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THE IMPACT OF THE EEC AND THE MNC ON THE ORGANISATION, METHODS AND AIMS OF INTERNATIONAL TRADE UNIONISM IN WESTERN EUROPE*

OUTLINE

The principal aim of this paper is to expose the structure of the international labour movement and to attempt to account for the implications that the development of the EEC and the emergence of the multinational corporation have had on the organisation, methods and aims of international trade unionism in Western Europe. It comprises five minor sections:

1. From the formation of the First International in 1864 to the Second World War.
2. Post-war international and regional trade union organisations.
3. The emergence of the multinational corporation (MNC) and its implications for trade unions in Western Europe.
4. The response of trade unions to the growth of the MNC.
5. Some final thoughts on the role and influence of the EEC on the evolution of a European System of Industrial Relations.
From the formation of the first International in 1864 to World War II

The history of the International Labour Movement down to the Second World War can be regarded as covering a span of exactly seventy-five years, divided into three equal periods. The first twenty-five years began with the formation of the First International in London in 1864 and ended with an interim period from the dissolution of the First International in 1872 to the foundation of the Second International in 1889. The International was an association of working men rather than of organisations. Among the objects of the International prominence was given to the provision of a means of communication and co-operation between working men's organisations in the various countries. However, while there was agreement on the need to promote the formation of trade unions there were sharp differences of opinion on the subject of political action.

The second period extended from the launching of the Second International to the outbreak of the war in 1914. It witnessed not only the development of international organisation on the political side but also the establishment of the first international bodies in the industrial field. The first international conference of trade union centres was held at Copenhagen in August 1901 and the first steps were taken towards the foundation of an international organisation, which in 1913 became the International Federation of Trade Unions (I.F.T.U.). Like the Second International the I.F.T.U. was concerned to promote working-class unity.

During the third period, from the beginning of the war of 1914-18 to the outbreak of hostilities again in 1939, the international organisations in the labour movement were broken down by the force of war, painfully pieced together when the fighting was over, extended and consolidated through a period of economic depression and poli-
tical crisis and torn apart for the second time when the Second World War broke out.

POST-WAR INTERNATIONAL AND REGIONAL TRADE UNION ORGANIZATIONS

After the War the reorganised international trade union movement mirrored the shifts in world economic and political developments in the emergence of a structure that was both a reflection of the great ideological cleavage of the communist and non-communist states and the more complex patterns of regional interests, in particular those of the less developed countries in the southern hemisphere, in Africa, Asia and Latin America.

In 1949 the International Confederation of Free Trade Unions (I.C.F.T.U.) was created as a counterforce to the communist-led world Federation of Trade Unions (W.F.T.U.). There existed also a third, but smaller, international organisation the International Confederation of Christian Trade Unions (I.C.C.T.U.) which, in 1968, was renamed the World Confederation of Labour (W.C.L.) and adopted a secular philosophy which is highly critical of capitalism and seeks to replace it with a system based on comprehensive economic planning and worker control of Industry.

In the early 1950s the International Confederation of Free Trade Unions established regional bodies for all major continents:

1. The Asian Regional Organisation (A.R.O.): A.R.O. was later enlarged to include the Middle East and probably has the most diverse membership of all as regards the mix of culture, language, level of economic development, political systems and strength of trade unions.

II. The I.C.F.T.U.'s regional organisation for Africa (A.F.R.O.): A.F.R.O. fell into disuse in the 1960s when the I.C.F.T.U. lost a sizeable portion of its African membership; it was reactivated in 1972, but its role in Pan-African trade union affairs is over-shadowed by the Organisation for African Trade Union Unity (O.A.T.U.U.), a regional body less objectionable to African governments because it is without formal links to any international labour organisation, though it seeks to maintain friendly relations with all of them.
III. The I.C.F.T.U.'s regional organisation for the Western hemisphere, the Organisation Regional Interamericana de Trabajadores (O.R.I.T.): When O.R.I.T. was first established in 1951 the leading role of U.S. labour was regarded as essential to its effectiveness and solvency, indeed to its survival, for the Latin American organisations taken as a whole were too weak and too divided to maintain a stable organisation. However, the overwhelming weight of U.S. trade unions inevitably caused resentment to rise among some Latin American and European labour organisations. Yet, no significant change in the structure and government of O.R.I.T. has taken place due to lack of widespread Latin American support.

