

Middlesex University Research Repository

An open access repository of

Middlesex University research

<http://eprints.mdx.ac.uk>

Croucher, Richard (2016) Employment relations in europe. In: International Human Resource Management: contemporary human resource issues in Europe. Dickmann, Michael, Brewster, Chris and Sparrow, Paul, eds. Routledge, pp. 262-281. ISBN 9781138776029

Final accepted version (with author's formatting)

This version is available at: <http://eprints.mdx.ac.uk/20223/>

Copyright:

Middlesex University Research Repository makes the University's research available electronically.

Copyright and moral rights to this work are retained by the author and/or other copyright owners unless otherwise stated. The work is supplied on the understanding that any use for commercial gain is strictly forbidden. A copy may be downloaded for personal, non-commercial, research or study without prior permission and without charge.

Works, including theses and research projects, may not be reproduced in any format or medium, or extensive quotations taken from them, or their content changed in any way, without first obtaining permission in writing from the copyright holder(s). They may not be sold or exploited commercially in any format or medium without the prior written permission of the copyright holder(s).

Full bibliographic details must be given when referring to, or quoting from full items including the author's name, the title of the work, publication details where relevant (place, publisher, date), pagination, and for theses or dissertations the awarding institution, the degree type awarded, and the date of the award.

If you believe that any material held in the repository infringes copyright law, please contact the Repository Team at Middlesex University via the following email address:

eprints@mdx.ac.uk

The item will be removed from the repository while any claim is being investigated.

See also repository copyright: re-use policy: <http://eprints.mdx.ac.uk/policies.html#copy>

Employment Relations in Europe

Richard Croucher

Introduction

In this chapter, we take as our starting point Chris Brewster's argument first put in 1995 that Europe presented a very different institutional environment for HRM from the USA and ask how far it still holds good two decades later.

Brewster's argument was that HRM would necessarily take a different form in Europe because the institutional environment was very different from the USA where the HRM approach originated. Managers were not as free to develop and apply HRM in Europe because they had less space to do so. Norms, laws and institutions of collective employee voice (mainly trade unions and works councils) meshed together to constrain managers, but also provided them with distinctive opportunities to shape relations with employees.

We conceptualise collective 'employment relations' in a way that is compatible with his argument. The term implies above all a (power) relationship and we define it here as the joint regulation of employment between management and employee representative bodies. Even the strongest jointly-regulated national systems of employment relations in Europe are best seen as a set of options for

managers and employees to negotiate the employment relationship's terms.

These options are taken in webs of interlocking legal, institutional, normative and circumstances. Managers may prefer options that allow them more freedom to take decisions and they and their companies have sought greater autonomy, but choosing these can also incur costs arising from employee opposition or demotivation if the latter find them unacceptable. If the costs appear likely to be too high, managers are likely to avoid them.

'Employee representative bodies' essentially means trade unions (one term for a very wide range of representative bodies) representing their members and works councils who represent all employees (again, in very different ways in different workplaces). Throughout, we are concerned with the question of how far managerial prerogative, that is the capacity of managers to decide matters unilaterally and without any element of joint regulation, has increased across our period. The extent of joint regulation in Europe appeared rather surprising to some American commentators in the 1990s. In 1990, German co-determination seemed to a US-based researcher to be a 'highly-evolved instrument of industrial democracy' (Havlovic, 1990), an assessment that might have seemed rather over-optimistic to some of those directly involved in it even when it was written and probably even more so today.

When Brewster referred to 'Europe', he meant the European Union which then essentially comprised the countries of Western and Northern Europe. In 1995, the 'post-Soviet' countries had only just begun their economic 'transition'. Moreover, trade links between Western and East European countries geographically defined were much less well-developed than they are today. Despite recent assertions that a 'new Cold War' has begun, and without denying the great importance of recent developments in the Ukraine, these economic links are now much better developed than in 1995. In 1995, it was hard to imagine the domination of the Russian food and drinks market by foreign companies.

We define Europe geographically and we therefore pay some attention to employment relations in the countries of Eastern Europe. We include the huge area between the edge of the EU and the Urals: Belarus, Russia, Ukraine and Moldova which we designate the BRUM countries. These countries developed links with Western industry even in Soviet times and in recent years, West European investments in Russia have grown still further (Russian Federation Statistical Service 2013). There are many industrial links spanning a wide range of industries and countries. Western car companies use Russian manufacturing facilities and the food industry in Russia is dominated by Western MNCs (Mihalev, 2012; Nestle, 2014). The cases of Ukraine and

Moldova are rather different; in clothing (Moldova) and manufacturing (Ukraine), local companies supply finished and part-finished goods to Italian and German firms respectively while several other local industries also have strong links to the West (Ursu, 2013; Ukrstat 2014). In the ex-Soviet manufacturing heartland of Belarus, Austrian companies have also made direct investments but here too the Netherlands, UK and Germany are significant direct investors (Belstat, 2013; Manenok, 2013). Thus, this huge area is directly linked to the EU's industrial centres both through considerable FDI and by organic manufacturing ties. It provides an institutionally distinctive and much less employee-friendly model of employment relations that has become well-known to many West European companies over. Productivity in these countries is similar to that in Eastern Europe but earnings are far lower (Piketty, 2014). Many millions of migrants from BRUM countries work in the West and carry with them distinctive norms concerning the employment relationship, heightening Westerners' awareness of huge disparities in earnings and employment norms.

