are the following:

- the agreement covers a period of four years (2000-3), during which the working week will be reduced progressively from the current 38.5 hours to 35 hours (equivalent to 1,582 hours per year). The working time reduction cannot be broken down by minutes or hours - time off to compensate for surplus working hours over this level must be taken in complete working days;

- the seniority supplement is eliminated for new recruits and limited for current workers, who will only be able to qualify for one more five-year period of seniority than they currently have. The supplement for each five-year period remains at 5% of basic pay. To compensate for future loss of purchasing power due to the limitation of the number of five-year periods counted, during the lifetime of the current agreement an increase of 1.5% of the value of the seniority supplement will be distributed annually. From 2003, the payments that correspond to each existing five-year period will increase by the same percentage as that agreed for general pay increases;

- pay will rise by 3.5% in 2000. For the rest of the years covered by the agreement, the pay increase will be the increase in the real retail prices index plus 0.5%. These increases are subject to wage revision clauses to guarantee an increase in purchasing power if real inflation is greater than expected; and

- no general clause on converting temporary jobs into permanent jobs was agreed. The agreement establishes only that workers on temporary contracts have priority for permanent jobs. To meet the demand for personnel in the sector, there will be a ''labour pool'' of temporary employees and unemployed workers trained at centres run by UGT and ASPA.

Differing assessments

ASAUTO and ASPA are satisfied to have obtained one of their long-term demands: the limitation of the seniority supplement. They have been severely criticised for accepting the 35-hour week by the Asturian Federation of Employers, which fears that the car-repair agreement will put pressure on bargaining in other sectors. However, the car-repair employers' associations consider that the 35-hour week is a reasonable compensation for changes being introduced in the sector and need not influence bargaining elsewhere.

The UGT metalworking federation, which has 70% support among workers in the sector, considers that the agreement on seniority is fair, since it allows current workers to gain a new five-year period and establishes partial compensation for future loss of purchasing power. In its opinion, the agreement on the 35-hour week is symbolic and may serve as a reference for bargaining in other sectors: it points out that shorter working hours will be compensated through complete working days off, which means better working conditions and a greater impact on employment.

The CC.OO metalworking federation, however, with 30% support in the sector, rejected the agreement after actively participating in the negotiations. CC.OO considers that the agreement on seniority is too favourable to the companies and will involve a great loss of purchasing power. It also criticises the absence of commitments on employment stability and believes that the implementation period for the 35-hour week is too long.

Commentary

The limitation or freezing of the seniority supplement is an employers' demand that has gained force in recent years. Several sectoral agreements have gone in this direction: most of them respect acquired rights and establish some compensation, for example setting aside a percentage of the paybill for regrading and promotions. The basic aim is to replace an automatic wage-increase mechanism (based on length of service) with systems based on professional recognition and promotion.

The Asturian car-repair agreement adopts a different and novel ''formula'': shorter working hours in exchange for limiting the seniority supplement. This agreement has broken the ''taboo'' of the 35-hour week, showing that is possible to deal with shorter working hours in bargaining without ideological prejudice. It will be interesting to see to what extent workers support this measure and to analyse its impact on job creation.

In any event, it is evident that the success of this formula will depend on the shorter working hours being effective and being applied according to the agreement, which is not easy to guarantee in a very atomised sector with high levels of temporary employment: the absence of commitments on employment stability is a negative feature of the deal (María Caprile, CIREM Foundation).

ES0008102F

18 August 2000

SWEDEN

Unemployment insurance reform underway

The government has recently presented a bill seeking to establish a ''fairer and more distinct'' unemployment insurance system. Meanwhile, the SACO professional trade union confederation has launched a supplementary unemployment insurance scheme for its members.

On 29 June 2000, the government presented a bill, entitled *A fairer and more distinct unemployment insurance*, proposing changes in the unemployment insurance system. The proposed changes largely reflect the contents of a November 1999 report from the Ministry of Industry, Employment and Communications. The report's proposal to increase the maximum daily unemployment allowance from SEK 580 (EUR 69) to SEK 640 (EUR 76) will be dealt with in connection with the 2001 national budget. It is, however, clear that the increased allowance, to be introduced in two stages, will apply only during the first 100 days of unemployment.

The unemployment insurance system is administered by trade unions and financed mainly by the state. The unions contribute about 6% of financing through membership fees. Unemployed people who had a previous monthly income of up to SEK 15,950 (EUR 1,895) receive 80% of this income as a daily allowance for 300 days. The SEK 15,950 figure is a ceiling for calculating benefits, so unemployed workers with higher previous incomes still receive only 80% of this sum. The daily allowance can be prolonged by another 300 days if the person concerned fulfils the conditions for a new period of insurance. This rule has been criticised for allowing unemployed people to enter a spiral of unemployment, short periods of work and various employment schemes.

Main proposals

The main proposed changes to unemployment insurance are as follows:

1) during the first 100 days of unemployment, unemployed workers (or ''job-seekers'', in the new terminology), may limit their job search both occupationally and geographically - they do not have to leave their home area or previous occupation immediately in order to find a new job;

2) in order to receive unemployment benefit, job-seekers must cooperate with the labour market authorities in establishing an individual action plan, specifying the kind of jobs regarded as suitable for the job-seeker, whose sphere of job-seeking will be widened over time;

3) the ''work condition'' for qualifying for benefit will be altered. Only ''regular work'' will be counted;

4) the ''requalification condition'', whereby job-seekers may qualify for further periods of unemployment benefit, will be abolished. Instead, a new form of support for long-term unemployed people is being introduced, the ''activity guarantee''. The aim is to give long-term unemployed people, and those who risk becoming so, better chances of finding a job;

5) the basic unemployment benefit period of 300 days remains unchanged;

6) job-seekers who risk becoming long-term unemployed will, within 27 months, be offered a full-time activity within the ''activity guarantee'' scheme;

7) job-seekers who have not cooperated with the authorities will have their benefit reduced. Job-seekers who reject a job offer will have their daily allowance reduced by 25% for 40 days on the first occasion and by 50% for 40 days on the second occasion. The third time that an offer is refused, benefit will be stopped.

The government will consider establishing a special authority to control the unemployment offices, which are connected with the unions, and the local labour market authorities.

Little enthusiasm

The Swedish Employers' Association (SAF) has criticised an increase in unemployment benefits when so many sectors are facing labour shortages, and objects to allowing unemployed people to limit their job-seeking. The government should, instead of raising benefit levels, promote private unemployment insurance.

The Swedish Trade Union Confederation (LO), welcomes the government's acceptance of the need to raise the upper limit of unemployment benefit, but believes that raising it for the first 100 days is insufficient. In the long run, for LO, unemployment benefit must follow wage developments. LO welcomes the absence of proposals to abolish the much-criticised ''further parenthesis'' system, whereby people may enter a cycle of unemployment, short periods of work and employment schemes, while pushing back the final limit of their unemployment benefit entitlement. The principle of abolishing this system is not directly addressed by the bill, but is partly dealt with by other proposals.

The Swedish Confederation of Salaried Employees (TCO) sees the perceived unwillingness of the government genuinely to increase the upper level of unemployment benefit, which has not risen for 10 years, as a threat to the whole system. For TCO, the upper level must be increased now, when Sweden has such good finances.

