

IMPACT OF GLOBALISATION ON INDUSTRIAL RELATIONS

Kaia Philips, Raul Eamets¹
University of Tartu

Abstract

Globalisation means intensified competition, the transfer of investments, production relocation outside of Europe, job losses, unemployment and rapid structural changes. European labour markets are characterised as relatively rigid, with high social security and strong industrial relations (IR). The aim of this study is to find out, how the social partners, governments and researchers interpret the challenges of globalisation on future developments of industrial relations. The research is based on expert foresight survey where IR experts from 34 countries were interviewed. The project looked to the future, to the year 2025 and discussed on what industrial relations and social dialogue would look like after fifteen-twenty years.

The main findings convinced that decentralisation of collective bargaining is expected in old member states, while the situation will remain unchanged in majority of the new member states. We can conclude that European level convergence is expected in the area of industrial relations.

Keywords: globalisation, flexibilisation of labour markets, employment security, social cohesion, industrial relations systems.

Introduction

Over the past years, Europe has had to deal with strong challenges stemming from globalisation in the form of intensified competition, the transfer of investments, production relocation outside of Europe, job losses, unemployment and rapid structural changes. High expectations exist related to the competitiveness of the European economy, which means that labour markets will have to become more flexible as employers demand further deregulation of the labour market in order to successfully cope with worldwide competition. At the same time, the European social model underlines the importance of employment security and social cohesion as workers seek greater job security in light of rapid structural change and job relocation. The key issue is how to find a balance between an European social model and the flexibilisation of labour markets while remaining competitive.

The importance of modernising industrial relations has been debated in Europe already since the 1990s. Discussing on modernisation of industrial relations rises up questions on problems of today and also challenges of future. Today's problems have been analysed in the numerous academic reports. But we have only few studies analysing systematically what are the challenges of the future and what would be

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their impacts on industrial relations. How social partners, governments and researchers see challenges and future development of industrial relations? Developments in industrial relations systems will depend on the processes in environment. For example, pressures of globalisation affect employment relations and industrial relations at regional, national and international levels. These pressures interact with national characteristics: the economic and political system; the type of government; legislative developments; level of economic development; the exposure to globalisation; the influence of labour and the state in each country; and different policies regarding industrial relations. The effect of globalisation on industrial relations procedures and their substantive outcomes depends on the conditions under which industrial relations take place within a country. For instance how quickly will change the structure of industries, what will be the share of informal sector, and so on. It is obvious that the future of industrial relations systems will depend also on political and economical developments in the countries: which party will be on power; whether there will be shift towards right-wing policies, liberalisation, etc.

The aim of this study is to find out, how the social partners, governments and researchers interpret the challenges of globalisation on future development of industrial relations. Also we tried to test the hypothesis, whether we can find any evidence of convergence within EU concerning industrial relations.

This paper is based on data collected by authors during European Foundation for the Improvement of Living and Working Conditions project on “Impacts of globalisation on the European social dialogue models”. The purpose of the project was to produce “Industrial relations foresight 2025 for the EU27 and Global7² countries”. The basic question of the study was: How industrial relations look like in the respondents’ country in 2025 taking into account the ongoing process of globalisation? Output of the project is an analysis on impacts of globalisation on European industrial relations in the areas like industrial relations environment, actors, processes, outcomes and impacts. In this paper we focus mostly to general trends of globalisation, like working life flexibility, social security, flexible work forms and economic liberalism. Also we look at respondents’ opinions about future developments of industrial relations actors, processes and outcomes.

1. Globalisation and its dimensions

Globalisation can be defined as a process of increasing global connectivity, integration and interdependence in the economic, social, technological, cultural, political and institutional spheres. Globalisation refers, for instance, to the processes that reduce barriers between countries and involve greater integration in world markets, thus increasing the pressure for assimilation towards international standards (Macdonald 1997; Frenkel and Peetz 1998; Ali 2005). The economic aspects of globalisation are the most visible and important ones. These include intensifying economic competition among nations, rapidly expanding international trade and

² Global 7 countries in this study are Australia, Brazil, China, India, Japan, South Africa and the U.S.

financial flows and foreign direct investment (FDI) by multinational corporations (MNCs), disseminating advanced management practices and newer forms of work organisation and in some cases sharing of internationally recognised labour standards. Globalisation enhances competitiveness, both at company level and national level, which leads company management and governments to adopt strategies designed to increase labour effectiveness in terms of productivity, quality and/or innovation. In general, globalisation involves economies that are opening up to international competition and that do not discriminate against international capital. Therefore, globalisation is often accompanied by a liberalisation of the markets and the privatisation of productive assets. At the same time, globalisation has obviously contributed to raising unemployment, increasing casual employment and weakening labour movements (Ali 2005).

The most important effects of economic globalisation include the following:

- increasing integration of global economic activities,
- rising competitiveness,
- relocation of economic activities,
- structural changes in the economy,
- rapid technological advancements and innovation.

Increased competition in global markets has created the demand for more specialised and better quality items. This has led to a higher volatility in product markets and shorter product life cycles which, in turn, requires companies to respond quicker to changes in market demand. In terms of production organisation, new technologies increase the scope for greater flexibility in the production process and resolve any information and coordination difficulties which previously limited the production capacity of enterprises in different locations around the world (Macdonald 1997). Due to the growth in competitiveness, companies increasingly focus on the demands of international and domestic niche markets in a way that contributes to a growing individualisation and decollectivism of work. Moreover, new technology has made it possible to produce the same level of production output with fewer workers. In both situations, an increased emphasis is placed on workers having higher value capacities and skills to perform a variety of jobs. This development has blurred the functional and hierarchical distinctions between different types of jobs and between labour and management in general. In addition, efforts to improve products through innovation, quality, availability and pricing have led companies to set up cross-functional development teams, thus transcending the traditional boundaries between engineering, manufacturing and marketing. These developments have been accompanied by the erosion of the standardised, segmented, stable production process which had facilitated collective industrial relations (Macdonald 1997). These changes are also associated with a continuing shift in employment from manufacturing to service-oriented industries – in other words, jobs shift from traditional manual occupations to various forms of white-collar employment.

1.1. Globalisation and labour market effects

In terms of the labour market, the most influential effects of globalisation include the following:

- flexibilisation of labour markets;
- increasing labour migration;
- rising atypical and non-standard forms of employment;
- changes in work content and working conditions;
- skills mismatch, multi-skilling and the need for lifelong learning.

