Liberalisation and privatisation of public services and the impact on labour relations:
A comparative view from six countries in the postal, hospital, local public transport and electricity sectors

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Deliverable 8 (Report on the transformation of labour relations in public services) for the Project

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INTRODUCTION: LIBERALISATION AND THE EMERGENCE OF NEW LABOUR RELATION REGIMES

This study contains a comparative analysis on the impact of privatisation and liberalisation on labour relations in six countries (Austria, Belgium, Germany, Poland, Sweden and United Kingdom) and four sectors (postal services, local public transport, electricity and the hospital sector). It is based on original information provided by the national research institutes involved in the PIQUE project, an extensive review of existing literature and studies and expert interviews in the surveyed countries.

The basic hypothesis of this study is that privatisation and liberalisation of public services lead to the emergence of new labour relations regimes (LRR) which differ fundamentally from traditional labour relations in the public sector (Bordogna 2007b). Before privatisation and liberalisation the LRRs in postal services, local public transport, electricity and hospitals were either integrated into or closely related to the (country-specific) LRRs of the public sector. In all European countries public sector labour relations differ from those in the private sector. Characteristics of the traditional public sector LRR can be seen in high trade union density, centralised collective bargaining, a special work status of the employees (e.g. civil servants) with a high degree of job security and high employee involvement.

Since liberalisation and privatisation have put the affected sectors under enormous competitive pressure, this has had a enormous impact on labour relations, in particular in those industries which are rather labour-intensive and where labour costs account for a large proportion of the overall costs. In order to save labour costs, privatised companies, that are active in liberalised markets, have tried to withdraw from the ‘more expensive’ public sector LRR and set up new forms of regulation. Thus, our second hypothesis is that after liberalisation and privatisation we can see the emergence of new LRRs, which often have no or only weak links to the old LRR of the public sector. This includes far-reaching changes in collective bargaining, wage levels and employment conditions.

At the same time, the LRR of the public sector itself has seen an ongoing process of transformation (Bordogna 2007a). As a matter of fact, under external and internal pressure to increase the efficiency and quality of services, most European governments

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1 The chapters on postal services, local public transport and electricity were written by Torsten Brandt. The chapter on hospitals was written by Thorsten Schulten.
2 “Privatisation of Public Services and the Impact on Quality, Employment and Productivity” (PIQUE) is a three-year project funded by the European Commission’s 6th Framework Programme. It involved research centres from six European countries (Austria, Belgium, Germany, Poland, Sweden and the UK).
3 We define “labour relation regime” (LRR) as a coherent set of institutions (statutory regulation, collective bargaining, employee representation, etc.) regulating labour relations in a certain sector. The term “privatisation” can either refer to “formal privatisation” (i.e. the transformation to a company of private law) or to “material privatisation” (i.e. a change from publicly to privately ownership structure).
have attempted to reform public sector employment relations, within a wider process of public service restructuring. These reforms have often been influenced by ‘new public management’ (NPM) concepts, which aim to introduce market-oriented mechanisms of governance and want to bring private sector techniques of human resource management into public services. This process has been accelerated when in liberalised markets public companies were set under increasing competitive pressure by new private competitors. However, in many countries there are still important differences between public and private sector employment relations.

The impact of liberalisation and privatisation on labour relations has shown significant differences depending on the countries, the sectors and the degree of real competition in the liberalised markets. A third hypothesis of this study is that changes in LRRs often follow a national path-dependency in particular in the area of collective bargaining. Countries with more encompassing collective bargaining systems might have better chances to establish collective agreements in new liberalised markets than countries with more decentralised and fragmented bargaining systems even though there is no determinism in this relation. Finally, the fourth hypothesis of this study is that in principle there are three models of a new LRR which might emerge in a liberalised market (Table 1):

Table 1: New Labour Relations Regimes after liberalisation and privatisation

<table>
<thead>
<tr>
<th></th>
<th>“Two-tier LRR”</th>
<th>“Fragmented LRR”</th>
<th>“Encompassing-LRR”</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Incumbent/ public companies</td>
<td>New competitors</td>
<td>Incumbent/ public companies</td>
</tr>
<tr>
<td>Union density</td>
<td>High</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Collective bargaining</td>
<td>Company agreement</td>
<td>Company agreements or no agreements</td>
<td>Company agreements or no agreements</td>
</tr>
<tr>
<td>Bargaining coverage</td>
<td>High</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Competition on wages and working conditions</td>
<td>High</td>
<td>High</td>
<td>Low</td>
</tr>
</tbody>
</table>

The first model is a new “two-tier LRR” which consists of fundamentally different forms of labour relations in the incumbent monopolist and the remaining public companies on the one hand and in new competitors on the other hand. While labour relations in the incumbent remain similar to the old public sector LRR including high union density, high bargaining coverage and relatively high job security, the LRR of the new private competitors is in many respects characterised by the opposite: low trade union density, decentralised bargaining, low bargaining coverage, more precarious
employments and a low degree of job security. Within a “two-tier LRR” it is rather likely that there is a strong competition on wages and labour costs.

The second model is a “fragmented LLR”, where neither the incumbents or remaining public companies nor the new competitors have strong forms of regulation. Bargaining coverage is rather low with decentralised bargaining and no sector-wide coordination. Such a “fragmented LLR” would strongly promote competition on wages and working conditions. Finally, there might be a third model of an “encompassing LRR”, which is characterised by strong coordination of collective bargaining at sectoral level and a relatively high bargaining coverage. The latter is the only LRR which is able to limit wage competition and therewith promotes the competition on other issues such as quality and productivity.

This study focuses on the question what kind of new LRR emerge as a result of liberalisation and privatisation in the various countries and sectors. Does liberalisation and privatisation lead to a deterioration of working conditions as a result of wage dumping and labour cost competition? Or is there a tendency to develop new institutions and forms of social regulation which are able to limit competition on wages and working conditions in liberalised markets?
1. **POSTAL SERVICES SECTOR**

1.1. **State of liberalisation and privatisation**

The liberalisation process has been fundamentally influenced by Regulations at EU-level. In the early 1990s the European Commission (EC) started to discuss ways to include the postal services in its initiatives for a European single market. This led to a green paper in 1992 and a draft directive at the end of 1995 that was finally agreed in December 1997, followed by a further directive in 2002. The main aims of European legislation were to establish a standard reserved area for letters and access conditions for licensed operators, to introduce independent regulators in each Member State, to set quality standards and to establish clear principles on pricing. The reserved area was originally set at letters weighing less than 100g or costing less than three times the standard service. This threshold applied from 1 January 2003 and was then reduced on 1 January 2006 to letters weighing less than 50g or costing more than 2.5 times the standard service. Initially it was planned to achieve a fully open market by 2009. Current discussions envisage the market across Europe to be fully open by 2011 — or by 2013 for some countries (e.g. Poland). The partial opening up of the market has been accompanied by a polarisation between large providers of the universal service operating in a market that is at least partly guaranteed, and an often heterogeneous and fragmented array of alternative providers in search of new market niches and segments to occupy. In this process, companies have pursued various strategies in terms of corporate transformation, reorganisation and product diversification and in search of new markets at home and abroad. Nonetheless, a concern shared by all of them is the need to reduce costs (Regalia 2007: 30).

The liberalisation of the letter market was introduced step by step through various restructuring measures and the formal privatisations of national postal companies, e.g. their transformation to a company of private law. The first formal privatisation (i.e. the transformation to a company of private law) of the former monopoly postal company took place in Sweden in 1994, followed by Germany in 1995, Austria in 1996, Belgium in 2000 and the United Kingdom in 2001. Only in Poland is the incumbent still a company with a public legal form. In all countries the privatisation processes were accompanied by restructuring and reorganisation measures of the different postal services divisions of the previous monopolists which started before the formal privatisations. These reorganisation measures led to massive staff reductions in Germany, Sweden and Austria. Sometimes whole divisions were separated. Especially the telecommunication divisions were split off very early from other postal service divisions. This process started in the UK when Telecom was split off from the Post Office in 1981 and then privatised in 1984. Letter-, parcel- and counter services normally remained as subsidiary companies under the roof of the incumbents. In contrast financial services were often sold to third parties (United Kingdom, Austria). Whereas in the UK, Sweden and in Poland the ownership still remains exclusively public, in Belgium and Austria private investors hold a minority of shares. Since 2005
Germany is the first country where private investors hold a majority of shares of the postal services incumbent (for details see Brandt 2007). Besides formal and material privatisations of the former monopolists, outsourcing of services to subcontractors has been a privatisation model concerning the transport of postal items (in Germany, United Kingdom, Austria) and counter services (in Germany, Sweden, Austria, United Kingdom).\(^4\)

Table 2: Major liberalisation and privatisation steps

<table>
<thead>
<tr>
<th>Year</th>
<th>Austria</th>
<th>Belgium</th>
<th>Germany</th>
<th>Poland</th>
<th>Sweden</th>
<th>United Kingdom</th>
<th>EU-Directives</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991-1995</td>
<td></td>
<td></td>
<td>95: formal privatisation (i.e. the transformation to a company of private law)</td>
<td></td>
<td>94: full liberalisation 94: formal privatisation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1996-2000</td>
<td>96: formal privatisation</td>
<td>98: reserved area &lt; 350 g 00: formal privatisation</td>
<td>98: reserved area &lt; 200g 00: start of initial public offering</td>
<td></td>
<td>98: reserved area &lt; 350g or &lt; 1 £1.005</td>
<td></td>
<td>98: reserved area &lt; 350g</td>
</tr>
<tr>
<td>2001-2005</td>
<td>03: reserved area &lt; 100g 05: initial public offering (majority in public ownership)</td>
<td>03: reserved area &lt; 100g 05: private investors with majority of shares</td>
<td>04: reserved area &lt; 350g</td>
<td></td>
<td>01: formal privatisation 02: market for bulk mails (4,000+) fully open to competition 03: reserved area &lt; 100g</td>
<td></td>
<td>03: reserved area &lt; 100g</td>
</tr>
<tr>
<td>2006-2011</td>
<td>06: initial public offering (majority in public ownership) 06: reserved area &lt; 50g</td>
<td>06: reserved area &gt; 50 grams 08: full liberalisation</td>
<td>06: reserved area &lt; 50g 06: initial public offering (majority in public ownership) 06: reserved area &lt; 50g</td>
<td></td>
<td>06: full liberalisation</td>
<td></td>
<td>06: reserved area &lt; 50g 2009: initially planned full liberalisation 2011/1013: full liberalisation</td>
</tr>
</tbody>
</table>

Whereas the liberalisation steps in the letter post market in the different countries were more or less in line with the EC time schedule, it was only in Sweden – in 1994 - that the complete and early liberalisation was prior to, and independent from, the EC regulations. The formal privatisation of the Swedish incumbent Posten AB in 1994 took place at the same time with the full liberalisation of the letter market. Since 2006 the UK has been the second country to have completely liberalised its letter market. In both

\(^4\) An overview of the main postal operators and liberalisation processes in 26 member states can be found in: Regalia (2007: 5-10).

\(^5\) But according to information from Pond in fact the letter market was reserved for licensed operators and so not completely reserved for the incumbent.
countries the incumbent is still exclusively in public ownership. Thus there seems to be no direct link between the ownership status of the incumbent and the liberalisation process, but between formal privatisation and liberalisation. Thereby governments reverted to reorganisation measures and formal privatisations as instruments to survive in liberalised markets. At this point it has to be stressed that the EC liberalisation policies were verified by its member states. Hence, liberalisation was functional as an instrument to legitimate the national sell out of public property in order to solve household problems of the governments.

One aim of the EC legislation was the introduction of independent regulators in each of the member states. Regarding the output there is no systematic link between the national introduction of a (more or less) independent regulatory agency and the kind of re-regulation policy regarding service quality or market structures. For example in the UK, Germany and Sweden there are “independent” regulation agencies for postal services, but not in Poland, Austria and Belgium. A number of post offices have been closed in Germany, Sweden, Austria and in the UK, but not to such an extent in Poland. Whereas in Germany there is enormously increasing competition in the letter market, this is not taking place in the UK or in Sweden, which both have their own regulatory agencies. In Germany - according to the German postal law - working conditions are supposed to be an element of licensing for new postal services companies when asking for market entry. But in reality this has not been proved by the German regulator. In Sweden private providers have to pay duties to the state that are used for the co-financing of the universal services.

Focusing on the effects of liberalisation and regulation on competition and market shares, the number of companies has increased in all six countries to date, but even in those countries where the letter markets have been fully liberalised, the incumbent has a dominant position: British Royal Mail still accounts for 96 per cent of the regulated letter market. Yet while in the British case it may be too early to judge the consequences of complete market-opening, this argument hardly holds for Sweden. After years of full liberalisation Posten AB still holds 93 percent of the letter market. Its main competitor, City Mail, has acquired 6.5 percent after more than 15 years of existence. Only in Germany did the incumbent - Deutsche Post AG - have 91 percent of the letter market as early as 2006. Compared to Sweden this was after a short liberalisation process. On the other side Deutsche Post AG has established a lot of subsidiaries in countries abroad and seems to have become the world’s leading post and logistics company. Up to the present in Poland, Austria and Belgium there are liberalised letter markets, but no competitors on the letter market. In these countries there exist only competitors for courier services and the delivery of newspapers and advertisement brochures.

1.2. Comparing the transformations of labour relations regimes

The transformation of labour relations regimes in all examined countries has been influenced by overlapping privatisation- and liberalisation effects:

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6 There has been long term closure of post offices in the UK - current figure of 14,500 is 7,000 less than 20 years ago, with 3,000 closures in the last three years.
Before the formal privatisations post offices were determined by public law employment, centralised collective bargaining and in addition partly by civil service wage regulation (Austria, Germany). Due to formal privatisations post offices have been separated from national public sector collective bargaining or wage regulation in favour of new collective agreements at firm level. Due to fragmentation of the incumbents in different services units (e.g. telecommunication-, financial-, letter- and counter services), a multitude of company agreements have been settled in favour of one universal wage regulation for the whole postal sector. This has largely been due to outsourcing measures and the existence of subsidiaries.

As a consequence of liberalisation new competitors have emerged, which have mostly concluded company agreements. Hence, the bargaining coverage is still very high (except for the German letter market - because of the high market share of the new competitors without company agreements). On the other hand an increase of self-employed deliverers is visible (Austria, Poland). In addition the union density is still very high at the incumbents (between 60% in Poland and 97% in Sweden), but extremely low in most of the competing companies. In Austria, Germany, Poland and the UK new “two-tier LRR” has been established with different LRR for the incumbents and the competitors. In contrast in Belgium and Sweden rather “encompassing LRR” emerged.

The following two tables give a detailed overview of the current employee and employer representation in the “letter post market” and of the collective bargaining structures in the six countries involved in this study. In this analysis the “letter post market” is defined as the collection, classification, transport and delivery of “named letter post items” (private and business correspondence, named press products) and does not include advertisement- and newspaper delivery or courier services, because they have developed freely and competitively to a large extent outside the public system.

But it has to be kept in mind that companies running delivery services outside the letter post market (e.g. courier-, express- and parcel services or the delivery of advertisement, newspapers and journals) often try to expand on the letter market after liberalisation. For example, in Austria potentially new competitors on the addressed letter market are firms who are engaged in the delivery of advertising. Currently they are not active on the addressed letter market, but they are aiming at being active there in future, thus the situation could change quickly. Another example is the newspaper industry in Germany, which owns the majority of shares of the “Pin Group”, which has been established as the most important new competitor in the German (addressed) letter market. Hence, in this analysis some indications about delivery services besides the letter postal market will be given if they are considered relevant as potential competitors.

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7 For an overview on the 26 EU member states see: Regalia (2007: 17-24)
<table>
<thead>
<tr>
<th>Companies on the “letter post market” and existence of competitors</th>
<th>Austria</th>
<th>Belgium</th>
<th>Germany</th>
<th>Poland</th>
<th>Sweden</th>
<th>United Kingdom</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incumbent: “Austrian Post AG”</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Incumbent: “Royal Mail Group plc.”</td>
</tr>
<tr>
<td>New potential competitors are mainly current advertisement deliverers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Competitors:</td>
</tr>
<tr>
<td>Incumbent: “Deutsche Post AG” Competitors employ 20% of the employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Active in the incumbent and most relevant is the “Communication Workers Union” (CWU);</td>
</tr>
<tr>
<td>Poland</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Competitors: Within the “Communication Managers association” of “Amicus” around 11,000 managers of outsourced post offices were organised. Amicus and TGWU have now merged to form “Unite”.</td>
</tr>
<tr>
<td>Sweden</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Beyond the letter market the “Transport and General Workers Union” (TGWU) and the “General Workers Union” (GMB) and the “United Road Transport Union” (URTU) organises a number of private parcel distribution companies.</td>
</tr>
</tbody>
</table>

**Unions**

- **3 unions exist:**
  - The incumbent’s workforce is represented by the Postal and Telecommunications Workers Union (“Gewerkschaft der Post-und Fernmededienstellen”);
  - Outside the incumbent the workforce is represented by two unions:
    - The Union of Private Employees (“Gewerkschaft der Privatangestellten”) for white collar workers and Vida (formerly the Haulage and Storage Workers Union - Gewerkschaft Handel Verkehr Transport) for blue-collar workers.
  - The most relevant is the “Swedish Union for Service and Communications Employees”/SEKO, which organises 80% of the employees of the incumbent (and the employees of the competitors as well). Besides there are the “Statsjänstemannaförbundet” (ST) for white-collar employees and the “Swedish Confederation of Professional Associations” (SACO/ Sveriges Akademikers Centrorganisation) for academics.