Professionals to invest in own insurance

Over 50% of workers earn more than SEK 15,950 per month, the upper level for calculating unemployment benefit. If higher-paid workers become unemployed, their benefit is at most 80% of SEK 15,950. Some 90% of the members of the unions affiliated to the Swedish Confederation of Professional Associations (SACO) earn more than SEK 15,950, and they thus lose considerable income if they become unemployed. Following lengthy discussions, on 28 June 2000, just after the government's bill was presented, SACO announced that it was ready to launch supplementary unemployment insurance for its members, through a joint company to be founded by SACO, its affiliates, and a private insurance company. During summer 2000, SACO has been receiving applications for the insurance, and interest is reportedly very high.

The upper level for the SACO unemployment insurance will be a monthly income of SEK 40,000 (EUR 4,750). The insurance will cover the income between SEK 15,950 and SEK 40,000, with income below the lower figure still covered by the ordinary unemployment insurance system. The new insurance will be open to those aged 21-58 and will cease at the age of 60. The maximum period of benefit payment will be 240 days.

Commentary

The government says that it is willing to increase the daily unemployment allowance, at least for the first 100 days of unemployment, from SEK 580 to SEK 640. This is still a very low sum compared with the earnings of most workers, and SACO has now taken a new initiative by offering private unemployment insurance to its 400,000 members. The ''normal'' unemployment insurance system is by tradition linked to the unions. It may be that unions which are losing members, especially blue-collar unions, could see an opportunity to recruit and keep members by offering supplementary insurance. The question remains whether the government, which wants to control the ''unemployment system'', will take on the challenge of giving a real boost to the level of state-financed unemployment benefit, or whether it will welcome the development of new private insurance schemes. (Annika Berg, Arbetslivsinstitutet)

SE0008157F (Related records: SE9912108N, SE0005144F, SE9912108N)

18 August 2000

EIROnline - the Observatory's database on the Web

EIROnline, the European Industrial Relations Observatory's database, is accessible to the public on the World-Wide Web. Here we provide information for EIRObserver *readers on how to use* EIROnline

EIRObserver contains a small edited selection of the records supplied to the European Industrial Relations Observatory (EIRO) by its network of national centres in the EU Member States (plus Norway) and its European-level centre. Each month, a comprehensive set of reports on key developments in industrial relations across Europe is submitted by the network, edited technically and for style and content, and loaded onto the *EIROnline* database. *EIROnline* is available via a site on the World-Wide Web.

Getting started

To make use of *EIROnline*, you require Internet access and browser software - *EIROnline* is best viewed with Netscape Navigator or Microsoft Internet Explorer versions 3 and above. Simply go to the URL address of our home page:

http://www.eiro.eurofound.ie/

This will bring you to the EIRO home page. EIRO's central operation is based on a monthly cycle, with national centres submitting in briefs and features on the main issues and events in a particular month. These records are processed, edited and then uploaded from early the next month. Thus, records relating to events in August, for example, will appear on the website from early September.

The home page indicates the last time that *EIROnline* was updated and provides direct links to the most recently added records. These are designated as either features, in briefs, studies or updates, with the titles in blue lettering, underlined. Whenever you see such blue (or green) underlined text in *EIROnline*, this indicates that clicking on the text will link you to further information. In the top left-hand corner of the home page, and of every page of *EIROnline*, there is a blue and black **EIROnline** logo. Clicking on this will always return you to the home page.

To the left of the home page is a link to the EIRO **comparative studies** (and annual updates) and a list of links to additional facilities - **about EIRO**, **register**, **help**, **feedback**, **EIRObserver**, **contacts**, **related sites** and **EMIRE** (the online version of the European Employment and Industrial Relations Glossaries).

Along the top of the home page there is the **EIROnline navigation bar** containing four links: **in brief** connects to a list of the in brief items for the current month, and **features** to a list of that month's feature items; **site map** connects to a variety of ways of browsing *EIROnline* records; and **search** connects to an *EIROnline* search engine.

In briefs and features

The basic content of EIRO consists of in brief and feature records. ''In brief'' items are short factual articles about a significant event or issue in industrial relations in the country concerned. Features also set out the facts, but they are longer, allowing more detail and a commentary (''signed'' by the author(s)) to be included. Features cover the most significant developments, activities and issues, and those which can benefit most from a greater degree of analysis and background. From the home page, clicking on **in brief** or **features** on the **EIROnline navigation bar** connects to lists of the in briefs and features for the most recent month - an ideal form of browsing for users who want quick access to the most up-to-date records.

Site map

The **site map** - accessible from the **EIROnline navigation bar** on every *EIROnline* page - is the most useful starting point for browsing the contents of the database.

The site map provides a list of all countries covered by EIRO. Clicking on any of the **country** names (plus ''EU level'' and ''transnational'') connects to a full list of all the records submitted for that country for the current year, with links to previous years. It is also simple to navigate by **date**: each month since EIRO started collecting data in February 1997 is listed, and clicking on a particular month connects to a page providing access to all the month's records. The online version of the EIRO Annual Review for each year can also be accessed.

To follow up a story in *EIRObserver*, and read the full text of the original record(s) on which it is based, the easiest way is to input the record's unique **record ID** (eg SE0004111F), which is provided at the end of each item in *EIRObserver* (along with the IDs of related records). Type the ID into the field alongside Record ID in the site map, and click the **search** button to connect directly with the record.

The site map also provides a link to a chronological list (with links) of all the **comparative studies** and annual updates produced by EIRO. These focus on one particular topical issue in industrial relations and its treatment across the countries covered by EIRO.

Searching

The most sophisticated way of finding information in *EIROnline* is to use the **search** option - accessible from the **EIROnline navigation bar** on every *EIROnline* page. The EIRO search engine offers users three types of search - **free text**, **advanced** and (within advanced) **thesaurus**. Before starting to search, it is strongly recommended that you click on **help**, which connects to useful tips on how to conduct all three types of search.

Feedback

A fuller users' guide is available on *EIROnline* under the **help** facility. However, a written guide to a website/database is only ever of limited use, and *EIRObserver* readers are urged to gain access to *EIROnline* itself, in order to experience how it works and what it offers. *EIROnline* is still being developed and improved continuously, and we welcome the views, comments and queries of users in order to feed into this process. As well as the **feedback** form available on the website itself, please send any input about *EIROnline*, by e-mail to eiroinfo@eiro.eurofound.ie.

EIRO user survey

EIRO users are very positive about the service, according to the results of an independent survey of the service, carried out recently by PIRA International (UK) and the Human Factors Research Group of University College Cork (Ireland).

Around 60% of EIRO users who responded to the survey rated *EIROnline* as the most useful source of information on industrial relations, and the great majority of users are very satisfied with the website. Comparative studies, *EIRObserver*, the *Annual Review* and national and EU-level information were all found very useful by respondents. The subject areas of particular interest to EIRO users include EU social policy, working time and work organisation. Respondents use *EIROnline* principally to keep up to date with latest developments and as a reference source. Overall, the survey concludes that EIRO is viewed highly by its user community. A number of usability issues raised about *EIROnline* are being addressed by the Foundation. Many thanks to all *EIRObserver* readers who responded to the survey.

