



Marius R. Busemeyer, Christian Kellermann,  
Alexander Petring & Andrej Stuchlík

## Overstretching Solidarity? Trade Unions' National Perspectives on the European Economic and Social Model

- Trade unions conceive the current crisis of the EU as a chance to promote a more socially balanced European Union.
- Economic and social objectives of trade unions touch upon all relevant fields of the European Economic and Social Model.
- However, regarding Europeanization, unions' perceptions and reform options differ greatly across Europe, because to most unions the national level remains the basic terrain.
- National welfare structures help explain similar and different positions of trade unions in the EU. Competing interests sometimes seem to overstretch trade unions' solidarity.

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## I. Introduction

The European Economic and Social Model became the catchword of the current debate on the future of the EU. To some, the rejected European constitution has incorporated a vast range of neoliberal elements and others feared a *dirigiste* over-regulation to safeguard national inclinations of protectionism. The respective instrument to square the circle is the Lisbon Strategy, slightly modified in 2005, by which economic competitiveness should foster and sustain the EU's social dimension.

The debate on the future of the EU is mainly concerned with the balance of social and economic issues as well as institutional questions of political regulation; in short, the scope of welfare provision possible to sustain at the European level. As one of the core questions for the EU over the next years is and will continue to be the right mix of national and European competencies, we observe another facet of possible conflict: member states do not only compete economically within the EU but also in terms of social security and welfare provision. Hence, arguing about further European integration must deal with growing reluctance when it comes to alter national social legacies, as the fierce debate over the services directive clearly showed.

There are no simple answers to this, rather abundant recommendations trickle out of a complex expert discourse on enhanced growth and social inclusion. At the same time, the national discourse in most member states is shaped and blurred by catchwords such as job exportation, tax competition and migration of low wage employers who force high-wage employees out of their jobs.

Trade unions conceive the current crisis of the EU as a chance to promote and realize a more socially balanced European Union. Economic and social objectives of trade unions touch upon all relevant fields of the European Economic and Social Model. The most important are: wage policy, social policy, tax competition, liberalization of services and the rationality of enhanced macroeconomic coordination. For trade unions in the Euro area, the issue of monetary policy is of major importance as well.

However, regarding Europeanization, unions' perceptions differ greatly across Europe. This holds true despite some general but significant consensus aim-

ing at enhanced macroeconomic coordination at the European level (cf. Hyman 2006: 10). That is because to most unions, the national level remains their basic terrain. Therefore, it is of crucial importance for any union's policy-making in the EU to map out exactly consensual perceptions and reform options among their homologues within the EU member states.

The present analysis of policy positions of trade unions on the state and future of the European Economic and Social Model is based on an extensive series of about 100 interviews we conducted with trade union and political leaders in 17 European countries (Austria, the Czech Republic, Denmark, Finland, France, Hungary, Germany, Greece, Ireland, Italy, the Netherlands, Poland, Portugal, Slovakia, Spain, Sweden and the UK) between September 2005 and March 2006. We collected qualitative survey data on crucial policy issues of the European Economic and Social Model, e. g. macroeconomic policies, social policy and cohesion, the liberalization of services, and the social dialogue. The goal of the project was to gather information about unions' position at the national rather than the EU level, because we assumed that representatives in Brussels could be prone to a 'pro-EU bias'. In addition, we aimed to obtain a general assessment of the importance of the EU level for day-to-day decision-making of unions in the member states.

Bearing in mind that integrating social policy is a distinctly different issue than purely integrating sectors of the market economy, this article is guided by two questions: a) In which areas can we identify a single voice of unions and converging interests, and on which issues do we find a cacophony of positions instead? b) How can we explain these differences?

First, we look at delegating social policy to the supranational layer from a theorist's perspective. Apart from bargaining over budgetary implications of Europeanization processes, we expect another dimension of potential conflict: the institutional conflict. We assume that the process of building a common Economic and Social Model (ESM) privileges some welfare state and production models more than others and that differences in the character of institutional regimes have an impact on the willingness of trade unions' leaders to subscribe to the idea of a common ESM. Because trade unions are, to a varying degree, less involved in governmental policy-making, we expect their preferences to be more pronounced and close to left to center parties (cf. Busemeyer *et al.* 2006a,b).

Second, after the theoretical chapter, the remainder presents our empirical findings grouped according to three sections: (a) economic policy, (b) social policy, and (c) competition (amongst the member states) and

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Dr. Marius R. Busemeyer, Max Planck Institute for the Study of Societies, Cologne

Dr. Christian Kellermann, Friedrich-Ebert-Stiftung, Berlin  
Alexander Petring, Social Science Research Center Berlin  
Andrej Stuchlík, Freie Universität Berlin

expanding the findings of Petring/Kellermann (2005).

