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Chapter 1

Introduction: contested terrain

In recent years, the term 'European social model' has acquired widespread currency. Although few have been prepared to spell out what they mean by the term, most would probably agree with Visser and Hemerijck (1997: 13-4), that it is predicated upon upholding fundamental principles in three particular policy domains. These are the right to work, including commitments to full employment and active employment policies; the right to social protection, involving encompassing basic social security cover for the non-working population; and the right to civilised standards in the workplace, covering issues of employment governance or regulation. Kittel (2002: 3), citing Ferrera et al (2000: 13), adds two further common traits: a relatively egalitarian wage and income distribution, which relates to all three domains, and a high degree of interest organisation on the part of employers and workers together with co-ordinated wage bargaining, which relates to the third. In each case, the above rights exist not just for the benefit of workers – they are the 'rules of the game, and like all such rules, they constrain in order to enable' (Marsden, 1999: 5).

It is with the third of these areas, commonly known as industrial relations, that this study is concerned. At its heart is the employment relationship and how it is regulated or governed. Both substantive and procedural issues are involved. The first covers the 'what' (for example, recruitment and selection arrangements, the grading system, the type of wage system and the level of wages, the working time arrangements, the training provisions, the disciplinary arrangements) and the second the ‘how’ (the extent to which the substantive issues are determined unilaterally by management or jointly in consultation and negotiation with workers and/or their representatives and/or are the result of legal regulation).

The intrinsic importance of employment governance hardly needs emphasising. Almost half the population of the EU is in some form of paid work or employment, around 168 million people (European Commission, 2002: 173), and is thus directly a party to an employment relationship. For these many millions, work is one of the biggest influences on life experience, with both individual dignity and the opportunity for personal development being involved as well as the material standard of life which the wages earned support. For policy makers, there is a wide range of political, social and economic implications. At EU-level, for example, industrial relations is seen as integral to pushing forward the ambitious strategy for economic and social modernisation launched at the 2000 Lisbon summit.

In practice, with the widespread shift of emphasis of macro-economic policy from the demand to the supply-side, it is industrial relations’ link with competitiveness that has tended to dominate policy discourse. In Bordogna and Cella’s words (1999: 25), industrial relations has become the ‘villain of the piece’, the European model being unfavourably compared to the US equivalent. At the risk of caricature, key features of the former are seen as an emphasis on employee rights introduced by collective bargaining and/or legal enactment, leading to security of employment and relatively high levels of wages and conditions. The downside, it is argued, is inflexibility, a lack of competitiveness and high levels of unemployment. The US model is deemed to be the opposite. There may be considerable insecurity, lower levels of wages and poorer working conditions for many, reflecting weak employee protection and 'hire-and – fire' practice. Management is much freer of the restrictions of collective bargaining and legal regulation, however, supposedly leading to greater flexibility, improved competitiveness and a much lower rate of unemployment than in Europe.

The study's specific focus is on the impact of European integration both on the institutions of industrial relations and their outcomes in terms of wages and working time. The progress of European integration has profound practical and policy implications for national systems of industrial relations and for the emerging EU-level framework. It also raises fundamental and challenging issues in theorising industrial relations. Above all, in highlighting the relationship between markets, states and institutions, it raises questions of the importance of the levels of analysis, the implications for institutional diversity and the nature and extent of the choice available to actors. Indeed, it is not going too far to suggest that it is one of the rare occasions in social science that come close to laboratory experiment.

Of particular interest is the connection between industrial relations and the nature and extent of markets. In a subject not noted for its 'laws', one of the propositions that comes pretty close, first enunciated by Commons (1909/1968) nearly a century ago, is that industrial relations systems follow the market. Accordingly, the development of Economic and Monetary Union (EMU) in particular has led to considerable reflection about the prospects for the 'Europeanisation' of industrial relations and the different forms this might take (Kauppinen, 1998; Sisson et al., 1999). Yet, it has also fuelled debate about the implications of increasingly globalised competition. Indeed, one issue is whether EMU is little more than a cipher for 'globalisation', reflecting the dominant neo-liberal, monetarist paradigm of a 'banker's Europe' (*The Guardian*, 2001: 28). From this has emerged an alternative scenario. Far from encouraging the development of a coherent European system, EMU might lead to the fragmentation and eventual 'Americanisation' of industrial relations, involving deregulation and marketisation, a reduction in social protection and the break-up of the dominant model of multi-employer bargaining (Martin, 1999).

This chapter has four main tasks. The first is to consider how commentators expect EMU to affect the context of industrial relations. The second is to elaborate the competing hypotheses about this impact. The third is to raise some wider considerations. The fourth is to set out the book's argument and outline its structure.

EMU and its implications – threats and opportunities?

The economic nature of the political project underlying the construction and enlargement of the EU is well established. EMU, broadly defined, is a process of economic integration which has evolved through two key stages. First, the programme – launched in 1985 - to create the single European market by the end of 1992. Second, monetary union involving, from 1999, the adoption of a single currency and the establishment of the European Central Bank with the authority to set a common interest rate. It is helpful to begin by distinguishing between the potential micro and macro implications of EMU for industrial relations. The first reflect the pressures of stronger competition and restructuring. The second result from the much-changed economic policy context that EMU entails.

More competition . . . and more restructuring?

The programme to create the single market was expressly aimed at promoting the rationalisation and restructuring of European industry, so as to enhance its competitive position in global markets. Further impetus was given by the dynamics of monetary union. Both encourage European companies to organise their production and their market servicing on a continental European basis, as Chapter 2 elaborates. Paradoxically, the dynamic is underlined by the extent to which international companies based outside Europe, concerned to consolidate their presence within a key global market, have also been players in the twin processes of restructuring and rationalisation within the EU (Ramsay, 1995). In addition, the European Commission has pursued industrial policies to facilitate the rationalisation and restructuring of particular industrial sectors, such as steel, and competition policies aimed at opening up previously closed markets to European-wide competition, as in energy, telecommunications and airlines.

Proponents and opponents of EMU alike agree that, as well the savings on transaction costs, the main benefits of monetary union potentially lie in the efficiency gains coming from elevating the single market from a 'formal to a real event' (Münchau, 1998). The single currency, it is argued, will be an important catalyst for change with competition being the keynote. In promoting the case for EMU, the European Commission juxtaposes arguments about the value a single monetary policy will bring in combating employment, in terms of low inflation and a stable macro-economic environment, with extolling EMU's virtues in encouraging greater efficiency and competition. The Euro, says the Commission (1998a: 12-3), will 'improve the transparency of trade, sharpen competition and enable customers to purchase goods at better prices and firms to become more competitive'.