Employment issues are critical to every country. However, countries have approached these issues in different ways and employment standards thus vary widely across countries. Research partly attributes the differences between countries to the stage of their development at a given point in time. Nevertheless, employment standards continue to play a key role in determining a country's competitive advantage in terms of labour market development. Due to growing competitiveness, many countries are obliged to relax their employment protection mechanisms in order to increase their labour market flexibility. Therefore, a new balance between labour market flexibility and social protection will have to be established (HM Treasury 2005). Several countries propose labour market reforms as a way of coping with the challenges of flexibilisation while providing an adequate level of job and employment security. As a result of intensified competition, companies are now being required to innovate to deliver 'the right product at the right price and time' (Macdonald 1997). Hence, company management should also focus on promoting enterprise efficiency, both in terms of labour market flexibility and labour productivity.

Overall, employment rates are increasing, but non-standard forms of work such as part-time, fixed-term and self employment are also rising. Broad social developments in many countries have also led to an increasing participation rate of women in the labour market which, in turn, has augmented the demand for atypical forms of employment. As a result of these developments, working conditions do not improve for a lot of workers while their job security may decline. "Benchmarking working Europe 2007" (ETUI-REHS 2007) raises the question of whether the increase in employment is a trade off against the quality of employment. Moreover, the study argues that building employment growth on sub-optimal solution, such as involuntary part-time and other non-standard employment relationships, will only undermine Europe's efforts to become a knowledge-based society. In developing countries, outsourcing and subcontracting are part of a global trend towards lower employment standards, 'casualisation' of labour and permanent unemployment. The real problem for developing countries relates to underemployment and disguised unemployment.

In contrast, the majority of developed countries face serious labour and skill shortages which threaten their sustainability of economic growth, productivity performance and international competitiveness. In the EU, rising labour shortages

will put a push on increasing labour migration within the EU and also from non-EU countries. “Employment outlook 2001” (OECD) already highlighted that ‘while admissions of new permanent foreign workers are currently very few in number, especially in the European OECD countries, the temporary employment of foreigners appear to be becoming more widespread’. The temporary employment of foreign workers introduces flexibility into the labour market while also increasing competition between foreign and domestic labour with varying implications for the countries sending and receiving workers. The latter countries have introduced several policy measures to restrict labour market access for migrant workers, thus limiting competition for work between foreign and domestic workers.

Another area of enterprise activity to be affected by globalisation concerns the organisation of work. To achieve the flexibility and productive efficiency required to respond quickly and effectively to market changes, the need arises to reorganise work; for example, to put greater emphasis on team-based activities or to improve connections across business units within a company. Related changes have seen a ‘flattering’ of management hierarchies and the transfer of greater operational responsibility and authority to lower level managers, supervisors and work teams. All of these changes aim to increase workers’ commitment to the company and its business goals, as well as to establish closer relationships between managers and workers based on consultation and cooperation (Macdonald 1997). The European Trade Union Institute for Research, Education and Health and Safety (ETUI-REHS) argues in its 2007 benchmarking working report that while globalisation and rapid changes in economies demand that workers become proactive, adaptable, multi-skilled, responsible and competent, these demands put additional pressure on workers, thus exacerbating their difficulties at a time when working conditions are deteriorating and wages are compressed. The result of these changes will be at an unbearable price, notably a growth in ill-health associated with a decrease in quality of life and unfair costs for individuals and society.

1.2. Globalisation and industrial relations

Globalisation impacts directly and indirectly on industrial relations systems and its actors. The European economy is a good example of illustrating the different effects of globalisation on industrial relations. This is due to the fact that, over the past years, Europe has had to deal with strong challenges stemming from globalisation in the form of intensified competition, the transfer of investments, production relocation outside of Europe, job losses, unemployment and rapid structural changes. Europe’s performance has diverged from that of its competitors in North America and Asia: in this regard, the productivity gap has widened and the investments in research and development (R&D) have been inadequate (Sapir 2003; HM Treasury 2005). Therefore, European labour markets are currently facing major challenges. On the one hand, high expectations exist related to the competitiveness of the European economy. This means that labour markets will have to become more flexible as employers demand further deregulation of the labour market in order to successfully cope with worldwide competition. The casualisation of labour is also growing due to economic liberalisation, changes in ownership and technology, in

addition to cost-cutting competitive strategies of employers. On the other hand, the European social model underlines the importance of employment security and social cohesion as workers seek greater job security in light of rapid structural change and job relocation outside of Europe. The key issue is how to find a balance between a modernised European social model and the flexibilisation of labour markets while remaining competitive.

Pressures of globalisation affect employment relations and industrial relations at regional, national and international levels. These pressures interact with national characteristics of: the economic and political system; the type of government; legislative developments; industrial stages; the exposure to globalisation; the influence of labour and the state in each country; and different policies regarding industrial relations.

Figure 1 highlights some of the effects and challenges that globalisation has on industrial relations systems. As already mentioned, globalisation increases the competitiveness and inequality among countries. Productivity growth constitutes the key element of the economic convergence process. It is therefore important to note that productivity growth should be higher than wage growth; otherwise, it could harm employment growth. Over the past 20 years, the process of globalisation has accelerated as the internationalisation of trade, services, communications, transportation and investments has increased. Under globalisation, investments are easily made worldwide, and industries and services move from one country to another, thus restricting opportunities for permanent employment relationships to the benefit of economic performance. Driven by further technological advances, production processes are becoming increasingly fragmented, which enables economic activities to become more international, specialised and tradable. To improve their competitiveness, many MNCs sought to relocate their business operations to countries where labour is cheaper and workers are less protected. In an effort to attract investments, many countries have bid against each other in order to be able to lower wage levels and working conditions. As a result, living standards have been stagnating or even declining in these countries.

