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in Central-Eastern Europe**

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*Abstract:* This paper examines how Western and CEE trade unions are coping with intensifying cross-border competition. It asks what strategies they employ to increase or preserve employment levels and to improve working conditions in a transnationally competitive environment. The evidence on Polish–German trade union relations in the automotive industry suggests that labour organisations are undertaking a mix of national and cross-border initiatives, but their commitment to cross-border cooperation should not be taken for granted. The decision of Polish trade unionists to coordinate activities with their German counterparts is conditional upon the Westerners’ assistance. For German activists, transnational cooperation primarily serves the goal of limiting competition from cheaper Polish labour and is accompanied by a range of activities at national level that aim to restore competitiveness in German locations. The paper also argues, however, that the heterogeneity of social conditions in the enlarged EU increases Western European unions’ propensity to pursue cooperative solutions.

*Keywords:* trade unions, cross-border competition, national strategies, transnational union cooperation, automotive industry

## Introduction

After an initial period of postcommunist recession, Central-Eastern European (CEE) states<sup>1</sup> quickly became significant labour exporters and attractive foreign direct investment (FDI) locations. FDI inflows to the region have been due mainly to the combination of two sets of characteristics: favourable industrialisation legacies, skill structures and a stable institutional environment (Bohle and Greskovits 2007) on the one hand, and low wage levels and collective agreement coverage as compared to Western Europe (Crouch and Avdagic 2005), on the other.

In view of the considerable wage gap between CEE and Western European countries, it was expected that their economic integration would result in the intensification of competition that had not been observed in the course of the previous EU enlargement rounds (Vaughan-Whitehead 2003). Although recent studies show that production relocations from old to new EU member states have in fact been relatively rare (Meardi et al. 2006), the increase in employers' bargaining power stemming from the mere threat of exit to low-wage countries, as well as potential disinvestments in the West following the rise of CEE locations, have been widely discussed within the Western European labour movement. Union activists in old EU member states realise that any attempt to underbid CEE sites would spur a competitive 'race to the bottom' in which Western European workers would not be able to participate. Consequently, they have had to seek new ways of coping with the Eastern competition. CEE unions, on the other hand, face a different dilemma: how to protect labour rights without 'sabotaging' their countries' FDI-led development projects, which are to a large extent based on the competitive advantage of lower wages and working conditions.

In this context, a number of research questions arise. How are the trade unions' goals of increasing or retaining current employment levels and working conditions being pursued against the background of intensifying cross-border competition? What strategies are Western and CEE unions employing to achieve these aims? Are their strategies changing over time, and if so, what determines trade union preferences for certain types of initiative? Finally, what are the scope and limits of transnational labour activism in the East-West European setting?

To address these questions, the paper reconstructs the reactions of Polish and German unions at three German automotive companies to the establishment and subsequent widening of the firms' operations in Poland. It refines the existing accounts of labour transnationalism by stressing the mixed transnational *and* national character of union strategies. In particular, the empirical evidence we shall present suggests that the adoption of a cooperative stance in the face of intensifying competition should not be taken for granted. Polish trade unionists coordinate activities with their German counterparts in exchange for Western assistance and only if their aims can be more efficiently attained via cross-border rather than national channels. For the German unions, transnational cooperation primarily serves the goal of limiting competition from cheaper Polish sites and is accompanied by initiatives at the national level that aim at restoring competitiveness at German locations. But the study also argues that the wide

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<sup>1</sup> The terms 'Central-Eastern European (CEE) states' and 'new EU member states' refer to the 10 postcommunist countries that joined the EU in 2004 and 2007. Old EU member states are Western European countries that were EU members before the 2004 EU enlargement.

social gap between old and new EU member states gives rise to non-cooperation costs on the part of Western European unions, which in consequence are more likely to launch cooperative initiatives than in the past.

The paper is structured as follows. Section 1 reviews the literature on trade union reactions to cross-border competitive pressure. Section 2 outlines recent trends in the European automotive industry and formulates expectations concerning the behaviour of CEE and Western European automotive unions. Section 3 documents the strategies pursued by Polish and German unions at three car companies. Section 4 assesses the scope and limits of East-West labour transnationalism. Brief conclusions follow.