- **30 unions, among two are representative:**
  - 1) the Independent Trade Union Solidarity (“Niezalezny Związek Zawodowy Solidarnosc”) and 2) the Federation of Independent Self-Governing Trade Union of Communication Workers (“Federacja NSZZ Pracowników Łąności w Polsce”).

- **3 unions:**
  - Only the United Services Union (“Verdi”) is relevant in bargaining and organising the incumbent and competitors; Beyond this, and of only some importance is the Christian Union Postal Services (“Christliche Gewerkschaft Postservice und Telekommunikation”/CGPT) and the Communication Union (“Kommunikationsgewerkschaft DPV” within the “dbb tarifunion”). The latter organises the interests of the civil servants.

- **3 unions:**
  - The first two are most relevant for the incumbent: 1) The Christian ACV/CSC-Transcom (“Transcom secteur Poste”/CSC) organises blue-collar workers in the incumbent; 2) The “Centrale générale des services public” (ACOD/CGSP) represents white- and blue collar in the incumbent and besides; 3) the FreeTrade Union of Civil Servants (“Syndicat libre de la Fontion Publique”, VSOSA/SLFP).

- **30 unions:**
  - Among two are representative: 1) the Independent Service and Communications Employees’/SEKO, which organises 80% of the employees of the incumbent (and the employees of the competitors as well). Besides there are the “Statsjänstemannaförbundet” (ST) for white-collar employees and the “Swedish Confederation of Professional Associations” (SACO/ Sveriges Akademikers Centrorganisation) for academics.
<table>
<thead>
<tr>
<th></th>
<th>Austria</th>
<th>Belgium</th>
<th>Germany</th>
<th>Poland</th>
<th>Sweden</th>
<th>United Kingdom</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Union density</strong></td>
<td>- Incumbent: 80%; - Potentially competitors: About 90% of the workforce the new competitors are self-employed and therefore not organised; Employees with regular employment contracts &lt; 40%.</td>
<td>Incumbent: ~80%</td>
<td>- Incumbent: ~80% (only by Verdi)</td>
<td>- Incumbent: 60% (very high for Poland); - Besides the letter market: no union organising in courier services</td>
<td>- Incumbent: 97%; - Competitor “City Mail”: 55%</td>
<td>- Incumbent: ~75%; - Beyond the letter market: Some of the biggest parcel companies (TNT, DHL, UPS) are union organised</td>
</tr>
<tr>
<td><strong>Workplace representation</strong></td>
<td>- Incumbent: by works councils - New competitors: works councils representing only regular workers (about 10% of total workforce)</td>
<td>- Incumbent: sector committee has the comparable powers of a works councils in the Belgian private sector; at lower levels of the company there exist trade union delegations and local joint consultation committees</td>
<td>- Incumbent: works council and employee representation on the board of directors; - Competitors: &lt; 4% works council</td>
<td>- Incumbent: (union representation in the management) - In courier services: no union activity</td>
<td>- Incumbent and competitor: by union representatives at firm or regional level</td>
<td>- Incumbent: only through unions - Besides the letter market in parcel companies: partly increasing representation by unions</td>
</tr>
<tr>
<td><strong>Employers association which are responsible for collective bargaining</strong></td>
<td>The “Austrian Federal Economic Chamber” is bargaining partner for new competitors</td>
<td>- No employers’ organisation for the moment; Protocols - Bargaining at company level within sector bargaining committee</td>
<td>In the past not relevant, but a new employer association was founded in 2007 (Arbeitgeberverband Postdienste e.V.)</td>
<td>None</td>
<td>“ALMEGA” (the largest employer association for private sector services”, affiliated to the confederation “Svenskt Näringsliv”</td>
<td>None</td>
</tr>
</tbody>
</table>
Table 4: Collective bargaining before and after the liberalisation of the letter market

<table>
<thead>
<tr>
<th></th>
<th>Austria</th>
<th>Belgium</th>
<th>Germany</th>
<th>Poland</th>
<th>Sweden</th>
<th>United Kingdom</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Before privatisation and liberalisation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bargaining structure</td>
<td>Only civil service wage regulation</td>
<td>Public law employment and public sector bargaining rules</td>
<td>Firm level collective agreement, but wage increase was directly linked to the national public sector bargaining (until 2000). Additional civil service wage regulation</td>
<td>Public law employment based on latent negotiations between the Ministry of Post and Telecommunication, the government, the management and trade unions</td>
<td>A nation-wide collective agreement for governmentally employed</td>
<td>Company agreement at Royal Mail, which has been part of the public sector wage regulation</td>
</tr>
<tr>
<td><strong>After privatisation and liberalisation</strong></td>
<td></td>
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</tr>
<tr>
<td>Bargaining structure</td>
<td>- Incumbent: civil servant wage regulation and company agreement; - Companies beyond the letter market are regulated by several sectoral collective agreements</td>
<td>- Incumbent: company agreement and civil service wage regulation</td>
<td>- Incumbent: Company agreement (no link to public sector bargaining) and civil servant wage regulation Competitors: no agreements</td>
<td>- Incumbent: Company agreement settled by inter-union collective agreement committees - Beyond the letter market: no agreements in courier services</td>
<td>Decisive are the two company agreements with the incumbent and its main competitor.</td>
<td>Incumbent: Company agreement with incumbent Besides the letter market: company agreements in parcel services.</td>
</tr>
<tr>
<td>Bargaining coverage at the letter market</td>
<td>- Incumbent: 100% - New competitors: 100% of regular employees, but 90 % of the workforce self-employed and therefore excluded from bargaining</td>
<td>- Incumbent: 100% - Total ~ 80% (Incumbent: 100% + competitors 0%)</td>
<td>- Incumbent: 100%</td>
<td>- Incumbent: 100% - Competitors (City mail: 100%)</td>
<td>- Incumbent: 100%; - Beyond the letter market: decentralised bargaining in parcel services, but not in the smaller companies</td>
<td></td>
</tr>
<tr>
<td>Other forms of sector specific labour relations</td>
<td>Civil servants are regulated by law; Some of the new competitors have company agreements</td>
<td>Civil servants are regulated by law</td>
<td>Civil servants are regulated by law</td>
<td>Governmental actors still play a decisive role in collective bargaining.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

8 But state enterprises negotiate a separate collective agreement; nevertheless the “intersector agreements (protocols) of the public sector”, which are afterwards made official by law or royal decree, also have to be applied at the postal company.
Comparing the transformations of collective bargaining and workplace representation the following country sketches are apparent in detail:

**Austria**

Before the formal privatisation in 1996 wages in the Austrian Post were determined by civil service wage regulation. Due to the formal privatisation the bargaining structures changed. Now there is a collective agreement at firm level with the Post AG while for the remaining civil servants (about 60% of the employees) there is still a civil service wage regulations. Wage differences between the civil servants and the private employees with the incumbent are not substantial. The union density is still very high (80%).

Collective agreements at firm level are an exception in Austria. In general 95% of Austrian employees are covered by sector collective agreements. Due to mandatory membership of employers in the “Austrian Federal Economic Chamber” the employer density is almost 100 %, whereas the union density rate in general is about 40% (Hermann 2007).

Regarding the effects of liberalisation, until now there has been no significant competition on the market for addressed letters. In 2005 the Post AG had a market share of 98%.

But regarding the market for unaddressed letters and advertising, the incumbent - Post AG - has only a market share of 80% (in 2005). About 90% of the workforce of the new competitors is not covered by any collective agreement. Instead most of the deliverers are officially self-employed (although there are discussions about whether this is within the law or not). Self-employed deliverers not only lack any form of employment protection, they also work short but highly flexible working hours and earn a fraction of the monthly salary of a regular postman. The remaining 10% are covered by a collective agreement. There is a separate agreement for white-collar and for blue-collar workers at sector level.

According to the analysis carried out by Hermann (2007), the effects of liberalisation on labour relations in the postal sector are a fragment of the collective bargaining structure, big differences in labour relations exist between the incumbent and its competitors, different regulations for different employment groups at the incumbent, the by-passing of collective agreements by the employment of self-employed workers and a deterioration concerning the rights of co determination.

Thus, there is a “two tier LRR” regarding the regulation of the incumbent and the competitors (besides the letter market): on the one hand a firm-level collective agreement for the incumbent and on the other hand sectoral collective agreements for the competitors. These sectoral collective agreements for the competitors are focused on very small and special employment groups, e.g. only the white collar employees in express services. Thus they reflect a fragmented collective bargaining structure. As such this “two tier LRR” offers only a modest protection against potential wage dumping.
Belgium

In the Belgium public sector, as for De Poste, public law employment was the main status for a considerable length of time. After the formal privatisation of the incumbent in 2000, the terms and the working conditions, and the collective bargaining rules inherited from the public service still remain. Nowadays, it concerns approximately 26,000 people in De Poste. But the evolution in recent years has been characterised by a decrease of the statutory framework to the benefit of the contractual framework which represents more than 30% of the staff of De Post today. Hence they are hired on the terms of an employment contract regulated by classic private law, but the terms of labour (wages, working time) for this area of personnel are included in the company bargaining. The postal sector is also characterised by the development of an increasing number of self-employed people in a range of mail services - a tendency which might continue in the future (Tilly 2007), but not for the moment because in practice there is a lack of liberalisation in the letter market.

Apart from the letter market there is competition in parcel, express and courier services and the delivery of advertising and newspapers. But regarding the letter market, it has to be stressed that to date no competitors have emerged. Bargaining takes place at company level, but within a recognised sector bargaining committee (although there is only one company – De Post!). This sector committee was set up according to the law of 1991 which gave the federal state enterprises more autonomy. These sector committees (they also exist for the rail company and even for the privatised telephone company Belgacom) are in theory integrated in one bargaining committee ‘state enterprises’. However, this integrated joint committee has in practice not been active.

In general all companies in Belgium are most of the time covered by sector collective agreements, as these agreements can be extended to the whole by royal decree and thus legitimated by law. This extension is done most of the time (especially for wage agreements) The postal sector collective bargaining takes place at the level of three joint commissions: Firstly, the mentioned committee specifically dedicated to the postal sector, appointed under the name of joint commission of La Poste; Secondly the auxiliary national joint commission for employees which takes charge of negotiations for the employees of the private enterprises beyond the incumbent (mainly express delivery and courier); Thirdly, there will be soon a single joint commission for the logistic companies. Sectoral collective agreements are then often supplemented with company-level agreements (Tilly 2007).

To recapitulate: until now there has been no innovation in the Belgian postal sector. The letter market has not been liberalised in practice. The incumbent (for the moment the biggest company in Belgium) is still the quasi-monopolist. In the activities related to delivering newspapers, advertising, and parcels this incumbent has already been confronted with competition for a long time. Collective bargaining at the incumbent takes place at the company level, but within the framework of public sector industrial relations (which are in Belgium organised by statute and not contract). Depending on their main area of activity private companies involved in delivering newspapers, advertising and parcels have to follow the rules and agreements negotiated in the joint
sector committee 218 (auxiliary committee of white-collars) or the transport sector committee. In other words: the labour relations of these companies (until now not involved in the letter market) are organised within the framework of private sector industrial relations (ruled by employment contract and not public service statute). When, in the coming years, the incumbent will be confronted with competition in the letter market, and taking into account that the company is more and more a shareholder company, the big question will be how the organisation of collective bargaining will develop in the “encompassing LRR” of postal sector.

Germany

In 1995 the Deutsche Post was privatised, and in 2000 the material privatisation started by the initial public offer (IPO). Before the privatisation and until the end of 2000 there was a company agreement called “Tarifvertrag Bundespost”, which was linked to the public sector collective agreement called “Bundesangestellten Tarifvertrag” (BAT) regarding wage increases. Wage increases for the employees in the public service “Deutsche Bundespost” were adopted from the bargaining rounds of the public sector and directly fixed by the company agreement (“Tarifvertrag Bundespost”). But extra pay and working times of the private employees were bargained for and fixed in an industry-wide collective agreement (Manteltarifvertrag) at firm level between the postal union and the Deutsche Post. The employees of the incumbent have been composed of civil servants (Beamte). Hence, a civil service wage regulation exists, i.e. the wages of the civil servants (“Beamte”) have been determined by the parliament.

Due to the privatisation of the Deutsche Post the incumbent moved outside the scope of national public services wage agreements in 2001. A new company agreement was settled in 2001 and another in 2003 which homogenised differences between previous blue- and white collar workers, but at the same time introduced a new two-tier wage structure between old and new employees – now new employees get significantly lower wages (up to 30%). Regarding the civil servants a new category of employees was constructed - the so called “civil servants in incorporated companies” (“Beamte in Aktiengesellschaften”). The company agreement now gives norms/benchmarks for the wages of civil servants, which are still determined by the parliament. The wage increase of the civil servants is usually lower than the wage increase of the private employees. In the course of the privatisation the union density at the incumbent remained very high (around 80%).

On the other side, due to liberalisation new competitors appeared on the letter market. Around 20% of the employees on the letter market in 2006 were employed by the competitors. Here in contrast to the incumbent the trade union density is estimated to be far below 10% while less than 4% of the employees have any workplace representation such as a works council. Until now (November 2007) none of the new competitors has signed a collective agreement. In view of the huge differences in pay between the incumbent and the new competitors, a new employer’s association has been established under the strong influence of Deutsche Post in order to conclude a sector collective agreement on minimum wages for letter deliverers. After this agreement was signed in
Postal Services Sector

August 2007 by the new Arbeitgeberverband Postdienste e.V and the Unified Services Union (ver.di) both parties demanded that the German Government extend this agreement to the whole sector (see below).

To sum up, as a result of privatisation and liberalisation a transformation in collective bargaining took place from a uniform labour relations regime with centralised regulations for all public law employees to a “two-tier LLR”: On the one hand there is a company-level collective agreement for the employees of the incumbent (including its two tier-wage structure – see the following section) while on the other hand the new competitors have no collective agreements at all. This is as more relevant as Germany - in contrast to most of the other European countries - still has relatively strong competition on the letter market which is expected to increase substantially after the full liberalisation in 2008.

Poland

Bargaining coverage in the public sector is determined by the right of the tri-lateral committee to negotiate the increase of wages in the country. However, as the negotiations are not decisive, for a long time now the government has unilaterally set the wage increases.

Meanwhile trade unions are getting ready to engage in collective bargaining in the entire postal services sector, including the competitors of the public post and the courier companies (until now in private courier companies, the labour conditions are only regulated by the “labour code”). In the current collective bargaining process governmental actors still play a decisive role. With the Polish incumbent (Poczta Polska), which is a state owned enterprise (i.e. not even formally privatised), a comprehensive collective labour agreement has existed since 1992, which covers all postal employees. Inter-union collective agreement committees (composed by different unions) are the collective agreement partner for the incumbent. There are no trends towards decentralisation or fragmentation of collective agreement partners.

Concerning the current reorganization of the incumbent, which is motivated by the opening of the market (the monopoly on letters below 50 grams will be held until 2010), the existing company agreement has been considered as an anachronism by the trade union “Solidarity”. According to “Solidarity” a number of working positions within this agreement do not exist any more, wage tables are unrealistic and in practice not followed.

Since 2005 bargaining for a new company agreement has been underway in order to match the new company structure, but the bargaining process is still not finished. Regarding the reorganisation measures - redundancy payments are currently being offered to the employees.

To sum up: until now there is no evidence of stronger engagement of the trade union in the settlement of a new company agreement with the incumbent. A new agreement is expected (this would be settled because of increased influence of the trade unions). On the CEP-market new competitors have emerged, but no collective agreements have been
settled to date. Similar to other countries there exists in Poland a “two tier LRR” regarding the incumbent and the competitors – in addition to the letter market. Liberalisation effects on the letter market have not occurred.

**United Kingdom**

Already before the formal privatisation of the incumbent Royal Mail (in 2001) a company agreement existed with the incumbent. Civil service status was removed from Royal Mail/Post Office workers in the early 1980s (although it should also be pointed out that the difference between civil servants and other public or private sector workers is not so pronounced in the UK). Royal Mail is still in public ownership and part of the public sector. There has been no significant change in Royal Mail/Post Office in terms of union density (65%), bargaining coverage or structure. Although liberalisation only took place in letters in January 2006 (Pond 2007) the main competitors regarding parcel services show decentralised bargaining. The small courier services are still not organised very well and partly do not have any collective agreements. Thus, in the UK the emergence of a new “two-tier LRR” can be observed because of new competitors (outside the letter market).

**Sweden**

In the Swedish collective bargaining system employers and trade unions in privatised companies are affiliated to bargaining cartels, led by the employers’ confederation Statens Arbetsgivarverk and the trade union association SEKO, for blue-collar workers, and some associations for salaried employees. Industry-wide collective agreements, and with that the company agreements, are settled within the frames set by nation-wide bargaining between Statens Arbetsgivarverk and SEKO. These agreements are then adapted to local circumstances by shop-floor negotiations.9

Regarding collective agreements the incumbent Posten AB, on the one hand, is still framed by the nation-wide collective agreement for governmentally employed, but on the other, the ‘postal workers’ agreement’ has existed ever since the unbundling in the mid-1990s - negotiated and settled with ALMEGA, the largest employers’ association for private sector services and also affiliated to the confederation Svenskt Näringsliv. Regarding wages this collective agreement, settled by SEKO and ALMEGA, is relevant for all postmen in Posten AB and in fact is a company agreement.