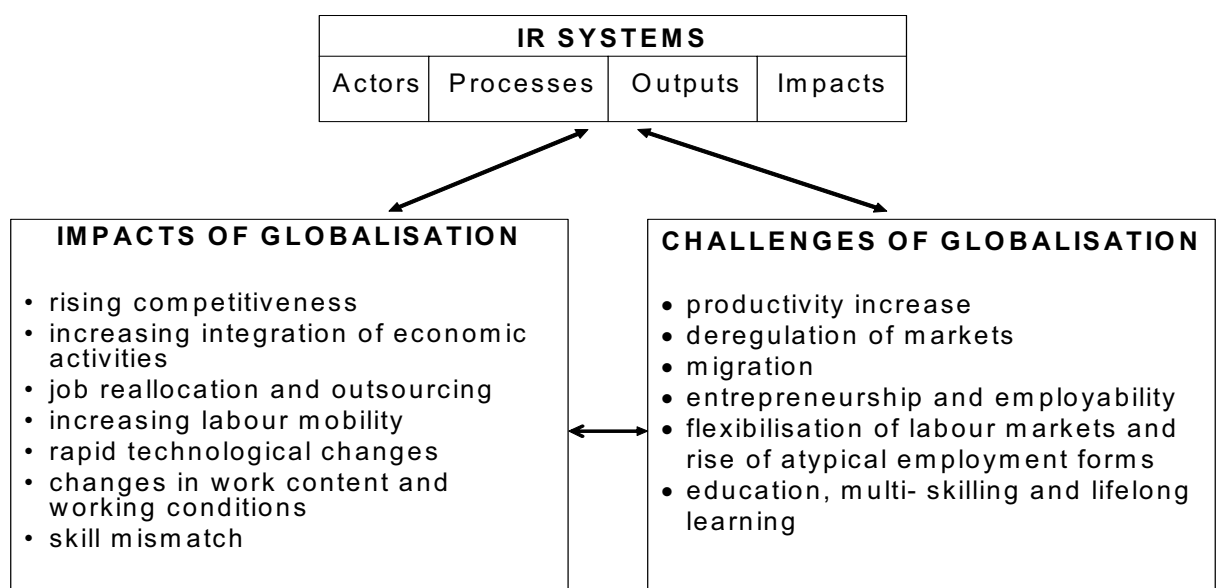


Figure 1. Effects and challenges of globalisation on industrial relations systems

In addition to the effects of globalisation, Europe, as well as some other economically more advanced countries, must also meet the combined challenges of low population growth and an ageing population. In light of these challenges, countries will have to improve labour productivity, employ more people and guarantee long-term growth and social cohesion. In this context, it appears to be impossible for developed countries to handle their current demographic situation without allowing for labour migration originating from developing countries; in particular, the migration of skilled workers is encouraged. At the same time, developing countries, especially China and India, are facing further population growth and a labour surplus. At least over the next 20-30 years, these countries will have a relative advantage over the more developed countries assuming they are able to control labour costs, since most of the labour intensive production will be concentrated in these countries and their neighbouring regions.

Although the current phase of globalisation facilitates the free movement of capital, as well as of goods and services, restrictions on cross-border movements of people have not been eased. Therefore, it remains a challenge for developing countries to overcome visa requirements and other restrictions regarding the free movement of labour. However, since labour migration raises competition between foreign and domestic workers with varying implications for countries sending and receiving labour, the latter countries have implemented legal measures to restrict labour market access for migrant workers, thus limiting job competition between foreign and domestic workers. Like any of the developed countries, the developing countries also fear losing skilled workers who were educated and trained at great public expense. At the same time, the developing countries will have to establish a reliable system for providing literacy and vocational skills training to all potential candidates in the labour market together with a support system to guarantee basic health and social security cover for workers. Nonetheless, the main problems that developing countries are currently facing relate to underemployment and disguised unemployment.

Globalisation has a contradictory impact on industrial relations. On the one hand, it is accelerating economic interdependence between countries on an intraregional and interregional basis and encouraging similar business approaches of individual companies in competitive markets. This may lead to some convergence in industrial relations arrangements worldwide. On the other hand, evidence exists that industrial relations in some countries resist the convergence trend; such resistance from industrial relations actors is based on particular national and regional circumstances, such as in Europe and Asia (Macdonald 1997). The effect of globalisation on industrial relations procedures and their substantive outcomes depends on the conditions under which industrial relations take place within a country. For instance, the pressure for greater flexibility in the use of labour is omnipresent, but the outcome is constrained by cultural norms valuing hierarchy and security. Countries' strategies vary due to historical circumstances, resources and internal political dynamics, including the influence of trade unions. Thus, the extent and impact of globalisation differs between countries, resulting in similar concerns for policymakers yet leading to variable responses and industrial relations outcomes

(Frenkel and Peetz 1998). No common understanding exists in research concerning the influence of globalisation on industrial relations; the viewpoints of the social partners mainly reflect two directions (Thelen and Wijnbergen 2003).

1. Globalisation pushes all countries towards economic liberalism based on the interests of a free market and minimal government interference, namely neoliberalism and deregulation. Globalisation processes thus encourage companies to lower labour costs and increase labour market flexibility while undermining the power of trade unions to prevent this trend.
2. The impact of globalisation varies considerably according to the institutional setting within each country, since the institutional framework influences employer strategies and business interests. Therefore, a stronger emphasis on economic growth based on free market forces and reduced government regulation will emerge in the liberal market economies but not in any of the coordinated market economies where companies have a stake in preventing deregulation.

The “Benchmarking working Europe 2007” report argues that ‘much depends on the nature of the process of globalisation. If for example, a new sector, such as ICT, is driving the expansion of global trade and world exports, then the economy needs to rely more on external flexibility in order to shift employment to new companies and sectors. In the first half of the present decade, however, the expansion of global trade has been dominated by the existing industries, such as steel, chemicals, machinery and transport equipment. In this case, the process of change can rely equally on internal flexibility of workers and jobs moving inside existing firms’ (ETUI-REHS 2007: 7). In the long term, the first scenario will probably be more realistic, at least for developed countries.

Research about tensions and challenges associated with globalisation focuses mainly on international issues, namely on: labour standards and trade; the problem of adjusting to international competition; the cross-cultural management of work and the transfer of ‘best practice’ examples; and the prospects for transnational trade unionism and collective bargaining. Giles (2000) argues that the majority of studies look at globalisation as an ‘external’ factor which affects industrial relations. In other words, globalisation is examined in terms of its ‘impact’ on what lies within the field. Globalisation is also commonly perceived as being external to individual countries and national labour legislation, thus originating ‘above’ the national level. In this context, globalisation is regarded as a pressure that comes from ‘outside’ the country. Since globalisation is portrayed as emanating from the outside, it is frequently reduced to a small number of relatively discrete changes or trends which, like other transformations in the industrial relations environment, represent challenges to or pressures on national industrial relations systems and institutions.