The chapter is structured as follows. We begin with a sketch of the situation in 1995, and proceed by examining the evolution of national-level institutions across subsequent decades. Next, we examine collective bargaining and social pacts at national level, following this with an assessment of the evolution of European-level institutions. Finally, we briefly make a broad estimate of what

all of this meant for employment relations and especially management prerogative at workplace level.

European employment relations in 1995

In 1995, systems of collective employee representation were legally embedded at international (EU), national, regional and company levels. The main institutions were trade unions which in many West European countries were and are involved in multi-employer negotiations about pay and terms and conditions more widely. These often worked in tandem with works councils, workplace-based bodies with rights to receive information, consult with management and ‘co-determine’ certain issues (meaning that management must have works councillors’ agreement before making changes). These organisations continue to operate, but generally speaking not in quite the same ways as in 1995 (Arrowsmith and Puglignano,2014).

In its ‘ideal type’, European employment relations took the following form. At the EU level, trade unions (or ‘social partners’) had a role in the European Union’s structures where they could at least theoretically exert some political influence. At national level, similar arrangements also existed and these extended to some important areas of joint regulation such as training in Germany. Collective bargaining on pay and conditions was conducted in large

companies and the public sector at either industry or company level. Within companies, employee representatives were elected to supervisory boards and works councils exercising their co-determination rights.

However, in Europe defined geographically this was only one of two systems. In 'post-Socialist' Europe, in the countries soon to join the European Union as 'accession countries' and also in the BRUM nations very different systems existed. In all of these countries, the employment relations situation was strongly marked by the Communist legacy. The legal frameworks remained essentially those of soviet times, with strong labour codes which were only weakly observed while trade union structures and practices remained essentially those of Soviet times. Privatisation had made limited progress, works councils did not exist and the majority 'official' (government-approved) unions were enterprise-level bodies with welfare and workforce-disciplining rather than bargaining functions. A small group of 'independent' unions had begun to emerge in some countries but these remained an embattled minority restricted to a few industries and with limited influence throughout our period. Through their national-level federations the official unions were involved in tripartite arrangements dubbed in Russia 'social partnership'. These arrangements were typical of Eastern Europe where elites used Tripartism to ease the transition. It was a form according to David Ost (2000) of 'illusory corporatism' which integrated labour in the seismic changes then occurring in industry and society

without giving any substantial benefits to labour. They were marked by token negotiation, non-binding agreements and exclusion of the private sector.

Under 'socialist' regimes, managerial prerogative, subject not only to state but also to considerable informal worker challenge in large workplaces, was beginning to increase as systemic change and massive industrial disruption destroyed the bases of worker power (Morrison et al., 2012). In the countries of Eastern Europe that were soon to join the EU, links developed with the EU unions through intensive training programmes which meant that although still marked by their history they gradually became broadly similar to their EU counterparts (Croucher and Rizov, 2012). This was far from the case in the BRUM countries, where unions remained locked into their previous ossified structures and modes of operation.

Thus, throughout the countries of Eastern Europe, a very different version of the 'European model' existed in 1995; the unions' institutional form was broadly similar to that in Western Europe but the content of their activity and the consequences of these for managers were quite different. In Eastern countries, unions were structurally unable to exercise any significant representative function. Limited and fragmented but disruptive industrial actions from below occurred outside of the official union structures. Since that point, the 'accession' countries have entered the EU but the BRUM countries have not.

Even in Western Europe, employee representative bodies have become weaker since 1995, reflecting many employees' position in relation to employers caused by extensive industrial re-structuring, changing legal frameworks, increasingly 'flexible' labour markets, seismic shifts in the nature of employment itself and the financial crisis.

National laws and institutions

National law and the norms and values that it embodies and reflects, continue to constitute the main framework governing collective relations between employers and employees throughout Europe. An international index of the strength of nations' employment laws and employees' normative protection shows that European countries continued to vary greatly in the degree to which they restrict managerial prerogative ten years after Brewster wrote (Botero et al., (2004) but also that European countries then had relatively high scores in world terms. Botero et.al.'s index, derived from a large sample of countries world-wide ranked employee protection from 0(non-existent)-1(extremely high). The global median is 0.4613. Most European countries score above that. Thus, Germany = 0.6071; Spain = 0.5863; Poland = 0.5655; Ukraine = 0.5774; Norway = 0.6488. The high degree of de-regulation in the UK since the 1980s is shown by a rating of 0.1875, lower than the USA at 0.2589. Despite an extension of trade union recognition rights in 1999, the general trend in the UK was towards a 'bonfire' of liberties, including collective labour rights under

New Labour (Ewing, 2010). With this exception, Europe's countries geographically defined did indeed have stronger collective employment laws than most other nations in 2003. Changes to these laws and their observation have only proceeded slowly in most countries. How they are observed is of course a separate issue.