## II. European Integration: varying preferences across welfare states

The process of European integration over the past decades has led to a development of European structures and organizations in many areas. Although not without tensions, trade unions in Europe have promoted European structures since the 1950s. Since 1973, the European Trade Union Confederation (ETUC) is the umbrella organization, consisting of 12 Industry Federations and 81 National Trade Union Confederations. Their aim is:

“The ETUC exists to speak with a single voice, on behalf of the common interests of workers, at European level. Its prime objective is to promote the European Social Model [...], which] embodies a society combining sustainable economic growth with ever-improving living and working standards, including full employment, social protection, equal opportunities, good quality jobs, social inclusion, and an open and democratic policy-making process that involves citizens fully in the decisions that affect them.”<sup>1</sup>

However, neither the existence of a single voice nor the existence of the common interest of workers could be taken for granted – at least not in a European Union of 27 member states with different levels of economic development, performances and structures. Regarding the elitist debate on how much of a social dimension the EU should provide<sup>2</sup>, trade unions at the European level often seem to rather safeguard existing conditions (Hyman 2005: 29).

Research on preference formation vis-à-vis European integration has so far concentrated on voters and parties (cf. Marks und Steenbergen 2004, Marks *et al.* 2006). It is therefore necessary to think more comprehensively about concepts that can explain different and joint positions within the group of trade unions of EU member states.

As can be gleaned from the citation on the goals of the ETUC above, European trade unions should have a common interest in defending the interests of European workers and employees. Consequently, it could be expected that trade unions show a relatively great degree of unity in positioning themselves on certain aspects of the European ESM. Policies that further sustainable economic growth, full employment, the quality of working life, or social inclusion, for in-

stance, should all be supported, while policies that favor ‘upper income class interests’ should be opposed.

In contrast, a more realistic understanding of trade unions and their positions vis-à-vis the European ESM is to recognize that, while observing some similarities on the fundamental, more abstract level, trade unions in European countries will differ largely with regard to their policy positions. These differences can have various reasons: for instance, many European policies have distributional consequences (Marks 2004) that might be perceived as being costly for trade unions in rich EU member states (e. g. liberalization of services markets), but beneficial for workers in poorer member states.

In practice, it will be hard to evaluate the distributional consequences of specific EU policies in full. Because of this cognitive uncertainty, it will be even harder for trade union leaders to base policy decisions on the expected distributive consequences of policies. Instead, we hypothesize they remain embedded in the institutional framework of the national member states. This framework acts as a “filter” and largely defines their identity, their strategies, as well as their relation and approach to government in general. This is not to say that trade unions would willingly sacrifice the common goal of promoting the collective interests of European workers for the defense of narrowly defined national distributive interests. In contrast, all European trade unions want to promote the social and economic advancement of their membership, but the concrete translation of membership interests into policy positions depends on the institutional and organizational environment.

Table 1 groups EU countries into five distinct clusters. The groupings are largely based on established research in welfare state policy and political economy (Esping-Andersen 1990; Esping-Andersen 1999; Goodin, Headey *et al.* 1999; Leibfried 1992; Castles and Mitchell 1993) and capture country differences along three dimensions: *Union density* is a measure of how encompassing the trade union movement is in a given country. *Collective bargaining coverage* is often related to union density, but there are cases (e. g. France and most Mediterranean countries) with low degrees of union density, but high collective bargaining coverage. So in a way, collective bargaining coverage reflects the willingness of policy-makers to rely on the social partners in the field of economic policy. *The type of welfare state* (which we also use to name our country clusters) is a mostly qualitative indicator, capturing the influence of the welfare state’s institutional environment on identity and preference-formation of unions.

1 <http://www.etuc.org/r/2>, [accessed 30.01.2007].

2 E. g. the informal European Council in Hampton Court, October 2005.

**Table 1: Worlds of welfare capitalism and union attributes in selected EU member states**

Country	Welfare type	Union density	Union membership in thousands (2003)	Collective bargaining coverage
Austria	<b>Continental type</b> = core European Social Model	36,5	1,151.0*	97,5
France		9,7	1,830.0	92,5
Germany		25,0	7,120.0	68,0
Netherlands		23,2	1,575.2	82,5
Denmark	<b>Scandinavian type</b>	74,4	1,710.5	82,5
Finland		76,2	1,495.0	92,5
Sweden		81,1	2,984.2	92,5
Ireland	<b>Anglo-Saxon type</b>	38,0	515.7	n. a.
United Kingdom		31,2	6,524.0	32,5
Greece	<b>Mediterranean type</b>	27,0	639.0±	n. a.
Italy		34,9	5,327.7	82,5
Spain		14,9	2,196.8	82,5
Portugal		24,3	1,165.0±	82,5
Czech Republic		27,0	1,075.2#	27,5
Poland	<b>Eastern Europe type</b>	14,7	1,500.0#	42,5
Slovak Republic		36,1	700.0	52,5

\*2002; #2001; ±2003 (European industrial relations observatory on-line) Data on union membership Visser (2006: 43 f.). Data on union density and collective bargaining coverage: OECD Employment Outlook 2004

The central thesis of this article is that the process of constructing a common European Economic and Social Model impacts differently on welfare states and production regimes; consequently, differences in trade unions' policy positions, which are shaped by these institutional frameworks, can be explained by their relative position in the national welfare state and labor market framework. More concretely, we opine that the welfare state model of the countries in the EU core (in table 1: the Continental welfare state type, covering among others France, Germany, and the Netherlands) serves as a blueprint for a common European ESM, or, to put it differently, political leaders across Europe expect that if something like a common ESM emerged, it would strongly resemble this welfare state type. As a consequence, trade union leaders evaluate the prospect of a common ESM against the status quo in their national setting, resulting in "Euroskepticism" on the one hand (Scandinavia, UK) or tentative support (Mediterranean countries) on the other.