IV. In Europe regional arrangements went through several stages before culminating in 1973 in the establishment of the European Trade Union Confederation (E.T.U.C.). This body has assumed a completely independent existence from the I.C.F.T.U. and most of its member organisations are separately affiliated with one of the three international labour confederations: the I.C.F.T.U., the W.F.T.U. and the W.C.L. The strategy of the E.T.U.C. has been to achieve:
- an international code of regulation and laws in the individual countries that will guarantee the unions are able to obtain the information they believe to be essential if they are to bargain effectively;
- to have the right to participate directly through representation on appropriate organs of managerial control and on consulting bodies, such as works councils, at both international and national levels; and
- to support the efforts of its industry committees to persuade multinational companies to agree to consultation and collective bargaining at the European level.

The E.T.U.C. has been directly concerned with the problem of multinationals since it came into existence. In 1973 a committee on the Democratisation of the Economy reported that multinationals were a worldwide problem for which it was difficult to find a European solution, but a start had to be made somewhere and that «the

circumstances in Western Europe seem to be favourable for a solution to the problem, since a general awareness has developed over the past few years of the dangers of the uncontrolled expansion of the power of multinational groups of companies»².

THE EMERGENCE OF THE MULTINATIONAL CORPORATION AND ITS IMPLICATIONS FOR TRADE UNIONS IN WESTERN EUROPE

The multinational corporation (MNC) emerged as a result of the internationalisation of the productive activities of many enterprises and the rapid expansion of foreign direct investment. There are many reasons for the growth in overseas direct investment which has occurred in the last thirty or forty years and which has resulted in the phenomenal growth of the MNC:

— faster growing markets abroad (and especially the booming European market)
— the need to circumvent tariff barriers
— differential labour and material costs
— cheaper transport costs
— differential taxation systems, and
— more flexible exchange controls.

There is no agreed definition of the MNC. Some find its determining characteristic in the organisation of its activities, that is the extent to which its operations in different countries are actually coordinated by a corporate centre, or the degree of «global outlook» to be found in the enterprise's decision-making. Others use as criteria the number and type of its subsidiaries, the number of countries in which these subsidiaries operate and the proportion of foreign sales, assets and employment in the enterprise's total sales, assets and employment. Still others look to the nationality mix of its management or to its ownership characteristics. Thus, Vernon has defined the MNC as «a cluster of corporations of different nationalities that are joined together by a parent company through bonds of common ownership, that respond to a common strategy and that draw on a common pool of human and financial resources»³. The British Trades Uni-

². Ibid.
on Congress (T. U. C.) characterises «multinational» any company which «organises its operating divisions across national frontiers»; and Dunning distinguishes three types of a «multinational enterprise»:

— «The Multinational Producing Enterprise» (MPE): This is an enterprise which «owns or controls producing facilities (i.e. factories, mines, oil refineries, distribution outlets, etc.) in more than one country». Such an enterprise is distinguished from one:

— «solely engaged in international trade» (MTE) which «sells its domestically produced output directly to other enterprises or individuals in other countries» and also from an

— «internationally owned and/or (financially) controlled enterprise» (MOE and MCE): «the capital of which is owned or controlled by economic agents of more than one nationality».

Of course, it is possible for an enterprise to be multinational in more than one, or indeed all, of the above senses.

Attempts have been made to define a theoretical pattern of organic development for MNCs. Thus, Professor Perlmuter suggested that they start as «ethnocentric», basing all operations on their country of origin, whereafter they gradually become «polycentric», operating in many countries according to the constraints of those countries' national economies and finally they become «geocentric», operating on global strategy without regard to national boundaries. It is difficult, however, to define such phases or to place any given company precisely in one or other of these stages. In addition, the MNC has no internationally recognised legal status. The parent company is incorporated in the country of origin, while the subsidiary companies are incorporated under company law in their host countries.

Although multinational Corporations have existed for the past century, or longer, they have not until the last twenty or thirty years been regarded by the unions as having any particular significance from the point of view of collective bargaining. Yet, the rapid expansion of U.S. MNCs since the end of the Second World War and their heavy investments in Europe raised many political, legal, economic and social issues of considerable importance.