In the BRUM countries, rhetorical commitment to 'social partnership' by the political and industrial elites sits uneasily with the harsh reality of employment relations, part of a picture causing many Moldovan workers to migrate not only to the EU but also to Russia. Labour law in all these countries has been significantly revised since 1995 in ways that erode employee rights; the revised Russian Labour Code which came into force in 2002 is typical of the BRUM countries. The revised code essentially shifts employment law on to an individual basis and greatly reduces all collective organisations' legal functions (Rymkevitch, nd). One expert in the area describes Russian employment law as 'totally disregarded' in practice (Rymkevitch, nd: 4).

Unions themselves have been shown to play a significant role in ensuring that employment law is enforced (Harcourt et.al., 2004). Union density is also related to union influence on management defined more widely than simply enforcing employment law (Vernon, 2006). European legal frameworks continue to support quite high density figures for many European countries when compared to the USA where density is around 8%. Union density figures

vary greatly, from 74% of employees in Finland, 70% in Sweden and 67% in Denmark, to 10% in Estonia and Lithuania and 8% in France. The average level of union membership across the entire European Union, weighted by the numbers employed in the different member states, is 23%. The average is reduced by relatively low levels of membership in some larger EU countries: Spain at 19%, Germany at 18%, Poland with 12% and France at 8%.

Membership in most countries is particularly strong in the public sector. In the private sector, membership is highest in larger companies. Yet union membership is not the only relevant indicator of strength, and French unions often show their ability to mobilise workers in large-scale strikes and demonstrations.

If levels of union membership are generally high in global terms but also very varied within Europe, the direction in which they have moved since the mid-1990s is relatively uniform. Only six states – Belgium, Cyprus, Italy, Luxembourg, Malta, and Norway – have experienced gains in employed union membership in recent years. However, in most states, with the apparent exception of Italy, the increases have not kept pace with the overall growth in employment, meaning that even in these countries union density has drifted downwards. Membership losses have been most marked in the states of Central and Eastern Europe, where industrial restructuring and a fundamental change in unions' roles have had major impacts. However, there are also signs of

membership stabilising in some of the countries as unions have responded by organising drives (all statistics from EIRO 2013). Simultaneously, by 1999, coverage of collectively-bargained agreements had sunk to just 15% of enterprises even if these were by far the largest and most economically significant enterprises. The result of this latter trend, which accelerated after the Hartz labour market reforms, was that Germany moved from having one of the smallest wage dispersions in Europe in the mid-1990s to having one of the largest today.

Co-determination systems, within which employee representatives have the legal right to receive information, be consulted and ‘co-determine’ (or jointly regulate) certain issues with management, have also become rather weaker since 1995. In Germany, the heartland of co-determination, the system has become focused on larger companies. Works councils must be requested by five or more employees, and employees in smaller companies have become increasingly reluctant to make requests. A large ‘co-determination free zone’ has therefore emerged, centred on smaller companies and those based in the East. Hence, since union membership fell simultaneously, the two main pillars of the German system (trade unionism outside of the workplace and co-determination within it) were being eroded (Hassel, 1995). These developments were typical of the situation in Western Europe more broadly.

Across Europe, trade unions made differential attempts to develop their internal organisation, increase their membership and improve their members' living standards across the period, but these efforts have been very variable and strongly marked by their history (Gumbrell-McCormick and Hyman, 2013). In some cases, West European unions simply relied on the institutional framework and took relatively passive approaches to declining membership. Others worked hard by recruiting new groups of workers such as those in precarious employment. The wider difficulties of adapting union organisations with strong cultures became evident across the two decades. German unions for example were slow to adopt an 'organising' approach. The historically powerful German engineering union IGMetall took some time to overcome their earlier stance that they would not give 'legitimacy' to certain types of worker by trying to recruit them (Gumbrell-McCormick and Hyman, 2013). These difficulties of organisational adaptation led to the emergence of alternative institutions such as unofficial 'grassroots' representative employee networks to defend interests even in unionised German firms such as Siemens (Croucher et al., 2007). In short, European unions and especially those supported by relatively strong legal and institutional frameworks have proved organisations whose structures, orientations and cultures have frequently proved difficult to shift in response to external conditions.

It is not only trade unions that have had to change to adapt to changed environments and employers' demands for increased autonomy. So, too have employers' associations, but Traxler (2004) argued that they have made more consistent efforts to adapt to external conditions. Employers' associations are an integral part of systems that impose certain disciplines on firms by, for example, being responsible together with unions for upholding collective agreements where wage bargaining occurs across industries. They often therefore appear to employers to be part of a union support ecosystem. Nevertheless, employers' associations offer important advantages to some companies in ensuring strong employer-employer links, capacity to pressure government, training and advice services and so on. One important cause of the decline in industry-wide collective bargaining coverage in Germany has therefore been the growth of employer association membership 'ohne Tarif', in other words without the need to adhere to the industry-wide bargain. In this way, employers' associations have been able to stabilise their membership levels whilst re-shaping collective bargaining as a more single-company based activity (Helfen, 2011).

The extension of industry-wide bargaining has long been a demand of unions in the accession countries but this has made little or no progress and this is one reason why Employer's Associations remain weak in that part of Europe.