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EIRObserver

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eiro observer

Outsourcing and industrial relations in motor manufacturing

During the 1990s, ''outsourcing'' became an increasingly popular strategy among both private and public sector employers. Outsourcing is essentially a process whereby an organisation ceases to carry out internally various functions outside its ''core'' activity, and instead purchases the services or products concerned from outside parties. Outsourcing often involves the restructuring of the organisation concerned around a distinction between its core activity and the services and activities provided by external suppliers.

This comparative supplement aims to determine the impact of outsourcing on industrial relations, taking the example of a single sector, motor manufacturing (automobiles, lorries, vans, motorbikes etc), and refers to the complete chain of subcontracting (central companies - eg Volkswagen or Renault - and the different levels of contractors). The supplement:

- examines the extent and growth of outsourcing;
- assesses the motivation for outsourcing;
- outlines the legal provisions in this area;
- examines how collective bargaining deals with outsourcing;
- looks at outsourcing's effects on bargaining arrangements and membership of trade union and employers' organisations; and
- outlines the social partners' views and strategies.

The supplement - an edited version of a full study to be found on the *EIROnline* database (see p.15 for access details) - is based on reports from the EIRO national centres in the 15 EU countries plus Norway. The motor manufacturing sector's importance varies greatly in the 16 countries, which fall into four main groups:

1) countries with a major presence of factories for final assembly of vehicles and a highly developed components industry - Germany, France, Italy, Spain and the UK. These five countries account for 90% of EU car production and 80% of sales. Some of the sector's main companies (eg Volkswagen, Renault, PSA and Fiat) originated and still have their head offices in these countries. Sweden can be included because of the importance of its manufacturers (Saab, Scania and Volvo), although the sector is smaller than in the five major countries;

2) countries with a certain presence of final-assembly factories and a fairly developed components industry - Belgium, the Netherlands (although here the sector is far smaller) and Portugal (where the components industry has developed recently);

3) countries with no final-assembly factories, but an important components industry - Austria, Ireland and, to a lesser extent, Denmark and Norway; and

4) countries where the sector is very small or practically non-existent - Finland, Greece and Luxembourg.

This supplement pays special attention to the first and the second groups, where outsourcing is more fully developed in motor manufacturing and has a greater impact on employment conditions and industrial relations. The overall development of outsourcing in motor manufacturing is outlined in the box on p.ii.

Impact on employment and working conditions

Outsourcing in motor manufacturing directly or indirectly generates great pressure to reduce labour costs and deregulate working conditions (see box on p. ii). The number of blue-collar jobs falls at the top of the pyramid of suppliers and increases at the base, along with unstable, poorly-paid work with little protection.

Two main levels are thus created. At the top of the pyramid are the companies that carry out activities of higher added-value (manufacturers, first-level suppliers, some service companies). Here, labour costs have a limited impact on production costs. The work is relatively well paid and production flexibility is achieved through automation and ''new forms of work organisation'' (eg flat hierarchies, work in groups or autonomous work-groups). These new organisational approaches are far more evident in technical and administrative functions than in direct production, where the main objective is greater organisational flexibility (eg irregular distribution of working hours, greater multi-skilling and automatic quality control).

In companies that carry out activities of lower added-value (second- or third-level suppliers and certain service companies) labour costs are decisive for production costs. The work is worse paid and production flexibility usually means higher workloads, greater availability of workers and the use of temporary recruitment. This differentiation in working conditions occurs in several ways. The outsourced activities may fall within less favourable collective agreements for the workers - such as that of the overall metalworking sector rather than the company agreement of the manufacturer or higher-level supplier, or that of other sectors with lower working conditions - or sometimes the activities are new and not regulated by sectoral agreements (in countries where these predominate). There is often less protection because trade unions tend to be far weaker and work relationships far more individualised. An extreme case is the use of ''false self-employed'' workers and illegal clandestine employment.

These effects are less ''visible'' on a smaller scale of analysis. Outsourcing on the scale of a business group can be carried out in several ways: spin-off of activities within the group; outsourcing of former activities; or subcontracting of new activities. These may lead to the closure of facilities and/or the opening of new plants designed under this concept, and may affect the workers of the different makes of vehicle or those within each make in different factories, to different degrees and at different times. Furthermore, the process is less visible in activities not previously carried out by the central company, either because they are new activities or because the company has been conceived under the ''lean and mean production'' paradigm. Outsourcing's visibility thus depends, among other factors, on the timescale involved and the geographical location:

- outsourcing can be implemented on very different timescales. The gradual outsourcing of a traditional assembly factory's activities is very different to the establishment of a new plant specially designed under this concept. The new production model is more evident in new plants, but its employment and industrial relations effects are more indirect - here, decentralisation is a fait accompli rather than an ongoing process. Outsourcing mostly occurs through the spin-off of plants and functions within a group, the closure or renovation of old production facilities and the opening of new plants. It is a medium-term strategy with relatively indirect effects on working conditions, because it involves redeploying or retiring much of the workforce and taking on new personnel. Outsourcing that involves the transfer of workers to other companies is less usual; and
- a tendency towards greater physical vicinity between the assembly factory and first-level suppliers is clear, though the main components companies offer their products on the general market and relocated production is also common. Large industrial areas tend to

Outsourcing in motor manufacturing

Until the mid-1970s, the production gains of motor manufacturing were based fundamentally on economies of scale and a permanent increase in vehicle production. This involved a ''Fordist'' system of organising production, characterised by the production of large series of vehicles on assembly lines that manufactured a great part of the vehicles. The scale of production was basically national.

The economic crisis of the mid-1970s ushered in a new period characterised by the saturation of markets, which led to a profound change in business strategies, with two major developments: the ''globalisation'' of the industry (planning of production on a world scale, relocations and large-scale specialisation of production); and the introduction of new competitive factors (such as quality and diversified production). This new competitive environment demanded greater flexibility of the production process and marked the end of Fordism.

Outsourcing has become a central element of the new business strategies developed for organising production, linked to a radical redefinition of what is considered to be the core activity of vehicle manufacture and a progressive outsourcing of the remaining activities. It was not by chance that the strongly decentralised Japanese firms showed greater efficiency in the new competitive environment.

Extent and characteristics

The large US vehicle manufacturers traditionally based their production model on strong ''vertical integration''. A high percentage of the vehicle's components were made by the manufacturing company itself or by component companies within the same business group. The same was true for European vehicle manufacturers, although their scale of production was far smaller. The level of vertical integration of production was similar to that of the US companies, although integration took place within companies themselves, without the development of components production as part of a business group, except for Fiat and Peugeot.

This production model has changed profoundly in recent decades. Under the paradigm of ''lean and mean production'', manufacturers have become increasingly oriented towards design, assembly and marketing, including in some cases the direct production of strategic components, such as engines.

The novelty lies not only in the extension of outsourcing, but also in the reorganisation and hierarchical structure of relationships with suppliers that it involves.