The attractiveness of Europe to U.S. MNCs was based on a combination of factors: large-market potential, comparability of production conditions with those in the United States, availability of skilled labour and political stability. Most important, the realisation in the early 1960s that the EEC would probably be successful triggered a large boom in investment by U.S. companies. Production in Europe seemed the best way to obtain access to a very rapidly expanding market that might eventually throw up high trade barriers, as its custom union progressed toward completion. Further, for many industries it was possible for the first time to build co-ordinated, large-scale production and distribution systems to serve the entire area, rather than having to build small, uneconomic units in each of the important nations. As a result, in 1970 the total of U.S. investments in Europe was $24.5 billion.

This phenomenal growth of U.S. MNCs in Western Europe became a serious source of concern for trade unions of host countries for a number of reasons:

— From the viewpoint of employees whose firms were acquired by foreign-owned companies there was inevitably an element of concern about management motives following the takeover. There was a feeling of diminution of job security when it was known that decisions on jobs were taken much further away. Moreover,

— There was a feeling of anxiety that the new management might introduce new methods of work, and/or a new and less acceptable basis for determining wages and conditions of employment.

— It was also difficult to determine where decisions were taken; and where the power centre of a corporation cannot be properly identified, it cannot be easily dealt with.

— In the last resort, the MNCs—it was argued—operating in more than one national economy were able to switch their operations elsewhere. This flexibility was a power force on the side of management in any bargaining situation with the nationally-based trade unions. Even if a long-term relocation of resources was not carried out, the possibility of diverting short-term production between countries was itself a powerful weapon when industrial action was threatened or carried out.

THE RESPONSE OF TRADE UNIONS TO THE GROWTH OF THE MNC

The actual response of trade unions to the growth of MNCs has taken place at a variety of levels:

(a) by direct union to union contact

(b) through the International Trade Secretariats, and

(c) through the world trade union federations and such bodies as the International Labour Organisation (ILO) and the Organisation for Economic Cooperation and Development (OECD).

(a) Contacts between unions have not been only through the international trade union organisations; often they have been direct from union to union. There have been many instances of appeals from a union in one country to unions in another asking for support in an industrial dispute (this has been the case mainly with Dockers’ and Airlines’ unions). However, these sporadic episodes of international co-operation had not resulted in any permanent machinery through which collective bargaining could be conducted at an international level; perhaps, the most effective international action to occur so far was that which involved the AKZO group of companies in three countries. The sit-ins which took place when the company’s management decided to close down one of its major plants and to make a large number of workers redundant was met by fierce resistance from the Dutch trade unions which were able to secure the support of the unions in Belgium and West Germany. Faced by the prospect of a long and bitter contesting of its decision the company, under considerable public and private pressure, decided to reverse its policy of closure.

(b) The International Trade Secretariats were established before the First World War to promote the common interests of workers in
particular industries; yet they had been playing a relatively minor role (except in the transport field) until recently when they have developed the specific function of coordinating union efforts to come to terms with MNCs.

Some of the International Trade Secretariats have sought to establish centres of information that would be able to provide affiliated organisations with useful material when they would be bargaining with MNCs. Perhaps, the most significant effort of this kind has been the creation of a data bank by the International Metal Workers’ Federation (IMF), with the assistance of the American Automobile Workers’ Union and the German Metal Workers’ Union. On the basis of information supplied from affiliates and other sources the IMF is able to provide a comprehensive picture of the terms and conditions of employment in force in most of the major automobile manufacturing plants throughout the world. Thus, a union in any country devising a bargaining strategy can discover, with the aid of a computer print-out, the most up-to-date information on the terms of employment conceded by the motor car manufacturers all over the world.

The IMF had also been actively encouraging the setting up of international councils in the aircraft manufacturing and electrical industries. Having established an international council to provide information to all affiliates negotiating with the GEC, the IMF established similar bodies to cover Philips, Siemens, AEG and Westinghouse. International councils were also established in the chemical and rubber industries in a growing number of MNCs as Dunlop-Pirelli, Michelin, St. Gobain, Rhone Pulenc and W. R. Grace and Ciba-Geigy.

Although the resources of the International Trade Secretariats have been limited and most of the information which they gathered has been public knowledge, still they have been able to provide sufficient information to make relatively accurate and relevant inter-country comparisons of employment standards.