Employers Associations in BRUM countries have always been weak, reflecting

their minimal employment relations roles. All of the ‘post-socialist’ countries lack solid legal bases for such associations and, where they exist, they lack the capacity to engage in sectoral dialogue (Muller, 2005).

Overall, we can conclude that trade unions, works councils and employers’ associations have all had either diminished or at least different roles since 1995. The interlocking institutional systems that historically constrained managers in 1995 have become somewhat looser, especially in the case of smaller companies (Silvia, 1997). Larger companies remain relatively well-integrated into these arrangements although the systems themselves have also become more flexible.

National-level collective bargaining and social pacts

Both national legal provisions on the status of collective agreements and the institutions of collective employee voice may act to limit managerial prerogative in the key area of employee reward. Countries fall into two main categories in this respect. The first is those where industrial-level bargaining on wages and benefits is the norm; this important group includes Germany, the Netherlands, Belgium, Ireland, Slovakia and Slovenia. The second smaller group includes the UK, France, Poland, the Czech Republic and Romania. Here, wage bargaining is predominantly decentralised to company level. In the EU accession countries of Eastern Europe and the BRUM nations, company-level

bargaining predominates. Thus, bargaining and arguably trade unionism in Western Europe are both moving in the BRUM direction. The general trend even where industry-level bargaining is widespread has been towards allowing flexibility to companies within the industrial bargain through, for example ‘opening clauses’ in industry agreements which allow works councils to modify them. Since the financial crisis, there has also been a marked trend towards diminishing legal support for industry bargaining, especially in the states of Southern Europe (Clauwaert and Schömann 2012).

Social pacts and tripartite structures have played a considerable role in national employment policy and wage setting in several EU countries since the mid-1990s, outside of the liberal market economy of Britain where tripartism no longer exists. In Germany, corporatist relations between trade unions, employers’ associations at national level have played a major role in two respects since the mid-1990s. First, the Hartz labour market reforms under Schröder stimulated the creation of a large number of ‘mini-jobs’ with reduced hours and often low pay; the growth of such jobs has recently led to the decision to create a national minimum wage previously thought unnecessary. Second, in the sizeable part of the economy by employment where collective bargaining remains important and large exporting companies operate, wages have been kept under firm control through tripartite integration of the unions into governmental perspectives. This has ensured that German products remain

competitive on cost as well as quality grounds. Broadly similar pacts operated in several other European countries including Ireland, contributing to the success of the Irish economy prior to the financial crisis. In both Germany and Ireland, albeit for very different reasons, real earnings have diminished in recent years, generating a sentiment that collective bargaining has been ineffective in defending workers. In Southern Europe, a similar trend accelerated dramatically with the financial crisis. In these countries, the state has played an increasingly interventionist role in employment relations. This has tended to undermine and even usurp trade unions' independent roles as bargaining agents and remove their capacity to defend living standards from serious damage has hit union membership (Molina, 2014).

In Russia, tripartite 'social partnership' arrangements have existed since early in 'transition' and constitute a coercive form of corporatism which has served to marginalise unions' bargaining roles since unions can survive as government- and company-sponsored institutions. 'Social partnership' has buttressed the position of the largely Soviet-style trade unionism of the 'official' trade unions in the FNPR at the expense of the 'independent' unions at enterprise as well as at national level. The Global Union Federations devoted considerable resources between 1995 and 2005 to attempting to reform the official unions in the BRUM countries, trying to transform them into genuine bargaining

organisations. Although they had some limited success (Croucher, 2004) these unions currently remain largely locked into ‘social partnership’ mode. The influence of unions on management in the Eastern European EU accession countries has been shown to be real if small (Croucher and Rizov 2012); that in the BRUM countries is, overall, still smaller although not entirely absent (Croucher, 2011; Morrison et al 2011). Limited unofficial conflict has emerged through strikes and employee networks in the West European car companies located in St Petersburg, but generally Western managements have been able to use plants located BRUM countries as part of a ‘coercive comparison’ strategy with which to control their Western unions. The more optimistic accounts of East European unions relations within European MNEs focus on accession countries where EU membership encourages unions to see themselves as part of an EU-wide union movement (see most recently Lee and Trappmann 2014).

The European level: institutionalising ‘social dialogue’?

Although the content of trade unionism in the EU is more positive for workers than in the BRUM countries, the results of ‘social dialogue’ within the EU are only slightly more tangible than those of its equivalent in Russia. The EU is a distinctive regional organisation. In contrast to the North American Free Trade Area (NAFTA), it embodies an aspiration towards political union and a distinctive vision of good quality employment and ‘social dialogue’ (on NAFTA’s labour clause, its consequences, making a comparison with Europe

see Ozarow 2013). The EU has itself been concerned to develop European-level institutions involving the ‘social partners’ as one way of developing a transnational European identity; in this section we examine the very restricted effects of these efforts on managerial prerogative since 1995.