2. Research method and data collection

Foresight method has been used very much in technology studies even it has its roots already in the 1940s. For example from the Swedish technology foresight (2000) we can read that “We cannot plan the future but we can plan for the future.”

This includes one of the key principles of the foresight studies. We can visualise and discuss on different futures but we cannot plan that any of them will surely happen. In sociological research we can find many famous foresight reports. They have had great impact on societal decision-making even if their foresight visions have never materialised as such. For example Alvin Toffler's books on *Future Shock* (1970) and *The Third Wave* (1980) include foresights on possible futures and aroused world-wide discussion on future shocks and crises which are waiting for us if we don't do anything. John Naisbitt helped us to understand on *Megatrends: Ten New Directions Transforming our Lives* (1982). The book was two years on the best seller list of the *New York Times*. Already in 1967 Herman Khan and Anthony Wiener published *The Year 2000* which arouse much discussion especially on the future of Western World. Eleonora Masini was a leader in two very influential UNESCO projects: *The Futures of the Cultures* and *Women's International Network, Emergency and Solidarity*. The reports had great impact on women position and entrepreneur policy in the developing countries. Aurelio Peccei set up a Club of Rome in 1968, which published later a book on the *Limits of Growth*. Even if most of its predictions were not correct the book was very much discussed and had great impact on debate on nature resources and the rise of the green movement. This is a very short description of some of the most influential foresight reports. They have shortcomings but influence on people's behaviour and decision-making has been worldwide. Essential in all writings is critical thinking on the future. That is followed by intensive debate in favour and against.

Foresight exercises are ways of obtaining opinions about future developments. Foresight is different from forecast, prognosis or prediction, which are based on the assumption that the future is pre-defined as a linear continuation of present trends. Time dimension in forecasts is a short term future. Prognosis and predictions are looking a bit further into the future and they are using an in-built simplification of the actual dynamics of social, economic and technological developments. In reality, future developments underlie reciprocal influences which cannot be assessed exhaustively in advance, thus not predicted. A new understanding of foresight gaining acceptance in the 1990s (starting with Irvine and Martin 1984) made clear that a targeted shaping of future developments is strictly limited and that the potential impacts of decisions can only partially be estimated. Hence, the foresight is striving for relatively "realistic" objectives and for example, in the context of policymaking, the most important intentions are:

- to identify a choice of opportunities, to set priorities and to assess potential impacts and chances,
- to discuss desirable and undesirable futures,
- to focus selectively on economic, technological, social and ecological areas as well as
- to start monitoring and detailed research in these fields.

An electronic expert survey concerning industrial relations situation in year 2025 was carried out in EU27 and Global 7 countries. The questionnaire consisted from 16 questions, which investigated respondents' opinions about future of industrial

relations actors, processes, outcomes and general trends in environment. The survey questionnaire allows compare main features of the industrial relations in 2025 to the existing industrial relations country profiles in 2004 and/or with present situation in the countries under observation.

Respondents of the survey were the representatives of trade union organisations, employer organisations and governments and also academic experts on industrial relations. National experts were selected by the European Foundation and Foundation's national centres assisted in finding experts and taking contacts if needed. Respondents, who participated in the survey, were experts in their field and as result we obtained specific, local knowledge and inside information from each country, which is quite reliable. Also different actors – trade union, employer organisations, government representatives and academic experts – participated in the survey and therefore more balanced opinions about future developments can be drawn. National experts were intensively involved in this project and the project seminars can be characterised as thought provoking open discussions with mutual learning.

The target was to collect four responses from each group of representatives in EU27 countries and at least 3 responses from academic experts from Global 7 countries. To meet abovementioned respondent rates, two rounds of the survey were conducted: the first took place from the middle of October to the beginning of November 2007 and the second round was conducted from the end of November to the end of December of 2007. In January 2008, there was follow-up of the survey in some countries, in order to meet agreed minimum response rates in all countries. In each country there was Foundation nominated local country expert who contacted respondents in order to help to get responses. The role of country experts was especially important during the second round and follow-up of the survey. In total we received 346 fulfilled questionnaires from 34 countries (respondent rate 76.4%).

However, this expert survey has some limitations. As this survey is dealing with foresighting the levels of different industrial relations' indicators for long-run period then many respondents expressed their doubts about scientific value of such exercise. They claimed that industrial relations are reflecting also political and economic changes, that simply cannot be predicted that far ahead. There is no doubt about that but it is worth to remember that foresight is not prediction of the future but it is a vision which should be discussed and which is in continuous change. Each of us have right to tell our vision and put it into discussion. That is good to remember when looking at criticism on foresight method. One respondent commented that these answers reflect simply optimism or pessimism about future developments.

3. Results

3.1. Foresight on trends in society and working life

There is a clear trend towards liberalism and individualism in EU Member States by 2025. This a joint view of industrial relations experts. Trend covers also Global 7

countries. Experts in the United Kingdom and in Estonia said that their system is already very liberal and that situation will remain the same. Very few had a foresight that trend would change against liberalism and individualism by 2025.

Another clear trend is towards labour market flexibilisation. Majority of respondents propose also that both, self-employment and atypical employment will increase and job security will decrease by 2025. Only majority of respondents from India claim that the share of self-employment will remain at the current level. In EU15 countries social security is expected to be as it is today but there are also plenty of those who foresee a decline in social security, while among EU12 there is general trend towards increase in social security.

According to experts' views, equal opportunities in EU labour market will increase in the future but this will not lead to income equality. Majority of respondents in all countries, expect that the gender wage gap will decrease by 2025. Thus overall picture is for increase of general inequality in incomes and decrease of gender wage gap in the future.