Trade unions in the "Continental" group of states (Germany, France, the Netherlands, Austria, Italy), representing the "core European Social Model", have been living with a relatively long corporatist tradition, especially in Germany, the Netherlands and Austria. Even in France, where union density is low, the collec-

tive bargaining coverage is very high. Therefore, trade unions in these countries have an interest in ongoing European integration and in creating a common standard at high level in order to eventually safeguard the performance of their own Economic and Social Model. This holds true especially when confronted with the competitive pressures of an EU becoming increasingly heterogeneous. At the same time, they have only a slight interest in expanding interstate redistribution policy because as comparatively affluent states they would have to deliver most of the funds.

In contrast, trade unions in Anglo-Saxon as well as Scandinavian countries should be rather "Euro-skeptic". At first sight, it seems rather odd to group Anglo-Saxon and Scandinavian countries in a joint country cluster. But with regard to the issue at stake here, trade unions in these countries can be expected to have similar positions. Firstly, they have an interest in minimizing interstate redistribution because as net payers they too are involved in financing EU-redistribution, e. g. through the European Social Fund, to a considerable extent. Secondly, and more importantly, the creation of a common ESM potentially undermines the position of trade unions in the respective national welfare state and labor market regime. Scandinavian countries have high degrees of union density, a high collective bargaining coverage and a

generous welfare state. Therefore, if the creation of a common European ESM entails some development towards the EU average, trade unions in these countries would have to cope with some downward pressure with regard to social standards. At the same time, trade unions in the Scandinavian countries need at least some sort of EU policy in order to protect national arrangements from increasing competitive pressure from new EU member states. In the UK (and to a lesser extent in Ireland), industrial relations are much more decentralized than in other EU countries. The imposition of a common European ESM could potentially weaken the flexibility of these labor market arrangements, thus seemingly weakening the competitiveness of the economy as a whole.

Trade unions in the Eastern European transition states are expected to have a split opinion towards the creation of a common ESM. On the one hand, as the main beneficiaries of interstate redistribution for some time to come, trade unions in central and Eastern European "transition states" will obviously welcome this type of EU social policies. On the other hand, the economic systems of these countries, with their state-centered past and recent liberal tendencies, a comparatively low degree of de-commodification, medium levels of union density and collective bargaining coverage, also testify to the fact that these states are relatively remote from the welfare state model of the EU core. As a consequence, the establishment of a common ESM along the lines of the Continental welfare state type would diminish the competitive advantage of these countries. Hence, the net gain of an interstate redistribution policy must be high enough to compensate for the benefits forfeited due to the (perceived) loss of competitive advantages. Trade unions in these countries face the dilemma between maintaining the competitive edge through low wages and liberal market arrangements on the one hand and their willingness to improve wages and social standards on the other hand.

The situation is somewhat different for trade unions in the group of Mediterranean states. Until very recently, these too benefited greatly as a result of interstate redistribution policy (structural and cohesion funds). However, they have a greater affinity to the ESM of the EU core countries. This applies to the Mediterranean states (Spain, Portugal, Greece) which, depending on the development of economic prosperity, manifest a medium degree of de-commodification, though comparatively coordinated market economies. Yet, this also applies to Ireland, which differs from the ideal-typical Anglo-Saxon model because of the expansion of mechanisms for coordinating the market economy (for example, social pacts between

employers and trade unions). In this regard, only the UK, as a representative of the Anglo-Saxon model, remains a liberal market economy within the EU. Trade unions in the Mediterranean countries can hope for improvements in the socio-political situation in their own countries as a result of the expansion of social policy at the EU level and the institutionalization of a common ESM. Because their own national welfare states and production regimes fit relatively well with the Continental welfare state type, trade unions in these countries are expected to be mainly supportive of the creation of a common ESM.

In the following section, we will check our theoretical propositions against our survey results. We divided the complex set of policies of the ESM into three main sections: the economy, social policy, and competition (cf. Petring/Kellermann 2005).

### III. The Economy

#### 1. Stability and Growth Pact / Fiscal Policy

A significant majority of unions agrees that the Stability and Growth Pact (SGP) is a necessary arrangement in Europe. Nevertheless, trade unions often criticized the Pact for leaving too little fiscal room to maneuver in the case of weak economic growth. Especially the 3-per-cent-rule is regarded as being too restrictive and to have pro-cyclical effects. The large majority of the unions in our sample is therefore in favor of a general reform of the SGP-criteria. The most recent relaxation of the Stability and Growth Pact in 2005 (essentially an extension of situations in which no deficit procedure was instituted despite violations of the 3-per-cent-rule) is insufficient for many, since structural reform of the Pact was not agreed upon. According to the majority of unions, different business cycles in Europe, to which the Pact has no answers, are an additional problem. Despite these criticisms, there is no consensus on the use of anti-cyclical measures at the EU level.