(c) In 1973, with the entry into the EEC of Britain, Denmark and Ireland the unions of the original EEC countries agreed to establish a new European Trade Union Confederation (ETUC)... «to jointly represent and promote the social, economic and cultural interests of workers at the European level»⁸. In order to achieve these aims the

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⁸ B. C. Roberts and Bruno Liebhaberg, op. cit.
ETUC urged governments to bring their influence to bear on the international institutions on which they are represented, such as the ILO, the OECD and the EEC, to establish an international code of regulation relating to MNCs.

The development of the multinational corporation was considered to be of particular importance to the ETUC since it provided a potential opportunity for the ETUC to exercise an influence on the development of a European system of company law and regulation and on the development of the collective bargaining process at the European level. This meant that in both respects the ETUC could make a contribution to the evolution of a European system of industrial relations.

Some final thoughts on the role and influence of the EEC on the evolution of a European system of industrial relations

Before proceeding, it might by useful to define some of the terms used in the subsequent discussion.

Industrial Relations is concerned with employment relationships; its central characteristic, or focus, is employment in all its aspects: micro and macro, individual and group. It has been defined as «the study of people in a situation, organisation or system interacting in the doing of work in relation to some form of contract either written or unwritten»

An Industrial Relations System, as defined by Dunlop, «... is comprised of three groups of actors: workers and their organisations, managers and their organisations and governmental agencies concerned with the work place and work community. These groups interact within a specified environment comprised of three interrelated contexts: the technology, the market, or budgetary constraints, and the power relations in the larger community and the derived status of the actors. An industrial relations system creates an ideology, or a commonly shared body of ideas and beliefs, regarding the interaction and roles of the actors which helps to bind the system together»

At the outset there are some general considerations relevant to any discussion of the role and influence of the EEC in the industrial relations context. Firstly, there are several Community institutions involved in the procedures which determine the scope, content, form and pace of Community industrial relations developments. The European Commission is the formulator of particular proposals and it must consult with the European parliament and often with the Economic and Social Committee. Proposals are also discussed in COREPER (Committee of Permanent Representatives) prior to the full meeting of the Council of Ministers; COREPER provides the opportunity for the representatives of the Member states’ delegations to identify, resolve or otherwise deal with policy and with any political and technical difficulties associated with a Commission proposal. Finally, the Council is the body which approves, or not, the final version of a Commission proposal. In addition, there are consultations, formal and informal, with the European labour and employer centres — ETUC (European Trade Union Confederation) and UNICE (Union of the Industries of the European Community).

Secondly, the accession of Denmark, Ireland and the United Kingdom into the Community added another dimension to the existing industrial relations systems of the Member states. The essentially voluntaristic systems of the three new Member states raise practical problems in devising industrial relations arrangements suitable for Community-wide application.

Finally, what can be achieved in legislative terms is very much dependent on «... what the political market can bear at a given period of time...», given the configuration of political forces arising from national factors and the issues involved.

Yet, despite limitations and constraints, it would appear that the EEC can affect national industrial relations by a numbers of ways:

— by its legislative function
— by its involving the trade unions and employer associations
— by its establishing new institutions
— by aiming to change both company structure and the influence of workers on company decision-making, and finally
— through collective bargaining issues.
The Legal Framework

The legal basis for the Community measures is to be found in the Treaty of Rome; these measures can be separated into those conferring general obligations and powers, those relating to specific issues and those enabling measures to be adopted which are not otherwise provided for in the Treaty.

In the context of measures conferring general obligations, Article 117 of the Treaty of Rome indicates that Member states agree the need to promote improved working conditions and standards of living for workers, these objectives being fulfilled by the functioning of the common market by procedures provided for in the Treaty and by an approximation of legal provisions, regulations or administrative actions. Also, Article 118, of particular significance in the social policy field, lays an obligation on the Commission to promote close cooperation between Member states in the social policy sphere, especially in matters of vocational training, employment, labour law and working conditions, social security, industrial safety and hygiene and the right of association and collective bargaining between employers and workers.

It should be noted, however, that Community legislation may not have any impact at all where existing national law is already above Community standards. Given the variations which exist between Member states in the labour law field, it would be politically unrealistic to envisage drastic changes in some Member states based on the more advanced statutory provisions in others.

