

## Chapter 3 Case Study

### The future of collective bargaining in Europe: myths and realities

Miguel Martínez Lucio

Collective bargaining is the means by which worker representatives and management through negotiation set the terms and conditions of employment (e.g. wage increases, the level of working hours). Clearly many of these terms and conditions may be established by national government agencies and legislation in cases where there is a strong legal tradition. In other cases such forms of negotiation may be less apparent or not permitted by the state. In Europe, we have seen that collective bargaining has for the past 50 years been a major factor in regulating various terms and conditions of employment. The European context has tended to in great part be regulated through such mechanisms especially in the Nordic countries. In some countries such as Denmark it has been industry wide agreements that have framed the basic elements of working conditions within the firm whilst in countries such as Cyprus and Spain the industry level and the company level play a role, but in the larger firms the latter is important as it supersedes the minimums of the industry level as a space where worker representatives and managers discuss and negotiate (Fulton 2013).

Since the 1980s some observers have noticed a steady decline in the nature of collective bargaining due to a range of factors. The increasing mobility of capital is cited as one factor as it allows firms to place pressure on workers and unions to accept lower levels of pay and working conditions. Another is that with the greater use of subcontracting and outsourcing, firms are not always directly employing their workforce and thus using other providers of services which may have different approaches to setting conditions of work. There is a general sense that governments desire greater flexibility within labour markets and are less committed to the development of collective bargaining and the role of agreements at sector levels which tend to create common standards for all workers in their sectors by creating some common elements in their firm-specific agreements. To this extent some have spoken of a decline and decentralization of bargaining. Countries that have tended towards liberal market economies have in the main moved away from collective bargaining in many instances. Hence there is concern that national industry agreements become less important and negotiations become more decentralized and in some cases even individualized.

The post 2008 economic crisis has seen countries such as Spain develop legislation which allows firms for the first time in recent history to negotiate below the standard set by a higher industry agreement on certain key conditions. Hence, the company can in certain circumstances bypass certain national agreements in exceptional circumstances. However, one of the arguments against such developments is that it may place the emphasis of restructuring and organizational change on the whole issue of labour cost as opposed to technological change or the form of labour deployment. In Britain, where the majority of workers are not covered by a collective agreement we can detect a reliance by smaller employers on the minimum wage as a standard for setting pay, thus resulting in a downward spiral on rewarding employees in various sectors. Opting out of higher level agreements or even the move away from collective bargaining is not universal (see Fulton 2013); however, there is concern that this can lead to a focus on the quantitative issues in terms of employment (reducing pay) as opposed to enhancing the quality of employment and investment in human resources. The European case is beginning to show signs of duality between countries to the east and south which are

less regulated and thus moving towards lower levels of quality of production and services and a central and northern set of countries where higher regulation appears to dovetail with stronger investment in manufacturing and quality services.

One medium sized company within the agriculture sector in Spain noted that over the years the reliance on a minimum set of payment levels and a greater reluctance to apply the national industry sector agreements has meant management has had to rely on more transient groups of workers. For example, certain groups of migrant workers have been more willing to accept lower standards of pay and harder conditions of work due to their vulnerable status. While trade unions have tried to communicate to these workers, for example through meetings in local community centres, that they should be paid at higher levels, the lack of representation within the company, who also employ these workers on short term contracts, means that management have the upper hand. These workers feel unable to enter into a broader set of jobs and in some cases do not even have the necessary documentation for working in the country. They are thus forced to accept harder conditions of employment. However, over time the company began to notice that the cost advantages of such arrangements were being outweighed by the fact this type of agricultural employment was seen as transient, unimportant and of low quality by Spanish workers and migrants. The lack of strategic investment in the sector due its reliance on low pay as a cost advantage meant that the driving down of conditions of employment has made the sector less attractive to workers, even when in 2013 the unemployment rate was 25% and over 50% for younger workers. In effect, the downward spiral and the limits placed on applying national agreements has led to a degradation of work, unsophisticated management practices and a lack of visibility of the importance of the sector and its potential role in absorbing employment. Lack of investment in migrant workers as well has contributed to a failure to socially include and support them within local communities in some cases.

## Questions

- 1 What are the positive roles of collective bargaining?
- 2 Why do some talk of a decline in bargaining?
- 3 Why do others argue there are continuities and still high levels of coverage in some cases?
- 4 What are the costs of greater decentralisation?
- 5 What are these costs to (a) the worker and (b) the employer of declining pay levels?
- 6 What can this do to strategic sectors in terms of workers commitment?

## Reference

Fulton, L. (2013) Worker representation in Europe. Labour Research Department and ETUI – summary accessible via <http://www.worker-participation.eu/National-Industrial-Relations/Across-Europe/Collective-Bargaining2>