According to information from the Swedish trade union SEKO, currently two similar company agreements (regarding wage levels) are decisive for the Swedish letter market - one for the incumbent and one for the only competitor (City Mail). The bargaining coverage in postal services by company agreements is 100%. Thus, in Sweden there is a “encompassing LRR”.

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9 For more details see section 2.2.5 and the working paper from Andersson and Thörnqvist 2007, page 10.
1.3. **Comparing employment, work and wage effects**

What are the effects of privatisation and liberalisation regarding employment, working conditions and wages?

Overlapping features are a massive reduction in employment before and after formal privatisation within the majority of incumbents (between 15% and 45% regarding Belgium, Austria, Germany and Sweden. Only in the public-owned incumbents of Poland and United Kingdom have job losses not been significant.

Regarding wage differences on the letter market between the incumbents and potential competitors there has, in general, been no significant amount of “wage dumping”. To date “reserved letter markets” have served as protection against the expansion of competitors and with that wage dumping as well! But significant wage differences and wage pressure in Germany exist between the incumbent and the competitors (30% - 60% lower wages at the competitors on the letter market) and between new and old employees at the incumbent (Deutsche Post AG).

The following table gives a detailed overview and will be commented in the following country sketches:
### Table 5: Employment and wage effects due to privatisation and liberalisation

<table>
<thead>
<tr>
<th></th>
<th>Austria</th>
<th>Belgium</th>
<th>Germany</th>
<th>Poland</th>
<th>Sweden</th>
<th>United Kingdom</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Before formal privatisations and liberalisation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Status of workers</td>
<td>Only civil servants</td>
<td>Public employments</td>
<td>More civil servants than regular employees</td>
<td>Public employments</td>
<td>Public employments</td>
<td>No civil servants since the 1980s</td>
</tr>
<tr>
<td><strong>After liberalisation (state of the art)</strong></td>
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<td></td>
</tr>
<tr>
<td>Status of workers</td>
<td>Incumbent: 60% civil servants; Competitors: 90% of the workforce, are self-employed</td>
<td>Incumbent: 70% public law employees, 30% private law employees</td>
<td>Incumbent: More private employees than civil servants, because of a strong decline of civil servants</td>
<td>Public employments</td>
<td>Incumbent: Largely public employments</td>
<td>No civil servants since the 1980s, partly casual workers</td>
</tr>
<tr>
<td>Employment forms</td>
<td>- Incumbent: 18% part-time employees (2005), changing proportion of fixed-term employments and agency work - Competitor: 10% of the workforce have regular contract, 90% are self-employed</td>
<td>- Incumbent: public and private law employees - Competitors in logistic and courier services: increase of self-employed workers</td>
<td>- Incumbent, letter market (2006): 62,6% full-time, 33% part-time, 4,1% minor employments (mini-jobs) - New competitors (letter market 2006): 18,3% full-time, 62,6% part-time, 59,4% minijobs</td>
<td>- Incumbent: temporary employments (~10%); - Competitors at the courier-, express- and parcel-market: employees are often self-employed with sub-contracts</td>
<td>- At the competitor “City mail” the employee turnover is 60% (SEKO 2003: 11)</td>
<td>- Incumbent: More part-time, about 20,000 casual workers in 2004 in Royal Mail (out of 174,000), i.e. 11.5%, but currently only 500 casual workers</td>
</tr>
<tr>
<td>Working time effects</td>
<td>More part-time</td>
<td>More part-time</td>
<td>More part-time</td>
<td>No data</td>
<td>No data</td>
<td>More part-time</td>
</tr>
</tbody>
</table>
### Wage differences

<table>
<thead>
<tr>
<th>Few wage differences between civil servants and private employees at the incumbent</th>
<th>Labours cost of the competitors in logistic and courier services are approx. 50% below the level of the incumbent</th>
<th>30-60% reduced wages at the competitors compared to the incumbent and up to 30% reduced wages for new employees at the incumbent</th>
<th>Competitors besides the letter market (e.g. courier services) offer slightly higher &quot;wages&quot;, but they don't include social insurance contributions</th>
<th>Not significant at the letter market between &quot;Posten AB&quot; and &quot;City Mail&quot;</th>
<th>No wage differences in the incumbent</th>
</tr>
</thead>
</table>

### Wage dumping

<table>
<thead>
<tr>
<th>No wage dumping on the addressed letter market, but on the unaddressed letter market (delivery of advertisement)</th>
<th>Not on the letter market, but in logistics and courier services via new self employed-workers</th>
<th>High pressure: hourly pay rates at the competitors are between 5 and 8 euros, whereas at least 10 euros at the incumbent</th>
<th>No wage dumping on the letter market</th>
<th>No wage dumping on the letter market</th>
<th>No wage dumping on the letter market</th>
</tr>
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</table>

### Lowest pay rates for deliverers on the letter market in company agreements (basic pay, without extraordinary allowances)

<table>
<thead>
<tr>
<th>Incumbent: 1,368,33 euro plus 80,69 euro bonus, 14 times yearly (in the highest salary level 1,865,27 euros plus bonus), i.e. based on 14 months and 168 working hours per month around 9.50 euros hourly pay</th>
<th>Incumbent: minimum gross yearly earning = 1,879,18 euros (contractor)</th>
<th>- Incumbent: nationwide 11,43 euros hourly pay (inclusive holiday and vacancy pay)</th>
<th>Competitors: between 4 and 8 euros based on individual contracts, partly bonus wage elements and piece rates; big regional differences</th>
<th>No data</th>
<th>Incumbent and competitor: 14,700 SEK per month (around 1,600 euros per month, i.e. based on 168 hours per month about 10.00 euros/hour without extra pay)</th>
</tr>
</thead>
</table>

### Statutory hourly minimum wages

| 6,91 (10) | 8,08 | 1,42 | 8,20 |

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10 According to information from the vice-chairman of the works council of the Austrian Post (submitted by Christoph Hermann)
11 In Belgium there still exists automatic indexation of the wages
12 According to information from Verdi
13 According to information from the trade Union SEKO submitted by Christer Thörnqvist
14 According to information from Richard Pond
15 Last increases in 2007, Source: WSI Minimum Wage Database 2007
16 From 2009 on, based on an agreement between unions and employers and fixed minimum wages in collective agreements.
17 Union claims for a statutory minimum wage of 7.50 Euros. According to current surveys the majority of Germans also want the introduction of a statutory minimum wage in Germany.
18 The average monthly wage for blue-collar workers in the private sector was 21,000 SEK (according to the Swedish Mediation office).
Austria

Since formal privatisation a strong decline from 100% to 60% of civil servants has taken place. The differences between these groups with regard to wages and working time are rather marginal. The number of employees at the incumbent was reduced from 37,000 in 1990 to 33,000 in 2000 and 25,100 in 2005 (Lidtke 2006). That means a reduction of over 30% from 1990 until 2005. Employees have left the company because of regular retirement, early-retirement schemes and special incentives (‘golden handshakes’). Especially the Postal and Telecommunication Workers’ Union has suffered from a substantial decline in membership as a result of a continuous reduction of staff members at the former monopolist Post AG. In recent years management has made increasing use of part-time employment, fixed-term employment and agency work. With regard to working conditions, the union claims that there has been a continuous and substantial increase in labour intensity.

There is no wage dumping at the addressed letter market, but at the unaddressed letter market the deliverers of advertising are mostly employed as self-employed workers. This employment group is composed mostly of asylum seekers and commuters from abroad, who also have lower wages and no regular labour rights or protection. Until now these firms have tried - unsuccessfullly - to be active on the addressed letter market as well, but this could change quickly. Hence there exists a great danger that wage dumping could become a reality throughout the whole letter market following further liberalisation measures.

Belgium

According to the social account of the Belgium Post (Bel-First database) 47,729 persons were employed at the incumbent in 1996. Up to the formal privatisation in 2000 the reduction in personnel was high (15%). Only 40,324 persons were employed by the end of 2000. After the formal privatisation there was a further reduction of almost 15% up to the year 2005, partly because of the reorganisation of mail delivery due to new software in 2002, which led to a loss of 2,500 jobs. In 2005 34,517 persons were employed at the incumbent.

The reduction in personnel was achieved through natural wastage with no lay-offs. By 2007 the company management intends to have cut 8,500 jobs. This is to be achieved by “natural wastage”, with postal workers able to take early retirement from the age of 56. There is also a fear on the labour-union side that La Poste is evolving towards a situation popular in Denmark that involves a progressive removal of civil servant status (Tilly, 2007). Currently 70% of the employees at the incumbent are public law employments and 30% are private law employments.

According to Tilly (2007), in courier services and in the logistic sector a strong increase in the number of self-employed workers took place. According to the incumbent the labour costs of the competitors in this area are approximately 50% below the level of the incumbent.
Regarding the letter market the minimum gross annual earnings of an employee at La Poste amounts to 18,795.18 euro. Since there are no competitors on the letter market, there seems to be no wage dumping.

**Germany**

Before and after the formal privatisation (1995) the incumbent displayed massive employment reduction - according to the incumbent this was in a socially acceptable way. Whereas in 1995 308,502 persons were employed in the public limited company, the number of employees was reduced to 260,520 by 1998. In the following years the staff reduction amongst civil servants was high. On the other hand employment increased considerably due to the expansion of the incumbent in countries abroad. In 2006 the incumbent – after the initial public offer (IPO) renamed to “Deutsche Post World Net” – was a global player with 520,112 employees. The majority of shares has been in private hands since 2006.

Examining the number of employees on the German letter market it is apparent that the incumbent had a loss of 28,000 employments between 1999 and 2005 (-16%). Since the liberalisation of the letter market new competitors have become established – with 46,175 new jobs (+161% between 1999 and 2005). But these new jobs are predominantly (60%) based on new atypical part-time employment (mini-jobs). Thus the employment balance (in working hours) since liberalisation has remained stable.

In the course of the liberalisation process a two-tier wage structure was also established at the incumbent between 2001 and 2003: for new employees wages were 30% lower. Furthermore, wages for employees of the new competitors on the letter market are normally between 30% and 60% below the level of that of the employees at the incumbent. All in all, wage dumping can be observed. Because of the lack of collective bargaining amongst the competitors and the lack of minimum wage in Germany, there is the threat of the whole sector becoming transformed into a low wage sector (Brandt et.al. 2007). However, in September 2007 for the first time a minimum wage collective agreement concerning the distribution of letters was concluded between a new employer association (i.e. basically the German incumbent itself and some of its subsidiaries) and Verdi with hourly minimum wages of 8.00 euro for the new federal states (former East Germany) and 8.40 euro for the old federal states (former West Germany). Concerning the delivery of letters the hourly minimum wages are higher: 9.00 euros and 9.80 euros respectively. Since September 2007 it is clear that a minimum wage for all deliverers of letters will be enacted in 2008. The above mentioned agreement (which only exists on paper) will be the basis for the act and thereby will raise the wages of the new competitors. Beyond this above-mentioned agreement the deliverers at the incumbent receive higher pay rates (at least 11.43 euro per hour).

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19 In Belgium still exists automatic indexation of the wages
Poland

Until now there has been no staff reduction due to reorganisation measures at the incumbent. However, redundancy payments are currently being offered to the employees in order to reduce the number of employees. Furthermore, there is a trend towards temporary employment contracts at the incumbent. About 10% of the jobs are temporary (Kozek and Kubisa 2007: 16).

The employees of the incumbent receive many extraordinary allowances and social insurance in contrast to employees of private courier services. In courier services employees are often self-employed (sub-contracts) but there is no serious wage dumping between the incumbent and the competitors. On the contrary, competitors offer slightly higher pay, but they do not include social insurance contributions.

Sweden

According to statistics from the Swedish union SEKO there was staff reduction at the incumbent relating to those employees, who are referred to as “Postbehandling”, i.e. persons in mail- and parcel services, but excluding drivers and management, from 35,250 at the beginning of 1990 to 30,500 by the beginning of 1994. That means a decline of about 14% in the years before the formal liberalisation. At the beginning of 1995 the number of employees ("Produktionspersonal") was 31,200 and did not change very much until the beginning of 2001 (32,700 employees). From the beginning of 2001 – and up to the beginning of 2007 - there was a strong decline in jobs of almost 30%, to a total of 25,450 employees.

In Sweden there are, generally speaking, no significant wage differences between the public and private sector. In postal services there is currently no competition based on different collective agreement levels, no meaningful wage differences or wage dumping. According to information regarding personnel from the Swedish trade union SEKO - all the collective agreements with the incumbent and the competitor have basically the same value. The agreements do not compete with each other. The greater mobility among the employees at Coty mail influences the middle income in the company. It is interesting that, according to SEKO (2003), the employee turnover at the competitor “City mail” is 60% (SEKO 2003: 11), which indicates at least inferior working conditions compared to “Posten AB”.

In addition, according to SEKO the average remuneration for postal workers has decreased compared to other occupations since the unbundling in the early 1990s. The lowest pay rate regarding the two decisive company agreements (which are still framed

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20 Due to changes in definition at the beginning of 1995 the number of employees (employees who are called “Produktionspersonal” for the statistics, i.e. persons in mail- and parcel services, here including drivers and management) is not comparable with statistics before that date.
21 According to an estimation from PLS Ramboll management (2002) there was a personnel reduction at the incumbent of almost 20% between 1990 and 1995 – that means before the formal privatisation in 1994 and a further personnel reduction of 10% between 1995 and 2000.
22 According to information provided by the trade union SEKO.
by a nation-wide collective agreement for the governmentally employed) is for the employees at the incumbent and at the competitor: 14,700 SEK per month (around 1,600 euros per month, i.e. based on 168 hours per month at about 10.00 euros per hour without extra pay). The average monthly wage for blue-collar workers in the private sector was 21,000 SEK (according to the Swedish Mediation office). According to an estimation of a shop-floor trade union representative the average pay for postal deliverers is between 18,500 SEK and 19,000 SEK. In addition the total remuneration had in practice suffered after the unbundling because the possibilities to work and earn overtime have were removed, or at least declined considerably.

**United Kingdom**

In the UK the civil service status was removed from Royal Mail/Post Office workers in the early 1980s. According to the trade union CWU the total numbers have not fallen significantly as a result of liberalisation and privatisation, although part-time employment has increased.

Perhaps most interesting is the fact that in the UK the Royal Mail has massively reduced its quota of casual workers, partly to improve motivation and service, but also in response to customer concerns about the integrity of the mail. As a result, about 500 casual workers are now employed compared with almost 20,000 in 2004, out of a total of around 174,000 workers (Regalia 2007: 15).

However, the strike action in 2007 was over pay and a number of “modernisation” measures which included 40,000 job cuts (Die Welt, June 30, 2007; The Guardian, August 10, 2007).

Until now there have been no significant wage differences between the incumbent and the competitors outside of the letter market. As an example the basic weekly rate for a postal worker outside London is GBP 291.00, only slightly more than the GBP 289.00 which is the lowest rate for drivers employed by TNT. Postal workers have a better pension and other conditions: such as sick pay, are also better than in the private sector. The lowest wages for deliverers at the incumbent (417 euros weekly pay - around 1,750 monthly pay, 11,11 euros hourly pay) are about 35% higher than the national minimum wage in the UK (8,20 euros since 2007). It would appear that Royal Mail management is more determined to restrict pay increases this year, offering an increase of 2.5% when inflation is 4.8% and this may reflect a longer-term plan to restrict pay. However, basic pay in Royal Mail/Post Office is not particularly high and postal workers often have to rely on large amounts of overtime to increase their basic income.

**1.4. Conflicts during the process of liberalisation and privatisation**

To give a general overview it has to be stressed that trade unions have changed their strategy from fundamental opposition to formal and partial privatisation to cooperation which has offered extensive “socially acceptable” employment reductions.
Only in Sweden and Austria have strikes not occurred. In contrast, in Germany there was a long-term strike against privatisation in 1995. In Belgium wildcat strikes against modernisation took place in 2003, 2004 and 2006, as well as in Poland in 2006. In 2007 in the UK strikes took place because of pay reductions and planned measures to reduce personnel.

Regarding the current situation future liberalisation measures - as well as further privatisation and reorganisation plans - are on the trade union agenda. More detailed country information follows:

**Austria**

Since 2000 the Post- and Telecommunication Workers’ Union has run a campaign against privatisation under the heading ‘Sellout: Not With Us!’ (Ausverkauf Nicht Mit Uns!). In the past the union has protested repeatedly against privatisation. In 2006 it threatened to go on strike against the floating of 49% of the share of Post AG on the Vienna stock exchange. However, the union gave in after management offered its employees the possibility to buy shares at special conditions. In 2007 the union announced new strike plans after management disclosed that it planned to further reduce the workforce.

**Belgium**

Industrial conflict is high (compared to the low levels of conflict in Belgium) at La Post, but to date it has not escalated into a long-term conflict. In recent years, the main industrial conflicts in the mail service sector have taken place for one main reason: the implementation of Géoroute (the reorganisation of mail delivery by new software) which triggered a first wave of strikes during 2003 and 2004 (Schots 2003) and a further wave in 2006 (Rochet 2006).

The re-organisation and restructuring is related to the company’s preparations to make itself a competitive player for the time when the market is opened and the plans to make the company profitable (as the company is now privatised: majority ownership the Danske Post). The strikes have mostly been 'spontaneous' or wildcat strikes, which afterwards were recognised by the unions as an official strike. The restructuring of the company has been going on for almost five years. Most of the time the management has so far succeeded in keeping the unions on board without any strong or open conflict.