The Commission (1998a: 13-14) also emphasises that 'The creation of a large Euro capital market in 1999 will radically alter financial markets for the benefit of firms and households through increased competition and improvement in the quality of service. … All economic agents will ultimately benefit from the availability of loans or borrowings in one or the same currency on a larger or more liquid market and under conditions of transparency, equality of access and cost that are similar to those that are prevailing for the US dollar'. The key advantage, stresses Cardani (1998: 118), is the reduction of the exchange rate risk, i.e. that investment in another market could be undermined by devaluation.

Extensive 'external' and 'internal' restructuring results as these developments reinforce the establishment of a single European market. The external takes the form of mergers and acquisitions, joint ventures and strategic alliances, as companies aim to establish and/or consolidate a presence across the single European market. The internal dimension represents significant re-organisation of operations in response to competitive challenges, which EMU intensifies. Both dimensions entail an increasingly significant cross-border element bringing additional implications for industrial relations.

A recurring theme is that a single capital market, driven by global stock market considerations, will accelerate changes in the dominant model of business organisation, boosting the significance of a so-called ‘super league’ of European multinational companies (MNCs) and in the process providing further impetus to competition (Martin (P.), 1998). Ownership is expected to become more internationalised as foreign direct investment both in the form of new operations and the buying of a significant stake in existing businesses increases. Further, it is anticipated that the ‘Anglo-Saxon’ model of corporate governance, in which shareholder value predominates, will threaten the ‘Rhine-land’ model, in which social considerations conjoin with economic ones, and the *Colbertist* model under which the state gives strategic direction and resources to enterprises.

Whilst single capital and product markets are progressively emerging, commentators largely concur that a single European labour market seems unlikely in the near future. As Obstfeld and Peri (1998: 243) point out, workers theoretically have full freedom of movement in post-Schengen Europe. But the factors limiting intra-national migration apply even more to international migration, where there are also the barriers of language and custom. Instead, as EMU cements the establishment of single capital and product markets, national labour markets have increasingly been set in competition with each other, with profound implications for industrial relations.

A much-changed economic policy context?

Much economic and industrial relations literature focuses on the possible implications of the much-changed economic policy context that EMU brings (Sisson et al., 1999). A first cause of concern is the perceived incomplete nature of EMU’s architecture.

EMU is seen as lacking some essential features of other currency unions, such as a common taxation policy and the fiscal resources to secure adjustment through transferring sizeable funds from one region (country) to another. Some would add a negligible social dimension. The Euro zone is not, in Mundell's (1961) terms, an 'optimum currency area'. This matters because in the face of an asymmetric shock affecting one part of the Euro zone some of the adjustment mechanisms found in existing currency zones are absent.

A second feature is the institutional arrangements of EMU. The 1991 Maastricht Treaty set out the timetable for the launch of a single currency by 1999. It also provided for the establishment of the European Central Bank, with responsibility for setting a single monetary policy across the member states joining the single currency. It is the definition of this responsibility that deserves emphasis. The ECB's remit is primarily concerned with price stability, and not also with economic growth. Moreover, its inflation target is asymmetric – unlike the case of the Bank of England - encouraging the ECB towards a monetary policy which under- rather than over-shoots the target. The arrangements agreed at Maastricht were subsequently augmented by the Stability and Growth Pact, which severely restricts the fiscal freedom of manoeuvre of individual governments. The Pact calls for fiscal positions to be balanced or in surplus in normal times so that automatic economic stabilisers can operate and establishes a 3 per cent ceiling for public deficits. It clarifies the conditions under which participants will be allowed to exceed the 3 per cent ceiling without it being determined an 'excessive' deficit and therefore in breach of its terms. Countries found to have an excessive deficit are to be subjected to sanctions, involving mandatory deposits that are transformed into fines if the fiscal excess is not eliminated within two years (Eichengreen and Wyplosz, 1998; 67-71).

In these circumstances, the over-riding concern is that EMU will not deliver a ‘dream’ but a ‘nightmare’ (Bouget, 1998); that the European Central Bank, in seeking to fulfil its remit to maintain price stability, might set an unduly restrictive monetary policy thereby triggering deflation. If so, the burden of the subsequent adjustment will fall on the labour market (wages and employment) and social protection systems. The same holds in the face of asymmetric shocks, given the absence under EMU of other adjustment mechanisms available in currency zones. Governments will have to squeeze public expenditure, including that on social protection, and employers and trade unions will come under pressure to agree real wage reductions and other measures to reduce labour costs in exchange for active intervention to sustain employment. The nightmare, evoked by Streeck’s (1992) term, is also of damaging ‘regime competition’ between member states.

‘Economic Europe’ as a means of promoting ‘social Europe

What has been described as the ‘fundamental asymmetry’ (Scharpf, 2002: 665) between the economic and social dimension of European integration has itself been the subject of controversy, underlining the contested nature of the terrain. Following Pakashlati (1998: 48-56), there are two main views. One sees the asymmetry as flowing from the essentially economic nature of European integration: the implication is that the social dimension is of secondary importance. The economic aspects were *de rigueur*, whereas the social were *au choix* (Atkinson, 1996: 297) or in Jacques Delors’s words (quoted in Venturini 1998: 115) ‘*L’Europe de la nécessité*’ rather than ‘*L’Europe de l’idéal*’.

A second view contends that economic integration is ‘deliberately underdeveloped’ (Pochet, 1998: 69). This explanation for the imbalance is couched in terms of the *importance* rather than *unimportance* of the social dimension. In a survey of perceptions of EMU amongst social partner representatives, leading economists and central bankers in France, Germany and the UK, Verdun (1996: 75) found that ‘all actors, including trade unions’ expected that fiscal and social policies would undergo a process of market-led harmonisation. For the monetary authorities and employers' organisations this was precisely what was attractive about EMU’s construction: it would be impossible as well as undesirable to regulate social policies at supranational level. To remain competitive, however, countries would have to restructure their domestic economies in order to get rid of inefficiencies in their national welfare states and labour markets. At best, therefore, ‘market making’ (economic Europe) has no necessary implication for ‘market correcting’ (social Europe) (Streeck, 1995: 40) and at worst is a means of unravelling the European social model.