Most unions favor a differentiated treatment of investments for calculating national deficits, i. e. taking into account the nature of deficit, evaluating debts due to investment – in conformity with the Lisbon Strategy – differently from debts for consumption. Another option is the abolition of the annual percentage target in favor of concentration on the 60-per-cent-rule (level of indebtedness), but only a few unions were in favor of this idea. The same is true for taking into account structural budget deficits as reference value, possibly including future pension-system burdens.

Differences in trade unions' policy positions in fiscal policy across countries were relatively minor. Most union leaders expressed tentative support for EU fiscal policy arrangements, while also emphasizing the need for reform. Differences in policy positions arise mainly between unions with different ideological background, i. e. the French FO being more critical and centrist unions being more supportive of the SGP.

## 2. Monetary Policy

"The primary aim of the European Central Bank (ECB) is to ensure monetary stability (inflation target below two per cent). But, to the extent that this is not jeopardized, the ECB is supposed to support the EU's economic and employment policy aims." (Petring/Kellermann 2005: 2)

Most unions' representatives in our sample favor a higher inflation goal than two per cent or at least demand a symmetric interpretation of the goal. However, nearly half of the unions have no clear position on this technical issue and demand a democratization/politicization of monetary policy instead.

Commonly, trade unions often criticize the monetary policy of the ECB as too narrowly focused on the price level (Arestis/Moseler 2006). In particular, wage and monetary policies should find some form of coordination in order to help establish a higher level of employment. Both targets should be understood as complementary target variables. It is striking then that a vast majority of interviewed unions oppose a stronger focus of monetary policy on growth and employment. While the politics of the ECB is criticized as being too inflexible, the independence of the Bank is considered to be more important. Interestingly, only Continental and Mediterranean countries criticize the ECB's work directly. In those countries, either real interest rates or inflation rates have been significantly above the European average.

## 3. Wage Policy

As of today, wage policy remains to be one of the most important *national* tools of adjustment since monetary and fiscal policy has become Europeanized. "In the attempt to level out competitive disadvantages in recent years, stronger involvement of trade unions in 'social pacts' with the aim of wage moderation has been observed" (Petring/Kellermann 2005: 3). Trade unions' main goal, which is to prevent 'competitive disinflation', led to a productivity-growth-oriented wage policy in 1998 within the framework

of the Doorn declaration (*ibid.*). There are also more far-reaching forms of coordination in the European Metalworkers' Federation, which tries to prevent wage dumping by information exchange and agreement on targets and to avoid inflationary tendencies by means of wage settlements (Schroeder/Weinert 2003).

However, and for different reasons, the majority of unions are against an EU-wide coordination of wage policies. In the case of wage policy, we find a clear clustering of policy positions in line with our theoretical expectations outlined above. This is because wage policy is much more important for trade unions than fiscal or monetary policy. Furthermore, trade unions have, on average, a higher influence on the formulation of wage policies than on fiscal or monetary policy, so that in the case of the latter, they can 'afford' to be more critical.

As expected, fierce opposition against a common EU wage policy came from Scandinavian and Anglo-Saxon countries. In the words of a Danish representative: "This might become as flawed as the SGP. We would have rules but no instruments to make them effective." Trade union leaders in the Scandinavian countries fear that collective wage bargaining at the EU level undermines their ability and power in national-level wage bargaining, resulting in downward pressure on wages or limited flexibility to coordinate wages across economic sectors. UK trade unions, in contrast, are more concerned with maintaining the flexibility of decentralized wage bargaining, not only out of concerns for competitiveness, but also to maintain the influence of local trade unions.

In contrast, union leaders in Mediterranean countries supported stronger coordination of wage agreements. Some unions who have skeptical views on coordination are at least in favor of a stronger consultation and exchange of information. We explain the positive attitude of union representatives in Mediterranean countries by the fact that these countries are principally open towards coordination and collective wage bargaining and that EU social policy initiatives can actually help to strengthen the modestly strong position of trade unions within national arrangements.

The patterning of policy positions is corroborated when union leaders were asked about their preferred level for wage bargaining. Since the beginning of the 1990s, trade unions changed their agenda and have moved away from their aim to develop and foster uniform wage rates in Europe (Schroeder/Weinert 2003: 577). Still, the crucial level for wage negotiations remains the national. Furthermore, at the core of such negotiations are pattern-setting collective bar-



gaining agreements (e. g. in Germany: *Flächentarifverträge*) and wage agreements that are generally binding. However, asked about their preferred level of agreement, some unions (one French, one Portuguese and two Greek unions) favor EU-wide sectoral wage bargaining. One Greek trade unionist envisaged even a system with an EU-wide average of the EU-15 with special convergence programmes for the new member states. In contrast, interviewed union representatives in the United Kingdom prefer wage bargaining to stay on company rather than on national level.

Irrespective of the level of wage negotiations, a demand for the introduction of a European minimum wage was raised (Schulten *et al.* 2005). While there is a minimum wage in many EU countries, some trade unions regarded this as a threat to their bargaining autonomy. This is especially the case in Sweden where representatives fear minimum wages to generate an "income policy", thereby weakening their political stance. But scope matters too. The Danish position is equally critical but a very low minimum wage might be useful to help new member states.