**Germany**

With regard to privatisation, unions have changed their strategy from fundamental opposition to privatisation to cooperation – in order to maintain the rights of the post office civil servants prevent operational redundancies and maintain regular labour conditions (Brandt 2007). In the course of this process a massive staff reduction (regarding jobs in Germany) took place without any operational redundancies. From the point of view of the unions this was only possible because of the longest strike in the history of the German Post which took place in 1995. In 2003 an “employment pact”
was concluded again with the promise on the part of the privatised incumbent to renounce operational redundancies. In return the trade union ver.di agreed on a two-tier wage structure for old and new employees with up to 30% wage differences for the same job (Brandt et.al. 2007). Here it has to be stressed that parallel to this the incumbent increased its total employment numbers due to its expansion in countries abroad. Hence, the reduction of labour costs in Germany by employment reduction and the new two-tier wage structure was not because of the foreseeable liberalisation or because of a necessity to survive in a competition situation. The privatised incumbent was simply in a political and economically powerfully situation.

Similarly, regarding the liberalisation of the letter market trade unions changed their strategy from fundamental opposition to the postponement of the market opening and social re-regulation of employment conditions on the letter market. Whereas for a long time the main activity of the union was focused on the incumbent, since 2007 ver.di has tried to settle collective agreements with the main new competitor on the letter market (PIN AG) and to organise the employees of the private competitors. Since the union density is below 4% there has been no possibility to organise strikes regarding the wage dumping at the new competitors which has increasingly led to wage pressure for the wages of the employees at the incumbent. In 2007 union protest action took place in Berlin with several thousands of employees coming from the incumbent: The trade union ver.di is very concerned about wage dumping and the final market opening in 2008. The union tries to influence the licensing procedure of the regulatory agency by protest activities and lobbying activities. They argue that, based on the German Postal Act, licenses for competitors should only be approved by the regulator if wages paid by the competitors are on an almost similar level to the wages paid by the incumbent. However, in 2008 the letter market will be open. The government has currently decided to introduce a minimum wage for deliverers of letter from 1 January 2008.

**Poland**

A close relationship and political networks between the ministry, the regulation office and Poczta Polska have been pointed out. Only the main trade union for postal workers have lobbied against the further opening of the market. In general in the Polish Post (Poczta Polska) there are “managerial boards of trade unions” that work in various branches of the company. This enables collective action at a very high level, as well as strong pressure, mobilised and controlled by the trade unions (Wieslawa and Kubisa 2007). Indeed, protests have resurfaced in the Polish Post (Poczta Polska):

In 2005 about 92 per cent of the staff voted in a union-led referendum in favour of a protest action. The reason was that no social protection guarantees were offered concerning the restructuring of the incumbent: The trade unions objected to the draft for privatisation of the incumbent that was tabled by the Ministry of Infrastructure. The union representatives demanded that the restructuring plans be made public, so the number of people who should be retrained and those who should be offered voluntary leave could be determined. At present, an agreement with the employer is in force, which guarantees the employment for the current workers until a social protection pact
has been concluded. The director of the Polish Post (Poczta Polska) is not free to lay off the staff (Kozek and Kubisa 2007: 24, 25).

In 2006 postal workers were involved in strike action over pay (Stroka 2007). The increase of the scope of employees’ duties without substantial wage increases was one cause for the strike, which forced the management of the company to offer some concessions. In 2007 a final agreement was signed: postal workers negotiated a rise in salaries and the outsourcing of the delivery of advertisement flyers. Thereby the strike was not used to negotiate a new collective agreement for the whole company (Kozek and Kubisa 2007: 16). Similar to the situation in Belgium the strikes had started as “wild strikes”.

**Sweden**

Considerable numbers of postal workers were fired after liberalisation, but there were no strikes. According to information from the Swedish union STAKO there was a high reduction in the numbers of personnel before the formal liberalisation (around 14%) and again between 2001 and 2007 (around 30%). The work pace has thus increased considerably at the incumbent and at City Mail.

**United Kingdom**

With regard to privatisation the trade union CWU is maintaining its campaign to keep the Post Office in public ownership (http://www.cwu.org/default.asp?Step=4&pid=572). In addition the union also campaigned and lobbied against government plans to liberalise the letter market in the UK. However, the campaign was unsuccessful and full liberalisation came into effect on 1 January 2006.

The main impact of liberalisation and privatisation is reflected in the current dispute with the trade union trying to maintain the real level of earnings for its members and demanding that management negotiates properly over restructuring and reorganisation. In 2007, for the first time in 11 years there was strike action over pay and a number of “modernisation” measures which included 40,000 job cuts at the state owned company Royal Mail. Currently postal union has suspended strikes to start detailed talks (Die Welt, June 30, 2007; The Guardian, August 10, 2007). However, while the current conflict over reorganisation can be attributed to the (threat of) increased competition as a result of liberalisation, it should also be said that industrial relations did not run particularly smoothly before. Regarding the ability to organise strikes, it must be mentioned that in general in the UK there are no legal restrictions on strike action either in Royal Mail/Post Office or in the private sector. Union influence is very strong at Royal Mail/Post Office and relatively strong at the big competitors, but extremely limited outside of the top five.

The postal unions do not have a direct influence on the regulator Postcomm, but there is a union appointee on the Postcomm board. The CWU and Unite are affiliated to the Labour Party and try to use this position to influence government policy but this has not
been particularly successful in recent years and certainly not in relation to regulation policy.

1.5. **Analysing the abilities to limit competition based on labour costs reduction**

In general labour costs can be reduced by reductions in personnel or by lowering wages. As stated above, in the course of reorganisation measures and privatisation of the former monopolies a massive reduction in personnel took place in the countries examined and within different postal sectors. But two exceptions appear: Poland and the United Kingdom.

Partly reserved letter markets have to date been a protection against possible competitors. Only in Sweden and the UK have letter markets been completely opened to competition. However, wage dumping because of the emergence of possible new competitors did not occur on the (core) letter markets. But again there is one exemption: Germany.

Research questions arise from querying why significant employment reduction did not appear in all countries and why there has been no apparent wage dumping until today. These questions may only be answered through further research and, for example, company case studies. Also, why is it that in Germany, despite its reserved letter market for letters weighting less than 50 grams - extensive wage dumping is visible?

The following tables try to give some first comparative indications beyond references concerning market regulation:

**Table 6: Some indicators concerning the union ability to limit competition based on labour costs in postal services**

<table>
<thead>
<tr>
<th></th>
<th>Degree of employment reduction in the former monopolies</th>
<th>Wage dumping (letter market)</th>
<th>Strikes</th>
<th>Traditional different worker status at the incumbent</th>
<th>New LRR on the postal market</th>
<th>Bargaining coverage on the letter market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>Massive</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Two-tier</td>
<td>High</td>
</tr>
<tr>
<td>Belgium</td>
<td>Massive</td>
<td>No</td>
<td>yes (wild cat)</td>
<td>Yes</td>
<td>Encompassing</td>
<td>High</td>
</tr>
<tr>
<td>Germany</td>
<td>Massive</td>
<td>Yes</td>
<td>yes</td>
<td>Yes</td>
<td>Two-tier</td>
<td>Modest</td>
</tr>
<tr>
<td>Poland</td>
<td>Not significant</td>
<td>No (already low wage sector)</td>
<td>yes (wild cat)</td>
<td>No</td>
<td>Two-tier</td>
<td>High</td>
</tr>
<tr>
<td>Sweden</td>
<td>Massive</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Encompassing</td>
<td>High</td>
</tr>
<tr>
<td>UK</td>
<td>Not significant</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Two-tier</td>
<td>High</td>
</tr>
</tbody>
</table>

It is apparent that only in Poland and in the UK were the reductions in employment not significant. The levels of wages at the incumbents are currently rather low (compared to national minimum wages). In the other countries massive job cuts took place and the
wages in general are higher (compared to national minimum wages). Another similarity between Poland and the United Kingdom is that in both countries - in contrast to the other countries – two different categories of worker status at the incumbents traditionally do not exist.

If this means that the existence of a privileged worker status within the incumbents leads to an overlapping culture and an orientation towards “protection of vested rights” (regarding wage levels) and also leads to a loss of solidarity in the course of rationalisation measures, which thus leads more to job cuts than to the lowering of wages – then this could be analysed in further case studies. Nevertheless it is obvious that in Poland and in the UK labour cost reduction has not been based on reductions in employment.

In addition, in Austria and in Sweden there were no strikes, but massive reductions in employment. These discrepancies can perhaps be explained by a policy of early retirements at the Austrian incumbent and a stable employment situation in Sweden, within the framework of the Swedish welfare system.

However, focusing on the situation of possible wage dumping on the letter market, either the collective bargaining system seemingly was a protection against wage dumping (Sweden) or it is simply too early to judge (UK liberalisation 2006). Especially in Germany liberalisation is already starting to show dangerous developments.

Regarding the coming full liberalisation in 2011, the possible effects on labour costs will depend on different variables:

- market regulation,
- financial power of competitors to build up infrastructure networks,
- the regulation abilities of the LRR regarding collective bargaining and minimum wages, and the
- political power of the unions (e.g. lobbying and strike ability) and employers.

With regard to the ability of collective bargaining structures to limit wage dumping it has to be stressed that with respect to the prospective complete opening up of the letter market in Europe, not only the current conditions of labour relation regimes (LRR) at the core letter market are important, but also the (national) surrounding postal delivery markets (courier-, express- and parcel services as well as the delivery of advertisement and newspapers), because these companies and postal companies from abroad are the potential competitors. As Regalia stated, the experience of countries in which liberalisation has already taken place suggests that an alternative to a probably imminent deterioration of employment conditions and industrial relations is the diffusion of sectoral collective agreements. In fact, these could help to reduce polarisation and foster greater harmonisation of employment conditions in the postal sector (Regalia 2007: 31).

Comparing now the abilities of the six analysed national “LRRs” to limit wage dumping the following tables give a first evaluation:
<table>
<thead>
<tr>
<th>Ability</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>DE</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td>No agreements for competitors on the core letter market; up to now no minimum wage; wage dumping has already emerged for 20% of the employees in the letter market due to the low wages of the new competitors</td>
</tr>
<tr>
<td>SE</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>Similar company agreements for competitors and the incumbent in the letter market; strong links between industry and shop floor-level</td>
</tr>
<tr>
<td>BE</td>
<td>Currently unclear, but high potential powers</td>
</tr>
<tr>
<td></td>
<td>- Company and sectoral agreements for potential competitors (currently active in addition to the Belgium letter market), but increase of self employed deliverers at the potential competitors; additionally sector bargaining; minimum wage.</td>
</tr>
<tr>
<td></td>
<td>- General system of wage bargaining in Belgium has potential power to avoid wage dumping, but how the bargaining will be organised, when serious competitors start threatening the activities of the incumbent remains unclear and will be seen in the coming years. The potential powers are:</td>
</tr>
<tr>
<td></td>
<td>- easy extension of sector agreements to all companies;</td>
</tr>
<tr>
<td></td>
<td>- automatic indexation of wages;</td>
</tr>
<tr>
<td></td>
<td>- legally-provided access of unions to shop-floor by social elections for works councils;</td>
</tr>
<tr>
<td></td>
<td>- minimum wages</td>
</tr>
<tr>
<td>UK</td>
<td>Modest</td>
</tr>
<tr>
<td></td>
<td>Only large potential competitors own company agreements</td>
</tr>
<tr>
<td>PL</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td>No collective agreements in the potential competitors, (very low) minimum wage</td>
</tr>
<tr>
<td>AT</td>
<td>Modest</td>
</tr>
<tr>
<td></td>
<td>New competitors are covered by collective agreements at sector level but 90% of the workforce is self-employed and therefore outside the bargaining system; In 2009 a (not statutory) minimum wage will be introduced</td>
</tr>
</tbody>
</table>

In almost all the countries of our country sample the establishment of a “two-tier LRR” is visible regarding the incumbent and at least the potentially new competitors of the incumbents (currently apart from Germany mainly active besides the core letter market). This construction in general is less able to limit wage differences than a “encompassing LRR”, which does not exist for the “whole postal delivery sectors” (i.e. the letter market, delivery of newspaper and advertisement, courier, express and parcel services) of our country sample. Nevertheless, the two tier LRR show important differences. Especially the “encompassing LRRs” of Belgium and Sweden, have to be highlighted in a positive sense regarding the fact that company agreements are framed by sector level bargaining.

The following country figures give more information:

**Austria**

There is no wage dumping on the addressed letter market regarding the wages of the incumbent. Nevertheless there is wage dumping at the unaddressed letter market since the deliverers of advertising are mostly employed as self-employed workers and thus are not protected by collective agreements. In Vienna this employment group is on the one hand composed of new immigrants and asylum seekers and on the other by workers from the nearby Czech Republic and Slovakia who commute to Vienna to deliver mail.
on a daily base. They have not only lower wages but also lack any employment protection. The existing sector collective agreements for the competitors only cover 10% of their workforce.

Regarding further liberalisation theses, competitors could produce wage dumping on the whole letter market by pushing down the wages of the employees at the incumbent. Hence a modest protection against wage dumping exists.

According to information from works council\(^{23}\) of the Austrian Post AG – with regard to the self-employed deliverers there is a debate to make companies responsible for the employment conditions of their subcontractors. Furthermore, opinion of the works council of how to deal with the challenge of liberalisation is to establish a branch-level collective agreement in the future.

Regarding the employment reduction at the incumbent (over 30% from 1990 until 2005) the management of Post AG was very successful by using the method of early retirements (golden handshakes were of only slight importance); unions have undertaken protest action against privatisation plans, but they have not been willing to organise strikes.

### Belgium

The general system of wage bargaining in Belgium has potential power to avoid wage dumping, but how the bargaining will be organised, when serious competitors start threatening the activities of the incumbent, remains unclear and will be seen in the coming years. The potential powers are:

- easy extension of sector agreements to all companies;
- automatic indexation of wages;
- legally-provided access of unions to shop-floor by social elections for works councils;
- minimum wages.

Hence, because of the sector collective agreements in Belgium a relative protection against wage dumping exists. Wage dumping is only possible at a level above the minimum wage level that is set by the sector collective agreements.

Regarding courier services, the private competitors in courier services (cf. DHL, TNT) belong to two sector committees (218 and 226), which also do not have the reputation of being trade union strongholds in bargaining processes. Every two years there are sector agreements, but they are considered to be the result of difficult negotiations (226) or a kind of minimum agreement (218). Additionally, besides the letter market an increase of self-employed workers has been reported (Tilly 2005). These workers are not shielded by collective agreement or statutory regulations like minimum wages. So theoretically wage dumping is possible by the wage pressure caused by the new self-

\(^{23}\) Information provided by the vice leader of the works council of the Austrian Post AG in a telephone interview on 27th September 2007.
employed at the competitors which are not covered by collective bargaining. The incumbent claims to have 50% higher labour costs than the new competitors. The situation of the sub-company “Taxipost” of the incumbent is relevant in this regard. This is the division of the incumbent involved in the parcel delivery and courier services. It is confronted with competition and it is the part of the Post, which is struggling financially (it will now probably be again integrated in the other activities of the Post). But to date this is not significant for the letter market, because there the incumbent has no competitors.

Nevertheless, the reduction in personnel at the incumbent (before and after the formal privatisation about 15%) can be interpreted as being a method to reduce labour costs in addition to a possible reduction of wages. The staff reduction was based on natural wastage.

Germany

In Germany massive wage dumping is visible. The wages of the employees of the competitors on the letter market are 30-60% below the level of the incumbent. Neither the collective bargaining system (no collective agreements for the new competitors) nor the regulation system (no minimum wage regulation and no consideration of wage levels in the licensing practise as intended with the German Postal Law) show any ability to restrict wage dumping. The wages of the employees of the new competitors must often be subsidised by communal benefits – a fact which is widely discussed in public.

In this situation the incumbent on the one hand has a powerful position in trying to force its employees and Verdi to accept lower wages, to use outsourcing measures or reduce employment. On the other hand the biggest competitor - especially the PIN AG - is a real threat regarding market shares and wage dumping since the PIN AG is composed of powerful investors and on the way to building up its owns nationwide infrastructure. Indeed currently all employees of the German letter sector are in danger of falling into the low wage sector. The new initiatives from parts of the German government concerning a new statutory minimum wage regulation for “deliverers of letters” are a positive reaction to this situation. Unfortunately this concluded minimum wage regulation (for 2008) was not enlarged to cover all “deliverers of postal items” - this would be a small step towards a new encompassing sector LRR.

Poland

In 2004 the market share of the Polish incumbent on the letter market was 99.1%. In 2006 a reduction of the reserved areas for letters below 50 grams took place, and there is no current data about the effects on market shares. Nevertheless, assuming there is no relevant change of market shares this would mean that there is no competition and no competition based on wage dumping visible. In fact competitors on the letter market offer slightly higher “wages”, but they don’t include social insurance contributions.
According to information from the University of Warsaw there are in general two restrictions for wage dumping: Firstly, the existence of (low) minimum wage, which can limit wage dumping; secondly, private companies already have problems to recruit self-employed workers because of the very low wages and the linked mass-exodus of employees to countries abroad!

Since trade unions in postal service even have not been able to achieve a new collective agreement, their power to limit wage dumping by collective agreement seems to be restricted (as stated the old company agreement of 1992 is inadequate for the new company structure of the incumbent; but is nevertheless still in force). An open question is their ability to prevent employment cuts (which is a method to reduce labour costs).