So why, it might be asked, have trade unions tended to support the EMU project? Alongside interests in the economic benefits, Foden (1998) identifies two main considerations. One might be labelled ‘the Europeanisation of economic policy making’. Individually, Euro zone countries will find it difficult to take action to promote the expansion of their domestic economies to create jobs – Keynesianism is no longer possible in one country, whereas the prospects increase if Europe is taken as a single entity. The other lies in the possibility that EMU brings of exerting influence over the wider political agenda: ‘In essence, the ETUC has been a supporter of, and in part, an actor in, the strategy of building “economic Europe” as a means of promoting “political Europe”, and in particular, “social Europe”’ (Foden, 1998: 92). Pressures for a ‘social Europe’ arising from the restructuring at both micro and macro levels which EMU has unleashed, has enabled the ETUC to secure new social rights, such as those on employee information and consultation, which would not otherwise have been possible.

EMU and industrial relations – competing perspectives?

In considering the interactions between the convergent and divergent trends that European integration is promoting, Teague (1999: 12) talks in terms of 'no agreed theoretical framework'; 'the absence of robust theoretical foundations'; and 'a murky theoretical background that tends to produce analytical incompleteness, or at least arguments with loose ends'. The first statement is uncontestable. Further, much of the debate has been reduced to a choice between centralisation and decentralisation in which normative positions have become intertwined with analysis. For some, a vertically integrated system is essential to protecting the European social model, while for others the imperative is much-needed reform of existing national arrangements. The theoretical cupboard is not, however, quite as bare as Teague suggests. There are a number of threads which can be knit together. Some come from the theoretical perspectives used to understand European integration itself – for example, the concepts of ‘spill over’ from neo-functionalism and ‘isomorphism’ from new institutionalist analysis. Others herald from an earlier era – the logic of different levels of governance, for example. There are also three seemingly competing perspectives to be interrogated, that the impact of EMU on industrial relations will result in, respectively, ‘Europeanisation’ or ‘Americanisation’ or ‘re-nationalisation’.

EMU = 'Europeanisation'

The term 'Europeanisation' tends to be used in two ways. The first is to describe an end-state, which takes the form of a vertically integrated system equivalent to that which exists at national levels – the implicit benchmark being the 'Rhineland' or 'Nordic' models discussed in Chapter 2. The other is to describe a tendency or trend in which there is discernible movement with common policies leading to common outcomes achieved by common processes.

A case of 'declining domestic governability'

The grounds for thinking that EMU might create inexorable pressures for a system equivalent to those at national level stem from Commons' (1909/1968) proposition that industrial relations systems follow developments in the market. With European integration, though, it is the product market rather than the labour market that is important. The establishment of an integrated market for products and services has, as noted above, set industrial relations systems in competition with each other. At macro level regime competition is, in the eyes of some (Rhodes, 1998; Schulten, 2002), being intensified by national 'social pacts'. At micro-level, ongoing restructuring is pushing management and employees' representatives into new forms of 'productivity coalition' (Windolf, 1989) to reduce the organisation's costs and improve its capacities to meet changing market conditions, thereby giving competitive advantage over market rivals and, increasingly, other units within the same company.

For some commentators, it is axiomatic in these circumstances that industrial relations must be 'Europeanised':

> If the model of a socially controlled market economy is to be preserved, it will have to be Europeanised. Social policy must follow the market, which has now become denationalised (Jacobi, 1998:2).

Streeck and Vitols (1993: 2-3) provide a simplified account of the model of supranational institution building envisaged. In a first phase, EMU would lead to the creation of an integrated labour market requiring member states to allow cross-border mobility, with responsibility for enforcement given to supranational agencies. In a second, market integration would cause a steady increase in transnational activities, especially of MNCs, leading to 'declining domestic governability', i.e. a mismatch between an internationalised economy and nationally based institutions. In a third phase, governments and trade unions would resort to supranational agencies at EU level to close the 'governance gap' and bolster their 'sovereignty'.

> [The] continuing progress of economic integration; growing strength of supra-national institutions in charge of imposing compatibility and regulating competition and transnational actors; as well as increasingly successful, and federally encouraged, articulation of interests in equalisation of rules and living conditions, will set in motion a movement towards harmonisation of national regimes, resulting in less and less variation between national systems due to supra-national, federal creation of common standards or, at least, of a meaningful common floor. In this way, institutional changes that were originally meant to defend the sovereignty of national systems under interdependence are expected to result in a gradual conversion of national systems into sub-systems of a federal regime that more or less narrowly circumscribes their autonomy.

The argument is a variant of 'neo-functionalist' reasoning, in which social and political union are seen as ‘spill over’ effects of economic union. ‘Spill-over’ refers to a situation where 'policies made in carrying out an initial task and grant of power can be made real only if the task itself is expanded’ (Falkner, 1998: 8 citing Haas, 1964: 111). Falkner explains that several dimensions have developed over time.

- *functional spill-over*, in which action in one area begets action in another one due to the interdependence between sectors or issues;
- *political spill-over*, reflecting either shifts in political expectations and loyalties or to an increased decision capacity for the supranational level; and
- *geographical spill-over*, when ever more states want to join the integration area.

Partly as a result, the EU has developed a framework for a European industrial relations system. Chapter 4 establishes, however, that this does not amount to a vertically integrated system comparable to national ones. Indeed, the very concept has effectively been rejected with the triumph of the ‘subsidiarity’ principle embedded in the Maastricht Treaty, leaving many earlier proponents deeply disillusioned (e.g. Streeck, 1995; Keller: 2000; 2001).

A case of isomorphism?

The second way the term ‘Europeanisation’ is used is to describe a tendency or trend. We ourselves have referred to a twin process of ‘virtual’ collective bargaining, in which negotiations continue to take place through existing sector and company structures in individual countries but are increasingly influenced by cross-national developments (Marginson and Sisson, 1998). One of these is the conclusion of ‘framework agreements’ at EU cross-sector, sector and Euro-company levels establishing parameters and objectives within which negotiators at subsidiary levels in individual countries are incited or required to operate. The other, to use a phrase coined by Batstone (1978), is ‘arms length’ bargaining, in which employers and union representatives do not negotiate face to face at European level, but the outcomes are co-ordinated across countries.

Underpinning comes from new institutionalist analysis, in which sectors and the companies comprising them are seen as types of ‘organisational field’, with pressures to adopt similar or common solutions in the same situation. These derive from the two types of ‘isomorphism’ – ‘institutional’ and ‘competitive’ – proposed by DiMaggio and Powell (1983). Institutional isomorphism involves three essentially political, formal or informal, mechanisms: ‘coercive’ pressures placed on actors; ‘mimetic’, in which actors respond to uncertainty by copying others; and ‘normative’, associated with the professionalisation of practice. Applied to management, for example, in the first instance managers may find themselves constrained to adopt standard arrangements as a result of ‘coercive comparisons’ applied by corporate headquarters. In the second, managers may be encouraged to benchmark ‘best practice’ both to improve performance and legitimise the need for change. In the third, managers may feel expected to adopt those solutions that are incorporated into the prescriptions of consultancy and professional organisations, thereby attaining normative status.