Unions from transition and Mediterranean countries hold the view that minimum wages should be introduced only at country-specific level. And only two Greek unions preferred a harmonized EU-wide minimum wage.

In sum, in the case of wage policy, a policy field that matters very much to all trade unions, we find clear evidence of a patterning of policy positions according to our expectations. Union leaders in Scandinavian countries are against EU-wide wage policies or collective wage bargaining at the EU level and against the imposition of a common minimum wage (at most on a very low level out of solidarity with unions in the new member states). Trade unions in the UK are equally skeptical of a common European approach, but for different reasons. They want to maintain the flexibility of local wage bargaining. Trade unions in Mediterranean countries are most supportive, because they hope for an upward push on wages and their national institutional framework is more amenable towards coordinated solutions.

#### 4. Economic Coordination

Economic coordination within the EU is a complex set of rules and procedures. Initiated through the Maastricht Treaty (Art. 98–104), the "Broad Economic Policy Guidelines" assembled a variety of supervisory tools, from deficit monitoring (Excessive Deficit Procedure) to employment guidelines (Luxembourg pro-

cess) after 1997. The macroeconomic dialogue, a German-French initiative to include all affected stakeholders, was launched in 1999. However, comprising a vast array of representatives from the Commission, the economic and finance ministers of past, present and future presidency countries, as well as ETUC, UNICE and the ECB, the dialogue failed to deliver substantial results.

Since 2005 the guidelines have been issued by the Commission together with the employment-policy guidelines as 'Integrated guidelines for growth and employment'.

One important reason for European macroeconomic governance is the claim that national economic governance in the time of Europeanization and globalization is no longer efficient. The question we asked here was: "Do you think that macroeconomic policy is less efficient without some form of coordination?" With this view being shared by many unions from Continental member states, all Scandinavian unions think that national economic policy still is an effective instrument, while the majority held no clear-cut position. The case of France is interesting in that respect: here, following the tradition of centralized economic governance in France, union leaders were most supportive of the coordination of macroeconomic policies at the EU level. Although there is a general sentiment that a stronger coordination of EU and national fiscal, wage and monetary policies is needed, we find the by now well-known clustering of policy positions: Mediterranean and Continental unionists are in favor of more coordination at the EU level, while unions in Sweden, Ireland and Finland are more skeptical.

#### 5. Employment Policy and the Lisbon Strategy

Within the economic coordination setup, employment policy was governed through the European Employment Strategy (EES) and more recently flanked by the Lisbon Strategy. The halftime revision of the Lisbon Strategy has been followed by the streamlining of both procedures (Commission 2005). The policy goals associated to employment are: reduction of unemployment, increase in employment rates, increase in women's employment rates, reduction of youth and long-term unemployment, creation of better jobs, improvement of training, extension of child care, etc. This is also reflected in the general positions towards the Lisbon Strategy of the unions across Europe. However, many unions criticize the strong focus on competitiveness after the modification in the course of the 'halftime review' in spring 2005 for being too

“neoliberal”. Most European unions assess the impact of the EES in their countries to be rather small. The Open Method of Coordination (OMC) is one important instrument with regard to the EES and many unions regard the OMC as a useful tool. Many unions favor an even stronger coordination of employment policies. The Scandinavian unions in our sample are opposed to this option. However, in sum, we find a relatively high degree of convergence of policy positions, supporting the general goals of the Lisbon Strategy, while criticizing much of its actual implementation. In contrast to wage policies, this policy field is more distant and less relevant to unions’ day-to-day activities in member states. With institutional conflicts held at bay, we find a stronger convergence of policy positions, but these positions often remain at a less concrete level.

#### IV. Social Policy

So far European social policy has been mainly subject to soft regulations. However, there are demands mainly from left to center parties to strengthen social components alongside the development of market freedoms by means of social policy provisions. As could be expected, this general position is widely shared by the unions.

But, measured in terms of the Esping-Andersen’s typology of social democratic, liberal and conservative welfare states, no convergence of welfare states towards a European Social Model can be discerned over the 1990s (Petring 2006). The heterogeneity of welfare states is also viewed as the major obstacle to a stronger EU social policy, most unions in the sample reported. Accordingly, the majority rejects the idea of a single social model in Europe.<sup>3</sup> Opposition to that idea comes mainly from Scandinavian but (and that is more surprising) also from Continental and Mediterranean unions. Five unions in our sample expressed the view that a single social model is not only unrealistic, but also not desirable. Moreover, they consider the European Social Model to be more of a concept instead of a vital political agenda. In that perspective, unions should rather strive to safeguard the transformation of social directives and standards into national law. The generally high degree of skepticism with regard to the establishment of a common ESM, be it because leaders think it is not desirable or that it is not practicable, shows that the notion of institutional conflicts and trade unions’ fear of encroachment of

EU policies that might endanger their long-fought for position on the national level is very real. At the same time, almost all union leaders opined that the social dimension of the European Union should be strengthened. This shows the general dilemma of European trade unions, and maybe the European left in general: on the one hand, there is a strong desire to strengthen the welfare state dimension of the EU; on the other hand, political leaders have not found a way yet to solve institutional conflicts between different welfare states and production regimes.