## 1. 'With' or 'against' them?

The literature offers rival views regarding trade union reactions to growing competitive pressure. A number of authors expect that in response to the transnationalisation of business activities, unions will join forces with their counterparts from other countries in order to 'reassert control over the labor market and competition' (Anner et al. 2006). They will associate at the supranational level and build cross-border alliances with labour representatives from abroad – their closest allies in the conflict with globally integrated capital. Empirical studies in this stream – which I refer to as the *transnational labour activism literature* – document instances of transnational cooperation at all levels of trade union organisation. In the Western European context, older accounts raise the importance of the so-called Doorn Initiative, launched in 1998 by union confederations from Germany and the Benelux countries to prevent a 'race to the bottom' in the social sphere by means of cross-border collective bargaining coordination (Kreimer-de Fries 1999). At the sectoral level, similar efforts were undertaken inter alia in the metalworking, chemical and graphical industries (Gollbach and Schulten 2000, Le Queux and Fajertag 2001, Leisink 2002, respectively). Research on labour activism within multinational companies (MNCs), in particular on European Works Councils (EWCs), documents cross-border information exchange and the imposition of common company health and safety standards (Lecher and Rüb 1999). Recent accounts examine instances of transnational worker mobilisation initiated in response to coercive comparisons pursued by common employers (Haipeter 2006). Greer and Hauptmeier (2008) develop a similar argument, while simultaneously stressing the importance of union agency for the construction of cross-border union links. Beyond the European setting, researchers rightly identify different manifestations of labour transnationalism, depending on the principal level of union organisation and the mode of competition characteristic of a given sector (Anner et al. 2006). Transnational labour activism is also of considerable interest to social movement scholars, who trace the development of cross-border labour solidarity (Kay 2005), describe transnational organising campaigns (Armbruster 1998) and discuss the issue of the proper framing of cross-border union ventures (Frundt 2004).

In contrast, the literature on *national labour activism* presents a pessimistic outlook regarding transnational union coordination. Two sets of arguments are developed in this regard. Institutionalists emphasise trade unions' embeddedness in national-level political economic institutions (Ebbinghaus and Visser 1997). They also highlight a lack of viable alternatives for national-level activism given the limited competence of the EU's supranational institutions in the social sphere (Streeck 2001). Interest-based analyses, on the other hand, argue that workers at different locations are engaged in a

zero-sum game when competing over new production and investment. Hancké's (2000) study on inter-union relations in the Western European automotive industry shows that in the era of transnationalised production individual plant representations tend to opt to enhance their own position within the company at the expense of their colleagues abroad and against the spirit of cross-border labour solidarity (cf. Pulignano 2006). Unions may even go as far as offering concessions in terms of working conditions in order to secure employment or future investment at their site. Zagelmayer (2000) gives an interesting interpretation of such contracts, presenting the workers and management concluding them as 'brothers in arms' in a struggle for local competitiveness. Efforts at the company level might be viewed as part of a wider strategy to restore or sustain national competitiveness through social pacts between capital and labour, referred to by Rhodes (2001) as 'competitive corporatism'.

Scholars representing the two abovementioned bodies of literature rarely 'speak to each other'. Union initiatives are usually examined in the form of case studies depicting a certain instance of a national or cross-border union activity; on the basis of such fragmentary evidence, conclusions are drawn in support of one view or another. Consequently, studies predicting the endurance of national institutions ignore the importance of cross-border labour activism, while the literature on union cooperation ignores cross-border labour conflicts emerging in parallel with the internationalisation of production. As we shall show later, trade unions tend to adopt a mix of national and cross-border strategies to cope with increasing competitive pressure.

This disregard of cross-border union conflicts partially stems from another shortcoming of the literature on labour transnationalism. Recent studies devote little attention to relations between trade unions representing low- and high-wage countries. But there are reasons to expect that in this setting inter-union disputes related to the transnationalisation of production might be particularly widespread, as low-wage country workers might profit from FDI inflows and production relocations, whereas high-wage country unions will struggle to keep production and future investment at home. The existing literature on North–South union relations consists of individual case studies portraying either the cooperative side of union interactions (Gordon and Turner 2000, Kay 2000) or the defensive reactions of high-wage-country unions (Meyer 2001). In the context of the enlarged EU, the issue is partially touched upon in studies analysing intra-EU production relocations (Meardi et al 2006) and the eastward extension of EWCs (Meardi 2003), but has not yet been systematically examined.

In an attempt to fill the gap in the literature, this paper focuses on relations between labour organisations from old and new EU member states in the automotive sector. It depicts cross-border union conflicts emerging in parallel with production transnationalisation and cooperative initiatives undertaken to limit cross-border competitive pressure. The aim of the study is to provide a more complete picture of trade union interactions by outlining possible trajectories and the limits of transnational union activism in the East-West European context.