This varies according to each company's specific strategies, but the main changes are:

- progressive outsourcing of component production through different channels (eg spin-off within the same business group, or subcontracting to another enterprise of former or new activities), often combined with large-scale specialisation (eg the supply of a given component to factories and makes within the same business group or even several groups). Although there are no precise data on the extent of this process, it is generally agreed that it began to accelerate in Europe in the late 1980s, though is still far more developed in Japan. For example, in Germany the large manufacturers produced 35% of the added-value of the final product in 1998, compared with 41% in 1989;
- a sharp reduction in the number of direct suppliers (the first level of the supply chain). These now take responsibility for the assembly of complete parts of the vehicle, quality control and stock management, while technological innovation and design of components are also increasingly delegated to them. The most recent changes seek greater involvement of the main suppliers in the design of the final product and the production process; and
- progressive outsourcing of services, starting with those that have lower added-value and are more labour-intensive (cleaning, catering and security) and proceeding to more strategic services such as maintenance of facilities and computers, storage and logistics.

Pyramid of suppliers

The changes introduced by motor manufacturers have led directly to the restructuring of the components industry.

At the first level are companies that supply complete sets of parts, units or systems and important, technologically-complex parts of the vehicle. These companies have undergone the most profound transformation, with a high degree of business concentration and globalisation of production, and the adoption of similar production strategies to those of the manufacturers. They too redefine their core activity and outsource the rest of production. They play an increasingly important role in vehicle production, bearing part of the investment in design and technology and organising the second level of suppliers. This process is repeated with differing intensity at the lower levels, forming a very hierarchical pyramid of suppliers.

The driving force for outsourcing is the search for maximum specialisation in high added-value activities, with the least risk and at the lowest cost. The new competitive environment involves speeding up the rate of innovation and diversification of production and a strong increase in the risks and costs of design and production of high-technology components. The increasing automation and replacement of labour with capital mean that the most labour-intensive activities are not profitable and can be easily subcontracted.

Through their control of the production process, the manufacturers can free themselves of the lower added-value activities, transfer part of design and production costs to the first-level suppliers and apply great pressure on quality, delivery dates and prices. Similar strategies are repeated successively at the different levels of the chain of suppliers, although companies have decreasing autonomy lower down the chain. At the base of the pyramid, numerous companies carry out labour-intensive activities of little added-value amid strong competition, with great pressures to reduce labour costs and deregulate working conditions.

be created around motor manufacturing factories, where centres of production, pre-assembly or storage of components are located, strongly dependent on the manufacturer's rate of production. Outsourcing's effects on employment conditions are fairly visible in these cases, though extremely complex to regulate. However, this type of industrial estate reflects only part of the production process, while the rest is far more diffuse and opaque.

Labour legislation and outsourcing

This section examines the extent to which legislation protects workers affected by outsourcing, focusing on law which has a direct relationship with employment and working conditions. A more general view of the framework of labour legislation that regulates the labour and social impact of outsourcing is beyond the scope of this supplement.

The picture that emerges is that labour legislation regulates outsourcing to a very limited extent. The law is not

exhaustive concerning the forms that outsourcing can take and only partially regulates those aspects and forms that it does deal with. It establishes slight limitations on the freedom of companies regarding outsourcing, which can involve slight legal protection of the rights of the workers involved.

Overall position

In the countries covered by this study, there is no specific law regulating outsourcing with regard to industrial relations. Only in Sweden and the Netherlands is outsourcing a legal category (see table 1 on p. iv). This demonstrates the limitations of labour legislation for regulating outsourcing.

In most countries, applicable legislative provisions exist only for cases in which a transfer of undertakings is the first step in the outsourcing process. This means that, in most countries, cases of outsourcing of activities that do not involve transfer of undertakings are not covered by the legislation, and neither are cases that are not strictly considered outsourcing, because they involve subcontracting of activities not previously carried out by the subcontracting company. Together with Sweden and the Netherlands, France, Spain and Italy are exceptions because their labour legislation recognises the subcontracting of works and services.

However, the limitation does not end there, since not all cases of outsourcing of an activity previously carried out by the company are considered as transfers of undertakings. In most countries the definition of a transfer of undertakings is problematic. This is also true for EU Directive (77/187/EEC) on the safeguarding of employees' rights in transfers of undertakings, businesses or parts of businesses, even after its revision by Directive 98/50/EC. To simplify, legal experts are divided between: those who consider that a transfer exists only when a tangible asset is transferred (eg infrastructures or material resources); and those who consider that the issue of assets is not decisive and that it is enough if a ''sufficient'' entity in the context of the undertaking's activity is transferred. The first, more restrictive position is used in most courts, which means that the legislation on transfers is applied to fewer workers.

Content

In most countries considered here, protective legislation is potentially applicable to outsourcing only where a transfer of undertakings is the first step in the outsourcing process. This legislation derives mainly from the transposition of the EU Directive. The main protective provisions of the Directive, transposed with some variations into the national legislation of the Member States and Norway, are that the rights and obligations of the transferor (the old employer) arising from a contract of employment or an employment relationship are transferred to the transferee (the new employer), as are those arising from collective agreements. Transfers may not constitute grounds for dismissal, though this does not prevent dismissals for economic, technical or organisational reasons entailing changes in the workforce. If an employment contract/relationship is terminated because the transfer involves a substantial change in working conditions to the employee's detriment, the employer is regarded as having been responsible for this termination. Employee representatives in both the transferor and transferee companies have information and consultation rights relating to the transfer.

The transfer of undertakings legislation protects the acquired rights of the transferred workers, partially preventing the transfer from generating inequalities between these workers and those in the transferor company (though only partially and temporarily). However, there are no mechanisms for generalising these conditions to the rest of the existing or future workforce of the company that has taken on these new workers. By avoiding one form of fragmentation, another is created.

Beyond the basic transfer of undertakings provisions, there is relatively little legislation relevant to outsourcing - see table 1 on p. iv. Only in France, Italy and Spain does labour legislation recognise the subcontracting of work or services as a legal category, which means that more cases of outsourcing are regulated. However, this regulation is very incomplete. In these cases, the workers of the company which subcontracts (the subcontracting company) are protected because it is made difficult for the employer to use subcontracting as a means of terminating an employment contract, dismissing workers or modifying working conditions. In these countries, plus Norway, legislation protects the workers of the company to which the work is subcontracted (the contractor company), although to a very limited extent, referring only to aspects of health and safety, making both employers (the contractor and the subcontracting company) jointly responsible, and establishing very limited employment-related rights for people linked through a business contract (between a subcontracting company and a worker in a contractor company). In France, this protection and joint responsibility extends to legislation on the ''clandestine'' economy and in Spain for wage and social security debts. In the Netherlands, Spain (to a very limited extent) and Sweden, rights are established for workers' representatives in the subcontracting company.

In the only two cases in which legislation recognises outsourcing as a legal category, the protection afforded is different and again partial. In Sweden, the workers involved in outsourcing have the right to maintain their employment and workers with greater seniority are protected, but outsourcing can be a justifiable reason for dismissal. Companies are thus prevented from using outsourcing to dispose of an expensive or demanding workforce, or from offloading retraining problems to other companies at times of industrial restructuring. Unions are also entitled to receive information and negotiate at the planning stage of outsourcing. This facilitates control by workers, which may lead to guarantees regarding the immediate effects for the workforce of the subcontracting company.