The concepts can also be applied to trade unions and employee representatives. As Brown and Sisson (1975) contend, fairness plays a key role in shaping employee expectations and fairness depends on comparisons. Runciman’s (1966) three types of reference groups, ‘membership’, ‘comparative’ and ‘normative’, which are helpful in understanding the varying intensity of comparisons, bear a remarkable similarity to

DiMaggio and Powell's three types of institutional isomorphism. Furthermore, the term 'orbits of coercive comparison' was originally coined by Ross (1948) so as to emphasise the importance of institutions in wage determination.

The second type, 'competitive isomorphism', is informal and assumes a system of economic rationality presupposing market competition. As McWilliams (1992: 6) notes, within internationally integrated sectors and companies there will a tendency towards convergence in labour costs in the single European market even in the absence of labour mobility or any explicit co-ordination. This is because increased trade in goods will create pressures for the prices of inputs that go into their manufacture to equalise, while capital mobility will mean that investors can more easily invest/disinvest so as to produce goods in low/high labour cost countries.

There are two advantages in adopting the perspective of 'Europeanisation' as tendency. The first is analytical: it requires account to be taken of developments at several levels – not just the Community level or national systems, but also the sector and, most importantly, the company. Second, it offers a more realistic appreciation of the likely scenarios. 'Europeanisation' as tendency may not result in 'Europeanisation' as end point. It could co-exist with other possible tendencies of 'Americanisation' and/or 're-nationalisation'.

EMU = 'Americanisation'

The second perspective suggests that, far from encouraging the development of a coherent European system, EMU will lead to the 'Americanisation' of industrial relations, involving deregulation, the break-up of inclusive structure of multibargaining and the weakening of trade unions (Martin, 1999). Again, the term can be used to describe an end state or a tendency. Here the interest is in the different pathways that might be involved, reflecting the macro and micro distinction noted earlier

A restrictive macroeconomic policy encourages fragmentation?

At macro-level, one starting point is the highly restrictive economic policy regime that EMU's design institutionalises. The central thrust is that unemployment can only be reduced by supply-side changes, with the management of demand having little, if any, role to play. Indeed, suggests Martin (2001) in a nice touch of irony, EMU's policy regime is far more restrictive than its US counterpart. Whereas the Federal Reserve Bank is charged with maintaining price stability *and* growth, the ECB's remit is primarily concerned with price stability. Moreover, its asymmetric inflation target builds in a deflationary bias which is reinforced by the terms of the Stability and Growth Pact. This economic policy stance is a double source of pressure on the labour market. Indirectly, it keeps unemployment higher than it would otherwise be since, argues Martin, supply side reforms alone cannot significantly reduce unemployment – there has to be sufficient demand. Directly, it explicitly identifies changes in 'labour regimes', including industrial relations, along with other supply side measures as the only legitimate target of policy.

Amongst possible 'labour regime' changes, influential economic opinion directs its attention towards the sector-based, multi-employer structures of collective bargaining which characterise most of the pre-enlargement EU member states, hereafter the EU-15. Following Calmfors and Drifill (1988), the consensus has been that the relationship between wage-setting institutions and economic performance is non-linear or 'hump-shaped'. Both highly centralised and highly decentralised bargaining structures are held to outperform those intermediate between these two poles. Calmfors and Driffill cite the Nordic countries (at the time) and Japan and the US, respectively, as examples of the two extremes. Where bargaining is centralised, negotiators are said to take account of the wider economic consequences of their actions. Where it is fully decentralised to firm level, negotiators are held to take account of the impact of settelements on the firm's competitiveness. Either way, wage moderation and therefore low inflation is secured at lower levels of unemployment and higher rates of economic growth than in the intermediate cases. Under bargaining structures which are neither centralised nor fully decentralised, such as the sector-based systems common amongst the EU-15, the wider economic consequences of a decision by wage negotiators in any one sector to increase wages, in terms of higher costs and unemployment, are – it is argued - largely externalised to other sectors.

If the Calmfors and Driffill (1988) model were valid, the creation of the Euro zone transforms even those bargaining arrangements which are centralised at national level into the intermediate range (Martin, 1999). From the perspective of macro-economic performance, the result would be the worst of all possible worlds, leading to pressures for change in the direction of either centralisation or decentralisation. A centralised, European-level structure of collective bargaining seems, as noted above, unrealisable. Change towards full decentralisation appears more plausible, given the competitive dynamics of negative market integration which further augment extant employer pressure for movement in this direction (see below).

It is a big ‘if’, however, as the Calmfors-Driffill model has been the subject of substantial criticism. Soskice (1990) highlighted the confusion between centralisation and co-ordination. Once the cross-sector co-ordination which characterises many of western Europe’s sector-based bargaining structures is taken into account, the hump-shaped relationship breaks down and countries with co-ordinated bargaining arrangements appear to outperform those with unco-ordinated, decentralised structures. Subsequent criticism emphasised that the model neglects the role of other actors, notably the state and central banks (Iverson, 1999): the economic effects of bargaining are contingent on the monetary regime, which means there is no necessary relationship between bargaining structure and performance.

The most extensive critique comes from Traxler et al. (2001), who focus on the nature of the link between collective bargaining arrangements and economic performance as well as identifying the key institutional parameters of collective bargaining which impinge on any relationship. On the first, they persuasively establish that the key link is between collective bargaining and the immediate outcomes of labour and unit labour costs. Any impact on standard measures of macro-economic performance is mediated through this key link, and therefore more diffuse. On the second, they confirm that co-ordination rather than centralisation of collective bargaining is the key concept, but emphasise the importance of its *vertical* as well as *horizontal* dimension. A critical factor in securing wage moderation is the nature and extent of ‘bargaining governability’, i.e. the effectiveness of mechanisms of vertical co-ordination which ensure that lower levels comply with the terms of higher level agreements. This depends on the provisions for legal enforceability, notably extension arrangements, of collective agreements.