The automotive sector was chosen due to its high level of transnationalisation, which potentially brings a wide range of issues onto the cross-border union agenda (Bieler 2005). Both car and car part manufacturing have traditionally been strong in Western Europe and are developing dynamically in CEE (ACEA 2006). The three selected companies operate in different industry segments: component manufacturing (VW



Engine), passenger car assembly (GM/Opel) and commercial vehicle production (MAN Bus). Germany and Poland were chosen due to the persistent wage differentials between the two countries (Eurostat 2008), their geographical proximity and the considerable integration between their car industries. German companies remain major investors in the Polish automotive sector and major importers of cars and car components manufactured in Poland (Samar 2008).

## **2. Automotive industry: Western European and CEE perspectives**

The integration of CEE countries into the European division of labor in the automotive industry started in the early 1990s, but gained considerable momentum only at the end of the decade. For instance, German car FDI stocks in the postcommunist region increased fivefold between 1995 and 2002 (Nunnenkamp 2004). In this section we argue that this new wave of industry transnationalisation has had different consequences in terms of development and investment opportunities for locations in old and new EU member states. This, in turn, has shaped the strategies pursued by Western European and CEE automotive trade unions.

In Western Europe, the automotive sector has been on the defensive throughout the period under examination. Although no major crisis has taken place in the industry since 1993, old European sites have struggled with overcapacity, the negative consequences of which have been aggravated by market saturation. Since the decline in the early 1990s, job figures have gradually improved but the employment increases have been in the high-skill segments of car and component manufacturing, whereas the assembly subsector has experienced a considerable workplace outflow, especially in low-skilled operations (Nunnenkamp 2004 for Germany). Consequently, union efforts have concentrated on retaining existing levels of employment and working conditions, but they have been continuously undermined by management cost reduction goals, realised inter alia through the introduction of lean production methods and the location of investments outside the EU-15. Employment increases in assembly production were rather rare and usually combined with concessions regarding wage levels for newly hired workers. Given the persistent difficulties and the emerging CEE threat, Western European unions can be expected to follow the path documented by earlier studies (Zagelmayer 2000; Hancké 2000) and defend existing employment and wage levels *against*, not in collaboration with, labour from abroad.

In contrast, the CEE automotive industry has been on the offensive in the late 1990s and 2000s. Car and car part production have been steadily increasing; Poland, for instance, has reported a steady annual growth of 10–15 per cent in both the passenger car and commercial vehicle segments (Samar 2008). The establishment of new locations has been accompanied by the closing of the West–East productivity gap and a continuous shift towards higher value-added or even premium car production (Blöcker 2007). In such circumstances, goals put forward by plant-level labour representations might not be limited to the preservation of current working conditions and employment levels; trade unions are potentially able to influence management decisions in favour of production increases. One can also expect that the considerable investment hunger within CEE societies, severely hit by the postcommunist recession, will persuade local unions to accept cost-cutting and flexibility requirements set out by management in order to widen production and increase employment at their plants.

In summary, given the economic conditions and development prospects of the automotive industry in new and old EU member states, the following hypotheses can be formulated concerning the behaviour of Western and CEE unions:

- Western European unions will continue their defensive national stance, safeguarding investments and employment levels via bargaining and concessions.
- CEE unions will strive for further investments in their locations, accepting concessions and wage freezes.
- As a result, transnational union cooperation will not develop in the West–East European context.

The next section tests these expectations against evidence from three German automotive MNCs operating in Poland and Germany.

### **3. Transnationalisation of automotive production and union responses**

In this section, we present original empirical evidence on the strategies pursued by unions at three German automotive MNCs with production sites in Poland and Germany: VW Engine, GM/Opel and MAN Bus. The case studies are based on 40 interviews conducted with Polish and German union officials and labour activists at the plant and sectoral level in 2007 and 2008. Press releases, union publications and research reports were also used. The reconstruction of union responses starts with the establishment of the firms' facilities in Poland in the late 1990s.

#### **Volkswagen Engine unit**

Three engine-manufacturing sites operate under the Volkswagen brand: the Western German location in Salzgitter, with over 7000 workers, the Eastern German Chemnitz site, with 900 workers, and the Polish factory in Polkowice, offering employment to 1250 people. Unionisation at the German facilities is 97 per cent in Salzgitter and 85 per cent in Chemnitz, with *IG Metall* holding a monopoly position. At the Polish unit, too, unionisation is extremely high by national standards, with 80 per cent of the workforce belonging to *Solidarność*.<sup>2</sup> The production process within the VW Engine unit is organised in the form of models assigned to each location. Due to the similarity of products and technologies, production is relatively easily transferable across sites and national borders.