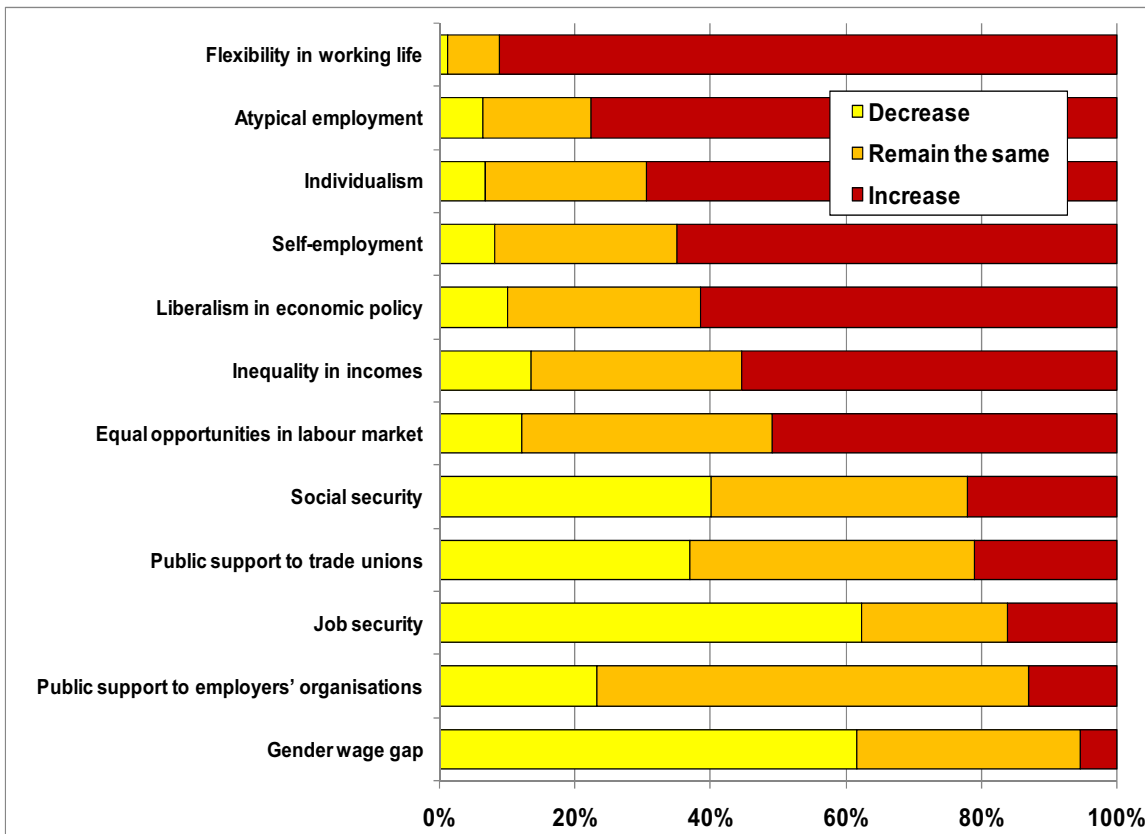


Figure 2. Respondents' opinion about general challenges of globalization. (Industrial relations foresight 2025 survey)

In total this survey covered 75 trade union representatives, 75 employer organisations representatives, 73 government representatives and 123 academic experts. This allows make following observations on differences of opinions according to groups by using Kruskal-Wallis statistically significant different test: Liberalism in economic policy – among government representatives more than two

thirds propose that the liberalism in economic policy will increase in the future and only one respondent from this group predict that liberalism will decrease by 2025. There were more respondents in other groups, who predict that liberalism in economic policy may decrease in the future.

Among academic experts, but also among representatives of employer organisations, there are more respondents who expect fewer changes in the liberalism in economic policy in the future.

- Liberalism in economic policy – majority of all groups has a view that liberalism will be the future direction of economic policy. Two thirds of government representatives have this view and much more than half in other groups. Academic were the most critical.
- Flexibility of working life – almost all respondents among employer organisation and government representatives expect that flexibility will increase in the future. While there is majority among academic experts, who propose that flexibility will increase, there is more respondents compared to other groups who believe that flexibility will remain at the current level or even decrease
- Flexibility of working life – high majority of all groups had a view that flexibility will increase. Almost all employers and strong majority of trade unionist and government people saw flexibility to increase.
- Atypical employment – among trade union and employer organisations representatives there are more respondents who believe that atypical employment will remain at the current level or even decrease, compared to the other respondents groups. At the same time government representatives and academic experts are in favour that atypical employment will increase in the future.
- Inequality in incomes – among employer organisation representatives less respondents expect that inequality in incomes will increase in the future and in this group of respondents even more than one quarter believe that inequality will decrease in the future. Representatives of trade unions and academic experts are most pessimistic that inequality will decrease by 2025.
- Equal opportunities in labour market – most pessimistic in the sense that equal opportunities in labour market will increase in the future are representatives of trade unions, while most optimistic that equal opportunities in labour market will increase by 2025 are representatives of employer organisations.
- Gender wage gap – while almost equal share of respondents among trade union representatives believe that gender wage gap will either remain at the current level or decrease, then from employer organisations' representatives more than four fifths propose that gender wage gap will decrease in the future.

Respondents' opinions in other aspects of working life environment – individualism, job and social security, self-employment – are quite similar and no statistically significant differences appear in their replies.

To sum up, answers show clearly, that most of respondents believe, that world is moving towards more liberal and individualistic approach. Respondents foresee significant effects of globalisation – labour market flexibilisation, the rise of atypical

employment forms and self-employment, as well as changes in work content and working conditions – to happen in the near future. The key issue for the social partners will be to establish a balance between labour market flexibility maintaining workers' social protection and companies' competitiveness in the global world.

3.2. Foresight on social partner unionisation

The trade union density differs significantly among the countries examined, ranging in 2004 from 80% in Denmark to 3-6% in India (for more detailed discussion see Philips and Eamets 2007 and Van Gyes *et al.* 2007). The same variability is expected to be in trade union density rates also in 2025, when according to experts' foresights the highest trade union density rates – over 60% - will be in Denmark, Finland and Sweden and the lowest rates – 10% or less – will be in France, U.S and India (see Figure 3). On average, the trade union density rates in Global 7 countries in 2025 are expected to be lower than in EU member states.

In majority of countries respondents expect some decrease in trade union density rates by 2025). In more than half of observed countries, the expected changes by 2025 compared to the level in 2004 are on average around -5 to + 5 percentage points.

- In the majority of EU15 countries, respondents expect that the trade union density rates will decline. The most remarkable decrease is expected in Sweden and Denmark (16 percentage points). Social partners and experts from Germany, France and Spain expect on average an increase in trade union density rates by some percentage points. Greater changes in trade union density rates are expected by respondents from EU12 countries.
- In the majority of EU12 countries, respondents expect that the trade union density rates will decrease by 2025. The most dramatic decrease is expected in Malta and Cyprus (19 and 14 percentage points, respectively), while the highest increase in trade union density rates are expected in Lithuania and Latvia (20 and 11 percentage points, respectively).
- In Global 7 countries majority of respondents expect some decline in the trade union density rates by 2025. However, the expected decrease in Global 7 countries is modest compared to the average decline expected in EU countries. Some decrease is expected in China, Japan, U.S and Australia (around 3 to 5 percentage points), while industrial relations experts from India foresee some increase in trade union density rate in the future.