As a consequence of this general dilemma, political leaders tend to consider the Open Method of Coordination (OMC) as panacea, because it provides some (soft) coordination of policies, but basically has no immediate consequences for national policy-making. And the OMC is appealing to most unions, too.

Interestingly, almost all unions reported that migration and “social tourism” in Europe pose no problem to single member states, although answers varied slightly in Austria or with respect to Germany’s border to Eastern Europe.

##### 1. The Social Dialogue

“Dialogue with the social partners is one of the pillars of the European Social Model, although freedom of association and wage bargaining autonomy are still the prerogative of member states” (Petring/Kellermann 2005: 6). The Commission can ‘develop the dialogue between the social partners at the European level, which could, if the two sides consider it desirable, lead to relations based on agreement’ (Article 138 of the EU Treaty). Alongside social dialogue at the macro level, 31 branch committees have been set up in the EU since 1998. Following formal EU recognition of the social partners’ right to negotiate framework agreements at the European level, they have signed three cross-sectoral European framework agreements, which have been implemented as directives: parental leave (1996), part-time work (1997), and fixed-term contracts (1999). Trade unions and employers implemented further European level deals under the system of ‘autonomous’ social dialogues, covering conditions for teleworkers (2002), lifelong learning (2002) and work-related stress (2004).

Further results of sectoral dialogues still have the status of non-legally-binding common standpoints and declarations. The reason for the low output of this form of regulation is above all the interest of the employers’ organizations in the continuation of the status quo. Because there must be a consensus of the social partners for the initiation of negotiations, UNICE

3 Question: “Is there a *single* European Social Model to be aimed at and how should it look like?”

and CEEP possess a de facto veto right (Schroeder/Weinert 2003: 572).

As a central institution of the European Social Model, the social dialogue is generally assessed positively by the unions in our sample. In addition, the general idea of a social dialogue, i. e. policy coordination in corporatist institutions, is largely supported. Therefore, almost all unions called for a stronger role of social partners in EU policy-making in general.

However, the picture looks rather mixed when asking for an assessment of actual results of the dialogue so far. Positive and negative assessments are in a balance here: while a majority of Scandinavian and Mediterranean unions in the survey were not satisfied with social dialogues' results, the picture looks the other way round in the Anglo-Saxon and Continental countries. Especially unions in Eastern Europe exhibit a positive assessment of the results of the EU social dialogue so far. In general, however, trade union leaders are more skeptical about the results of the dialogue than leaders of social democratic parties.

The well-known patterning at policy positions is most discernible when union leaders are asked about how to strengthen the role of social partners at the EU level. At least, unions mostly agreed on identifying the most pressing problem: because corporatist institutions have to be built anew at the EU level and EU institutions (like the Commission) are either unwilling or not powerful enough to enforce the employers' commitment to these corporatist institutions, employers can basically veto or block the establishment of a comprehensive social dialogue. As one Danish interview partner has observed, employers' associations also lack the organizational capacity to enforce jointly decided policies on the national level; therefore, the general feasibility of a comprehensive social dialogue is questionable. Some union leaders (e. g. in Spain and Greece) explicitly criticized the EU Commission for doing not enough to promote the social dialogue and for using the employers' opposition as an "excuse for doing nothing".

Differences in opinion arise when unions were asked about how to strengthen the role of social partners. A relative majority of respondents supported the idea to strengthen the role of the Commission, which is supposed to explicitly delegate policy-making responsibilities to the social partners and to put more pressure on employers. A minority of unions, predominantly those with syndicalist traditions and a strong organizational base, were against the strengthening of the role of the Commission: in their view, the union movement should strengthen its position by its own actions.

In sum, concerning the social dialogue, we find more evidence for a clustering of trade unions' policy

positions along the lines suggested in the theoretical section. On an abstract level, policy positions on the need for an extended social dialogue were relatively convergent and coherent. But when asked about how to achieve this goal, policy positions start to diverge and largely reflect the relative position of the respective union within the national institutional framework. Strong unions are less supportive of the idea to follow the 'supranational' route by further institutionalizing the role of social partners at the EU level and to utilize the Commission to put more pressure on employers. Unions from countries with strong traditions of social partnership emphasize that the process of European integration must not endanger the internal workings and integrity of national institutions, while at the same time, touting social partnership as an effective policy instrument to be used more extensively (e. g. in Austria). In contrast, countries with weak traditions of social partnership (e. g. Greece) were more supportive of strengthening the EU level, because they opined this would also strengthen their role within the national settings.

## 2. European Works Councils

The directive on European works councils was adopted in 1994 to promote social dialogue at the enterprise level. This body, which is primarily designed for information and consultation, has so far been established in approx. 40 per cent of enterprises which fall under the jurisdiction of the directive (Lecher/Platzer 2003). In consultation with the trade unions, European works councils can make an important contribution to transnational coordination. Of course, the Europeanization of collective bargaining policy is still regarded by many with skepticism. European works councils could play an important role for Europe-wide sectoral collective agreements. The networking, coordination and demarcation of tasks between trade unions and European works councils, however, remain unsatisfactory (ibid.). Therefore, most unions in our sample were in favor of a stronger coordination of strategies and policies with the European works councils.