Western German unionists showed considerable interest in the development of cooperative links with Polish employees even before production was launched in Poland. Works council members approached Polish workers during a training period involving the latter in Salzgitter in 1998, pointing to the necessity of creating a union in Polkowice and offering their assistance in this regard. A plant-level *Solidarność* unit was eventually founded in response to an internal organising impulse in March 1999, shortly after operations in Poland resumed. In the first years, however, it was difficult for the local union to win improvements in wages and working conditions. The

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<sup>2</sup> Polish plant-level union organisations covered by the present study belong to one of the two metalworkers' federations, *Solidarność* or *Metalowcy*. Due to the weakness of sectoral union structures in Poland, individual plant representations are relatively autonomous. As a result, when I name *Solidarność* or *Metalowcy* in my case studies I am always referring to the plant union representation at a particular production location.

management threatened Polish employees that production might at any time be relocated to neighbouring post-Soviet countries with lower labour costs. Consequently, *Solidarność* accepted wage freezes, lower wage levels for newly hired workers and other concessions in the social sphere, which according to the management were necessary to secure the future of the location. In this initial phase the three plants also entered a competitive race, offering concessions in exchange for new production.

In order to break the vicious circle of competitive underbidding, the Salzgitter unionists initiated seminars for Polish and German employee representations. In 2003 and 2004, a series of meetings took place interchangeably at all three sites. The aim of the seminars was to familiarise the trade unionists with employee interest representation and the industrial relations systems characteristic of the two countries; they also enabled plant-level unionists to get rid of negative national stereotypes present on both sides. The topics also involved collective bargaining techniques and problem-solving procedures used by the German unionists in their relations with the German management. As stressed by the Polish trade union chairman, the knowledge obtained from their Western colleagues was invaluable and contributed to the strengthening of Polish plant representation vis-à-vis local management: '[e]very time we had a chance to meet, to exchange experiences, it made us richer, made us approach certain issues in a more professional manner'. The Poles also learned to treat collective bargaining as a plus-sum game; according to the *Solidarność* representative, the perception of unions as company co-managers acquired from their German counterparts differed considerably from the vision shared by older Polish union activists, accustomed to more adversarial relations between bargaining partners.

Throughout the 2000s, the Polish and German engine factories have developed exceptionally strong cross-border links based on continuous information exchange regarding production plans at individual plants. They drafted a joint memorandum in which they vowed not to take over production from another facility in the event of protest actions. Union representations consult each other prior to any planned shifts of production volumes between the three facilities. If the shift is expected to have negative employment consequences for one of the sites, the receiving location rejects the management's proposal. During a downturn at the Eastern German site, when job cuts could be avoided only when the production loss was spread evenly across the two other locations, union representatives from Polkowice and Salzgitter even agreed to reduce production volumes at their sites. So far, this has been the most advanced act of labour solidarity in the East-West European setting.

In parallel with their transnational activities, the unions have continued to engage in national-level negotiations of a defensive character. For the German sites, the establishment of the CEE location was worrisome given the significant labour-cost differences between them, which were particularly pronounced in the Salzgitter case. Simultaneously, Volkswagen had to struggle with overcapacities and increased competition from East Asian car producers. In view of management pressure to minimise costs, the Salzgitter unionists accepted a series of concessions in 1998, 1999 and 2004 in exchange for employment guarantees, involving, for example, lower shift payments and the abolition of additional holidays available after a certain number of extra hours worked. In 2006 they managed to secure production and the advent of new models to their site, which was also assigned a stable share in the company's European engine production. In exchange, the union agreed to a flexible working time corridor without wage

compensation for extra working hours. According to the Salzgitter works council chair, the sacrifices were necessary to retain employment numbers and ensure that the factory 'will not be pushed aside and merely observe growth at other facilities'.

In the second half of the 2000s, the Poles too became concerned about the future of their site as the life cycle of their engine model was coming to an end. The decision concerning new product distribution was to be taken by the central, not the local management, however, and thus remained beyond the scope of influence of the Polish labour representation. Consequently, *Solidarność* decided to use its cross-border union-to-union channels and urged the German unionists to advocate new investments in Polkowice during their negotiations with the central management. The final decision of the company leadership was made in favour of the Polish factory, ensuring considerable investment at the facility and a moderate employment increase before the arrival of the new engine model. The *Solidarność* chair attributed the management's choice to the support of the German unions, stressing that even though the Polish factory was only fourth on the list to obtain the new investment, the German unionists made sure that the Poles would not be left empty-handed. Once the new production was secured, the plant *Solidarność* unit decided to put forward demands regarding wages and working conditions. In the first half of 2007, the organisation drafted a list of demands involving a substantial pay increase and extra bonus payments; after a short strike the management accepted the union's demands. During the protest the Poles exchanged information and consulted on strategy with their Salzgitter colleagues. The latter officially supported the action and expressed their readiness to serve as mediators if the union-management dispute could not be resolved. In addition, German wage demands (in percentage terms) served as a benchmark for union demands in Polkowice.