In regard to the employer organisations' density rates, then majority of respondents from the EU15 countries foresee some decline, while the respondents from new member states expect an increase by 2025. These tendencies show that some convergence and unification in trade union as well as employer organisation density rates is taking place in Europe. However, no drastic changes are foreseen, these results show that today's levels are in the majority of cases projected into 2025. Both trade union and employer organisations density rates remain higher in EU15 countries, followed by EU12 and then Global 7 countries.

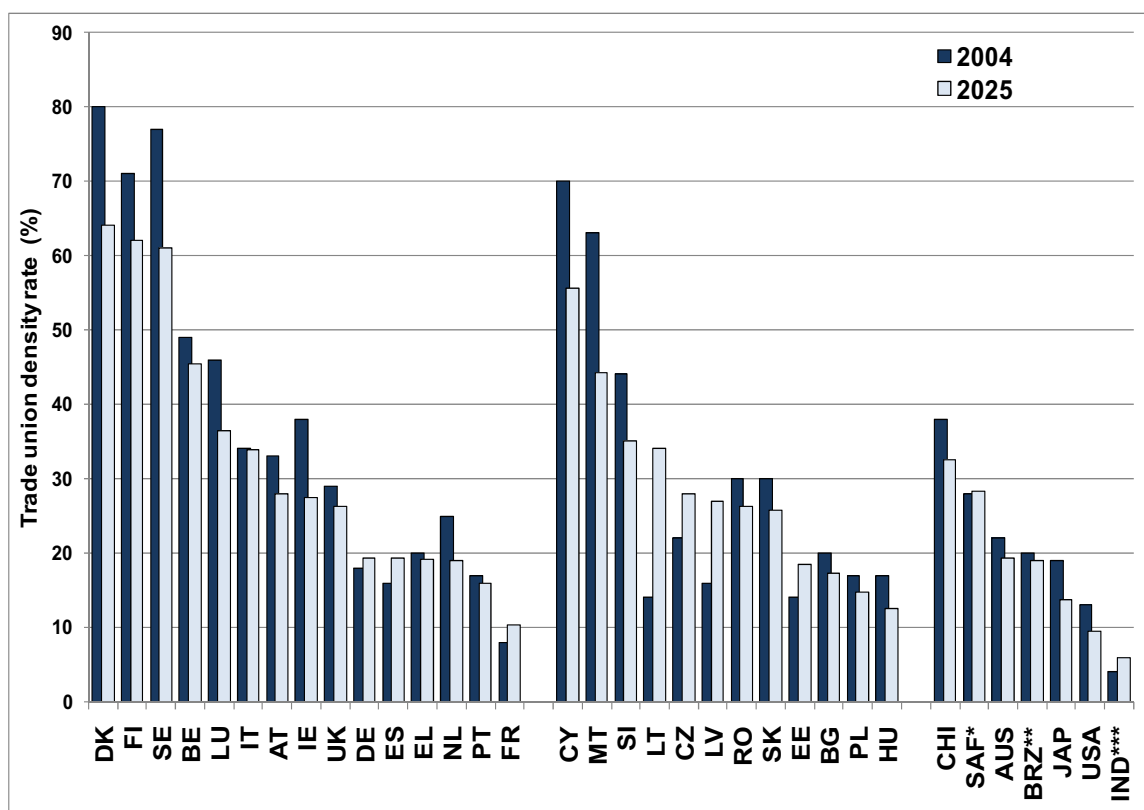


Figure 3. Trade union density rates in 2004 and foresight³ on trade union density rates in 2025 (percentage). (Experts' survey and Van Gyes *et al.* 2007; Industrial relations foresight 2025 survey)

Many respondents have a view that there will be new actors present in industrial relations processes by 2025. The new actors, which enter into the industrial relations processes, are new employees' organisations, which are different from the current trade unions. There might also be mergers or split-ups of current unions and employer organisations. In the future, current unions may also cover those groups of workers who do not have a representation today (e.g. migrant workers, workers in informal sector, temporary agency workers). The role of the third sector, NGOs and professional bodies is expected to increase by two channels: one is civil organisations interest to use trade unions for their interest promotion and also vice

³ Question: "Please estimate, what will be the trade union density rate (i.e. share of employees belonging to trade union) in 2025 in your country (%)". Notes: *According to South African expert P. Hirschsohn, in 2001, trade union density rate corresponded to almost 43% of those employed in the formal sector of the economy, but only to 28% of the economically active population due to high levels of unemployment. ** - According to Brazilian expert H. Zylberstajn, the Brazilian unionisation rate in 2004 is overestimated for the following two reasons: first, Brazilian trade unions are entitled to a 'union contribution' which equals the wage of one and which is compulsorily and controlled once a year; secondly, older workers in rural areas need a statement from the trade union justifying that they are rural workers, in order to receive their pension benefit. *** - For India 2004 figures concern only the formal sector. Various sources provide different estimates for trade union density rate in India, ranging from 2.6% to 6%.

versa. Several respondents expect that the role of professional associations will rise and they will take over some functions of trade unions.

3.3. Foresight on collective bargaining and collective agreement coverage

The ongoing liberalisation and decentralisation processes in society will also affect the collective bargaining coverage rates. The majority of respondents from the EU15 countries expect some decline in collective bargaining coverage, while the respondents from the EU12 and Global 7 countries foresee an increase in coverage rates. Outliers are India and Japan, where the collective bargaining coverage rate is very low and where a modest increase is expected in the future. On average, the collective bargaining coverage rates will remain higher in the EU15 countries compared to the new member states. In the Global 7 countries, the coverage rates will be lower than the EU average.

In 2004, collective bargaining coverage rates varied widely – from 100% in Slovenia to 3% in India – in the countries examined. It was much lower in the EU10 countries – covering, on average, between 30% and 40% of the workforce – than in the EU15 countries, where around 75% of the workforce was covered by collective agreements; and in the Global 7 countries, on average the coverage rates were lower than the EU average (for detailed description see also Van Gyes *et al.* 2007; Philips and Eamets 2007). According to respondents' predictions the variability in collective bargaining coverage rates will remain also in 2025 – ranging from more than 90% in Belgium, Austria and France to less than 15% in India and Japan (see Figure 4).