Special mention must be made of employees' rights in outsourcing in the Netherlands. The works council must be consulted at the planning stage, and can block implementation for one month and take the case to court if there is no agreement. The court may reject the outsourcing if it finds that the decision is not ''reasonable''. The works councils' rights, and the courts' intervention, provide greater protection for the workers of the subcontracting company. Furthermore, once the outsourcing is in process, any changes in the contract with the contractor company is subject to consultation with the works councils of the contractor and the subcontracting company.

These Dutch rules are arguably a very important step towards controlling outsourcing. They recognise that the business links between companies in the outsourcing process are not only a commercial question but have social effects, and the legislation thus facilitates the participation of workers' representatives. These social effects are felt not only by the workers of the subcontracting company but also by the workers of the contractor company, who are not covered by the legislation of other European countries. If there is solidarity and the workers have enough strength, control by the workers' representatives at the different stages of the business relationship between companies can guarantee and protect jobs and ensure fair employment conditions for both workforces, preventing segmentation of conditions and fragmentation of worker representation and organisation.

Collective bargaining and outsourcing

Turning to the extent to which collective bargaining deals with outsourcing by regulating the rights of the workers

Table 1. Labour legislation applicable to outsourcing (excluding basic transfer of undertakings provisions) in the EU and Norway

Austria	The Works Constitution Act provides information and consultation rights for works councils in the event of major changes in a company, including mergers, changes of ownership, essential rationalisation measures or relocations - measures which may be described as variants of outsourcing. Obligatory information should be submitted by management as early as possible, preferably in the planning phase and in any event at a time which makes consultation with the works council possible. The information includes the numbers, qualifications and length of service of the employees affected. In companies with over 20 employees, compulsory ''social plans'' must be established in the event of any fundamental deterioration of employment conditions.
Belgium	A 1973 royal decree establishes indirectly the right of works councils to receive information at the planning stage of outsourcing, insofar as they are entitled to regular information on the company's economic, financial and organisational policy.
Finland	The Cooperation Act establishes the right of workers' representatives to receive information at the planning stage and to negotiate (''cooperation'') when outsourcing involves dismissals.
France	The number of cases regulated is higher than in many other countries because labour legislation recognises the concept of subcontracting of works or services. The Labour Code prohibits any ''for-profit provision of labour, which adversely affects any workers involved''. This applies to subcontracting relationships if workers are denied certain rights. In the subcontracting of works or services, the Labour Code establishes that the subcontracting company is responsible for health and safety when it owns the workplace where the contractor company's workers provide their services: the subcontracting company is obliged to coordinate health and safety with the contractor company, and to communicate and issue instructions on workplace risks and safety measures. 1991 legislation on clandestine employment establishes full joint responsibility of the subcontracting and contractor companies in the event of such practices. Where a company employs workers who are not directly contracted by the company for which they actually work, union delegates representing the workers concerned may participate in negotiations. The workers concerned can make claims through the subcontracting company's employee representatives. The subcontracting company must inform its works council on how much work is being subcontracted.
Germany	The Works Constitution Act provides information and consultation rights for works councils in advance of planned changes in a company, including changes of ownership. The works council also has the opportunity to reach an agreement on a social plan, or to protect employees, guaranteeing the binding effects of collective agreements and co-determination provisions. For safeguarding individual and collective rights in transfers, the 1995 Commutation Law is also important. It: entitles works councils to extensive information about the planned change and its social effects for employees; regulates the mandate of the works council for a transitional period of six months; maintains protection against dismissals; and regulates liabilities for claims resulting from pension schemes and social plans.
Italy	Law 1369 of 1960 (partly modified by 1997 legislation on temporary agency work) forbids labour-only subcontracting, whereby the subcontractor provides only the personnel, but without having the characteristics of a real employer (eg means of production, managerial structures or financial means). Subcontracting is legal when a subcontractor is assigned an activity to perform with its own means (capital, machinery, labour, etc), and assumes the employer's risk. The legislation aimed to curb and regulate the decentralisation of production. Controversy surrounds the definition of legal and illegal subcontracting. In legal subcontracting, the law specifies the cases in which the subcontractor's workers are entitled to the same pay and conditions as those in the subcontracting firm, and those cases in which treatment may differ.
Netherlands	The 1979 Law on Works Councils entitles the works council of the subcontracting company to give its opinion at the planning stage of outsourcing and at the time of the possible renewal or termination of the business contract. The employer is not only obliged to provide information on the decision to outsource and to justify it, but to bear in mind the employees' position. If the works council disagrees with the decision to outsource, this decision is postponed for one month, during which the council can take the case to the courts, which can refuse to approve it if the decision is not ''reasonable''. Once the decision is accepted, the works councils of the subcontracting and contractor company have the same rights and both are entitled to be consulted in the event of renegotiation, renewal or non-renewal of the business contract between the two companies.
Norway	The 1977 Act on Workers' Protection and the Working Environment makes all employers whose employees work in the same workplace jointly responsible for health and safety.
Spain	The 1980 Workers' Statute does not accept the subcontracting of works or services as a sufficient reason for dismissal, modification of working conditions or suspension of contract. The Statute and the 1974 General Social Security Law establish co-responsibility of the contractor and subcontracting company for any wage and social security debts that the contractor company may have to its workers, differentiating the liabilities according to whether the activity of the contractor firm corresponds to the activity of the subcontracting company. The 1996 Law on Prevention of Labour Risks obliges the subcontracting company to coordinate health and safety if it owns the workplace or equipment used by the contractor company's workers; if the two companies' activity is the same, the subcontracting company is jointly responsible for any failure to fulfil obligations in this area during the contract. The Workers' Statute establishes the workers' committee's right to be informed at the decision-making stage of subcontracting.
Sweden	Outsourcing is recognised by labour legislation. Where outsourcing involves redundancies, the Act on Employment Protection obliges the employer to examine the possibilities of transferring the workers to other posts. The seniority rules in the Act and local agreements, protecting workers with longer service, may mean that other workers than those whose activities will be outsourced may be given redundancy notices. The Co-Determination Act establishes unions' rights to receive information on, and to negotiate over, the outsourcing strategy at the planning stage, but the employer has the final decision.

Source: EIRO.

affected, it appears that bargaining in motor manufacturing either fails to deal with outsourcing - there is no evidence of it doing so in Austria, Denmark, France, Greece, Ireland, Portugal and Sweden - or regulates outsourcing in a very limited way, protecting the rights of workers involved in an unequal fashion.

Intersectoral level

Evidence of intersectoral agreements dealing in some way with outsourcing is found only in Spain and Norway (see table 2 on p. vi), where the intersectoral social partners provide for the participation of workers' representatives and for bargaining at lower levels, in a binding manner in Norway and as a recommendation in Spain. These rights for workers' representatives arise from legislation in other countries, although usually only in transfers of undertakings (see above).

The Norwegian Basic Agreement's provisions on transfers of undertakings (which regulate only those cases of outsourcing in which a transfer is the first step) are interesting. They oblige management and worker representatives to hold discussions (though not necessarily reach an agreement) over which sectoral agreement applies to the company concerned. If workers' representatives are in a powerful position they may avoid coming under sectoral agreements providing for less advantageous conditions and thus avoid one of the problematic effects of outsourcing: the

fragmentation of employment conditions.