### **General Motors/ Opel**

The American-based MNC General Motors acquired Opel in 1929. Currently, the company employs 27,000 workers in Germany across four production facilities: car plants in Rüsselsheim, Bochum and Eisenach and a component factory in Kaiserslautern. Other GM plants in Europe are located in England, Belgium, Spain and Sweden; since 2006, the company has also been expanding its Russian operations. In Poland, GM had owned an assembly plant near Warsaw and acquired it again through a Ukrainian GM joint venture Avtozaz in 2006. In 1998 GM/Opel established a car factory in Gliwice, which employs nearly 4000 workers, 30 per cent of whom belong to *Solidarność*.<sup>3</sup>

The plant-level *Solidarność* activists at the Gliwice plant used private contacts to establish links with the members of the GM European Works Council, known as the European Employee Forum (EEF). According to the plant union chair, this step was necessary since the newly created labour organisation could not alone face a powerful, transnationally operating company such as GM. In effect, a Polish plant representative joined EEF in 1999, in the same year as the union was established. Also, the Western European side was interested in liaising with the newly created organisation in order to

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<sup>3</sup> Two other, considerably smaller labour organisations operate at the Gliwice plant: *Związek Zawodowy Pracowników Opla (Opel Workers' Trade Union)* cooperates closely with the local *Solidarność*; *Sierpień '80* [August '80] is accused of collaborating with the management and is thus boycotted by the two remaining unions.

obtain first-hand information on working conditions and employee interest representation systems in Gliwice, hitherto a 'blind spot' on the map of European GM union contacts.

The parallel platform production strategy pursued by the European company management spurred competition between individual sites. When the management announced a contest to determine who would manufacture the new Opel Zafira in 2004, Bochum, Rüsselsheim and Gliwice entered the race. The two German locations, weakened by the ongoing restructuring process, were very keen to win the investment. At the same time, product upgrading and additional investments were also needed at the Gliwice plant. In order to obtain Zafira production, the Polish union representation signed a concession agreement with the local management, accepting a three-year wage freeze and considerably lower wage standards for newly hired workers. Consequently, a part of Zafira manufacturing was relocated from Bochum to Gliwice and production volumes assigned to Rüsselsheim remained below the plant's standard utilisation level.

Once the investment in Gliwice was 'in the bag', the Polish union adopted a more cooperative stance vis-à-vis its Western European counterparts. In winter 2005, it joined the Delta Group – a union cooperation unit designed to prevent a 'beauty contest' between the five European factories of the Delta platform during the new Astra site selection process. This time, the joint union strategy brought considerable results: in December 2005, the Delta Group union representations signed the so-called European Solidarity Pledge, setting themselves against plant closures and advocating fair distribution of Astra production in line with capacity utilisation levels pre-assigned to individual Delta plants. They also committed themselves not to lead separate negotiations with local management on issues that would affect production levels at other plants. The unions jointly rejected a list of flexibility requirements set forth by the management in April 2006 as a precondition for obtaining Astra production, having baptised it a 'catalogue of horrors'.<sup>4</sup> When the decision concerning production distribution excluded the Antwerp site, the Polish union activists declared their solidarity with their Belgian colleagues. In a similar act of solidarity with the liquidated Portuguese plant in Azambuja, *Solidarność* joined the Europe-wide GM union protests in June 2006 and held information meetings for the Gliwice workforce.

Nevertheless, the position of *Solidarność* often diverged from the policy line pursued by its Western European colleagues. In 2005–2006, unionists from the Gliwice plants engaged briefly in a competitive race with the Spanish Zaragoza site over the manufacturing of the new Meriva model. The East-West discrepancy was also present in stances on the so-called 'share the pain' strategy put forward by the EEF to avoid cancellation of a shift at the English site in spring 2006. *Solidarność* openly rejected the possibility of limiting production in Poland in order to save jobs at Western locations, arguing that Gliwice still needed additional investment to fully develop its potential. Within the Delta Group, the Poles insisted on the introduction of unanimous decision-making to make sure that 'big powerful unions take the opinion of smaller unions seriously', as expressed by the plant *Solidarność* chair. In contrast to Western European

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<sup>4</sup> As noted by a Western German works council member, it was relatively easy for the Poles to decline the 'catalogue of horrors' as Gliwice met almost all of the requirements already. According to him, the lean Polish site was set as a benchmark for Western European plants wishing to obtain the new Astra production. This implies that the arrival of the new Astra at the Polish plant was given from the outset; investment security, in turn, might explain the Poles' engagement in the Delta initiative.

employee representatives, worried about growing overcapacities in Europe, *Solidarność* welcomed the acquisition of the Warsaw factory by Avtozaz and vowed that they would 'resolutely fight for the increase of production volumes at *competitive* [emphasis added] Polish plants'.