Importantly, the EU has in practice no capacity to legislate on fundamental trade union rights, which is a matter for the national level. Its employment initiatives have sought to develop the internal market and to ensure its efficiency. The EU has issued numerous directives relevant to employment relations since the Maastricht Treaty which introduced European Monetary Union. These directives, which were linked to the accession of the states of Central and Eastern Europe who were felt to lack many aspects of the West European model, occurred between 1993 and 2004 and there have been relatively few such measures since their accession. The directives covered working time (1993 and 2003), European Works Councils (1994), European Companies (2001), non-discrimination (2001), national level information and consultation of employee representatives (2002), European co-operatives (2002), gender equality (2004) and the movement of workers (2004). All of these measures were then transposed into national law. The transposition process was very uneven between countries and the original directives were applied in very different ways. This gave rise to what some authorities called a ‘world of dead letters’ characterised by politicised and formal transposition linked to non-

compliance in practice. That ‘world’ included the new member states of Central and Eastern Europe, but also encompassed at least two countries from among the original EU-15. Thus, pseudo-compliance was modelled by the new entrant states but some other countries acted in similar ways (Falkner and Treib, 2008). The resultant national legislation impacted the institutional framework and even changed and informed management practice, but only to a very limited extent. To take just one important area, the impact of the information and consultation directive requiring companies to have mechanisms for informing and consulting employees: the main British authority on the law estimated that it had only marginal results at company level (Hall et.al., 2013).

Perhaps the most important EU initiative in an institutional sense was the European Works Councils Directive. This encouraged sizeable companies employing workers in different European countries to establish information and consultation bodies for elected employee representatives. In effect it attempted to transpose a weak (because it contained no element of joint regulation or ‘co-determination’) form of German consultation law to the European level. Thus, the German unions emphasised that it gave employee representatives no legal powers to put pressure on management. A considerable group of companies based in the UK and the USA have not established EWCs at all, but where they have there is evidence that under certain circumstances including pre-existing

solid industrial relations and cohesive worker representation they have had some impact on management decision-making (Marginson et.al., 2004). However, while a minority function well, experts estimate that a majority are less effective (Hall et.al., 2013). One reason for this has been the relatively weak integration of employee representatives from Eastern Europe and especially of those from outside the EU (Stirling and Tully, 2004). Meardi (2004) argues that employee representatives from the accession countries tend to ‘short circuit’ the EWC’s co-ordinating function by using the opportunity to access Western headquarters management directly.

EU action in employment relations also encouraged dialogue between the ‘social partners’ (trade unions and employers associations) to conduct ‘sectoral social dialogue’. Léonard (2008) correctly points out that this is a top-down institution where institutionalization has preceded action. Consequently, it has only limited scope to impact employment relations at workplace level. She argues that it calls the EU’s capacity to assist in the creation of a viable EU system of employment relations into question. Prosser (2006) further shows that uneven and limited implementation of ‘sectoral dialogue’ decisions mean that despite attempts to intensify it, the effects on managerial prerogative have been negligible. Rather, strong national unions remain the drivers of international union co-ordination (Schroeder and Weinert, 2004).

According to one influential account, unions are helping develop a European industrial/political space and addressing the EU's democratic deficit by influencing industrial policy (Erne, 2008). This 'Euro-democratisation' thesis rests however on an analysis of one case albeit one of considerable European significance. It appears to show that there is some scope within the EU for unions, where they are exceptionally well co-ordinated, to influence industrial policy at European level. In the case analysed by Roland Erne, this had considerable impact on management industrial strategy.

There has also been the gradual and uneven creation of an area that was relatively weakly developed when Brewster wrote in the mid-1990s. Developments in co-ordinated collective bargaining in historically well-organised industries such as metalworking, and in consultation through European Works Councils between unions and employers' associations has been an element in developing (West) European employment relations since 1995 (Arrowsmith and Marginson, 2006; Edwards et al, 2006; Léonard 2008). Overall, while there have been significant developments at this level they are fragmented and partial, heavily impacted by the financial crisis and have had little effect on managerial prerogative.

In the BRUM countries, tensions have played out between EU and post-soviet forms of trade unionism and labour management. Up until the Global Union

Federations' abandonment of their attempts to reform unions in Belarus following Lukashenko's election as President, prospects for a more representative and bargaining-oriented trade unionism throughout the region appeared reasonably good. From that point onwards, they diminished almost to vanishing point. Belarus looked increasingly to Russian and Chinese investment and political models, while Putin tightened his political grip in Russia via a xenophobic nationalism that alienated many migrant workers from Moldova and Central Asia. In 2014 Russia extended its influence into Ukraine's East, the home of its heavy industry and much of its trade unionism. In Belarus, trade unions became a constraint on managements because they adopted a surveillance role for the state and not because they represented workers (Danilovich and Croucher, 2011). Thus, the prospects of union reform in the region diminished dramatically. So, too, did the political possibilities of EU-based unions making positive links to their colleagues in the BRUM countries with a view to making collective cause in relation to MNEs.

Employment relations at workplace level

We now attempt a necessarily very broad and brief estimate of continuity and change in European employment relations in workplaces and how they have affected managerial prerogative since 1995. At a very general level, employment relations remain distinctive in comparison with those in the USA. HR managers in large companies in continental Western Europe still deal with

employee representatives from day-to-day, settling a wide range of relatively small-scale issues which works councillors are legally entitled to raise.