Their finding (Traxler et al., 2001: 253) that, during the 1990s, the links between the rate of increase in wages and unit labour costs and the co-ordination of collective bargaining broke down is also pertinent. The implication for present concerns is that insofar as different wage bargaining arrangements deliver functionally equivalent labour cost outcomes, the Calmfors-Driffill model becomes emptied of much of its prescriptive force.

Nationally based unions unable to limit competition?

A second set of reasons for thinking that European integration will lead to 'Americanisation' are to be found in the work of Reder and Ulman (1993). Their proposition is that 'union organisation or its span of control must be at least as broad as the product market. Otherwise, non-unionised firms would be able to sell goods for lower prices than unionised firms, resulting in loss of union jobs and declining membership' (p16). On the basis of US experience, they argue that the organisational decline of unions may occur under either of two conditions.

> 'First, when product markets become spatially extended or further integrated, *unless* (their emphasis) union organisation expands with the market, or union decision making becomes more centralised. Second, when organisation shrinks within existing market boundaries, *unless* (their emphasis) negotiated wage increases cause non-union workers to join unions or regulations or other arrangements bar non-union entry or operation' (Reder and Ulman, 1993: 16).

The ability of trade unions to take various terms of employment out of competition within national borders also depends on the framework of public policy. States can provide some protection against external competition by tariff and non-tariff barriers. Where there are floating exchange rates, they can also devalue the currency. Under EMU, however, national states which, could already no longer set tariff barriers become further deprived of their capacity to establish non-tariff ones and the possibility of devaluation disappears. The combined effects of EU economic integration therefore weaken considerably national trade unions' ability to influence terms of employment. The challenge they pose to trade unions throughout the EU is rather chilling:

> The elimination or attenuation of this power could beset European unions with the same dilemma US unions have faced: either to create more highly centralised structures able to cope with unified markets (as US unions were able to do in the nineteenth century and again in the 1930s) or, lacking that capability, to suffer decentralisation and organisational loss (as happened to US unions in the 1970s and 1980s under the impact of legal deregulation and intensified international competition) (Reder and Ulman, 1993:38).

Multi-employer bargaining loses its appeal?

A third pathway starts from the employers' perspective. As Chapter 2 establishes, a distinguishing feature of industrial relations in western Europe has been the prevalence of multi-employer structures of collective bargaining. In recent years, however, for large employers in particular the advantages of multi-employer as compared to single-employer bargaining have been declining for reasons which are elaborated in Chapter 6 (Katz, 1993; Marginson and Sisson, 1996). As a result of the changing economic and political context, many of the benefits which management traditionally perceived multi-employer bargaining to have offered no longer appear as persuasive. Management feels less need of the protection from trade union pressure to shape the wage-effort bargain within the workplace. At the same time, the pressure not to increase costs has increased significantly as competition intensifies. Furthermore, the opening up of international markets means that, for many medium as well as large employers, multi-employer bargaining within the nation state no longer provides a floor taking labour costs out of competition. The result has been growing pressure for decentralisation towards company level, either within the framework of multi-employer agreements or by abandoning them in favour of single-employer arrangements.

EMU intensifies these pressures on multi-employer agreements, raising further doubts about their long-term viability. Considered in depth in Chapters 6 and 7, two particular challenges are evident. The first concerns the further pressure towards decentralisation prompted by the need to handle ongoing restructuring and the consequent re-orientation of the bargaining agenda towards questions of competitiveness, adaptability and employment. The second, is that by internationalising the scope of the product market, EMU further undermines the role of multi-employer bargaining at national level in taking wages out of competition within the relevant market. The balance of advantage has shifted further away from multi-employer bargaining as EMU has progressed. As Chapters 6 and 7 show, it is primarily the support that some countries' legal framework gives to multi-employer bargaining, together with continuing strength of trade union organisation in key sectors in some countries, that is the prime consideration in its persistence.

EMU = re-nationalisation?

A third possibility is that the dominant direction of change in response to EMU may be toward neither 'Europeanisation' nor 'Americanisation'. Rather there will be a tendency to seek to reinforce national systems. 'Rather than being eroded by competitive forces intensified by the move to a single currency … national industrial relations institutions might be reinvigorated to cope with those competitive forces' (Martin,1999: 26).

At first sight, the claim that integration strengthens the nation state appears paradoxical. Yet, as Rosamond (2000: 136-40) concludes, there is considerable support for the idea among political scientists. One line of argument is that national policy makers exploit international agencies to help resolve their domestic problems (Moravcsik, 1993), but remain controlling agents interested only in degrees of integration. Another is that, far from leading to a demand for supranational development, the integration process reinforces existing national institutions, reflecting the so-called 'joint decision trap' (Scharpf, 1988) whereby once a joint decision-making competence is established retreat or reverse becomes impossible. Faced with common problems and yet the difficulties of reaching common agreement, in other words, there is a tendency to fall back on 'familiar and predictable national institutions' (Streeck, 1999: 5), making supranational solutions even more difficult to achieve.

Recent developments in several of the EU-15 offer some support. Accompanying the decentralisation of collective bargaining towards company level, there has also been 're-centralisation' expressed in the negotiation of so-called 'social pacts' by governments, employers' organisations and trade unions at national level. These aim to secure adaption to the new competitive and fiscal pressures arising under EMU. Involving wage moderation, they include also measures introducing greater labour market flexibility and reform of social protection systems. Complicating matters, however, as Chapter 5 discusses, is that the negotiation of 'social pacts' admits of two interpretations. The dominant view is to see them as a form of 'competitive corporatism' (Rhodes, 1998; Schulten, 2002) in which government, employers' organisations and trade unions are being driven to pursue a national 'beggar-thy-neighbour' logic aimed at achieving competitive advantage at the expense of other EU countries. Yet, if 're-nationalisation' simply reflects a 'beggar-thy-neighbour' logic, implies Martin (1999: 28), it is hardly sustainable. A vicious circle of 'competitive internal depreciations or labour cost dumping' is likely to give way to a 'processes of decentralisation and fragmentation' leading to 'Americanisation'.

The alternative view is to see 'social pacts' as involving both 're-nationalisation' *and* 'Europeanisation' (Goetschy, 2000; Dølvik, 2001). As Chapter 5 shows, there is remarkable similarity in the negotiating processes, agenda and outcomes of the social pacts concluded by distinct sets of national actors across several countries. They seem to be a prime example of 'mimetic' isomorphism' or, in Teague's (2001: 23) more accessible terms, 'Europe learning from Europe'. For this reason, and since national level co-ordination might be regarded as a prerequisite of any EU-wide co-ordination, Dølvik contends that they can also be viewed as a form of 'regime collaboration' rather than 'regime competition'.