At the same time, the Polish union managed to use the EEF to strengthen its organisational capacity and bargaining position vis-à-vis the local management. Once the wage freeze period foreseen in the Zafira agreement expired, *Solidarność* went ahead with a set of bold wage demands. The union entered into a collective dispute with the employer and asked the EEF Chair – also the Chair of the general works council at the German Opel – to act as a mediator in the row. He advised the Polish union representation to organise a short warning strike, which eventually made the management accept most of the *Solidarność* demands. The EEF also helped the Polish employee representation to devise a strategy against the local management's outsourcing plans. Currently, the Poles are planning to organise a conference for unionists from all European GM locations, during which they would reveal instances of bullying at the Polish site and urge the Western unionists to support further wage increases in Gliwice.

### **MAN Bus unit**

The MAN Group is a major commercial vehicle, engine and machine manufacturer, employing approximately 50,000 workers worldwide. Until recently, the company owned two bus production facilities in Germany: one in Pilsting, producing mainly long-distance buses, and the other in Salzgitter, specialising in city bus component production and assembly. Throughout the 2000s, the latter was gradually downsized and eventually closed in 2007. In Poland, the firm runs three production facilities: a truck and bus components factory in Starachowice, a bus assembly plant in Poznań and a truck factory in Niepołomice near Cracow.

The Poznań unit was established in 1999 and employs 900 workers. Until recently, the local *Metalowcy* trade union had limited appeal among the workforce but since the leadership change in 2006 unionisation has risen to 30 per cent. At the Starachowice plant, the employment trend was initially clearly negative. Out of approximately 900 workers employed at the time of the takeover only 500 remained in 2002; also, remuneration levels remained very low. Faced with plant closure, the local *Solidarność* and *Metalowcy* unions, representing nearly 40 per cent of the workforce, did not intervene. Only in 2003 did the Starachowice plant set out on the path of stable development marked by increasing employment levels, reaching 2400 in 2007.

The growth of the Polish production sites in Starachowice and Poznań was directly related to the downsizing of the Salzgitter bus unit and the relocation of individual production processes to Poland. The German unionists, however, did not stand aside and observe the gradual dismantling of their facility. In 1999 and 2001 they managed to avoid relocation by renouncing social benefits. In 2003, when the relocation decision could not be reverted by further concessions, the Salzgitter works council engaged in tough bargaining in order to safeguard employment for 700 workers whose production segments were to be delocalised. Consequently, 150 workers were offered alternative employment at the Salzgitter MAN truck division, while another 50 would participate in the early retirement scheme. The remaining 500 employees were to join a VW subsidiary, Autovision, for retraining and could find employment at other automobile companies located in the region.

Parallel to the local bargaining strategy, the Salzgitter union representatives launched a cooperative initiative addressing MAN unions abroad. In 2004 they presented a project envisaging a series of seminars between Salzgitter and the bus-producing units in Poznań, Starachowice and Ankara, Turkey. The meetings aimed at facilitating personal exchanges between unionists; they were also designed to acquaint the Polish and Turkish union representatives with the EU legislation regarding employee interest representation to ensure that in view of intensifying transnational competition workers join forces rather than act against each other. During the concluding seminar in Ankara in June 2005, unionists signed a joint memorandum vowing to regularly exchange information concerning local management policies that could affect social conditions at other MAN facilities.

On the Polish side, reactions to the German cooperative initiative were mixed. The Poznań *Metalowcy* chair assessed the project positively, pointing out that he had lacked knowledge of the German industrial relations system, but he also noted that the planned information exchange was not taking place. The Starachowice unionists proved more sceptical towards the cooperation project. According to the *Metalowcy* leader, during unofficial conversations representatives from the Salzgitter unit urged the Poles to fight for higher wages 'so that we [Starachowice] are more expensive and production would not be relocated'. The MAN Starachowice *Solidarność* chair spoke openly about the 'insurmountable conflict of interests' between the Polish and German unions in view of restructuring, which precluded honest information exchange.