## V. Competition

### 1. Tax Competition

Tax policy of the European Union so far relates predominantly to the rates of indirect taxes (such as VAT and consumption taxes) as part of the common market harmonization (Petring/Kellermann 2005: 8). As

the community budget is partly financed from VAT income (approx. 16 per cent in 2006), the contributive burden ought to be fairly distributed by means of harmonization among all EU members.

Apart from that, tax provisions must not hinder free movement of capital within the community. Indeed, cross-border competition in corporate taxation has intensified after eastward enlargement brought about a new swing of low-tax states (e. g. Estonia, Slovakia). Trade unions claim that such a competition may become harmful: the example of Ireland showed that low tax rates on corporate profits and corporation taxes could contribute to accelerated economic growth – sometimes at the expense of other EU member states, since corporations tend to report parts of their value added in such low-tax countries.

This phenomenon is also seen by a large majority of unions in our sample – they also speak of a harmful tax competition in the EU, as in general, some attribute a rather dim image to competition itself. Furthermore, they see an enhanced tax competition in the follow-up of the eastern enlargement. “Enlargement aggravates the problem because the new member states possess a very lean (and liberal) state, despite their communist past”, says a French unionist.

However, unions do not necessarily speak of tax dumping. Interestingly, all unions of our Eastern European sample and most Mediterranean unions spoke of “tax dumping”, while the Scandinavian group preferred the neutral wording “tax competition”.

In the long run, it is argued, pressure is growing to reduce tax rates in the countries concerned so that in the end, income from corporate taxation tends towards zero and ‘free riders’ profit from a high level of infrastructure (Jarass/Obermair 2005). So far, the EU has only achieved the enactment of a ‘code of behavior’ which is supposed to ensure that no competition-distorting tax benefits are introduced. The EU is not aiming at the development of uniform tax rates or minimum tax rates, although an EU basis for assessment for corporate taxation is to be worked out by 2008.

The introduction of a European minimum tax for companies is also strongly supported by the unions in our sample. Most support comes from unions in our Mediterranean sample, but there is no significant regional pattern within the group of unions which are against this proposal.

In order to accelerate integration of the single market, the EU has taken a number of measures to coordinate and adapt taxation systems. The requirement of unanimity in the Council of Ministers has once more proved a hindrance in this respect. Tax policy is therefore resisting the trend towards an ever closer union

(Genschel 2002). Most unions in our sample support the idea of changing the requirement of unanimity in the Council of Ministers for a majority rule. Interestingly, this aspect found no consensus within social democratic parties (Busemeyer *et al.* 2006c).

Measures that go beyond harmonization and coordination efforts in the direction of an own source of revenues for the EU (“EU tax”) have so far found only isolated support. One Austrian trade union favors the option of financing the EU budget by means of a harmonized corporate tax and urges some countries to accept a leading role in strengthening the social dimension. Trade unions in general are rather skeptical about expanding the Commission’s role in tax matters. We found unanimous opposition to this idea from the unions in our Anglo-Saxon and Continental sample, while support comes from all interviewed unions in Eastern Europe. At first sight, unionists in the new member states seem to be more liberal but our interviews showed another facet: they mostly regard the European Commission as a useful tool to curb powers of the big member states in order to “depoliticize” tax policy from seesaw domestic interests.

## 2. Services Directive

The aim of the services directive is the creation of a harmonized EU internal market for services by 2010. The directive is therefore directly connected to the Lisbon Strategy. Realization of the EU internal market for services requires the assimilation of legal and administrative provisions. A slight majority of our sample is in favor of a liberalization of services in Europe. Support for a directive comes from unions in the Eastern European and Scandinavian sample (including social services), the most significant opposition was expressed by unions in the Mediterranean region.

In accordance with the Commission’s original draft of January 13, 2004 (“Bolkestein Directive”) and the amended version of February 25, 2004, this assimilation should be achieved by dismantling national provisions under the so-called country-of-origin principle, which did not pass the European Parliament and was discarded on February 16, 2006.<sup>4</sup> The idea was that in the case of services crossing borders only temporarily, the rules of the country of origin apply to the service provider, connected to an extensive ban on restrictions in the recipient country. Control and over-

4 The final directive L376/36 of 12.12.2006: [http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/l\\_376/l\\_37620061227en00360068.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/l_376/l_37620061227en00360068.pdf)

sight of the services provider depend on the country of origin. All unions in our sample opposed the country-of-origin principle, as they feared that this would lead to a “race to the bottom” in work, social, quality and environmental standards. In sum, we find a relatively clear and coherent position of European trade unions in the opposition to full-scale liberalization of the services markets along the lines of the original Bolkestein proposal.