Respondents have different opinions concerning the developments in collective bargaining coverage rates by 2025. Majority of respondents from EU15 countries expect some decline in coverage rates, while on average, some increase in collective bargaining coverage rates is expected in EU12 and Global 7 countries.

- In majority of EU15 countries, respondents expect that the collective bargaining coverage rate will decline by 2025 and the deepest decline is expected in Portugal, but also in Finland, Sweden and Spain. Respondents from Luxembourg, the United Kingdom, the Netherlands, France and Italy expect modest increase in the collective bargaining coverage rates.
- In EU12 countries, the changes in collective bargaining rates are more remarkable to both directions. In Slovenia, where the coverage is currently at very high level, a decline is expected on average by 26 percentage points by 2025. A decline around 10 percentage points is expected in Malta, Cyprus and Slovakia. The highest increases in coverage rates are likely in the Baltic States (24 percentage points in Lithuania, 20 in Latvia and 14 in Estonia).
- There are rather diverse expectations of the developments in collective bargaining coverage rates in Global 7 countries. Respondents from Australia and Japan expect that there will be a decline in the coverage rates by 2025, while respondents from China, India and the U.S foresee some increase in the rates. However, the expected rates differ remarkably: from around 7% in India up to 76% in Brazil in 2025.

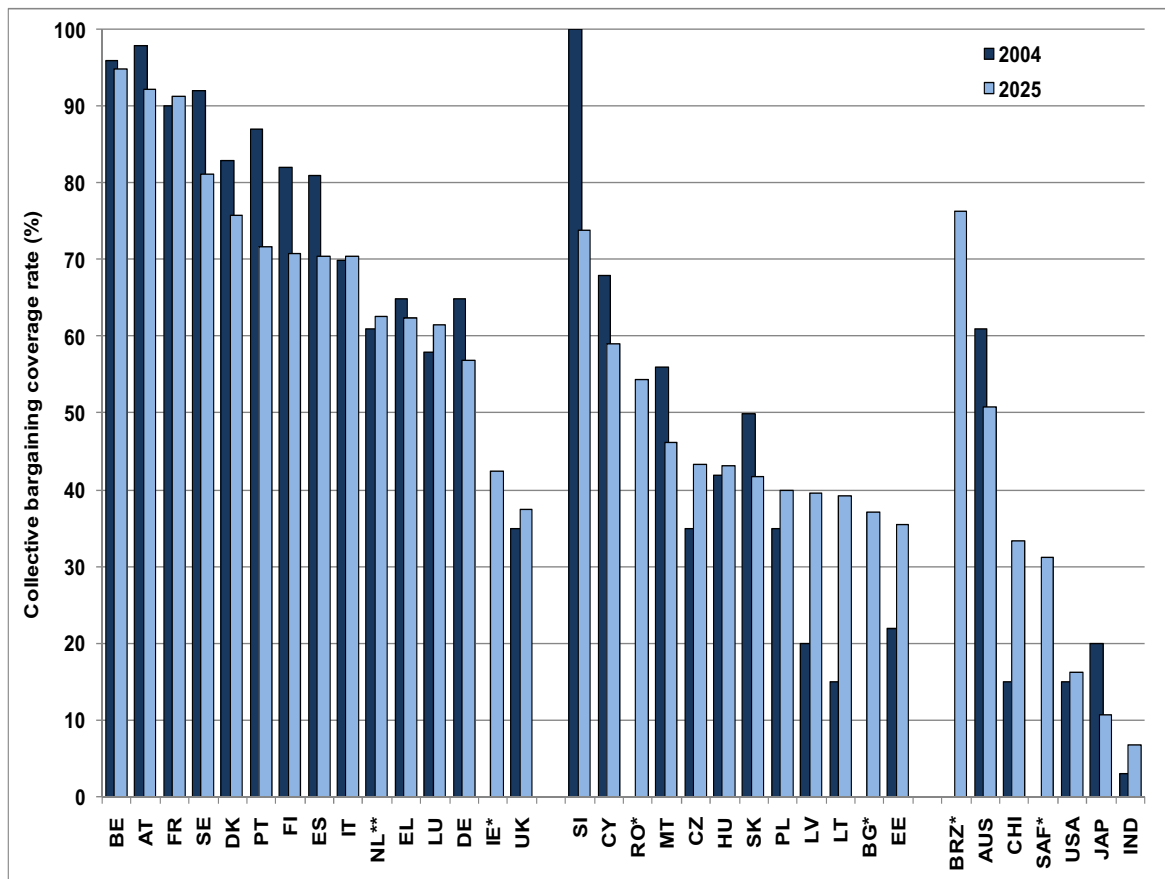


Figure 4. Collective bargaining coverage rates in 2004 and foresight⁴ on collective bargaining coverage rates in 2025 (percentage). (Experts' survey and Van Gyes *et al.* 2007; Industrial relations foresight 2025 survey)

Industrial relations experts foresee that there will be changes in the importance of different collective bargaining levels by 2025. In general, the majority of respondents expect that there will be an increase of collective bargaining at the international and enterprise level. With regard to the other levels of collective bargaining the picture is more patchy. Among respondents from the EU12 countries, the general attitude is that the importance of sectoral level collective bargaining will increase, while the respondents from EU15 countries expect that the enterprise level collective bargaining is gaining more importance in the future. This indicates also some convergence in the industrial relations systems of the old and new member states, as one can observe that the old EU member states are moving towards decentralisation and the new member states towards centralisation in collective bargaining. Not surprisingly the results from Global 7 are different: the dominant levels are expected to be the enterprise and regional level.

⁴ Question: Please estimate, what will be the collective bargaining coverage rate (i.e. the share of employees covered with collective agreements) in 2025 in your country (%). Note: * - There is no reliable information available about collective bargaining rate in 2004 for Ireland, Bulgaria, Romania, Brazil and South Africa. ** - According to comments of two respondents from the Netherlands, the collective bargaining coverage rate is around 80-85% ever since World War II.