In spring 2007 MAN management announced that all bus-related operations would be moved from Salzgitter to Poland, which would lead to the laying off of 1100 workers. The Salzgitter works council again engaged in negotiations over the exact conditions of delocalisation. In a deal struck in September 2007, workers' representatives safeguarded jobs for the majority of bus workers thanks to additional investments in the MAN truck branch in Salzgitter and the opening of a new logistic unit. The remaining employees moved to the MAN truck plant in Munich or made use of early retirement schemes. An additional negotiation round that ended in January 2008 secured the current employment levels until 2012.

In reaction to the final relocation phase, the Poles acknowledged that the restructuring process must have been 'unpleasant' for the German workforce but they viewed it as an inevitable consequence of globalisation. The Poznań *Metalowcy* chair stressed the unions' powerlessness but also the economic rationale of the cost-cutting decisions. If the company loses out in transnational competition, he argued, it would have to lay off all its employees. Importantly, the Poles openly excluded the possibility of rejecting new production inflows in defence of the German side. In the eyes of the *Metalowcy* chair at MAN Starachowice, by doing so Polish unions would betray the very goal of a labour organisation, which is to boost employment.

As in the VW Polkowice and GM/ Opel Gliwice cases, the Polish MAN unionists voiced their demands over pay increases only after the decision on future production at their sites had been taken. In Starachowice, both unions managed to build a common front for the negotiations and engaged in a collective dispute with the employer. The Poznań unionists took a more cooperative stance and did not resort to protest actions, focusing instead on a carefully planned bargaining strategy. Consequently, the local

*Metalowcy* obtained higher wage increases and bonus payments than their colleagues from Starachowice.

#### **4. Possibilities and limits of transnational East-West union activism**

Drawing on the results of my empirical research, in this section I return to the question of the scope of East-West European labour transnationalism and compare the case study evidence with my initial expectations regarding union behaviour. What initiatives are German and Polish labour activists undertaking to cater to employees' interests in the era of transnationalised production? Do Western European unions stick to defensive national strategies, while CEE labour representatives, eager to increase production volumes at their sites, follow the same path of defection, the overall effect of which is the failure of union transnationalism in the East-West European context?

Regarding the Western European side, it must be said that defensive strategies are still alive and well in old EU member states. Negotiations with employers represent an important instrument in securing new investment at old locations; in the event of restructuring, they enable the unions to win the best possible conditions for laid-off personnel. The evidence from Volkswagen Engine and MAN Bus suggests that, despite concessions, the results of local bargaining might be viewed as a considerable success. Since Western European unionists are aware of the problem-solving potential of the local negotiations and are accustomed to this mode of interest articulation, the 'negotiated globalisation strategy' (Kädtler and Sperling 2002) remains their first-rank preference. Cross-border cooperation with CEE unions appears only as a supplementary option, utilised in relation to issues that cannot be tackled via national agreements, such as plant utilisation volumes and sudden cross-border production shifts in the VW Engine case, or when access to management is limited, as at GM/ Opel.

But in the areas that cannot be safeguarded by national negotiations, Western European unions' propensity to employ cross-border cooperative solutions has significantly increased. In the 1990s, during what one might call the first phase of inter-plant competition, Western sites individually conceded management demands and thus (temporarily) improved their position within a given automotive MNC (Hancké 2000). Concessions offered within the homogenous group, however, were to some extent minimal, in a range potentially 'acceptable' to all engaged labour organisations. The emergence of parallel CEE locations has introduced a new dimension into European intra-company competition: in view of the East-West social gap, the non-coordination costs of Western unions have dramatically increased. As the failure to cooperate would bring them losses incomparably higher than in the previous West–West competitive benchmarking rounds, workers from old EU member states have acquired a vital interest in engaging CEE unions in European-level cooperation. This logic is best shown by the Opel/GM case, where, despite defections on the Polish side, Western European unionists still insisted on a cooperative outcome.

The Polish side would also often have recourse to defensive strategies in order to secure future production. Although it would be wrong to conclude that the Easterners have completely shunned cross-border cooperation, it seems that two interrelated conditions have to be met to ensure their engagement in such activities. First, Western unionists must be capable of assisting in the realisation of the Easterners' goals, be it new investment guarantees, as in the case of the Volkswagen Engine unit, or wage increases,



as in the second phase of East-West union relations at GM/Opel. Second, similar to their Western colleagues, CEE unionists have to expect that they will achieve their goals more efficiently through cross-border cooperation than through national strategies. Should these two conditions be satisfied, a specific reciprocal, non-zero sum relationship develops between the union representations from the two sides of the continent: Western European labour representatives are reassured that CEE unions will not underbid them, while the Easterners use the advocacy of the stronger Western European colleagues to enhance working conditions and/or new job opportunities at their own plant.