A further complication is that whilst 're-nationalisation' seemingly accommodates the macro pressures flowing from EMU, it does nothing to address the micro-level pressures stimulated by the intensified competition and restructuring which EMU also unleashes. Hence it is also likely to be accompanied by the decentralisation pressures towards company level outlined above. The role of crucial sector level, which links the central (cross-sector) to the company level, is threatened with corrosion from above as well as below. 'Social pacts', in other words, are taking authority away from sector negotiators precisely at the same time as they are under growing pressure to devolve more responsibility to company level in the interest of flexibility. As end-state, re-nationalisation represents a potentially unstable accommodation, as tendency it entails multiple dynamics which are taken up in Chapters 5 and 6.

Wider considerations

The impact of European integration raises wider issues which are the subject of continuing controversy across social science. Of particular relevance to our arguments are debates around three: convergence and divergence, the relationship between 'globalisation' and 'Europeanisation' and the nature and extent of the choice available to actors. Our approach to each needs to be made explicit if the book's argument is to be fully appreciated.

*Convergence **and** diversity?*

A recurring theme in comparative industrial relations analysis is the balance between institutional similarities and differences - whether countries develop a set of common features, resulting from the impact of economic forces, or whether they are characterised by essentially idiosyncratic arrangements, reflecting different historical development, patterns of industrialisation and business systems. Earlier work, associated with Kerr et al (1960), tended to be concerned with the similarities. The main drivers of convergence were held to be markets and technology leading to one ‘best’ way of doing things. In industrial relations, the presumption was of convergence towards the American model, based on internal labour markets and company-based collective contracts. The second view, generally seen as a form of ‘societal contingency’ but also termed the ‘diversity approach’ (Teague, 1999: 8), grew up in opposition, motivated by concerns with the determinism of the convergence approach. One variant is the ‘societal approach’ of Maurice et al. (1986): here national differences result from the structural interdependencies peculiar to each society, involving interactions between the training, production and industrial relations systems. The other is the ‘national business systems’ approach, which argues that persistent differences in capitalist organisation reflect distinctive national development paths (Lane, 1989; Whitley, 1992). Both variants share the view that institutions are generated by the interaction of social actors at critical historical junctures and persist over time, creating ‘path dependency’.

Most recently, the so-called ‘dual’ or ‘co-convergence’ thesis has become prominent (Hall and Soskice, 2001), reflecting Strange's (1997: 183) stinging criticism that most comparative work in the social sciences was 'misnamed; they do not compare nearly as much as they contrast'. Under the dual convergence approach, analysis is at the level of clusters or varieties of national models as well as cross-country. Hall and Soskice distinguish two main types of regime: *liberal market economies* and *co-ordinated market economies*, with convergence within each type being accompanied by divergence between them. One implication, recalling debate around the connections between bargaining structure and economic performance, is that there might be functionally equivalent modes of (capitalist) societal organisation capable of delivering similar outcomes in terms of economic performance. Another is that alternative forms of societal organisation deliver qualitatively different economic outcomes, but in a manner which is mutually complementary within a broader international division of labour.

Traxler (2003) arrives at a not dissimilar position. His main thesis is that the 'way in which industrial relations systems accommodate to external changes is self-referential in that the prevalent bargaining mode and its interaction with procedural state regulation guide the direction of adaption by defining the possibilities for renewing the compromise between capital and labour under changed conditions' (p141) Path dependency, rather than convergence, is the dominant force. On this basis, a fundamental distinction is to be drawn between the countries with multi-employer bargaining and legal frameworks supportive of collective bargaining (which roughly correspond with *co-ordinated market economies*) and those with single-employer bargaining and less supportive frameworks (which fit the *liberal market economy* category).

Much depends on the focus and the level of analysis. Concerning focus, Hay (2000) argues that most commentators fail to distinguish between four senses in which the term convergence can be used: convergence in the pressures and constraints placed upon a particular economy (*input convergence*); convergence in policies or the paradigms informing policies (*policy convergence*); convergence in the consequences, outcomes and effects (*output convergence*); and convergence in the processes sustaining developmental trajectories (*process convergence*). 'What is perhaps most significant about such a series of distinctions is that input convergence need not imply policy convergence; policy convergence need not imply output convergence; and output convergence need not imply process convergence … (Hay, 2000: 514). Translated into our domain, *input* convergence in the macroeconomic sphere under EMU may, but not necessarily will, have an impact in three main areas: on *policy,* of governments and also trade unions and employers' organisations; on *outcomes* (for example, wage increases and levels); and on the *processes* by which these outcomes are achieved (for instance, legal enactment, collective bargaining and the different forms of co-ordination). Conceivably, European integration could lead to similar policies and outcomes across countries even in the absence of significant changes in processes. There could also be similar developments in processes with little change in formal organisations and institutions.

The level of analysis is especially important. Much comparative industrial relations analysis is 'top down' in its approach. There is a strong tendency to focus on national level institutions and processes at the expense of arrangements at sector and company levels. Yet the cross-national diversity so evident at national level can hide significant similarities at sector and company level, reflecting the need to confront common problems as Dunlop (1958: 20) argued nearly half of century ago. In their study of the automotive and telecommunications sectors, Katz and Darbishire (2000) show how convergence is occurring amongst the major companies across different countries, around a limited repertoire of models of business structure, product strategy, production organisation and working practice within each sector. Such convergence processes extend to inter-firm relations cross-cutting national boundaries. These may not necessarily result in identical arrangements from unit to unit, let alone country to country. Nonetheless, the outcomes are more similar because of these pressures, resulting in what Katz and Darbishire call 'converging divergencies'. Since industrial relations systems reflect the articulation between developments at the macro, meso and micro levels, a 'bottom-up' perspective is as essential as a 'top-down' one if the dynamics of change are to be understood.

Combining a 'bottom-up' with a 'top-down' perspective enables the relative importance of the different levels to be explored and the analytical premise of the diversity approach, 'that many of the most important institutional structures … depend on the presence of regulatory regimes that are the preserve to the nation-state' (Hall and Sockice, 2001: 4), to be interrogated. Reviewing the outcome of a set of comparative sector studies, Hollingsworth and Streeck (1994) conclude that whilst important sector and country differences in broader regimes of economic governance are both evident, the latter clearly dominate the former. Whether the second part of their conclusion still holds good is a question of central relevance to this study. Furthemore, adding a 'bottom-up' perspective opens up a richer set of possible trajectories. It becomes plausible to think in terms of a range, rather than competing alternatives. Depending on the features of particular countries, sectors and companies, differing combinations of 'Europeanisation', 'Americanisation' and 're-nationalisation' are possible. The tendency towards 'Europeanisation' might be 'multi-speed' reflecting differences between sectors, variations between companies within any given sector and sub-regional differences between groups of countries within Europe.