In the past trade unions were able to enforce at least limited job guaranties (Kozek and Kubisa 2007: 24, 25).

**Sweden**

In Sweden competition based on wage dumping does not exist in postal services. Regarding market shares - after full liberalisation in 1994 Posten AB still holds 93% of the letter market. The only important competitor City Mail has acquired 6.5%. Thus, there is a situation of competition, but the collective bargaining system and the LRR seems to provide the ability to limit competition based on wage bargaining. In the Swedish system bargaining cartels exist in all relevant unions in the private sector, the state owned sectors and the local government sector respectively. The cartels settle framework agreements which function as blueprints for industry-wide or occupation-wide agreements for each union. Within the frames for these agreements, there is further space for adaptations to local circumstances.

According to information from the trade union SEKO the achievements on the letter market are company agreements for the incumbent and the competitor with a bargaining coverage of 100%. There is no competition based on different company agreement levels.

The main reason why the Swedish agreements are so strong and all-encompassing is to be found in the links between the industry level and the shop-floor: The Swedish trade unions can normally influence the wages even in companies without trade union members! It can be greatly important for the small companies that have evolved in postal services. The regional or local trade union branches support the firm-level union representatives, but they also negotiate to adopt the industry-level agreement in firms without their own union representatives. If the company is not a member of any employers organisation, the trade union still has the right to take industrial action to enforce the employer to either apply for membership to the relevant employers association or to at least accept the signing of the most relevant existing agreement. If there is no existing /firm level collective agreement, the union and the individual employer can settle an ‘affiliated’ agreement that in most of its content is a blue-print of the industry-wide agreement, sometimes slightly adapted to the concerned workplace, an adaptation usually based on local agreements in comparable firms in the same environment. The Swedish term for such an affiliated agreement is “hängavtal”. If the employer for some reason refuses to sign such an agreement, the trade union can call a strike for its members at the workplace, and if there are no union members, it can still
take industrial action, in most cases put the firm under a boycott. In the latter case, the main aim of the action is to avoid wage dumping; i.e. to stop non-unionised workers working for wages much lower than union members in comparable companies. The system with overarching agreements is the most important reason why employees in small enterprises can have the same wages as in bigger and much more profitable ones (Andersson and Thornquist 2007).24

In postal services “hängavtal” have not been on the agenda until now. Yet, if any new actor refused to accept an industry-wide collective agreement, it could be a matter for the trade unions to press for “hängavtal”.

Nevertheless, the massive personal reduction at the incumbent can be interpreted as a method to reduce labour costs as well as a possible reduction of wages. If the high staff reduction since 2001 (about 30%) is a result of the liberalisation process in Europe is will form the basis for a future research question, it will also expose the ability of the unions to avert staff reduction.

**United Kingdom**

In some of the smaller courier companies there may be some evidence of low pay but initial indications are that the big firms are not undercutting Royal Mail. This can probably be put down to recruitment and retention problems and the need to keep pay comparable with Royal Mail. However basic pay in Royal Mail/Post Office is low and postal workers often have to rely on large amounts of overtime to increase their basic income. Currently it would appear that Royal Mail management is more determined to restrict pay increases this year and this may reflect a longer-term plan to restrict pay.

Similar to Poland, wages in the UK are at such a low level that wage dumping does not seem to be possible any more because of recruitment problems. In this respect bargaining at firm level and minimum wage policy have not been able to avoid this.

In the past measures to reduce employment have not been on the agenda. The new management plans regarding the reduction of the workforce will show the ability of the unions to prevent this instrument of labour cost reduction.

24 There might be some limits though regarding the so-called Vaxholm case. The EC court gave its verdict in 2007, stating that the Swedish unions still have the right to take action against wage-dumping entrepreneurs. Yet, the EC court also stated that the unions are not allowed to use more force than necessary. The definition of how much power is ‘necessary’ is handed over to the Swedish Labour Court to decide, and its verdict in the Vaxholm case, which will be guiding, but will not arrive until late autumn 2007. In conclusion, there is a risk that the outcome of the Vaxholm case will challenge the system with ‘hängavtal’.
2. LOCAL PUBLIC TRANSPORT SECTOR

2.1. State of liberalisation and privatisation

In this analysis of “local public transport” it has to be stressed that the research focus is on “road-bound” local public transport services. Nevertheless, if railway services are part of the national local public transport systems, they are included.

Compared with postal services and electricity supply the local public transport is a highly diverse sector. Each country has its distinct market and ownership structures and often rather complicated regulatory systems. Common European-wide standards have only been introduced in the railway sector to date.

In general two types of competition in local public transport are possible: “competition for the market” and “competition in the market”. Competition for the market takes place when several companies compete for a tendered route. Competition in the market takes place when several companies drive the same route to compete for passengers. Competition for the market has been introduced particularly in north-European countries whereas competition in the market dominates in Britain (outside London). After the disastrous experience of the UK with the competition in the public transport market, the European Commission clearly favours the competition for the market approach (advertised as ‘controlled competition’).

However, in connection with the famous Altmark ruling of 2003, the European Court of Justice had asked the Commission to clarify general rules on the award of public service contracts in the transport sector. In recent years the Commission has so far not been able to find an acceptable compromise. Finally - after almost 20 years of discussion - on May 10th 2007, the European Parliament agreed on a new EU Directive, which only needs to be confirmed formally by the European Council of Ministers, and which then will come into force in two years. The main results are: public urban transport services will stay the responsibility of the municipalities or local governments. Secondly, municipalities can decide themselves about public tendering and its procedures (more details see below).
**Table 8: Liberalisation and regulation of local public transport services by EU Directives**

<table>
<thead>
<tr>
<th>Year</th>
<th>Change</th>
</tr>
</thead>
</table>
| 1991 | EU Directive (EEC) No 1191/96, updated as EU Directive (EEC) No 1893/91 was enacted. According to this new legal framework:  
  - Member states must in principle end all obligations inherent in the concept of public services in the area of transport by road, rail and inland waterway;  
  - At the same time member states are granted the right to maintain “public service obligations” in order to ensure the adequate provision of public transport services. They should be based on “fixed standards of continuity, regularity and capacity” and ensure that adequate rate and conditions for users apply. |
| 1991 | EU Directive (EEC) 91/440 concerning railway traffic:  
  - Separation of accounts and organisational unbundling of tracks and services;  
  - Right to discrimination-free entry regarding tracks and railway infrastructure for private competitors;  
  - While these principles have to be applied for railway services in general, member states are granted the possibility to ‘exclude railway undertakings whose activity is limited to the provision of solely urban, suburban or regional services’.  
Due to this separate treatment the long-distance and the short-distance (regional/local) railway traffic can be regulated in a different way. |
| 1998 | Judgement in Magdeburg concerning „Altmark-Trans“: Four criteria with regard to tendering procedures and subsidisation in public urban transport services were defined. |
| 2003 | “Altmark Trans judgment” of the European Court of Justice concerning financial aid:  
  - Subsidisations within cost-covering transport services are not defined as financial aid;  
  - Subsidisation for cost-covering transport services and transport services of public interest are allowed, but linked to conditions;  
  - There is no obligation to tender transport services of public interest. |
| 2005 | EU-KOM (2000/0212 COD): 3rd proposal for a European regulation for public passenger transport services, which was supposed to replace Regulation 1191/69 (but was not enacted):  
  - Maintains the basic approach of imposing competition in public passenger transport through compulsory competitive tendering;  
  - No obligation for tendering, if the (private) transport companies is under control like an own authority, the value of the service contract is lower than 1 million euros, the duration of the contract is limited to 8-15 years. |
| 2007 | On May 10th 2007 the European Parliament agreed on a new EU Directive concerning road and rail-road public transport, which only has to be confirmed formally by the European Council of Ministers, and which than will be enacted by 2009. This Directive will substitute the old EU Directive (EEC) No 1191/96 after almost 20 years of discussion. The main results:  
  - Public urban transport services will stay the responsibility of the municipalities or local governments as part of ‘public services’;  
  - Municipalities can decide themselves if they want to have their own transport companies and services, or if they want to open transport services for competition by public tendering procedures;  
  - In general they can decide themselves about public tendering issues and the definition of concrete social criteria like e.g. working conditions or customer rights;  
  - Public tendering is obligatory if firstly, the provision of services is performed by third parties (private competitors) and secondly, if the contract volume per year is one million euro or more, respectively 300,000 kilometres driving performance (undergrounds and tramways are exemptions);  
  - Local monopolists (transport companies) are not allowed to act as new competitors outside of their local territory. |

Sources: Brandt (2006); Denzin et.al. (2007); www.klaus-haensch.de
It was asserted by Mathieson and Pedersini (2007: 3) that national regulations and conditions have so far influenced almost exclusively the development and organisation of local public transport and services of general interests in the various member states. Generally this seems to be appropriate, but it cannot be argued that these national regulations have not been influenced and legitimated by referring to discussion at European Union level about liberalisation measures. Especially the “Altmark-Trans judgment” of the European Court of Justice was clearly important for the implementation of public tendering procedures in some countries.

The following tables give some indications of major liberalisation and privatisation steps:

**Table 9: Major liberalisation and privatisation steps**

<table>
<thead>
<tr>
<th>Year</th>
<th>Austria</th>
<th>Belgium</th>
<th>Germany</th>
<th>Poland</th>
<th>Sweden</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-1995</td>
<td>Regionalisation and introduction of competitive tendering procedures in outsourced services (Flanders region)</td>
<td>After 1995 public companies started to outsource transport services. Additionally new companies with ‘private legal form’ were established by the municipalities</td>
<td>Shift from planned to market economy; regionalisation</td>
<td></td>
<td></td>
<td>- 1994 Privatisation of London Busses</td>
</tr>
<tr>
<td></td>
<td>Vienna (1999): Formal privatisation of the local public transport company</td>
<td>Introduction of competitive tendering procedures - especially in short distance railway transport</td>
<td>Increasing importance of joint public-private and private companies</td>
<td></td>
<td></td>
<td>- 1994 British Rail was split into an infrastructure and a service unit. While the infrastructure company was subsequently floated on the stock market rail service was turned into a number of separate legal entities and transferred to the private sector</td>
</tr>
<tr>
<td>1995-2000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2000-2005</td>
<td>Gradual introduction of competitive tendering procedures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>The railway infrastructure company was placed into administration in 2001 and transformed into a company limited by guarantee that operates like a commercial company but pays no dividends as there are no shareholders</td>
</tr>
</tbody>
</table>

Source: PIQUE (2007)
According to latest results of the PIQUE project the current state of liberalisation and privatisation of local public transport in the six analysed countries with respect to market structures, ownership status, tendering procedures and regulatory instruments can be summarised as follows:

Liberalisation and privatisation has generally led to a decrease in the number of companies. The notable exception is Poland where liberalisation took place simultaneously with the transformation from a planned to a market economy. Poland is the only country in our sample where the number of companies has actually increased in the last 15 years. Austria and Germany are those countries with the largest number of companies in the sector. Belgium stands out with only four public companies dominating the market. There are a number of private companies but their market share is limited to the outsourced part of service provided by the public enterprises. In the UK only six companies dominate the market, while in Sweden the market is split up between nine large companies. Yet even where there are many companies such as in Austria, only a few large companies dominate 90% of the market, whereas hundreds of small companies account for no more than 10%. In Germany market shares also differ substantially, but the number of large firms is significantly higher than in Austria.

Markets in public transport are highly segmented. Consequently there is not one but multiple markets. The two exceptions are regional transport in Poland and the UK before liberalisation. Together with exclusive market access, multiple markets can lead to a situation with multiple monopolies. Traditionally municipal transport companies have enjoyed exclusive access to urban transport markets. In Belgium, three of the four public companies enjoy regional monopolies while the fourth one has the monopoly on rail transport. In Austria, too, there are multiple markets without competition, and even in Germany there are multiple markets with only limited competition. In Poland competition has also just started. In our sample, multiple markets with competition can only be found in Sweden and in the UK. However, while in Sweden private companies compete for the respective markets, the UK outside London is the only example where there are multiple markets with competition in the market. Competition for the market is expected to become more important in Austria and Germany.

With respect to ownership status, changes have been even more radical. The UK started from a situation with almost 100% public ownership and ended with a situation of almost 100% private ownership. In Sweden, too, local public transport outside the urban centres is now exclusively provided by private firms (with the exception of rail service). In all the other countries, however, there are public as well as private companies but public companies usually dominate the markets. In Germany and Poland, moreover, there is also an increasing number of shared public-private companies. Yet even if companies have remained in public hands they have often been transformed form public law to private law companies.

While previously public ownership was an important regulatory instrument, contracts have become increasingly important to regulate the sector. Contracts are used by public authorities to define the service they expect from public providers. They are also used to outsource part of the service supplied by the public providers to private firms. But most importantly, service contracts are increasingly tendered to public and private competitors. In connection with competitive tendering, some countries have set up
Independent regulatory bodies to separate the purchasing from the provision of transport. They are not only responsible for tendering contracts, but also for the overall planning and control of supply.

Where contracts and independent regulatory bodies have been used to regulate public transport, regulation as such has increased rather than diminished. The only example where regulation was cut back is UK transport outside London. The use of contracts as means of regulation has also led to an increasing emphasis on quality issues. Several regulatory bodies have developed specific methods to measure the compliance with quality standards (PIQUE 2007: 15-16).

2.2. Comparing the transformations of labour relations regimes

Before privatisations and liberalisation labour relations and the public employees were determined by public law employments. Wage setting was often embedded in national frameworks and on the whole clearly defined at firm level. Only in Germany and Poland has additional bargaining at firm level been not so important in local public transport.

Due to privatisation (formal and sometimes also material privatisation and/or private-public partnerships), liberalisation (i.e. public tendering of single lines and outsourcing of special services) and unbundling measures (railways in United Kingdom) a fragmentation of former public transport companies, wage settings and collective bargaining structures (mostly company agreements) have emerged - between and within companies. Only in Sweden and Belgium has this not had significant impact on the kind of traditional collective bargaining structure.

In contrast to the letter market the local public transport sector has more often displayed a “fragmented LRR” (Austria, Poland, UK) than a “two-tier LRR” (Germany), since more often a clear public/private divide in collective bargaining has not occurred. Belgium (like Sweden with a “encompassing LRR”) is a special and very interesting case, since on the one hand outsourcing and separate bargaining procedures have a long tradition. On the other hand, tendering has increased, but at the same time has been re-regulated by special clauses fixed in tender contracts, which define that working conditions in public companies and in outsourced tendered services have to be the same. In the United Kingdom working conditions are also partly an element of public tendering. In addition the re-regulation of liberalisation measures (i.e. public tendering) has been a feature of political debate in Germany regarding special laws (“Tariftreuegesetz”) passed by the federal states stipulating that collective agreements have to be a precondition for public tendering procedures.

Nevertheless, with the exemption of Poland the bargaining coverage is still very high in those countries analysed. But as wage dumping is also possible on the basis of collective agreements, the wage levels concluded in agreements and the wage differences between the agreements are decisive in any analysis if competition is based on lowering wages. Lowering of labour costs by reductions in staff is a further question at this point.
<table>
<thead>
<tr>
<th>Companies and competition (number, ownership status, market shares)</th>
<th>Austria</th>
<th>Belgium</th>
<th>Germany</th>
<th>Poland</th>
<th>Sweden</th>
<th>United Kingdom</th>
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<tbody>
<tr>
<td>667 companies (2003):</td>
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<tr>
<td>- Urban public transport services are based on municipal companies;</td>
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<tr>
<td>- Regional transport by the public owned company “ÖBB Postbus GmbH” (market share: 85%) and private bus companies</td>
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<tr>
<td>- About 50% is tendered to the private sector in the Flemish public company (“De Lijn”) and 25% in Wallonia;</td>
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<tr>
<td>- Increase of international firms</td>
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<tr>
<td>Three public companies with monopolistic access to their respective markets;</td>
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<tr>
<td>- About 50% is tendered to the private sector in the Flemish public company (“De Lijn”) and 25% in Wallonia;</td>
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<tr>
<td>- Increase of international firms</td>
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<tr>
<td>Public companies: 80% of the market share</td>
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<tr>
<td>Private companies: 15% (mostly hired by public ones, but also some multinational companies)</td>
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<tr>
<td>Remaining 5% public-private companies</td>
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<tr>
<td>80% of the market share</td>
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<tr>
<td>15% (mostly hired by public ones, but also some multinational companies)</td>
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<tr>
<td>Remaining 5% public-private companies</td>
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<tr>
<td>80% public ownership (Pedersini 2005)</td>
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<tr>
<td>In 2004: 176 municipal, thereof 41 territorial self-government units, 93 limited liability companies with JST shares and 39 joint stock companies with JST shares</td>
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<tr>
<td>9 large, 36 small firms;</td>
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<tr>
<td>Publicly owned firms are dominant and usually compete with private undertakings, i.e. multiple markets with competition for the market;</td>
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<tr>
<td>Outside the urban centres services are provided by private firms</td>
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<tr>
<td>Private ownership dominates (Pedersini 2005)</td>
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<tr>
<td>1,835 transport enterprises;</td>
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<tr>
<td>Six private companies have a market share of 80% of bus traffic in London</td>
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<tr>
<td>Rail service was turned into a number of separate legal entities</td>
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<tr>
<td>Employers associations which are responsible for collective bargaining</td>
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<tr>
<td>The “Austrian Federal Economic Chamber” has a special section for the private bus companies</td>
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<tr>
<td>- Public companies: Union Belge des Transports en Commun Urbains et Régionaux (UBTCUR);</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>- Private companies: “FEDERATIE VAN DE BELGISCHER AUTOBUS-EN AUTOCARONDERNEDERLANDER”</td>
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<tr>
<td>Sector level collective agreements are bargained by employer associations composed of the municipalities of a federal state (“Vereinigung kommunaler Arbeitgeberverbände”/VK)</td>
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<tr>
<td>None</td>
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<tr>
<td>- Bus traffic: “Bussarbesgivarna”, linked to Svenskt Näringsliv</td>
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<tr>
<td>- SJ: Almega Tjänsteförbunden”, also linked to Svenskt Näringsliv</td>
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<tr>
<td>- “SALAR” (Swedish Association of Local Authorities and Regions)</td>
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<td></td>
</tr>
<tr>
<td>Trade Unions</td>
<td>4 unions:</td>
<td>3 sector federations of the 3 traditional national representative</td>
<td>3 unions:</td>
<td>6 unions:</td>
<td>4 unions:</td>
<td>7 unions:</td>
</tr>
<tr>
<td>- Workers in private bus companies are</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>- The most representative union in public and private owned firms</td>
<td></td>
<td></td>
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<tr>
<td>- Private sector trade union federations (LO, TCO, SACO) are open</td>
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<tr>
<td>Seven trade unions following the merger in May 2007 of</td>
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</tr>
<tr>
<td>Union density</td>
<td>Workplace representation</td>
<td></td>
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<td>------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>- Municipal companies and Postbus: about 80%,</td>
<td>- Publicly owned companies: public servant representatives and works council representatives; - Private companies: works councils in the larger firms</td>
<td></td>
<td></td>
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<tr>
<td>- Private area: maximal 40%</td>
<td>Works councils and joint sub sector committee</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>According to unions 85 to 90% in public companies; 75-80% in private companies</td>
<td>- Public legal form of the company: Staff councils (&quot;Personalräte&quot;) - Private legal form: works councils (&quot;Betriebsräte&quot;)</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>66% (public employees)</td>
<td>Local unions and work councils</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&quot;High&quot; union density in Warsaw, e.g. 2004 in Warsaw’s trams over 50% and in the private company Connex 60%</td>
<td>Local unions</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Very high (no detailed data available)</td>
<td>In 2006 the trade union presence at workplace was 59.8 % in the “transport and communication sector”</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 11: Collective bargaining before and after the liberalisation in local public transport services