In majority of EU15 countries, the dominant level of collective bargaining in 2025 will be sectoral level. Exceptions are Greece and the United Kingdom, where the enterprise level will be dominant and also Ireland, where the national level collective bargaining will be dominant. In majority of EU12 countries, still the enterprise level collective bargaining will be dominant in the future. Respondents from Bulgaria, Estonia, Lithuania and Slovenia expect that the enterprise level collective bargaining is replaced by sectoral level collective bargaining by 2025. Among Global 7 countries major changes are not expected: sectoral level collective bargaining is expected to be dominant in Brazil and South Africa and in other countries the enterprise level bargaining is expected to be dominant.

3.4. Foresight on wage, working time, and other working conditions

Following general trends can be drawn about determination of different working conditions in different countries and country groups:

- There are many countries, where respondents do not expect major changes happening in the wage determination procedures, while in majority of countries some decentralisation process in wage determination is expected. Respondents foresee that in the future wages will be still collectively regulated, but there will be more variability in wages and more differentiations in rules, which will introduce more variable/flexible pay.
- Respondents from majority of countries do not expect changes in the present system of determination of minimum wages. Currently national minimum wages are fixed in 21 of the EU27 member states, as well as in Australia and Brazil. Minimum wages in EU15 countries are set mostly at national level or sectoral level negotiations, and in EU12 countries minimum wages are set dominantly at national level negotiations.
- In the EU15 countries currently the working time is regulated in majority of countries by national legislation and/or by sector level collective agreements. In the countries, where changes are foreseen these changes are towards enterprise collective agreements or individual contracts. In the EU12 countries working hours are regulated by national legislations. Collective agreements play minor role and, if play, does not deviate from the statutory weekly working hours. In majority of cases no changes are expected in the current system. In Global 7 countries respondents' opinions about future developments in regulating working time issues are very different and no generalisation can be made.
- At present in a majority of countries the health and safety issues are regulated by national legislation and respondents do not expect changes in the system. Respondents also expect that the government's role in regulating health and safety issues will either increase or remain unchanged in the future.

Many of respondents pointed out that flexible employment arrangement (telework, temporary agency work, etc.) may increase because of need for reaction to expanding phenomenon in the future. Respondents foresee that the governments will have to deal with the increase of flexibility in the labour markets and the government's role as a promoter of flexible employment arrangement could rise, as

well as the regulation with respect to the flexible forms of employment will increase. The implementation of flexicurity is likely to require extensive legislation at national level, but the European Commission is also likely to have an increasing role in these matters. However, lot of respondents have an opinion that the minimum standards of working conditions (minimum wage, working time, and health and safety issues) will be fixed at national and/or EU level and sectoral and/or enterprise level agreements will settle more rights for workers.

Conclusions

Globalisation impacts directly and indirectly on the industrial relations systems and their actors. Different dimensions of globalisation – internationalisation of markets, increasing competition, free movement of capital and labour, rising importance of markets and ICT – impact on the working life and represent serious challenges for national industrial relations systems. The pressure exerted by globalisation affects employment and industrial relations at regional, national and international level. These pressures interact with national characteristics of the economic and political system, (e.g. type of government, legislative developments, role of the social partners, etc.).

Globalisation has a contradictory impact on industrial relations. On the one hand, it is accelerating economic interdependence between countries on an intraregional basis and encouraging similar business approaches of individual companies in competitive markets. This may lead to some convergence in industrial relations arrangements worldwide. On the other hand, evidence exists that industrial relations in some countries resist the convergence trend; such resistance from industrial relations actors is based on particular national and regional circumstances. Big multinational companies cover different countries and this means new challenges for social partners as well (see e.g. Papadakis 2008). Work standards and wages begin to level out internationally, different work culture, value systems means that unions have to adjust their recruitment policies, importance of international co-operation between trade unions will increase. Several respondents pointed out that the developments industrial relations systems in 2025 will be influenced by globalisation and competition.

In addition to the effects of globalisation, Europe, as well as some other economically more advanced countries, must also meet the combined challenges of low population growth and an ageing population. In this context, it appears to be impossible for developed countries to handle their current demographic situation without allowing for labour migration originating from developing countries; in particular, the migration of skilled workers is encouraged. At the same time, developing countries, especially China and India, are facing further population growth and a labour surplus. The majority of developed countries face also serious labour and skill shortages which threaten their sustainability of economic growth, productivity performance and international competitiveness. In the EU, rising labour shortages will put a push on increasing labour migration within the EU and also from non-EU countries.

In general, the country groups (EU15, EU12 and Global 7) are internally highly heterogeneous and countries are characterised by very high diversity in most of cases. Hence, all of the conclusions drawn up as part of this analysis should be handled with caution, since specific aspects relating to each country, such as historical and cultural developments, legislation and the role of the state, have to be taken into account. The following paragraphs highlight some of the main differences between the country groups in 2025 according to the survey results.

- In the EU15, the industrial relations indicators – trade union and employer organisation density rates, collective bargaining coverage and workplace representation – will have on average, the highest scores also in 2025: all of this indicates that employees will generally be more protected in the EU15 and that they enjoy greater employment security and social guarantees. In addition, social cohesion (more equal opportunities in the labour market, lower income inequality and gender wage gap) will be higher in the EU15 societies than in those of the other country groups.
- The EU12 countries will keep their position between the EU15 and Global 7 countries, showing higher social partner organisation density and collective bargaining coverage rates than the Global 7 countries. Workers will be better protected and inequality is lower in the EU12 when compared with the Global 7 countries.
- In the G7 countries, workers will be less unionised and less protected and low trade union density is accompanied with a relatively low rate of collective bargaining coverage also in 2025. Furthermore, employers are also less organised. The labour markets will be more flexible and employment protection will stand at a relatively low level also in the future.

This foresight study picked up also several “strong signals” of the changes in the industrial relations systems: declining unionism in observed countries, decentralisation processes in collective bargaining negotiations and in determining different working conditions. It seems also that EU level convergence is expected in the area of industrial relations. Convergence to the EU average level is more concern of the EU12 countries, which are more willing to expect an expansion of social partnership. In relation to trade union and employer organisations density, the member states, dominantly EU15 countries, are foreseeing a decline. In parallel the old member states are dominantly foreseeing a decline in the collective bargaining coverage rates, while the EU12 is expecting a rise. In general, decentralisation of collective bargaining is expected in old member states, while the situation will remain unchanged in majority of the new member states. It seems that European level convergence is expected in the area of industrial relations. On the background of this convergence increasing competition and globalisation push for higher flexibility, increase of atypical forms of work, decreasing job security.

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