The strand of comparative analysis which the book aims to extend underlines the *interdependency* inherent to the processes of convergence and divergence (Katz and Darbishire, 2000; Locke, 1995; MacDuffie, 1995), reflecting differences in the speed, form and spatial 'reach' of developments at the various levels. It is not a question of convergence *or* diversity, but of both convergence *and* diversity. Growing international integration may prompt convergent developments within sectors, and in particular within MNCs, *across* national systems, which may result in increased diversity between sectors and companies *within* national systems. Surveying developments across seventeen European countries in the 1990s, Ferner and Hyman (1998) conclude that: '… the (somewhat paradoxical) picture that emerges is one of increasing diversity within national systems but of increasing convergence between them' (xiv).

'Globalisation' or 'Europeanisation' ?

The second consideration involves the relationship between 'globalisation' and 'Europeanisation'. The belief that globalisation is the most important driver of structural and economic change is a given for many in the convergence-divergence debate. Accordingly, processes of regional economic integration are mere ciphers for the wider phenomenon. Much, however, depends on how the terms globalisation and regionalisation are understood (Hay, 2000: 522-3):

> If, for instance, globalisation is merely taken to connote the emergence, development and deepening of processes which transcend the national … then globalisation and regionalisation might be seen as synonymous, or at least as mutually reinforcing. If, on the other hand, … economic globalisation is taken to refer to a genuinely global (and not merely selectively transnational)

condition of (economic) integration between formerly national economies then regionalisation and globalisation are likely to be seen as opposed …

Similar to the alternative meanings of 'Europeanisation' introduced above, Hay goes on to note that there are differences too between those who regard globalisation as an end point, ie as a condition of economic integration, and those who view it as a process. Under the second view there are again differences as to whether globalisation as process is undermining or augmenting regionalisation. The relationship between globalisation and Europeanisation, Hay (2000: 524) concludes, is best considered a contingent one, open to empirical investigation.

Useful also is to distinguish trends that are integral to economic globalisation from those which may be global in incidence (Safarti, 2001). Treated as process, economic globalisation comprises five main developments. The removal of trade barriers and the consequent expansion of international markets for products; the spatial extension of international competition as new market economies, such as China and central and eastern Europe, emerge; the sectoral extension of international competition as, through market deregulation, privatisation and/or marketisation economic activities previously conducted within national boundaries and/or on a non-market basis are opened up; the liberalisation of financial markets and the development of a world-wide capital market; and the internationalisation of production and market servicing through the operations of MNCs that the other developments have encouraged.

The main instances of the second type of global trend are three-fold (Sisson, 2001). First, the new technologies and revolution in information processing facilities made possible by the microchip and associated software developments, which are leading to the creation of new economic activity and affecting the way operations are performed and products delivered in existing activities. Second, is the inexorable rise of the service sector, a trend which is universal amongst the industrialised economies. Both developments are changing the face of the labour market, with significant implications for the occupational and gender composition of the workforce, the nature of employment contracts and trade union membership (Dølvik, 2001). Many of the emerging new economic and service activities are also outwith the established structures of collective bargaining. Third are demographic changes, which also primarily affect the industrialised countries. Key trends affecting the labour market are low birth rates and a decline in the working life – reflecting a fall in youth participation rates and an increase in the proportion of older workers withdrawing from the workforce before official retirement age.

Important though these developments are, there are strong grounds for focusing on the impact of the 'regionalisation' that European integration is bringing about. As Chapter 2 argues, it is a 'Triad' of regional economies, comprising Europe, north America and Japan and its economic dependencies, that is emerging rather than a single, undifferentiated international economy. MNCs display a distinct and differentiable European dimension in their management structures and international organisation of production. Moreover, the structures and institutions of the EU are creating a political, social and economic space whose character and dynamic are distinctive when set against wider, global, developments or those in other regions (Hay, 2000; 2002). These structures and institutions are having a significant mediating influence on the changes associated with the globalisation processes and the global trends identified above. More specifically, many policy makers see European integration as offering new opportunities to deal with the multiple challenges confronting existing industrial relations systems. This helps explain why the EU has developed a social policy competence that includes a European industrial relations framework. From 'bottom-up' the activities of MNCs and responses from trade unions are generating common developments in industrial relations processes and practices which transcend national borders, at both company and sector levels. These in turn are encouraging a process of 'multi-speed Europeanisation', in which differences in the pace, form and spatial reach of developments are bringing about the convergence *and* divergence discussed above.

Structure and agency

A third consideration that European integration raises is the nature and extent of choice available to policy makers and practitioners. Convergence tends to be associated with determinism and diversity with choice. In practice, however, there is a strong element of determinism involved in both. In the first, the source of the determinism is markets and technology : the 'natural selection of market forces' (Traxler et al., 2001: 5) leads to one 'best' way of doing things. In the second, it is 'path-dependency' whereby past decisions set actors on a particular course and give some a particular position of privilege and strength to block change. In discussing the importance of existing arrangements for social protection, for example, Scharpf (2000: 224) talks in terms of the 'path-dependent constraints of existing policy legacies' and the 'institutional constraints of existing veto positions'.

Two main strands of theorising about 'institutionalism' bear on the determinism associated with 'path dependency': 'rational-choice' and 'sociological' (Scharpf, 2002). In the first, institutional rules are understood as ‘external constraints and incentives structuring the purposeful choices of self-interested rational actors’. Actors are assumed to have standardised and stable preferences defined by their personal or organisational self-interest. They are also assumed to be rational: their perceptions can be taken to be correct representations of the objective situation and; they have sufficient cognitive capabilities to identify the consequences of available options for their self-interest. Scharpf quotes Tsebelis (1999a: 4) to emphasise the outcome: ‘Since institutions determine the choices of actors, the sequence of moves, as well as the information they control, different institutional structures will produce different strategies of the actors, and different outcomes of their interactions.’ Under ‘sociological institutionalism’, by contrast, ‘institutions are defined very broadly, so as to include not only externally imposed and sanctioned rules, but also unquestioned routines and standard operating procedures and, more importantly, socially constructed and culturally taken-for-granted world views and shared normative notions of ‘appropriateness’. The implication is that ‘institutions will define not only what actors can do, but also their perceptions and preferences - and thus what they will want to do’ (Scharpf, 2002: 5).