<table>
<thead>
<tr>
<th></th>
<th>Austria</th>
<th>Belgium</th>
<th>Germany</th>
<th>Poland</th>
<th>Sweden</th>
<th>United Kingdom</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Before privatisation and liberalisation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Bargaining structure</strong></td>
<td>Public-sector employees were previously part of public-sector bargaining at the municipal level and for postal and railway workers</td>
<td>Statute, but not as part of the general civil service statute in Belgium (organised by company agreements) for public employees; sector bargaining in 140.01 (informally regionalised) for employees of private companies</td>
<td>National collective agreements for all public employees</td>
<td>Planned economy: wage setting by the government based on latent negotiation between the Ministry of Transport, the government, the management representatives and trade unionists</td>
<td>Bargaining cartels bargain national-sector “frame agreements”, giving guidelines and limits for company agreements regarding the local bargaining by the local union and employers of a given company</td>
<td>Extensive web of nationally determined agreements on pay and hours and often detailed local agreements regulating working practices</td>
</tr>
<tr>
<td><strong>After privatisation and liberalisation</strong></td>
<td>Highly fragmented: - Existence of civil servant pay schemes, sector agreements (private companies) and company agreements - Partly within the same firm different regulations</td>
<td>No change</td>
<td>- about 1,000 collective agreements at firm level and additionally “branch-level-collective agreement” at federal state level - competing collective agreements at the same spot for the same category of employees with different wage levels exists - Fragmentation of short-distance railway bargaining</td>
<td>- Collective agreements at firm level - in some municipal companies one-sided labour and remuneration regulations are set by employers. - partly different labour conditions and collective bargaining for new and old employees within the same public owned company</td>
<td>Bargaining structure has remained the same, but: Some trade unions now settle agreements with employers’ associations in the private sector, affiliated to Svenskt Näringsliv, instead of public sector employers</td>
<td>Firm level bargaining, i.e. most companies use a mix of enterprise (framework) bargaining with local bargaining such as at divisional or profit centre level</td>
</tr>
</tbody>
</table>
### Bargaining coverage

| 100%, but often different agreements within the same company | 100% | High, but some competition between different company agreements | - Generally low bargaining coverage | Almost 100% | - In the “transport and communication sector” the coverage of collective agreements is 48% |

### Other forms of sector specific labour relations

| Civil servants are regulated by law | Working conditions are an element of public tendering | Some federal states have or had temporarily obliged themselves to limit public tendering to firms owning collective agreements\(^\text{25}\) | Working conditions are partly an element of public tendering |

\(^{25}\) Currently there is a political debate in the federal state “Berlin”, which is also important regarding public tendering in the area of postal services.
Comparing the transformations of collective bargaining and workplace representation the following country sketches are visible in detail:

**Austria**

In Austria competitive tendering in local public transport has recently started. In 2003 there were 667 companies in the local public transport segment. The largest were the Wiener Linien AG (Vienna transport) with 8,000 employees, ÖBB Postbus GmbH with 3,950 employees and Dr. Richart with 1,350 employees (Hermann 2006: 3). In the large cities public transport services in Austria are mainly offered by municipal companies. In 1999 the local public transport company of Vienna was reorganised and the legal form of the company became subject to private law. Regional public bus companies being mainly carried out by ÖBB Postbus GmbH (market share: 85%), which was originally in the ownership of the Austria Post. Apart from the regional level there are some hundred small companies.

As far as industrial relations are concerned the union density is about 80% in the municipal companies and in Postbus, but maximum 40% in the private area. Work councils exist in the public and larger private companies. The employer density is 100%. The bargaining actors on the side of the employer’s are: Postbus AG, the municipalities and the “Austrian Federal Economic Chamber”. The chamber has a special section (Fachverband) for bus companies. Workers in local public transport are represented by a number of different unions including the Postal Workers’ Union (Gewerkschaft der Post- und Fernmeldebediensten), the Municipal Workers’ Union (Gewerkschaft der Gemeindebediensten), the Railway Workers’ Union (Gewerkschaft der Eisenbahner) and the Union for Trade Union for Retailing, Transport and Communication (Gewerkschaft Handel, Transport, Kommunikation). The latter two unions have recently merged to form a new union called VIDA. Employees of the same company, moreover, can be represented by different trade unions, which is highly unusual in Austria.

With regard to changes of the legal framework and structure of workplace industrial relations it has to be stressed that formerly some of the publicly owned companies had their own labour relations act. Employees of Postbus, for example, were part of Österreichische Post- und Telegrafenverwaltung which had its own labour relations act dating back to 1946. Also some of the municipal transport companies had their own regulations. With privatisations these provisions were adjusted to the general labour relations act (Arbeitsverfassungsgesetz). With this adjustment the workers lost their far-reaching co-determination rights. However, in all of the publicly owned companies there is some form of workplace representation (public servant representatives, work

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26 ÖBB-Postbus GmbH emerged from a merger of Postbus and Bahnbus (with a third of all the routes having had to be given to private transport companies). ÖBB Postbus GmbH is a 100% subsidiary of ÖBB Personenverkehrs AG, which again is a 100% subsidiary of the national railway company Österreichische Bundesbahnen Holding AG. Despite a periodic discussion about a possible privatisation, ÖBB Holding AG is still 100% state owned (Hermann 2006: 2).
Local Public Transport Sector

council representatives), while in private companies this is only the case in the larger firms (e.g. Dr Richard).

Collective bargaining in Austria is traditionally highly centralised. Collective agreements are generally sector agreements covering all workers in a particular sector. Company-level collective agreements are the exception.27 The local public sector is an exception in this regard as the sector is characterised by the existence of different regulations including civil servant pay schemes, sector- and company collective agreements. What is even more problematic, as a result of liberalisation there are now different regulations within the same firm.

Public-sector employees were previously part of public-sector bargaining at the municipal level – as were postal and railway workers. Private firms were mostly covered by the (sector) collective agreement for employees in private bus companies. This agreement was concluded between the Chamber of Economy, the Trade Union for Retailing, and Transport and Communication (now part of VIDA). Some were also covered by the private railways (sector) collective agreement (Privatbahnenkollektivvertrag) concluded between Chamber of Economy, railway section, and the Austrian Railway Workers’ Union. This agreement applied for example to the employees of the municipal transport company in Innsbruck (Innsbrucker Verkehrsbetriebe) because the company runs trams.

As a result of liberalisation several public firms, including municipal transport providers, have two different agreements: A civil servant pay scheme and a company collective agreement for new employees that have entered the company after a certain date. The two largest companies in the sector, Wiener Linien and Postbus AG, both have their own company-level collective agreement.

To summarise, there are currently:
- Civil service wage regulations (ÖBB Postbus and municipal companies).
- Company agreements (ÖBB Postbus and municipal companies),
- one branch level collective agreement regarding private bus companies and
- one branch level collective agreement regarding private railways.

In Austria a highly “fragmented LRR” can be found, which is due to privatisation and outsourcing measures. The highly fragmented bargaining structure does not satisfactorily establish a common level playing-field for competition. This is more problematic as competition in local public transport is based to a large extent on labour costs reduction (Hermann 2007).

Belgium

In Belgium outsourced services have existed since the 1950s. However according to Sys and Verhoest (2006) regionalisation and competitive tendering procedures in outsourced services have increased since the beginning of the 1990s. As a result of restructuring -

27 In total they make up for not more than 3% of all collective agreements.
which was triggered by regionalisation - more than by liberalisation, or privatisation, there are three public companies that enjoy monopolistic access to their respective markets: one company is responsible for public transport in the Brussels-region (“MIVB”), and from the remaining two each exclusively caters either the Flemish or the Walloon region. The regional bus provider (“T.E.C.”) in the Walloon region has even acquired smaller private bus companies in recent years.28 On the other side changes have taken place in the outsourced part of regional transport in the Flemish region: the public owned provider there (“De Lijn”) has started to use competitive tendering procedures in order to save money when outsourcing services to the private sector. Currently about 45% is tendered to the private sector. In the future – according to Sys (2006) - the share could rise to 50%. Hence, the market share of private companies is limited to the outsourced part of services provided by the public enterprises. Outsourcing concerns the provision of certain routes. International firms like “Eurobus” and “Veolia” have grown by taking over smaller private companies (Hermann 2007).

According to Moro (2005) the two main trade union organisations are the Belgian General Confederation of Labour (Fédération Générale du Travail de Belgique/Algemeen Belgisch Vakverbond, FGTB-ABVV), with a socialist allegiance and the Confédération of Christian Trade Unions (Confédération des syndicats Chrétiens/Algemeen Christelijk Vakverbond, CSC-ACV), with a Christian allegiance.29 The FGTB-ABVV brings together a series of professional groupings, amongst which the General Confederation of Public Services (Centrale générale des Services Publics/Algemene Centrale der Openbare Diensten, CGSP-ACOD) includes all the categories of employees of public sector companies or public services, whatever their status or employment contract. The members of the CGSP-ACOD are affiliated to one of the ten professional sectors of the federation. Each sector is responsible for determining sectoral claims and they are represented on various committees for negotiation, concertation, and joint-appeals. The Free Trade Union of Civil servants (Syndicat Libre de la Fonction Publique/Vrij Syndicaat van het Openbaar ambt, SLFP-VSOA) is the public sector section of the CGSLB-ACLVB.

Social concertation is at sector level, takes place with the “joint committees” as intermediaries (these amount to nearly one hundred, with almost as many sub-committees, which cover practically all the activity sectors). The conclusion of collective agreements (CCT) constitutes the main activity of these joint committees. These agreements may be drawn up between one or several workers’ organisations on the one hand and one or several employers’ organisations on the other. The agreements

28 In 2005, the Walloon Public Transport Company (TEC) employed 4,795 people. Amongst these approximately 3,200 drivers. The TEC had 1,634 vehicles at its disposal, to which must be added 552 vehicles which belonged to private sub-contractors (Lovens 2005).

29 There also exists the Federation of Liberal Trade Unions of Belgium (Centrale Générale des Syndicats Libéraux de Belgique/Algemene Centrale der Liberale Vakbonden, CGSLB-ACLVB), which is a much smaller movement.

30 Interest group corporatism in which regular meetings take place between the representatives of the government, labour unions, and employers’ organisations to seek agreement on socio-economic policies. This process of coordination is often referred to as “concertation”.

determine the individual and collective relationships between workers and employers within the company or branch of activity (Moro 2007).

Focusing now on the labour relations in the public urban transport sector: The Belgian system of collective bargaining in local public transport has traditionally taken place in two separate joint (sub-) committees:

1. The public transport companies owned by the state (now the regional authorities), i.e. De Lijn (Flanders), MIVB (Brussels) and TEC (Wallonia) are so-called “autonomised agencies”. The labour conditions of personnel (and this is different to other state enterprises in Belgium) are not regulated by the so-called statutory regulation of the public service, but are covered by the labour law of the private sector (law of 1978). As such, the labour conditions are bargained in a specific joint sector committee which in practice, but also formally, is subdivided in 3 sub-committees regarding each region and public company. These companies have to organise private company social elections every four years – like any other private company – to install a works council or health & safety committees.

2. For a couple of years, and mainly in Flanders, the transport activities have been outsourced by public tendering (40 to 50%; around 25% in Wallonia) as a result of ‘pending’ European directives. Before these activities were traditionally granted to local, private bus companies (so-called ‘tenants’; the union spokesmen spoke in this regard of the local ‘bus farmers’). The labour conditions of the personnel of these private bus companies is regulated by a sub joint committee of the transport joint committee 140 regarding blue-collar workers (drivers and maintenance personnel) or by the joint committee 218 for the small number of white-collar workers in these companies.31

It is a special feature that labour conditions of outsourced services (i.e. bus lines) have to be similar to those of the personnel of the public companies De Lijn:

Although it has always been a goal and a tradition to harmonise the labour conditions of the public and private drivers (cf. of the tenants), since the official tendering this tradition has become even more formalised. This rather particular system is organised by stating explicitly in the tender documents that all personnel have to have the same working conditions as the personnel of De Lijn (for example hourly wage). It does not mean that minor differences do not exist, for example with regard to pension rights. The biggest difference is the required flexibility concerning the work organisation.

According to information from the Katholieke Universiteit Leuven this clause was introduced because of a strong demand from the unions. But also from the management side there were important, long-term strategic ‘self-protection’ reasons for developing this clause. By harmonising the important labour costs between private and public, politicians are not given arguments to privatise more. Arguments such as ‘they are cheaper’ can never be proved based on the existing labour costs. If there were a private activity in the sector with a lower cost, politicians could come faster to the conclusion

31 This specific ‘formal, but not officially installed’ sub-committee is called ‘public bus services’.
that the public company is maybe not necessary or not necessary at that particular moment.\textsuperscript{32}

To conclude: in general the bargaining coverage is high and working conditions are similar. There is no competition between the companies. Thus, there is a “encompassing LRR”, but it is mainstreamed by the bargaining of the public enterprise (a kind of patterned bargaining at the sector level).

\textbf{Germany}

About 80\% of the local transport market is still in the hands of public companies. Private companies (mostly very small companies) have a share of 15\% and the remaining 5\% are held by shared public-private companies. In urban agglomerations provision itself is organised by integrated transport associations (“Verkehrsverbünde”). For some years a number of large multinational companies (Connex, Arriva) have been active in short-distance railway traffic, but in road bound transport services they are exceptions. Due to the almost exclusive provision of urban road-bound transport by municipal companies (resulting in a large number of companies with effective local monopolies) only a small part of transport services is actually open to competition through a process of competitive tendering. In contrast, in short distance railway transport Germany has shown an increase of competitive tendering since the middle of the 1990s in favour of private competitors. Although private providers in rail services to date do not account for more than 5\% of the market, they have acquired almost 40\% of rail services that have been subjected to competitive tendering in the last 10 years (Brandt 2006a).\textsuperscript{33}

The union density in the whole transport sector is over 66\% for public employees alone (Funk 2005). In the German local public transport sector collective bargaining is highly fragmented. According to Heimlich (2005) there are about 1,000 collective agreements. The majority of these collective agreements are company agreements settled at firm level. Additionally, in almost all federal states a branch-level collective agreement (“Spartentarifvertrag Nahverkehr”/ TV-N) exists, which is focused on public and private companies active in the local public transport sector within the area of a respective federal state. These sector agreements are able to cover the large scale of public and private employees. However, the public or private companies of a federal state can decide for themselves if they want to join the sector agreement of their federal state or not. If they do not want to join the sector collective agreement they are free to conclude their own company agreement or they conclude nothing (this happens merely in the case of private companies).

\textsuperscript{32} In the near future, the clause may even be strengthened. Social partners of subcommittee 140.01 agreed to set up a control agency, which will control the labour conditions of the personnel of the private companies. When this control agency became operational and detected breaches, De Lijn made the commitment to see this kind of proof as a reason to re-evaluate the existing contract with the ‘violating’ sub-contractor/tenant

\textsuperscript{33} Since 1994 the German Railways is a private limited company in ownership of the Federation (Deutsche Bahn AG, DB AG). The initial public offering is planned but highly disputed.
Furthermore, it is possible, that the same category of employees (e.g. bus drivers) in a municipality is paid at the same location by different collective agreements, e.g. if a municipal public transport company has hired a private company only for single bus lines of its territory. These different collective agreements are linked with different wage levels. According to Verdi (Heimlich 2005) local wage differences can be up to 25%. Hence wage pressure - and partly wage dumping – is possible on the basis of different collective agreements!