Managers in these countries also continue to make pragmatic use of trade unions and works councils as communications channels to workforces, since unionised workforces tend to remain more sceptical of management information than their non-unionised equivalents. At the same time, and especially in the UK and Ireland, there has also been growth in employer-driven ‘employee voice’ mechanisms such as ‘company councils’ as managers attempt to get the benefits of employee voice without allowing reducing their prerogative (Gollan and Perkins, 2009). In the EU ‘accession countries’, union representatives have some influence on managers, especially in older, state-controlled industrial companies where workers feel relatively secure (Croucher and Rizov 2012). In the BRUM countries, managers continue to enjoy much greater and almost unrestricted power in relation both to employees and trade unions. This is reflected in the formal legally-mandated collective agreements that specify employees’ terms and conditions; few are genuinely negotiated. This level of managerial power also probably underlies declining employee willingness of Russian employees to make extra discretionary effort since the mid-1990s (Croucher and Rizov, 2011). Managers in Ukraine tend to make exclusive use of the soviet-legacy and legally-recognised general meeting of employees (‘the assembly of the working collective’) for communicating with workers, in preference to using often ossified union structures (Croucher, 2010).

Throughout Europe, the consequences of the ongoing financial crisis have clearly been very material especially in workplaces in the Mediterranean countries most severely affected, but as yet very little systematic research has appeared on that subject (for a partial exception see Molina, 2014).

Conclusion

The gradual erosion of the collective institutions that shaped managerial choices in the second half of the 20th Century has widened managerial prerogative at workplace level since 1995, albeit in uneven ways. Nevertheless, the content and processes of employment relations in many large West European companies in 2015 would be entirely recognisable to the practitioners of two decades previously.

Indeed, it was already being argued in 1995 that a process of ‘organised decentralisation’ whereby states ensured that decentralised company-level bargaining proceeded in an orchestrated fashion was underway. This increased managements’ scope for action whilst leaving systemic features otherwise intact (Traxler, 1995). One recent analysis of collective bargaining in densely-unionised Denmark provides a good example of this in practice. Ilsøe (2012) found that bargaining at enterprise level was indeed essentially intact. She also speculated that the future might bring change because of the difficulties posed in smaller companies where managers and employees alike had less involvement than in their larger counterparts. However, others have offered

quite different and in a sense contrary prognoses. Haipeter (2011) argues that the changes in the German system are not simply signs of erosion but on closer examination actually offer new bargaining possibilities for both unions and employers associations albeit in novel directions. The contrast between the two viewpoints illustrates both the unevenness of the current situation and the acute difficulty involved in forecasting future developments.

The pressures are evident, but we have drawn attention to one that is often ignored. We have argued that there is not one model of employment relations in Europe but at least two; the BRUM countries represent a completely different and much less employee-friendly model on the EU's borders. The BRUM model is well-known to many West European companies especially those in industries such as clothing, the automotive industries and food where much manufacturing is conducted in the BRUM countries. This constitutes an additional pressure on the (EU) 'European' model.

Nevertheless, the demise of the European system analysed by Brewster in 1995 has not occurred despite real pressures upon it and the minimal efforts made by the EU to defend it. There is a considerable degree of national 'path dependence' in institutional employment relations in the countries of Europe. Perhaps the last word should be given to the American researchers Crossland

and Hambrick (2011), who recently argued that managers of US-based firms still have more latitude than their counterparts in many European countries.

References

Arrowsmith, J., Marginson, P. (2006), 'The European cross-border dimension to collective bargaining in multi-national companies.' *European Journal of Industrial Relations*, 12 (3): 245-266.

Arrowsmith, J., Pulignano, V. (2013), *The transformation of employment relations in Europe*. London: Routledge.

Belstat (2013), *Investments and construction: A statistical yearbook*. Minsk: Belarusian State Statistical Committee, (pdf), online, available at <http://belstat.gov.by/homep/ru/publications/archive/2013.php>, [Accessed 31.03.2014]

Botero, J.C., Djankov, S., La Porta, R., Lopez-de-Sillanes, F., Shleifer, A. (2004) 'The regulation of labour.' *Quarterly Journal of Economics*, 119 (4): 1339-1382.

Brewster, C. (1995), 'Towards a 'European' model of Human Resource Management.' *Journal of International Business Studies*, 26(1): 1-21.

Brownlie, N. (2012), *Trade union Membership 2011*, London: Department for Business Innovation and Skills.

Clauwaert, S., Schömann, I. (2012), *The crisis and national labour law reforms: a mapping exercise*. Brussels: European Trade Union Institute.

Crossland, C., Hambrick, D.C. (2011), 'Differences in managerial discretion across countries: How national-level institutions affect the degree to which CEOs matter.' *Strategic Management Journal*, 32: 797–819.

Croucher, R. (2004), 'The Impact of Trade Union Education. Experience from three countries in Eastern Europe.' *European Journal of Industrial Relations*, 10 (1): 90-109.

Croucher, R. (2010), 'Employee involvement in Ukraine.' *International Journal of Human Resource Management*, 21 (14): 2659-2676.