‘Path dependency’ does not necessarily imply an 'iron cage', however (Marsden, 1999: 27). The key to understanding how change takes place, suggests Scharpf (2002: 5), is to ‘treat actor orientations (i.e., their preferences and perceptions) as a theoretically distinct category - influenced, but not determined by the institutional framework within which interactions occur’. Using such an ‘actor-centred’ institutionalist approach, Visser and Hemerijck’s (1997) analysis of the transformation of Dutch labour market management shows how actors are able to adapt and change notwithstanding the constraints of path dependency. They highlight the role of three contributory processes. In the first, ‘patching up’, additional rules and procedures are grafted onto existing institutions and processes. In the second, ‘transposition’, institutions established for a particular purpose are put to different uses. The third involves the processes of social learning: they emphasise the role of the Netherlands’ social dialogue arrangements, which oblige the participants ‘to explain, give reasons for and take responsibility for their decisions and strategies to each other and the rank and file, but at times also with respect to the public at large’ (Visser and Hemerijck, 1997: 67). Crucial in breaking with the constraints of the past is that the actors have been required to redefine their strategies in a ‘public regarding way’.

Multi-level governance in the making?

Summarising the book’s main argument, although there has been much debate about the impact of European integration on industrial relations, there has been a less than objective appreciation of the governance arrangements actually emerging. A vertically integrated European system of industrial relations similar to those at national level has not emerged nor does it appear likely. Meanwhile, although EMU has increasingly set industrial relations systems in competition with each other, at the national, the sector and the company levels, the dominant pattern of multi-employer bargaining remains largely intact. Indeed, there has apparently been little change in the formal institutions of national systems. Even so, there have been significant ‘Europeanising’ developments at each of the main levels; Community or cross-sector, sector and Euro-company, with noticeable effects on national systems. Overall, it is difficult to disagree with the conclusion of Social Affairs Commissioner Diamantopoulou: it is something of a ‘caricature’ to see things in terms of the ‘two extremes of social union versus a completely deregulated free-for-all’ (Financial Times, 18 February 2000). Just as a ‘multi-level system of governance’ is the most appropriate metaphor for the emerging EU polity, so too is it for European industrial relations.

Like the multi-level governance system of the EU polity, this multi-level industrial relations framework reflects a history of informal and gradual development as well as deliberate institution building. It has developed, and continues to develop, relatively autonomously rather than by design, as a range of actors seek to exploit the available means to grapple with the implications of the ‘regime competition’ that EMU is promoting. It cannot simply be defined in hierarchical terms, with a Community level added on top of national systems and decisions cascading down. Developments have been ‘bottom-up’ as well as ‘top down’; cross-national (horizontal) influences mix with national (vertical) ones and involve the EU sector and Euro-company levels as well as the community level. There is a great deal of ‘hybridisation’ and ‘cross-fertilisation’.

A multi-level system of industrial relations is more than a descriptive metaphor, however. The emerging system is, in formal terms, an intervening as well as dependent variable, making it possible to draw conclusions of wider analytical importance. European integration is a *cause* of the multi-level framework in as much as it is contributing to the collective action problem that policy makers and practitioners have to deal with. Application of the ‘subsidiarity’ principle is a common response, leading to both further decentralisation and new forms of centralisation within national systems. The *effects* of the system’s evolving patterns of regulation, 'policy networks' and opportunities for mutual learning are evident not just in changes in the levels of governance, but also its scope, form and output. The supranational nature of the EU is also encouraging the development of a cross-border dimension at the cross-sector, sector and above all company levels. In bringing about a measure of convergence *within* companies and sectors *between* national systems, the multi-level framework is simultaneously promoting greater diversity *between* companies and sectors *within* national systems.

The drivers of these developments are not only the so-called traditional methods of legal enactment and collective bargaining, but increasingly also newer regulatory processes. These include the co-ordination and benchmarking which are integral to the ‘open method of co-ordination’ (OMC). The result is a shift in regulatory output from ‘hard’ to ‘soft’ forms. Also important are the informal processes associated with ‘coercive’, ‘mimetic’, ‘normative’ and ‘competitive’ ‘isomorphism’ (DiMaggio and Powell, 1983).

Like the EU polity’s multi-level governance system, the trajectory of the multi-level industrial relations framework is uncertain. It is by definition a system 'in the making' and there is no pre-assumed end point for developments. Talk of ‘betweenness’ is also misplaced. Just as the EU cannot be placed on a continuum between ‘loose inter-governmentalism’ and the 'superstate' (Rosamond 2000: 176), so too it would be wrong to situate the industrial relations framework between ‘Europeanisation’ and ‘Americanisation’. Complexity, uncertainty and instability look set to be the defining characteristics for the foreseeable future, with considerable scope for policy makers and practitioners to exert influence on future directions. Amongst the more imponderable ingredients is the impact of EU enlargement. It could mean more of the same or, if central eastern Europe should prove to be the 'trojan horse' for Americanisation (Meardi, 2002), an unravelling of the multi-level balance.

The rest of the book explains how these conclusions are arrived at, highlighting both the causes and effects of the multi-level framework that European integration is bringing about. Chapter 2 puts the issues in their wider context; it draws attention to the increasing inter-connection of European economies, emphasises the importance of the EU's political dimension and outlines the main features and variants of the national industrial relations systems that constitute a key dimension of the European social model. Chapter 3 introduces and clarifies developments in the main processes of industrial relations underpinning the development of multi-level governance. Chapter 4 considers developments at the EU Community and sector levels. The aim is to understand why there have been considerable moves in the direction of 'Europeanisation', even though a vertically integrated system has not emerged. The following three chapters are concerned with developments within national systems. Chapter 5 examines the development of national level concertation and the conclusion of 'social pacts'. Chapter 6 addresses the nature and extent of the changes being made to sector agreements in the light of the many challenges they face. To illustrate in greater depth, Chapter 7 reviews the changing relationship between sector and company bargaining in two sectors, metalworking and banking, and four countries, Belgium, Germany, Italy and the UK. Chapter 8 focuses on the MNCs that are the source of many of the pressures for Europeanisation from 'bottom-up'. Chapters 9 and 10 deal with outcomes in terms of wages and working time. Chapter 11 reviews the study's findings and Chapter 12 explores their main implications. The research base on which the book draws, embracing a series of projects undertaken by the authors culminating in a study funded under ESRC's 'One Europe or Several?' programme, is summarised in the Appendix.