Sectoral level

In most countries with a system of sectoral collective agreements, motor manufacturing companies come under the metalworking agreement (except in Denmark, where a framework agreement for the industry sector applies). Clauses that deal with outsourcing are not found in these agreements, with the exceptions of Luxembourg (which has no motor manufacturing industry) and Spain.

The iron and steel sector agreement in Luxembourg is the only known agreement at any level that seriously limits outsourcing. Only in exceptional cases and with the acceptance of workers' representatives is it possible to use this strategy (see table 2).

In Spain, some provincial sectoral agreements in metalworking provide for the active participation of workers' representatives in the subcontracting company, and their right to supervise the subcontracting process. Furthermore, sectoral agreements in some regions treat a change in the contractor company as a transfer, with the new contractor company taking over all employment-related rights and obligations. However, this applies only to maintenance activities. This means that the workforces of maintenance companies maintain their employment conditions even if the contractor employer changes, but it does not prevent, for example, differences of conditions with employees of the subcontracting company who do jobs of the same value.

Company level

Bargaining at company level deals with outsourcing only in isolated cases and partially. In general, the effects of outsourcing are negotiated in cases of transfers of undertakings and protective measures are specified only for the ex-workers of the subcontracting company (as in Belgium, Germany and Italy), separating their conditions from those of their new co-workers. In other cases, employment is protected in the subcontracting company by clauses stating that outsourcing cannot involve dismissals (as in the UK). However, it is beyond the scope of bargaining and influence of the workers' representatives in the subcontracting company to regulate the working conditions of those who work in the contractor companies. Except for the cases of transfers of undertakings mentioned above, there is no evidence that workers' representatives in subcontracting companies link the acceptance of outsourcing to the conditions of the workers that carry out the outsourced tasks (and if they do, only for the ex-workers of the subcontracting company). Nor is there any evidence that representatives in the subcontracting company seek active participation in the supervision of the conditions of the employees in the contractor companies.

Although the legal and negotiated framework in some countries suggests that workers' representatives at company level have instruments through which to have a significant influence on outsourcing in an integrated way, in practice this is not so, at least in formalised bargaining. Even in companies in which workers' representatives have greater bargaining power and management has greater margin for manoeuvre, the overall strategy is not considered or there is no regulation of the implications for the employment conditions of the workers of the contractor companies, except for the ex-workers that are transferred. The effects of outsourcing are thus not approached in an integrated way. The company level, even that of the subcontracting company, thus seems to provide a weak framework for workers' representatives to seek to regulate outsourcing, preventing them from homogenising employment conditions for the workers involved.

Applying sectoral agreements

The application of the metalworking sector agreement as a way of homogenising the employment conditions of the employees of the subcontracting company and the contractor is problematic in many countries (eg Belgium, France Germany, Italy, Portugal and Spain). In the best of cases, it is at company level that workers' representatives have the possibility of negotiating on this issue but, as seen above, the results are poor; most often they have insufficient power to avoid a worsening of working conditions in the contractor company. Once the activity is outsourced (whether a former activity of the subcontracting company or a new activity), the applicable sectoral agreement (in countries where this is relevant) may be different, because in most countries agreements at no level regulate this issue, except in cases of transfer. Thus, in some countries, the activity of painting can fall under the agreement for the chemicals sector, logistics can belong to the transport sector, packing to the wood sector, cleaning to ''sundry activities'', canteens to the hotels and catering sector and financial services to the banking sector. In most cases, the agreements in other sectors provide for worse conditions than those in metalworking. However, the outsourced activities may not fall within a defined bargaining framework: business restructuring creates new economic sectors - such as computer maintenance, telemarketing and many other services to companies - and the traditional bargaining units correspond less and less to business structures, creating voids. These new sectors tend to be governed only by legal minima and individual employment relationships, since they are usually sectors in which it is difficult for unions to become established. In some cases, company agreements may be negotiated in these new areas but, as the starting point is the legal minimum, it is unlikely that the conditions will equal or surpass those of the metalworking agreement.

In Italy, the scope of the metalworking sector has been extended to some outsourced activities, but the success of this may be very limited because the activity into which workers are to be classified is left to be determined at company level. In Belgium, the unions and the employers' associations party to the metalworking agreement have agreed to take action to maintain companies and workers within the sector. In Germany, for the companies providing services to companies that work in metalworking, a new bargaining framework has been established within the metalworking sector. Metalworking conditions are partly maintained, with some downward variations, above all regarding working time. In Italy, an agreement has been reached for a number of Fiat subcontracting companies in the Melfi area, which constitutes a step towards homogenising working conditions beyond the metalworking sector. However, the subcontracting company, Fiat, is not included in the pact. This is an incipient level of negotiation, so we must wait to see the results, but it is clear that it involves redefining the traditional forms of organising collective action.

Overall, it seems that the dominant tendency is that increasing numbers of employees working directly or indirectly in the same area of activity - motor manufacturing - or even in the same company, will be governed by different employment conditions. Collective bargaining is ahead of legislation in regulating this area, but continues to protect above all the workers or ex-workers of the subcontracting company.

Outsourcing and trade unions

Outsourcing has weakened the capacity for organisation, representation and intervention of trade unions in motor manufacturing. Although the union presence is still relatively high in the sector's main companies, at other levels union action is becoming increasingly difficult. Changes in the composition of workforces, the structure of companies and human resources management include the following:

Table 2. Examples of collective bargaining on outsourcing in motor manufacturing

Belgium	**Company level:** In 1998, workers' representatives at Opel's Antwerp plant accepted the outsourcing of materials-handling as a way of ''avoiding dismissals''. Opel created a new company, NV-Plant 3, to which it transferred 654 workers, whose existing employment conditions were maintained. It was agreed to apply the metalworking sector agreement and to maintain the same collective participation structures for the former Opel workers. **Sectoral level**: The metalworking joint committee has agreed to try to maintain the maximum possible number of contractor companies in the agreement's sphere of application (50% of companies performing subcontracted work for motor manufacturing are not covered by the metalworking agreement).
Europe/Germany	**Company level**: In the context of Ford's plan to spin off its Visteon components division, in January 2000, Ford and Visteon management signed an agreement with the Ford European Works Council and European workers' representatives on the transfer of workers from Ford to Visteon, in exchange for a commitment by both companies to guarantee their jobs and maintain their employment conditions. The agreement thus regulates a case of outsourcing which starts with a business transfer. All acquired rights with regard to pay and benefits of the former Ford workers transferred to Visteon are protected indefinitely. The commercial relationship between the two companies is guaranteed, ensuring employment at Visteon. The change of employer is voluntary for the employees concerned and there is a possibility of returning to Ford, in that transferred workers have preference when vacancies arise. Visteon will apply the same sectoral agreements as Ford. In Germany, works councils in both companies may attend each others' sessions on economic issues. A joint committee monitors the agreement.
Italy	**Company level**: In 1998, workers' representatives at Fiat and TNT (the Dutch-based logistics multinational) agreed the transfer to TNT of 1,969 logistics operatives employed at Fiat's Mirafiori and Rivalta plants, in exchange for a commitment by both companies to guarantee their employment and maintain their employment conditions. The agreement thus regulates a case of outsourcing which starts with a business transfer. The application of the metalworking agreement to the former Fiat workers transferred to TNT was guaranteed. All acquired rights with regard to pay, benefits and collective representation were protected. **Local level**: In 1998, worker representatives and management at 22 companies with subcontracting relationships with the Fiat plant at Melfi reached an agreement which attempts to homogenise many employment conditions in these firms. A number of bilateral bodies were set up, covering: information on investments, training etc; anticipating, preventing or solving conflicts; monitoring the production of new model; and health and safety. **Sectoral level**: In 1999, the metalworking social partners attempted to extend the sectoral agreement's scope to some outsourced activities (''production and services units with significant interconnections with metalworking'').
Luxembourg	**Sectoral level**: Since 1992, the iron and steel agreement limits outsourcing to exceptional cases, establishes the right of workers' representatives to negotiate cases of outsourcing and extends the agreement to all employees working in the same workplace, irrespective of their employer: ''Work that hitherto formed part of the enterprise's normal activity ... is not normally charged to other enterprises. Exceptions may be made following negotiations with contracting unions on the appropriateness of such measures. The same applies to new activities ... The collective agreement also applies to the employees of entrepreneurs carrying out work that is part of the normal activity of services on the premises.''
Norway	**Intersectoral level**: The Basic Agreement establishes the employer's obligation to inform workers' representatives and negotiate with them over any strategy relating to organisation of work and production; it does not refer to outsourcing directly but to matters such as workforce reductions, closures and divestments. In transfers of undertakings, it establishes that the transferor must set up discussions (though not formal negotiations) between the workers' representatives and the new employer to consider the collective agreement that should be applied, thus giving some influence to the representatives.
Spain	**Sectoral-provincial level**: In 1999, the metalworking agreement in the Guipuzcoa province set up a joint commission with a surveillance role on subcontracting and laid down measures in this area. In response to subcontracting of maintenance activities, the metalworking agreement for Badajoz, Extremadura and Málaga establishes that the industrial relations obligations of the subcontracting company are subrogated to the subcontractor company. **Intersectoral level**: In 1997, a non-binding intersectoral agreement on collective bargaining called for the establishment in the state sector collective agreement of a right for workers' representatives to receive information, be consulted and negotiate on subcontracting.
UK	**Company level**: In 1998, trade unions at Vauxhall (part of GM) accepted the outsourcing of activities to companies within or outside the GM group in exchange for a commitment by the company not to carry out compulsory redundancies.

Source: EIRO.

- in supplier companies there tend to be more young workers, women and (in some countries) workers from rural backgrounds - groups with less tradition of union membership than traditional car factory workers. Supplier companies are also more likely to use temporary recruitment or other ''atypical'' forms of work, which do not favour collective action;
- in the central motor manufacturing companies, the number of blue-collar workers - the group traditionally closest to the unions - is falling, and the number of technical and administrative staff, among whom the unions have traditionally had less influence, is increasing;
- changes in the structure of companies also hinder collective action. Outsourcing leads to a greater number of small and medium-sized enterprises (SMEs), in which unions have more problems in organising;
- outsourcing favours the installation in Europe of non-European companies that are sometimes more reticent towards worker representation structures and collective bargaining; and
- an increasing number of companies and employees that perform work for the motor manufacturing sector now fall under other sectors and are covered by other collective agreements (chemicals, textiles, transport etc).

This situation clearly involves a significant change of scenario for trade union action. The atomisation of companies and the dispersion of workers are major obstacles to the unions' capacity for organisation and collective representation. However, the major problem is that this dispersion involves a clear differentiation of employment conditions. In the central companies and the first-level suppliers, union organisation is still high, work tends to be stable and wages relatively high, while flexibility is based on agreement. In companies that carry out activities of low added-value, the work is more unstable and far worse paid, and industrial relations are far more individualised.

Most unions take a critical view of outsourcing in motor manufacturing. This position is quite clear in the countries where the sector is more important and the effects of outsourcing more evident (France, Germany, Italy, Spain and the UK), although it is also found elsewhere (Austria, Belgium, Norway and, to a lesser extent, Ireland). Some unions (especially in Germany) had expectations that work organisation changes in motor manufacturing would involve a certain ''humanisation'' of work for the less-qualified workers in large companies. Today, they tend to be more sceptical about these ''new forms of work organisation'' and believe that ''lean and mean production'' has negative external effects on working conditions. Although outsourcing may also have positive effects at local level (eg the development of nationally-owned SMEs and increased employment), the general balance is seen as negative. However, some unions (as in Sweden and Portugal) take a more neutral position and claim that decentralisation has both positive and negative effects.

Although the unions are essentially critical of outsourcing, they are also pragmatic. They do not generally seek to fight outsourcing because they consider that it is an irreversible process: their main objective is to homogenise working conditions for workers in motor manufacturing through collective action. To this end, in most countries the unions have developed a defensive response towards the most direct forms of outsourcing, trying to redirect the strategy or to moderate its effects on workers - see the previous section. However, unions find it extremely difficult to go further: in most cases, outsourcing takes place as a fait accompli, with the closure of certain operations, the renovation of production lines and the installation of new plants. The levels of information and consultation in large companies vary, but they are relatively high in comparison with other types of firm. However, the new model of production, with the reorganisation of the relationships between suppliers and its impact on employment and working conditions, is largely beyond the scope of union intervention.

A number of unions have arrived at the position that outsourcing demands a partial redefinition of the forms of organisation, representation and bargaining in order to overcome the dispersion of workers and the differentiation of employment conditions. At times, the debate on these questions is part of a more general debate on economic and social changes and their impact on trade union action. However, the degree of maturity of this position varies greatly and in no case is there a fully developed union policy. It seems that unions in Germany, France and Italy have made more progress in drawing up proposals and adopting new strategies; in Spain, Belgium and Norway, the practices are less formalised and the debate is in a more incipient state (as in Finland, although in relation to metalworking); in some cases (eg Sweden and the UK) the unions have no defined position on outsourcing; while in the other countries the debate is non-existent or does not go beyond general declarations.

Key issues

The debate on outsourcing and trade union action centres on two major questions: how to enlarge the structures of worker representation, both vertically (within the same group or company) and horizontally (between companies and suppliers); and how to overcome the traditional divisions in some countries between trade unions' sectoral and regional levels.

In Germany, the unions are mainly concerned about the vertical reinforcement of worker representation structures, through: increasing communication and cooperation between works councils within the same business group; promoting the creation of (non-obligatory) group-level works councils; and giving greater responsibilities to European Works Councils (EWCs). This position is based on the global nature of outsourcing: representation and bargaining structures must overcome the narrow framework of the plant or company to influence decision-making at the level of the business group. With the same objective, German unions are considering the need to reinforce a European level of bargaining: an important example has been the recent agreement at Ford and Visteon (see table 2). However, German unions are also concerned about horizontal reinforcement, seeking to create bargaining frameworks for new economic activities (services to companies) within the traditional metalworking sector - see above.