## VI. Conclusion

There are a number of interesting findings concerning trade unions’ positions in our survey in the enlarged European Union of 27 member states. Obviously, as long as there are no similar perceptions of problems, the chances to achieve consensus about political measures are only marginal. If there is agreement on the general problem and different positions occur only at the level of measures, it should be much easier to reach an agreement. This exercise allows demonstrating the degree of consistency and preference formation among unions in the European Union. This again helps to approach our research question on the influence of the national welfare structures to explain similar and different positions of the respective trade unions.

We find relatively coherent and converging policy positions of European trade unions on general issues on an abstract level as well as on issues that either affect European workers in different countries similarly or on which trade unions have relatively low influence (e. g. monetary and fiscal policies). With regard to the ‘big issues’, trade unions were supportive of the pro-

motion of the social dialogue and the strengthening of the social dimension, but without being able to formulate more concrete proposals. In addition, the interview evidence shows that policy positions of unions are becoming more diverse when the level of abstractness goes down. Unions were also largely supportive of the general European macroeconomic framework (ECB, Stability and Growth Pact), but advocated reform. Finally, unions were united in the opposition against full-scale liberalization of the services market and the prevention of ruinous tax competition. However, it has to be noted that the unity of unions came about in opposition against proposals, not in favor of a constructive proposal to establish a common ESM.

Divergence of policy positions occurred on issues that are crucial to the unions’ day-to-day activities. We find evidence for the clustering of policy positions that reflects the respective position in the national welfare state and labor market arrangements. For example, in the realm of social policy we found only partial agreement on specific initiatives. While most unions agree to use the OMC to develop a stronger social dimension, there is no consensus on further measures. Positions on the minimum wage vary significantly and cluster along the five welfare types: Mediterranean and Eastern European unions support the introduction of a minimum wage, while especially Scandinavian unions oppose such a policy. Obviously, Scandinavian countries with their encompassing unions and universal welfare systems associate this idea with a deconstruction of their collective bargaining system.

Taxation is another consensual issue. Most unions think that minimum company taxation would be a de-

**Table 2: Trade unions’ positions on the European ESM**

	Fiscal policy	Monetary policy	Wage policy	Macro-economic coordination	Social policy		Tax competition	Service directive
<b>General perceptions</b>	<ul style="list-style-type: none"> <li>■ SGP necessary</li> <li>■ Reform of SGP-criteria</li> </ul>	<ul style="list-style-type: none"> <li>■ <i>ECB good job</i></li> </ul>	<ul style="list-style-type: none"> <li>■ <i>Coordination of wages</i></li> </ul>	<ul style="list-style-type: none"> <li>■ Macro-economic coordination</li> </ul>	<ul style="list-style-type: none"> <li>■ Stronger social dimension</li> </ul>	<ul style="list-style-type: none"> <li>■ No “social tourism”</li> <li>■ EU-Migration no problem</li> </ul>	<ul style="list-style-type: none"> <li>■ Tax competition</li> </ul>	<ul style="list-style-type: none"> <li>■ <i>Service directive</i></li> </ul>
<b>Policy proposals</b>	<ul style="list-style-type: none"> <li>■ Investments vs. consumption</li> </ul>	<ul style="list-style-type: none"> <li>■ ECB stronger focus on growth</li> </ul>	<ul style="list-style-type: none"> <li>■ <i>Minimum wage</i></li> </ul>	<ul style="list-style-type: none"> <li>■ <i>Coordination of wages</i></li> <li>■ <i>Coordination of employment policies</i></li> </ul>	<ul style="list-style-type: none"> <li>■ OMC for social policy</li> <li>■ <i>Single social model</i></li> <li>■ <i>Minimum wage</i></li> </ul>		<ul style="list-style-type: none"> <li>■ Minimum taxation</li> <li>■ Majority rule</li> <li>■ <i>Taxation competencies for Commission</i></li> </ul>	<ul style="list-style-type: none"> <li>■ Exclude social services from service directive</li> </ul>

Note: non-consensual positions are in italics

sirable reform option. There is also widespread agreement on a change to the majority rule in the Council of Ministers regarding taxation. However, enhancing the competencies of the Commission is not an option shared by a clear majority. Many unions explained their reluctance to such an option with a perceived neoliberal orientation of the current Commission and not with a general dislike for this proposal. In particular, the Scandinavian unions feared a downward adjustment of their national tax rates. The experiences in the different welfare worlds (including their related systems of industrial relations) with the Commission are quite diverse. While many EU-directives to unions in Mediterranean and transition countries were tantamount to an upgrading of standards, for Continental and especially Scandinavian unions, liberalization is associated with a threat to their institutional settings of corporate governance and industrial relations.

To sum up the results, there is a significant degree of consensus and agreement among European trade unions on key policy fields. However, there are also some important issues where national differences prevail and prevent a concerted strategy (see table 2 for an overview). And of course, one must admit that unions' representatives find it much easier to agree on policy areas wherein they have no say such as taxation.

Trade unions in Europe act under different national circumstances, they have varying resources, and the scope of influence is by no means identical. As those national settings could (and maybe even should) not be harmonized over night, a search for more differentiated measures might be a solution in some areas. However, there are also some issues – the macroeconomic coordination e.g. – where the disagreement already occurs on a very general level. Instead of bargaining over actual policy initiatives, a more fundamental exchange of views and positions could be the first step.

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