Croucher, R., Martens, H., Singe, I. (2007), 'A German employee network and union renewal: the Siemenskonflikt.' *Relations Industrielles/Industrial Relations*, 62(1): 143-169.

Croucher, R., Rizov, M. (2012), 'Union influence in post-socialist Europe.' *Industrial and Labor Relations Review*, 65 (3): 630-650.

Croucher, R. and Rizov, M. (2011), 'Employees' entrepreneurial contributions to firms in Russia, 1995–2004'. *Human Resource Management Journal*, 21 (4): 415-431.

Danilovich, H. and Croucher, R. (2001), 'Labour Management in Belarus: Transcendent Retrogression.' *Journal of Communist Studies and Transition Politics*, 27 (2): 241-262.

Edwards, T., Coller, X., Ortiz, L., Rees, C., Wortmann, M. (2006), 'National industrial relations systems and cross-border re-structuring: evidence from a merger in the pharmaceuticals sector.' *European Journal of Industrial Relations*, 12 (1): 69-88.

Erne, R. (2008), *European Unions. Labor's quest for a transnational democracy*. Ithaca: ILRR Press.

Ewing, K.D. (2010), *Bonfire of the liberties: New Labour, human rights and the rule of law*. Oxford: Oxford University Press.

European Industrial Relations Observatory (EIRO), *Industrial relations and working conditions developments in Europe 2012*. Dublin: European Foundation.

Falkner, G., Treib, O. (2008), 'Three worlds of compliance or four? The EU 15 compared to new member states.' *Journal of Common Market Studies*, 46 (2): 293-313.

Gollan, P.J., Perkins, S.J. (2009), 'Voice and value: Pandora's ICE box and big ideas around employer branding.' *Human Resource Management Journal*, 19 (2): 211-215.

Gumbrell-McCormick, R., Hyman, R. (2013), *Trade Unions in Western Europe: hard times, hard choices*. Oxford: Oxford University Press.

Haipeter, T. (2011), ‘‘Unbound’ employers’ associations and derogations: erosion and renewal of collective bargaining in the German metalworking industry.’ *Industrial Relations Journal*, 42 (2): 174-194.

Hall, M., Hutchinson, S., Purcell, J., Terry, M., Parker, J. (2013), ‘Promoting effective consultation? Assessing the impact of the ICE regulations.’ *British Journal of Industrial Relations*, 51(2): 355-381.

Harcourt, M., Wood, G., Harcourt, S. (2004), ‘Do unions affect employer compliance with the law? New Zealand evidence on age discrimination.’ *British Journal of Industrial Relations*, 42 (3): 527-541.

Hassel, A. (1999), ‘The Erosion of the German System of Industrial Relations.’ *British Journal of Industrial Relations*, 37 (3): 483-505.

Havlovic, S. J. (1990), ‘German Works’ Councils: A Highly Evolved Institution of Industrial Democracy.’ *Labor Studies Journal*, 15 (2): 62-73.

Helfen, M. (2011), ‘Institutional continuity in German collective bargaining: Do employer associations contribute to stability?’ *Economic and Industrial Democracy*, 33, (3): 485-503.

Ilsøe, A. (2012), ‘The flip side of organised decentralisation: company-level bargaining in Denmark.’ *British Journal of Industrial Relations*, 50(4): 760-781.

Lee, A.S., Trappmann, V. (2014), 'Overcoming post-communist labour weakness: Attritional and enabling effects of multinationals in Central and Eastern Europe.' *European Journal of Industrial Relations*, online, available at <http://ejd.sagepub.com/content/early/2014/02/20/0959680114524204.abstract>, [Accessed 10.05.2014]

Léonard, E. (2008), 'European sectoral social dialogue: an analytical framework,' *European Journal of Industrial Relations*, 14 (4): 401-420.

Manenok, T. (2014) ' Investors were sent to the open field', *Belorusy i rynek*, online, Available at <http://www.belmarket.by/ru/259/200/20622/%D0%98%D0%BD%D0%B2%D0%B5%D1%81%D1%82%D0%BE%D1%80%D0%BE%D0%B2-%D0%BE%D1%82%D0%BF%D1%80%D0%B0%D0%B2%D0%B8%D0%B%D0%B8-%D0%B2-%D1%87%D0%B8%D1%81%D1%82%D0%BE%D0%B5-%D0%BF%D0%BE%D0%BB%D0%B5.htm>, [Accessed 31.03.2014]

Marginson, P., Hall, M., Hoffmann, A., Müller, T. (2004), 'The impact of European Works Councils on management decision-making in UK- and US-based multinationals: a case-study comparison.' *British Journal of Industrial Relations*, 42 (2): 209-233.

Meardi, G. (2004), 'Short circuits in multi-national companies: the extension of European Works Councils to Poland.' *European Journal of Industrial Relations* 10(2): 161-178.

Mihalev, A. (2012), 'Made in Russia: AutoVAZ competitors will increase the production of vehicles in Russia.' *Lenta.ru*, online, available at <http://lenta.ru/articles/2012/08/30/russiancars/>, [Accessed 30.03.2014]

Molina, O. (2014), 'Self-regulation and the state in industrial relations in Southern Europe: back to the future?' *European Journal of Industrial Relations*, 20 (3): 21-36.