Partly different unions compete for collective bargaining responsibility: the most representative union regarding road-bound public urban transport is the “United Services Union” (Verdi), which is also responsible for private short-distance railway transport companies. Partly (e.g. in the federal state “North Rhine-Westphalia”) collective bargaining carried out by Verdi with private and public companies has been foiled by a Christian union (“Gewerkschaft Öffentlicher Dienst und Dienstleistungen“/GÖD), which more often accepts much lower wages. Similarly there have been problems with the trade union “TRANSNET”. TRANSNET (270,000 union members) is mainly bargaining with regard to the long-distance railway traffic (served by the public owned Deutsche Bahn AG), but TRANSNET has also concluded collective agreements in the federal states “Mecklenburg-Western Pomerania” with private bus companies.

According to Heimlich (2005), who is the main responsible person at Verdi for collective bargaining, almost all private transport companies in Germany have settled collective agreements. Nevertheless there are jobs not covered by collective agreements. In these cases - according to Heimlich - this is a conscious and strategic decision on the part of Verdi.

Since 1994 the former union ‘Public Sector and Transport Workers Union’ (ÖTV) - which was integrated later in Verdi – started to concluded collective agreements with private companies in the highly fragmented area of private local public transport companies. These agreements were on a lower level than the former national collective agreements for all public employees. Due to the wage differences between the public and private sector it has been very attractive for public companies to outsource transport services since the middle of the 1990s. Against this background the union developed the new strategy of bargaining so-called ‘branch-level collective agreements’ (Spartentarifverträge). The idea was that framework agreements for private and public employees in the local transport sector should be concluded to minimise wage differences. This was directly linked with the union strategy to obligate the federal states to limit public tendering to those private firms which have agreed to the new branch level collective agreements (this obligation – based on a new law called “Tariffreuegesetz” - was indeed only partly reached in some countries and was partly
reversed later on!\textsuperscript{34}. Therefore bargaining at federal state level started in many federal states. In 2001 the first so called TV-N (Tarifvertrag Nahverkehr, collective agreement for local transport) was settled in North Rhine-Westphalia. It was composed of a uniform wage pay system for blue and white collar worker below the level of the old national framework agreement for public employees but above the level of agreements with private companies. However, a special provision guarantees that the wages for those already employed remain at the old (higher) level.\textsuperscript{35}

A specific point of dissent among the new collective agreements for the public transport is the question whether the collective agreement is only valid for the transport companies or for sub-contractors as well. The reason for the dispute is that the transport providers have partly outsourced specific tasks, as for example, the controlling of tickets, cleaning, or security services, to specialised service companies. These companies are not tied to the collective agreement in public transport, but they often pay lower wages according to different agreements in other sectors or branches. This regulation leads to bargaining pressure on works councils and unions in the public transport companies which are trying to defend jobs and wages against cuts and reductions (Latniak 2006: 23).

After the formal privatisation of the German Federal Railways in a (public owned) public limited company (now called “Deutsche Bahn AG”) a special subsidiary (“DB-Regio”) was established, which is responsible for short distance transport. Due to the establishment and increase of public tendering in short distance public railway transport services (organised by the transport association which are composed of a multitude of municipalities) new competitors have emerged (e.g. Connex), which compete among each other and with DB-Regio. This competition is again based on different labour cost and different company agreements. Hence a fragmentation of collective bargaining has also emerged in short-distance railway traffic due to liberalisation.

To sum it up, the following changes have occurred:

- Massive decentralisation and fragmentation of (round-bound) local public transport companies: local public utilities moved outside the scope of national public services agreements to the favour of a new sector collective agreement and additional firm level agreements.

- Emergence of new branch level collective agreements at federal state level was linked with a new two-tier wage structure: wages for new employees are lower than wages for the old employees, whose wages remained on the wage level of the old national public services agreements.

\textsuperscript{34} Examples are Hamburg, Bremen, North-Rhine-Westphalia (meanwhile reversed) and Schleswig-Holstein (only concerning short-distance railway traffic). In the laws of these federal states often only the existence of a collective agreement and not necessarily the affiliation to the branch level collective agreement is a defined obligation regarding public tendering).

\textsuperscript{35} However, as a basic principle on local level it has to be bargained if a municipality or a private company agrees to the „branch-level collective agreement“ or even when it does not.
Due to outsourcing and sub-contracting wage pressure and partly wage dumping emerged at the same location, based on different collective agreements.

Due to liberalisation and public tendering procedures in short-distance public railway transport services a fragmentation of railway bargaining and different standards of labour and wage conditions emerged.

Due to outsourcing of specific tasks (cleaning, security, controlling of tickets) some employees are no longer covered by the transport sector regulation.

Wage levels are generally higher in public companies and labour conditions are much better compared to private companies. Thus, in Germany a “two-tier LRR” is visible.

Poland

In Poland the liberalisation took place simultaneously with the transformation from a planned to a market economy. Since the middle of 1990s the importance of joint public-private and private companies has increased in the local public transport market. Hence there are public as well as private companies but public companies usually dominate the markets. Communes decide in effect about the possible solutions which can be implemented in their territory. Yet even if companies remained in public hands they were often transformed form public law to private law companies: According to Kubisa (2006: 6) in 2004 176 municipal entities were active in local public transport. Thereof 41 territorial self-government units (JST), 93 limited liability companies with JST shares and 39 joint stock companies with JST shares (in 2001 there were only 4).

According to Wieslawa and Kubisa (2007: 9-10) there is a strong fragmentation of trade unions in the local transport system of Warsaw since six different trade unions are organising employees in 3 public (“Warsaw Trams”, “Municipal Bus Company”, “Warsaw Metro”) and 2 private companies (“Connex” and “ITS Michalchewski”). In each public company up to 4 different unions are active, whereas in the private company only one trade union (Independent Trade Union of Drivers/Związek Zawodowy Maszynistów) is organising. Only the independent and self-governing trade union “Solidarity” (NSZZ “Solidarność”) is active in all public companies. In public transport companies belonging to the city, the union density is high; for instance, in Warsaw Trams (Tramwaje Warszawskie) in 2004 it was over 50% and in the private company Connex 60%.

In municipal and private companies, the basic conditions of labour relations are regulated by the “Labour Code”. In some municipal companies one-sided labour and remuneration regulations are set by employers. Basically collective agreements at firm level are settled, but generally there is a low percent rate of bargaining coverage. Representative trade unions could negotiate on behalf of all of the staff members.

Concerning Warsaw’s public transport companies the right to sign collective agreements has not been used very often. Municipal transportation companies are

In the transport sector as a whole 35 trade unions exists and a union density of 60% (Stroka 2005).
generally unwilling to accept the city-wide multi-enterprise collective agreement dating back to the beginning of the 1990s. Managerial boards of public companies try to justify it with ownership and organisational changes. For example in the Municipal Bus Company of Warsaw the validity of existing collective agreement is contested by the management. As a result a two-tier wage structure can be found in the company, since there are different remuneration conditions for employees working for the company prior to its restructuring and for those employees (outside the "old" company agreement) who were hired after 2003 (30-40% of the work force). Only “Warsaw Metro” has signed a collective agreement. In the private company “Connex” a company agreement was concluded but until now it has not been possible in the other private company (“ITS Michalczewski”) since trade unions are not accepted there at all (Wieslava and Kubisa 2007: 17, 20, 22, 26, 29, 31).

To sum it up, in Poland a “fragmented LRR” can be found in local public transport, since there is no private/public ownership divide in the kind of collective bargaining, labour relations and wage levels.

**United Kingdom**

In general the UK started from a situation with almost 100% public ownership and ended with a situation of almost 100% private ownership: from 1986-1988 bus services outside London were radically privatised (Arrowsmith 2005). Since that time every licensed operator has been able to apply to run a new route even if another company already runs a service along the same roads. Hence, the situation outside London is one example for “competition in the market”. On the contrary in inner London there is “competition for the market”, since London Transport introduced a tendering process that forced the municipal bus company to compete with private companies. As it lost some of the contracts, London Bus Lines was then transformed into 13 subsidiary companies, each with its own commercial remit. These companies conducted their own wage negotiations and competed against each other as well as private sector companies. In the mid 1990s these companies were then sold to the private sector (Pond 2006:4-5). Around the same time in 1994 British Rail was split into an infrastructure and a service unit. While the infrastructure company was subsequently floated on the stock market (and redirected into administration in 2001, it was then effectively taken back into public ownership although established in legal terms as a trust), rail service was turned into a number of separate legal entities and transferred, either by franchising or trade sale, to the private sector (Hermann 2007:11).

According to Arrowsmith (2005) in 2004 there were 1,835 transport enterprises in the UK (i.e. including inter-city coach travel, transport by underground and metro).

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37 The National Bus Company and the Scottish Bus Group were split up and privatised and deregulated. Subsidies for the publicly owned companies were abolished forcing them to compete with private companies.

38 Transport for London (TFL) is the body responsible for most of the transport within the London region.
Regarding London, after privatisation of buses in London - according to Pond (2006b) - six private companies (Arriva, Metroline, Go-Ahead, Transdev, Macquarie and First Group) have a market share of 80% of bus traffic in London. Nationally Arriva, Go-Ahead, Stagecoach and First Group have a 58.9% of the bus market while overseas companies (including Transdev and Macquarie) control just under 12%. The “Nationalised London Underground” provides train services but track and infrastructure are run under a public-private partnership by two consortia of private companies – Metronet and Tubelines. However, Metronet hit financial difficulties in the summer of 2007 and was placed in administration. Project costs increased far beyond the company’s predictions and it was refused extra funding to cover these costs.

Key features of labour relations in the bus industry are reflected in the public/private sector divide in its ownership structure. Public sector bus staff were highly unionised with density levels of 90% and closed shop agreements were widespread in the 1960s and 1970s - with strong workplace job control unionism and active shop steward organisation. Pay and other conditions were negotiated through sets of centralised bargaining machinery, determined at company level with supplementary local negotiations and consultative machinery at depot level. All in all, an extensive web of nationally determined agreements on pay, hours and conditions and often detailed local agreements regulating working practices characterised the industry (Mathieson and Pedersini 2007: 4).

However there was a dismantling of the traditionally ‘tightly centralised’ industry-level bargaining machinery and its replacement by bargaining at company level (Forrester 1993). Currently most companies in the UK use a mix of bargaining: framework agreements and local bargaining such as at divisional or profit centre level (Arrowsmith 2005). Additionally, in the UK private sector variables concerning labour relations (union density, bargaining coverage, and workplace representation) are at a very low level compared to the public sector.39 Due to the privatisation of the local public transport sector an extreme fragmented and decentralised form of collective bargaining has developed. Although many bus companies operate across the country there has been no sectoral bargaining, nor national company bargaining in the industry following privatisation. Agreements are negotiated at local level and may even be further decentralised to cover specific bargaining groups or occupations. There are, for example, at least eight collective agreements covering the Arriva bus companies that operate in London.

However the bargaining coverage seems to be better than in the private sector in general, since the coverage of collective agreements is 48.0 % in the “transport and

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39 Labour relation in the UK public sector: In 2005 almost three in five (58.6%) of public sector employees in the UK were union members (17.2 in the private sector). Collective agreement coverage in the public sector was 71.8%, more than three times that of those in the private sector (20.9%). Trade unions were present in 86.8% of public sector workplaces and in 32.8% in the private sector in the UK (Department of Trade and Industry 2006: 1). The workplace representation of the public sector in 2003 was 72% and rather high compared to other sectors (industry 36%; services 31%) (European Commission 2006: 72).
communication sector” compared with 20.9% in the private sector and 71.0% in the public sector (Department of trade and Industry 2006: 40). The use of collective bargaining remains a key feature of the bus industry and coverage remains high (Mathieson and Pedersini 2007: 4).

There are now seven trade unions active in the sector:

- The “Transport and General Workers Union” (TGWU), the biggest union in the local transport sector, merged with Amicus in May 2007 to form Unite. The TGWU’s membership was mainly among bus drivers but it also had members in other parts of the sector such as cleaners and maintenance workers on London Underground. Amicus organised mainly among technical and maintenance staff.

- The “Train drivers’ union” (ASLEF) also has members working on the London Underground but is the main union for drivers of trains operating for companies that run the rail franchises.

- The main union organising train crews on London Underground is the “National Union of Rail, Maritime and Transport Workers” (RMT), while white-collar staff are covered by the “Transport Salaried Staffs’ Association” (TSSA).

- The public service administrative and managerial unions UNISON40, PCS41 and Prospect42 also represent members in transport for London.

There are some contradictory indications about union density: The union density declined in the “transport and communication sector” from 48.8% in 1995 to 42.2% in 2005 (Department of Trade and Industry 2006: 21). According to Arrowsmith the union density in local public transport is only 37%. Finally Mathieson and Pedersini (2007: 12) point out that union density did decline in the years immediately following deregulation but has since recovered: according to the main union (TGWU) “approximately 90% of local service bus drivers” (in the UK) are members. According to Sealy (2002: 177) union density fell from 98% in 1984 to 76% in 1990. Mathieson and Pedersini (2007: 12) argue: “Density increased in the 1990s to historic levels mainly as a consequence of the consolidation of the industry and the concentration of the staff in the employment of the big five bus groups, all of whom recognise unions” and settle collective agreements.

Nevertheless the trade union density is much higher than in the UK average.43 Additionally in the “transport and communication sector” the trade union presence at the workplace is 59.8 % (Department of Trade and Industry 2006: 39). Pond (2007) stresses that the unions are still well organised, but the median wage in the local public transport sector has declined to below the level of the general median wage.

40 UNISON organises clerical and administrative employees of Transport for London.
41 Mainly a civil service union but has a small membership among clerical and administrative staff at Transport for London.
42 Mainly a specialists’ and managers’ union in the civil service, outsourced operations and the utilities but with a small membership in Transport for London.
43 In the UK the trade union density in the European comparison declined only a little from 33% in 1995 to 29% in 2005 (European Commission 2006).
On the whole, the LRR in local public transport in the UK can neither be categorised as “encompassing LRR” nor as “two-tier LRR”. The latter since there are the same collective bargaining structures and agreements for the whole sector. There is no public/private divide visible, because everything is privatised. Thus a “fragmented LRR” occurs.

**Sweden**

As a starting point it is necessary to give some indications about the market situation. In 2003 nine large companies (with more than 200 employees) and 36 small companies (with less than 50 employees) were active in local transport markets. The state-owned railway company “Statens Järnvägar” (SJ) has always had a great share of the regional intercity bus transports, parallel with private enterprises (Harmak and Thörnquist 2006).

In the urban centres publicly owned firms are dominant and usually compete with private undertakings, i.e. multiple markets with competition for the market. Outside the urban centres services are provided by private firms (PIQUE 2007). It is important to notice that municipal companies as well as state companies are under private legislation. The public companies in Sweden are ruled as private companies and most of the public companies compete with private companies. Swedish public utilities are “public business enterprises” (“affärsverk”) (Berg 2005).

In 1985 liberalisation was promoted, at that time Swedish municipalities got the right to sell out transport permits to private entrepreneurs. The guiding rule was, and still is, that the ‘lowest bidder’ should get the monopoly of the local or regional market (Harmak and Thörnquist 2006).

The bargaining structure has remained the same in Sweden all through the liberalisation process. The only difference is that some trade unions now settle agreements with employers’ associations in the private sector, affiliated to Svenskt Näringsliv, instead of with public sector employers.

Collective agreements are concluded at two levels, based on “national-sector framework agreements” and local “company agreements” – the same for public companies as for private companies. Both employers and trade unions in privatised transport companies are affiliated to bargaining cartels, led by “SALAR” (the Swedish Association of Local Authorities and Regions) and the “Municipal Workers’ Union” (blue-collar) and “SKTF/Vårdförbundet” (white-collar). Thus industry-wide collective agreements are settled within the framework set by nation-wide bargaining between SALAR and the two unions. These agreements are then adapted to local circumstances via shop-floor negotiations. In the public sector on the whole the bargaining coverage is estimated to be 100% (Berg 2005).

With regard to the “structure of employer representation” in Sweden public companies are members of the employer associations in the private sector. As mentioned, public companies have the same two bargaining levels as in the private sector.

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44 The average coverage of collective agreements in Sweden is estimated to be 85%. There is no official registration of collective agreements so no adequate numbers can be delivered.
sector, there used to be three organisational levels for employers. But at the beginning of the 1990s the “Confederation of Swedish Enterprises” (Svenskt Näringsliv/SAF) withdrew from the collective bargaining round on pay and other working conditions. Thus, collective bargaining mainly operates through the employer’s associations (Arbetsgivarförbund) and local employers. For bus traffic the private sector employer associations “Bussarbetsgivarna”, linked to Svenskt Näringsliv, is responsible. Concerning SJ the employer association is “Almega Service Associations” (Almega Tjänsteförbunden), also linked to Svenskt Näringsliv.

With regard to the “structure of trade union representation” - firstly, trade unions at national-sector levels are members of the “Swedish Confederation of Trade Unions” (Landsorganisationen, LO), the “Swedish Confederation of Salaried Employees” (Tjänstemännens Centralorganisation, TCO) and the “Swedish Confederation of Professional Associations” (Svenska Akademikers Centralorganisation, SACO). LO, TCO and SACO are private sector trade union federations and open to private as well as public employees. The affiliated trade unions bargain with the employer associations in Svenskt Näringsliv and produce “framework agreements”, giving guidelines and limits for the local bargaining.