In this respect, it seems that the Polish trade unionists have been able to use their relative weakness vis-à-vis the management strategically to obtain assistance from the German unions. The alternative to such assistance would be CEE unions' acceptance of lower wages or flexibility requirements, with highly negative consequences for Western locations. The 'threat' of yielding to the management demands on the side of the CEE unions is credible, given the weakness of labour organisations in new EU member states and earlier instances of such concessions. Anticipating this, a Western union might thus decide to assist a CEE union; as a result, the latter 'might enjoy the assistance that would be denied it if it could control its own resources' (Schelling 1999). The intervention of *Solidarność* at the Salzgitter works council and the German union advocacy of new investments at VW Polkowice best illustrates the above presented 'weakness can be strength' logic.

Two recent developments might make CEE labour organisations more inclined to engage in cross-border cooperative ventures in the future. First, as CEE labour markets continue to tighten due to skill shortages and out-migration, CEE unions are more likely to use their voice and push for better social conditions (cf. Meardi 2007). In their struggle, they might opt for the assistance of their Western colleagues, who in turn will be eager to help as the levelling of social conditions across Europe decreases the competitive pressure they are subject to. Second, with the rise of new automotive locations in post-Soviet countries and Eastern Asia, the Polish factories might soon prove 'too expensive' and local unions might be forced to offer concessions in order to avoid relocations further East. In the recent rhetoric of the Volkswagen and GM/Opel management, Russia, India and China are explicitly mentioned as prospective production sites and sales markets. This 'commonality of threat' can act as a factor facilitating East-West European exchanges, putting workers from the old and new EU member states into the same boat vis-à-vis even cheaper 'East-East' competitors.

## Conclusions

This paper set out to examine Western and CEE union responses to growing competitive pressure. The analysis of initiatives undertaken by Polish and German plant-level unions at three German automotive MNCs showed that instead of a clear-cut national or transnational strategy, unions tend to employ a combination of the two; transnational cooperation is chosen only when national solutions are unavailable. Furthermore, the necessary condition for a cooperative outcome in the East-West setting is that both sides – the workers from both old and new EU member states – expect to benefit from transnational activism. As illustrated by the MAN case, such a perception might be lacking if Eastern workers profit directly from transnational restructuring rather than from coordination with their Western counterparts.

The above findings suggest that it would be wrong to assume *a priori* the failure of cross-border labour cooperation in the context under examination. At the same time, however, they should cool the enthusiasm of industrial relations researchers and practitioners who expected the emergence of a ‘counter-hegemonic bloc’ in reaction to the growing power of transnational capital. Contrary to some recent studies on labour transnationalism (Haipeter 2005; Greer and Hauptmeier 2008), the above analysis suggests that transnational union cooperation will not necessarily develop in response to hostile company strategies aimed at playing off national employee representations against each other. Western European unionists will not hesitate to use the existing access channels to secure employment and production at their site; only when such access is restricted will they opt for cooperative solutions. Similarly, CEE union representatives might make conscious use of lower wages and working conditions to attract new investments if that channel proves more efficient than transnational coordination. The socialisation argument linking the success of labour transnationalism to the frequency of union interactions (Gajewska 2008) must also be refuted. As the MAN case showed, socialisation will not develop in the first place when union interests are better realised outside cooperation. Even at GM/Opel, where a stable institutional framework for cooperation was in place, goals pursued by *Solidarność* have set clear limits to its engagement in the European activities initiated by Western trade unionists.

An important final note: although competition between companies and individual production sites remains high, in the period under analysis the sector has not experienced a major downturn comparable to the early 1990s. It is difficult to assess the impact of a major industry-wide decline on Western and CEE automotive unions’ strategies. However, insights offered by previous studies of the sector in crisis times (Hancké 2000; Zagelmayer 2000) and my own evidence allow for a cautious pessimistic prediction. There is still a considerable investment hunger in CEE. It is not as high as at the beginning of the 1990s and CEE workers no longer seem ready to trade new production for wage concessions, but it is also not so low as to allow them to reject new production inflows or sacrifice existing production in solidarity with Western European locations. Despite bold declarations on the part of the Polkowice and Gliwice union leadership, such ‘share the pain’ strategies would not prove feasible vis-à-vis the union rank-and-file; similar limitations exist for Western European activists. In any case, the real test of an East-West cooperation framework developed during relatively good times will come during bad times, with an industry-wide crisis or the outflow of investments toward Asian locations.

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