Morrison, C., Croucher, R. (2010), 'Moldovan employment relations: path dependency?' *Employee Relations*, 32(3): 227-247.

Morrison, C., Croucher, R., Cretu, O. (2012), 'Legacies, conflict and 'path dependence' in the Former Soviet Union.' *British Journal of Industrial Relations*, 50 (2): 329-351.

Muller, A. (2005), 'Legal frameworks for employers' organizations in Eastern European and Central Asian Countries.' Working Paper Number 45, Geneva: International Labour office. Available at http://www.ilo.org/public/english/dialogue/actemp/downloads/projects/legalframeworks_en.pdf [Accessed 10.05.2014]

Nestle (2014). *Investments in production*, online, available at <http://www.nestle.ru/aboutus/russuiannestle/investments>, [Accessed 30.03.2014]

Ost, D. (2000), 'Illusory corporatism in Eastern Europe: neo-liberal tripartism and post-communist class identities.' *Politics and Society*, 28 (4): 503-530.

Ozarow, D. (2013), 'Pitching for each others' team: the North American Free Trade Agreement and labor transnationalism.' *Labor History*, 54(5): 512-26.

Piketty, T. (2014), *Capital in the Twenty-First Century*. Cambridge, Mass: Belknap Press.

Prosser, Thomas. (2006), "Is the 'new phase' of the European Social Dialogue the development of an autonomous and effective form of social dialogue?" *Warwick Papers in Industrial Relations*, No 82, September.

Russian Federal Statistical Services (2013), *Russia in figures-2013*, online, available at http://www.gks.ru/bgd/regl/b13_12/IssWWW.exe/stg/d02/24-11.htm, [Accessed 31.03.2014]

Rymkevitch, O. The codification of Russian labour law: issues and perspectives, online, available at http://www.bollettinoadapt.it/old/files/document/1969WP_02_8.pdf [Accessed 10.05.2014]

Semenova, I. (2013) 'Russian outsourcing is catching up with the Western', *Rossiiskaya gazeta*, 18.06.2013, online, available at <http://www.rg.ru/2013/06/18/tendenzii.html>, [Accessed on 30.03.2014]

Schroeder, W., Weinert, R. (2004), 'Designing institutions in European industrial relations: a strong Commission versus weak trade unions?' *European Journal of Industrial Relations*, 10 (2): 199-217.

Silvia, S.S. (2007) 'Why are German employers' associations declining? Evidence.' *Comparative Political Studies*, 40 (12), 1433-1459.

Stirling, J., Tully, B. (2004), 'Power, process and practice: communications in European Works Councils.' *European Journal of Industrial Relations* 10 (1): 73-89.

Tarnavskii, Y. (2013) 'The place Ukrainian industry will have in Europe (a forecast)', *Argument*, online, available at <http://argumentua.com/stati/mesto-promyshlennosti-ukrainy-v-evrope-kakim-ono-budet-prognoz>, [Accessed 31.03.2014]

Traxler, F. (1995), 'Farewell to labour market associations? Organized versus disorganized decentralisation as a map for industrial relations', in Crouch, C., Traxler, F. (eds.), *Organised industrial relations in Europe: what future?* Aldershot: Avebury, 3-20.

Ukrstat (2014), *Investments of foreign economic activity in Ukraine – 2013*. Statistical bulletin, online, available at http://ukrstat.org/druk/publicat/kat_r/publ6_r.htm, [Accessed on 31.03.2014]

Ursu, V. (2013) ‘Where do investments to Moldova come from?’, *Capital Market*, online, available at <http://capital.market.md/ru/content/%D0%BE%D1%82%D0%BA%D1%83%D0%B4%D0%B0-%D0%B8%D0%B4%D1%83%D1%82-%D0%B2-%D0%BC%D0%BE%D0%BB%D0%B4%D0%BE%D0%B2%D1%83-%D0%B8%D0%BD%D0%B2%D0%B5%D1%81%D1%82%D0%B8%D1%86%D0%B8%D0%B8>, [Accessed on 31.03.2014]

Vernon, G. (2006), ‘Does density matter? The significance of comparative historical variation in unionization.’ *European Journal of Industrial Relations*, 12 (2): 189-209.

LEARNING POINTS

*Brewster's argument in 1995 that Europe requires a different approach to HRM from the approaches used in the USA continues to have force because the institutional framework in Europe remains distinctive twenty years later.

*The power of union and works council representatives to influence management decisions affecting employees has nevertheless diminished since 1995. Managements in large companies make pragmatic use of employee representation for communications purposes.

*The coverage of collective bargaining and co-determination within the EU has diminished.

*The effects of EU law-making have played a real but minor role in maintaining the strength of European worker representation; strong national unions have led European inter-union co-ordination.

*There is not one 'European model' but at least two. An Eastern model based in the countries of Belarus, Russia, Ukraine and Moldova has only changed in minor ways since 1995. Only some of the unions in these countries have moved significantly towards representation and bargaining. Employment relations in these countries constitute an alternative, less employee-friendly model well-known to some Western companies.

*The financial crisis is clearly affecting employee representation negatively but it is hard to specify the effects in detail yet.