In France, trade union activities are aimed more at reinforcing the structures of horizontal representation by strengthening cooperation between the works councils of the main company and the supplier company. The unions have used the legal possibility to create ''intercompany'' works councils through agreement between works councils or unions in the companies concerned. Although these councils have very few functions, the unions are promoting them and also developing diverse multisector structures to improve coordination between members in the different sectors and branches that perform work for vehicle production. As in Germany, French unions feel the need for greater action at European level.

In Italy, the unions are also oriented towards reinforcing horizontal representation structures by promoting coordination between worker representative bodies in new industrial parks. This strategy is beginning to show its first results, with recent agreements covering 22 supplier companies of the Fiat plant at Melfi and the outsourcing of activities from Fiat to TNT (see table 2).

In the other countries where the outsourcing debate has occurred, the unions' proposals follow similar paths. There is a large consensus on the need to reinforce the structures of organisation, representation and bargaining at supranational level, especially through EWCs and the European Metalworkers' Federation. Proposals have also been formulated to promote greater cooperation between works councils and similar bodies within business groups and among main companies and suppliers, in order to overcome sectoral and territorial divisions.

Outsourcing and employers' organisations

The impact of outsourcing on employers' organisations is far less evident. In general, it is not possible to establish a direct relationship between outsourcing and changes in the membership or structure of employers' organisations. However, in various countries metalworking sectoral employers' federations are losing, or at least not gaining, importance because in many cases outsourcing involves a change in the sector of activity of the supplier companies. In some countries, strategies have been established to reverse this trend (see table 2). The growth of the components industry has reinforced the presence and influence of this sector in the structures of employers' representation. Employers' organisations thus reflect the changes occurring in the employer structure of the sector. In some cases tensions of a new type arise, especially between large companies and SMEs.

In general, employers' organisations have not developed a clear position on outsourcing: they consider that it forms part of ''core business'' strategies and is therefore the exclusive concern of companies themselves. However, in the case of France, employers' organisations affiliated to the MEDEF confederation have organised a public campaign in favour of outsourcing to combat the ''bad image'' of this strategy in society and highlight its positive effects.

Commentary

Outsourcing is a basic dimension of the restructuring of motor manufacturing that started in the mid-1970s. Under the ''lean and mean production'' paradigm, vehicle manufacturers have become increasingly oriented toward the activities of general design, assembly and marketing, sometimes including the direct production of strategic components. The driving force of this process is the search for maximum specialisation in high added-value activities, but with the lowest risk and the smallest possible cost. Labour-intensive and not very profitable activities are outsourced, as are administrative functions, technological innovation and design of components in the main supplying companies. Two main strata are created: at the top, a network of large business groups that lead the sector and carry out activities of high added-value; below, numerous companies that carry out labour-intensive activities of little added-value amid intense competition, with strong pressure to reduce labour costs and deregulate working conditions. There are fewer low-skilled jobs in the top layer and more at the bottom, where there is also a sharp increase in unstable, poorly-paid work with little protection. This strategy is very well known, but further research is needed into its extent and its impact on work and industrial relations.

Outsourcing is a medium-term strategy at the scale of the business group that can be carried out in different ways. In most cases it occurs through the spin-off of plants and functions within a business group, the closure or renovation of old production facilities and the opening of new plants designed according to new production concepts. The visibility of outsourcing is low when the activities were not formerly carried out by the subcontracting company, either because they are new activities or because the company has been conceived under the ''lean and mean production'' paradigm. Outsourcing that involves the transfer of workers to other companies is less common and found mainly in services. However, this is the only aspect that is usually regulated by law or bargaining.

In most countries covered by this study, legal or collectively agreed mechanisms fail to protect in a specific way workers involved in outsourcing of activities that had never been performed by the subcontracting company. There is also little protection against outsourcing of activities previously performed by the company. The only cases that are usually regulated are those in which a transfer of undertakings is the first step in the outsourcing process, a strategy recognised in all legal frameworks and in bargaining. This regulation provides different degrees of protection for the employment and working conditions of the workers involved in transfers of undertakings. These are usually the former workers of motor manufacturers who are transferred to supplying companies. This type of regulation, however, deals only with the most direct effects of outsourcing, and new forms of inequality are created between the transferred workers and the workers of the company to which they are transferred, because no mechanism extends the rights of the transferred workers to their new colleagues.

The outsourcing of an activity (whether or not previously performed by the company) means that the activity ceases to be covered by the company collective agreement. Furthermore, in many cases (such as computer maintenance, transport, logistics, painting, packing, cleaning and safety), the activity even ceases to be covered by the sectoral agreement (where these are a feature of national industrial relations) applying to motor manufacturing - usually the metalworking agreement - moving to coverage by another sectoral agreement.

In many other cases, the activity ceases to be covered by any sectoral agreement, because the production changes create new activities that do not have a defined bargaining unit, which means that they are governed by the legal minima and individual employment relationships, or by company agreements with worse conditions than those in metalworking. In most countries, there is no legislation or collective agreement above the company level to prevent companies that carry out outsourced activities from applying a collective agreement that involves worse working conditions than those of the subcontracting company.

No legislation or collective agreement above the company level recognises that the business bonds between companies involved in outsourcing processes have social effects. There are thus no restrictions on the fragmentation of the employment conditions of workers who work in the same economic activity - motor manufacturing - or on the loss of social dialogue in the establishment of these employment conditions. There are exceptions, but they mostly involve giving greater importance to bargaining at company level, a level characterised in the 1990s in many countries by the weakness of workers' representatives in response to employers' demand, so such bargaining is unable to temper outsourcing's negative social effects.

For the trade unions, outsourcing involves a profound change of scenario. The atomisation of companies and the dispersion of workers are important obstacles to their capacity for organisation and collective representation. More importantly, this dispersion leads to a sharp differentiation of working conditions. In the central companies and first-level suppliers, the level of union organisation is still high, flexibility is based on agreement, and the work is relatively stable and well-paid. In companies that carry out activities of low added-value, the union presence is lower or non-existent, employment conditions are far more deregulated, the work is more unstable and the wages are far lower.

Most unions are critical of outsourcing but take a pragmatic approach: they see it as irreversible and aim to act as a counterbalance, homogenising employment conditions through collective action. However, they encounter many difficulties in responding to outsourcing in an integrated way. The levels of information and consultation in the large companies vary, although they are relatively high in comparison with other types of company. However, the new production model, with the reorganisation of the relationships between suppliers and its impact on employment and employment conditions, is largely outside the scope of union intervention.

The unions are working in two directions, seeking to: enlarge the structures of worker representation both vertically (within the same group or company) and horizontally (between companies and suppliers); and overcome the traditional divisions which exist in many countries between sector and region in the structure of trade unions and collective bargaining. However, initiatives in this area are recent and few; the debate on outsourcing and union action is not very formalised and is not a priority for the unions. Any maturing of these positions will take time because it involves partly redefining the forms of organisation, representation and bargaining in order to overcome the traditional concepts of ''company'' and ''sector'' and to tackle thoroughly the consequences of globalisation, at least within Europe (María Caprile, CIREM Foundation and Clara Llorens, QUIT-UAB).