The Community and the Representative Organisations

Of considerable practical importance for the Community are the relationships with, and influence of, the representative organisations of labour and employers at both national and European level. Marked diversity exists in the basis, structure, organisation and traditions of these organisations across the Member states. In any case, the representative organisations of labour and employers may be involved with Community developments in the industrial relations field through:

— their relationships with national governments and national consultative procedures;
— affiliation and membership of the European Organisations, the ETUC and UNICE;
— membership of the numerous Community institutions, such as the Economic and Social Committee and the Social Fund Committee;
— representation on an ad hoc basis on consultative committees called to consider Community proposals; and
— involvement in Commission conferences, i.e. Social Policy and Humanisation of Work conferences.
Thus, the possibilities for both employers and trade unions to influence Community proposals and policies would appear to be enhanced.

New European Institutions

The role and influence of employer and labour organisations seem likely to be extended as the result of their involvement in a number of new European institutions, such as the Vocational Training Centre based in West Berlin, the European Foundation for the Improvement of Living and Working Conditions based in Dublin and the European Collective Agreements Register (a computerised information bank, established on the basis of a detailed breakdown of collective agreements in thirteen major industrial sectors across the Member states) based in Luxembourg.

Employee Participation

Commission proposals for the extension of employee participation could have far-reaching effects on industrial relations and company structure on several Member states. The Community’s overall approach to the participation issue and the Commission’s main propositions concerning company structure and participation are well presented in the Green Paper «Employee Participation and Company Structure in the European Community»; namely, the desirability, as a long-term objective, of a two-tier board structure —Management Board and Supervisory Board— with employee participation on the latter board. The Commission, however, recognises the value of active representative systems with foundations in the workplace as important for employees’ involvement in company decision-making.

Collective Bargaining

The Community supports the autonomy of the trade unions and
employer organisations in collective bargaining; therefore, national-level practice remains the overriding source of collective regulation. There exists, moreover, considerable variation in important collective bargaining parameters such as the legal status of agreements and the level of bargaining, as well as disparities in current pay and conditions within one industry across Member states.

Many Community developments, however, have implications for national and transnational bargaining; thus, it is difficult to envisage national-level bargaining remaining unaffected by the upward harmonisation of basic legislation; by the growth of MNCs; by the reforms of company structure and law at Community level; by the work of the Collective Agreement Register; and by the likely extension of employee participation arrangements.

Those of the Community’s activities which have implications for collective bargaining can be separated into two broad groups; the voluntaristic and the legalistic. The former include institutional innovations which will directly involve labour and employer organisations; the latter are associated with the introduction of protective labour legislation to accompany the elimination of impediments in the field of company law and structure (i.e. the Fifth Directive and the European Company Statute and «Multinational Undertakings and the Community»). It should be stressed, however, that much Community legislation has still to be approved by the Council of Ministers and considerable time seems likely still to be needed for the actual implementation of some of the Community’s intended policies.

What would then be the prospects for a European level collective bargaining and Community involvement in this development? Several important parameters have to be considered in this context:

— the role, activities and policies of representative organisations and their members;
— the disparities in pay and conditions between Member states;
— differences in the social policy and social security arrangements; and
— the usual socio-cultural and socio-economic considerations.

Thus, to expect the significant development of European level bargaining requires a high degree of optimism, particularly, given the Community’s commitment to respect the autonomy of labour and
employer organisations, changes in whose attitudes are important determinants for developing Community-level bargaining; because:

Employers and their organisations are solidly opposed to European collective bargaining, seeing it as a means of proliferating further the bargaining levels from which wage and salary increases can arise; of escalating industrial disputes to a European level; of weakening the employers’ ability to compromise with labour at local and national level; and of being pressurised into aligning pay and conditions to the highest level prevailing in one, or more, Member states.

On the trade union side there are also impediments to European bargaining; these include the attitudes of national union leaderships; members’ preoccupation with plant issues; contrasting ideological bases in union organisation, both within and between Member states; structural differences and differences in union bargaining policy (for example regional or national bargaining); and differences in organisational strength, bargaining experience and membership support.

Finally, Member state governments are likely to be reluctant to see their influence and role in the national pay and incomes field impaired by the terms and conditions of agreements concluded at European level and, possibly, subject to European, not national, legal jurisdiction.

Thus, it would appear that whilst the Community cannot directly impose conditions necessary for European collective bargaining on the employers, unions and governments, convergences on social security, pensions and employment policies in the longer term are likely to promote the approximation of Member state social policies, a development conducive to the growth of bargaining at European level.
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