According to Berg (2005) trade union representation is far from being fragmented and there are no rivalries between the various trade unions. Employees in the public companies join the same trade unions as their colleagues in the private sector.

To sum up: The Swedish LRR in local public transport services cannot be analysed as a ”two-tier system”, since there is no public/privat-divide linked with different bagaining systems.45 In Sweden no significant competition on wages can be found (see also following section). Thues an ”encompassing LRR” exists for the whole local public transport sector.

2.3. Comparing employment, work and wage effects

What are the effects of privatisation and liberalisation regarding employment, working conditions and wages?

One overlapping feature is the change from public to private employment. A strong increase in the number of private employees is visible since public owned companies often fall under private legislation. Additionally, public owned companies frequently outsource their services.

45 Public companies and private companies are under the same legislation, the same official statistics and the same collective bargaining in the private sector. Company law, the Act on Board Representation, the Act on Employment Protection, the Act on Co-Determination and others all apply to employees in public companies without exception. The social partners in the private sector, operating in the same business area handle the industrial relations in public utilities. It is not possible to make any comparisons between workers in the public utilities and workers competing with other private companies (Berg 2005).
Reduction in employment is not as significant as in other sectors and mainly concerns occupations other than the “core employment” of drivers, e.g. technicians, white-collar workers in administration and special services like cleaning or security services. Due to outsourcing the latter are often no longer part of the transport sector regulations.

In Austria, Germany, Poland and in the UK extreme wage differences were noted: either between companies or within the same firms between new and old employees after privatisation (establishment of two-tier wage structures within companies). The big exemptions regarding “wage differences” are Belgium and Sweden, since wage differences are not significant in these countries.

The following table gives a detailed overview and will be commented by subsequent country sketches:
Table 12: Employment and wage effects due to privatisation and liberalisation

<table>
<thead>
<tr>
<th>Status of workers</th>
<th>Before formal privatisations and liberalisation</th>
<th>After liberalisation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Civil servants and public employees</td>
<td>About 50% in the public companies are civil servants (&quot;Beamte&quot;) or have a similar employment status</td>
</tr>
<tr>
<td></td>
<td>Private employees in mainly public companies (with a specific employee statute) and also in private companies</td>
<td>Increase of employees in private companies</td>
</tr>
<tr>
<td></td>
<td>Public employees</td>
<td>Public employees and private employees</td>
</tr>
<tr>
<td></td>
<td>Public employees</td>
<td>Public and private employees</td>
</tr>
<tr>
<td></td>
<td>Civil servants and public employees</td>
<td>Employees of public companies have the same status as the employees in private companies</td>
</tr>
<tr>
<td></td>
<td>Public employees (see below)</td>
<td>There is now, in any event, no significant difference in employment rights amongst employees in the UK</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of employments and changes</th>
<th>Number of employees in main companies:</th>
<th>Number of employees:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- Wiener Linien AG with 8,000 employees</td>
<td>- In 2005, the Walloon Public Transport Company employed 4,795 people and additionally sub-contractors 46</td>
</tr>
<tr>
<td></td>
<td>- ÖBB Postbus GmbH with 3,950 employees</td>
<td>- 160,000 employees in road bound local transport; 90,000 in short distance transport (Heimlich 2005)</td>
</tr>
<tr>
<td></td>
<td>- Dr Richart with 1,350 employees</td>
<td>Changes:</td>
</tr>
<tr>
<td></td>
<td>Changes:</td>
<td>- modest reduction of employment, but almost 28% employment reduction</td>
</tr>
<tr>
<td></td>
<td>- No employment reduction</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Number of employees: no data</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Changes:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>staff reduction in Warsaw, but not substantial</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Decline of employment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(no detailed data available)</td>
</tr>
</tbody>
</table>

46 Amongst these are approximately 3,200 drivers. The TEC has 1,634 vehicles at its disposal, to which must be added 552 vehicles which belong to private sub-contractors (Lovens 2005).
<table>
<thead>
<tr>
<th>Employment forms</th>
<th>No data</th>
<th>On-demand contracts only in private companies</th>
<th>Mainly full-time</th>
<th>Full- and part time, unlimited and timed, temporary contracts increased</th>
<th>No data</th>
<th>No data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working time effects</td>
<td>Different working time standards</td>
<td>More flexible working time in outsourced bus lines</td>
<td>Different working time standards</td>
<td>Warsaw: part-time work with flexible overtime</td>
<td>Similar working time standards</td>
<td>Working hours remain significantly above the national average and below average holiday entitlement</td>
</tr>
</tbody>
</table>
| Wage differences | - In publicly owned companies rates are significantly higher than in privately owned companies;\(^{47}\)  
- Within public companies wage differences between new and old employees;  
- Salaries for civil servant pay schemes are higher than those of new employees (e.g. 13% in Vienna) | - Wage conditions are similar between public and private companies | - Wage differences at the same place can be up to 25%;  
- Wage differences for old and new employees (in the case of ‘branch-level collective agreements’);  
- Lowering of wages due to outsourcing of specific tasks;  
- Up to 20% lower wages at the new competitors in short-distance public railway | Wage differences are significant. They depend on the performance of the firms and local labour market conditions. | Low wage differences | Two-tier wage structures within the same companies are possible |
| Wage dumping | No wage dumping | No wage dumping | Wage dumping regarding the private-public division, outsourcing of specific | Wage dumping is very significant and strong | No wage dumping | After a long phase or deregulation in recent years no more wage dumping, but strong increase of wages |

\(^{47}\) For example: Employees at the outsourced bus service in Innsbruck earn 20 percent less:
<table>
<thead>
<tr>
<th>Lowest pay rate for drivers in collective agreements (basic pay, without extraordinary allowances)</th>
<th>No data</th>
<th>Hourly wage: - in the private company: 12.28 euro (drivers); - In the public company (De Lijn): 12.35 euro</th>
<th>- Branch-level collective agreement: 14.88 – 16.01 euro per hour;(^{48}) - Private bus company in (NRW) approx. 10.30 – 10.66 euro - Extreme example: 7.62 euro per hour in the city of Frankfurt;</th>
<th>No data</th>
<th>No data</th>
<th>Real earnings for per week in GBP (2004): 1985: 335; 1995: 303; 2004: 359 In 2004 bus and coach drivers earn 7.72 GBP per hour (real earnings!), which is about 11.10 euro</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Statutory) minimum wage per hour (^{49})</td>
<td>6.91 euro(^{50})</td>
<td>8.08 euro</td>
<td>.51</td>
<td>1.42 euro</td>
<td>-</td>
<td>8.20 euro</td>
</tr>
</tbody>
</table>

\(^{48}\) Based on 168 hours of work per month (for drivers). The monthly wage range is between 2.500 and 2.800 euro. Example regarding the federal state North Rhine-Westphalia (NRW):

\(^{49}\) Last increases in 2007, Source: WSI Minimum Wage Database 2007

\(^{50}\) From 2009 on, based on an agreement between unions and employers and fixed minimum wages in collective agreements.

\(^{51}\) Union claims for a statutory minimum wage of 7.5 euros.
Austria

According to Hermann (2007) about 50% of the employees in the public companies are civil servants (“Beamte”) or have a similar (privileged) employment status. With the transformation into independent profit-oriented companies, new employees no longer have civil servant status. For the new employees, management now negotiates special collective company agreements, which typically include worse employment conditions than those of the older workers. At Wiener Stadtwerke and ÖBB-Postbus the company agreement applies to all employees who were hired after 2001. Salaries based on the civil servant pay schemes are significantly higher than those paid to new employees covered by the company collective agreement. In the case of Wiener Linien, for example, the difference is 13%.

Differences also emerge as new employees are no longer covered by company agreements (Betriebsvereinbarungen) and therefore do not enjoy the same amount of additional benefits. This is the case in the city of Innsbruck where employees at the outsourced bus service earn 20% less than their older colleagues in the public owned “Innsbrucker Verkehrsbetriebe”.

Belgium

In general there has been an increase of private employment due to outsourcing and subcontracting. Nevertheless, in the whole sector there has been no decline of employment.

According to information from the Catolique University Leuven a 'rough' comparison of the hourly wages shows that the wage conditions are 'similar' but not equal between public and private companies: The hourly wage in the private company (drivers) is 12.28 euro\(^{52}\) and 12.35 euro at De Lijn.\(^{53}\) Labour conditions of outsourced services (i.e. bus lines) have to be similar to those of the personnel of the public companies. However, private employees from the public De Lijn normally drive the more regular lines whereas outsourced work has to serve the more irregular ones, which demand more flexibility, for example working 3 hours in the morning and 3 hours in the evening. This person will be employed on the basis of a kind of on-demand contract (which however in Belgium is strictly regulated according to general labour law.). The latter situation will be more common at the private companies, and not be a practice for the personnel of the public company. In other words - the biggest difference is the work organisation.

\(^{52}\) http://www.groups.be/doc/N_14001000101_1001.PDF

Germany

According to Verdi (Heimlich 2005) there are 160,000 employees working for road-bound local transport and a further 90,000 employees working for short distance railway transport. These are mainly full-time jobs. In general there has been a modest reduction of employment, but there are slight differences concerning the employee group. The following table shows a continuous and modest reduction of employment since the mid-nineties in the road-bound public transport sector in Germany. In contrast to drivers it was especially the technical and other staff who were significantly affected by job reduction:

Table 13: Employees in road-bound public transport in Germany 1994-2003

<table>
<thead>
<tr>
<th>Year</th>
<th>Drivers</th>
<th>Technical staff</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>127,331</td>
<td>34,775</td>
<td>34,481</td>
<td>196,587</td>
</tr>
<tr>
<td>1995</td>
<td>125,238</td>
<td>33,776</td>
<td>32,654</td>
<td>191,668</td>
</tr>
<tr>
<td>1996</td>
<td>124,164</td>
<td>32,258</td>
<td>30,872</td>
<td>187,294</td>
</tr>
<tr>
<td>1997</td>
<td>126,213</td>
<td>31,217</td>
<td>30,752</td>
<td>188,182</td>
</tr>
<tr>
<td>1998</td>
<td>125,421</td>
<td>30,111</td>
<td>30,963</td>
<td>186,495</td>
</tr>
<tr>
<td>1999</td>
<td>126,076</td>
<td>28,179</td>
<td>30,549</td>
<td>184,804</td>
</tr>
<tr>
<td>2000</td>
<td>124,933</td>
<td>26,926</td>
<td>30,726</td>
<td>182,585</td>
</tr>
<tr>
<td>2001</td>
<td>125,856</td>
<td>26,014</td>
<td>30,000</td>
<td>181,870</td>
</tr>
<tr>
<td>2002</td>
<td>124,654</td>
<td>25,607</td>
<td>30,751</td>
<td>181,012</td>
</tr>
<tr>
<td>2003</td>
<td>123,214</td>
<td>25,078</td>
<td>29,380</td>
<td>179,675</td>
</tr>
</tbody>
</table>

Change 1994 to 2003 - 2.2% - 27.9% -14.8% -8.6%

Source: Statistisches Bundesamt, Straßenpersonenverkehr. Fachserie 8, Verkehr, R. 3.2.

According to Verdi (Heimlich 2005) local wage differences can be up to 25%. Personnel costs for transport companies are about 50-60% of the totals costs. Thus, competitive tendering and attempts to settle cheap collective agreements at firm level have been increased. There are also wage differences for old and new employees in the case of ‘branch- level collective agreements’.

Due to the outsourcing of specific tasks, as for example, the controlling of tickets, cleaning, or security services, to specialised service companies bargaining pressure and wage dumping have emerged, since these companies are not tied to the collective agreements in public transport. They often pay lower wages according to different agreements in other sectors or branches. In short-distance public railway transport the wages are 20% below the wages paid by the incumbent DB-Regio (Latniak 2006: 23).

The lowest wages are 7.62 euro per hour and can be found in the city of Frankfurt (Bethge, 2007: 4). A private bus company (in North Rhine-Westphalia) presently pays approximately 10.30 – 10.66 euro per hour, whereas according to the collective
agreement the monthly wages range between 2,500 and 2,800 euros, which would mean an hourly rate of 14.88 – 16.01 euros (Latniak 2006: 23).

**Poland**

According to information from the University Warsaw strong competition exists which is based on the lowering of wages and strong wage dumping (no detailed data available). Wage differences depend on the performance of the firms and local labour market conditions. In case of small private transport businesses wage dumping emerged e.g. based due to illicit employment in the black labour market.

As regards employment changes in Warsaw – personnel was reduced in the “Municipal Bus Company”, in which different employment forms emerged (timed or unlimited, full time or part time), which could have several consequences. In the Municipal Bus Company the management proposed part-time employment to its younger workers, but still demanded that they did full time work whenever the situation within the company required it. In such cases, drivers were paid overtime. Hence the monthly incomes were not stable. The result was that around 700 workers quit their jobs at the Municipal Bus Company. Similar fluctuation can be observed in private transportation companies (Wieslawa and Kubisa 2007: 14).

**Sweden**

According to information from the University Gothenborg there are slight differences in working conditions and there exists only minimum competition based on wages and labour costs. This can be affirmed by the analysis carried out by Berg (2005), since she stresses that employees in public companies have the same status as the employees in private companies. On the other hand a decline in employment has to be stressed (detailed data is not available).54

**United Kingdom**

A deterioration in working conditions does appear to have resulted from liberalisation and privatisation of the bus industry as competition between companies has intensified. Not only did the median wage in the local public transport sector decline below the level of the general median wage (Pond 2007), but also the number of employees was reduced. As the table below indicates, employment in the industry as a whole declined by 16% in the decade following deregulation, since then however there has been an increase of 14%. Job losses were heaviest among staff in administration:

---

54 Berg (20056) points out: according to Swedish statistics (SCB) there were (in 2001/Nov) 34,276 employees in electricity, water supply, sewage and sanitation in Sweden. In wholesale and retail trade sectors, transport, storage and communication there were 749,925 employees. In Post and telecommunications (I64) there were 74, 802 employees. There are no other figures available for the division of workers in the official statistics.
Table 14: Staff employed by bus and coach operators (thousands)

<table>
<thead>
<tr>
<th>Years</th>
<th>Platform staff</th>
<th>Maintenance</th>
<th>Administration</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985/86</td>
<td>105.1</td>
<td>37.3</td>
<td>31.6</td>
<td>174.2</td>
</tr>
<tr>
<td>1996/96</td>
<td>106.1</td>
<td>22.0</td>
<td>17.8</td>
<td>145.9</td>
</tr>
<tr>
<td>2004/05</td>
<td>126.1</td>
<td>20.1</td>
<td>20.1</td>
<td>166.9</td>
</tr>
</tbody>
</table>

Source: Transport Statistics 2005 Annex A Table 6 (Department for Transport)

Official data in the table below indicates that in the post-deregulation period since 1985 (until 2004) the real earnings of bus drivers have increased by 6% compared to an increase of 31% for all occupations. From a position in 1985 when bus drivers earned the average national weekly wage, figures for 2004 indicate that they were 26% below average earnings for all occupations:

Table 15: Average weekly earnings and hours worked: all occupations and bus staff

<table>
<thead>
<tr>
<th>All occupations</th>
<th>Bus and coach drivers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real earnings per week in GBP (April 2004 prices)</td>
<td>Hours worked per week</td>
</tr>
<tr>
<td>1985</td>
<td>335</td>
</tr>
<tr>
<td>1995</td>
<td>419</td>
</tr>
<tr>
<td>2004</td>
<td>487</td>
</tr>
</tbody>
</table>

Source: Transport Statistics 2005 Annex A Table 5 (Department for Transport)

Based on this data bus drivers in the UK earn 7.72 GBP per hour (real earnings!), which is about 11.10 euro. According to the analysis carried out by Mathieson and Pedersini (2007):

- The decline in bus drivers’ pay is related to a host change such as the emergence of a ’two-tier’ pay structures based on local operating conditions, vehicle types and length of services;
- There has been a general reduction in premium payments for overtime, shift work and holidays. Furthermore there is also evidence that pay is lower in privatised firms;
- Working conditions have also deteriorated;
- Working hours remain significantly above the national average (see table above) and annual leave entitlement below the national average.
- The disorder in market regulation in London public transport pay appears to have abated somewhat in recent years. One trend is that earnings have been consistently rising above the average. Policy initiatives have emphasised the quality of bus services. This has trickled through into higher pay as tenders to win a service franchise have increasingly been evaluated on criteria other than a low bid.
The last point indicates an interesting development of “re-regulation” by public tendering procedures. But the reason cannot only be quality reasons. The union power resulting from the increase in union density might have had an impact.

2.4. Conflicts during the process of liberalisation and privatisation

In general conflicts are found at local level. Anti–privatisation campaigns have very often been organised. In contrast, strikes seem to be rather rare in the local public transport arena. Detailed country information is subsequently given:

Austria

On 14 May 2002 the Austrian government decided to sell 33% of Postbus, which runs a large proportion of regional bus services, to private bus companies (871 employees were affected). Between Mai 2002 and June 2004 several one-day strikes emerged, which led to a social plan by 23 December 2004 (gpf compact 2005). However, the representatives accepted the sale of the 33% (while 73% of the company remained in public ownership) and focused their demands on job security guarantees for the whole staff, and in particular for those employees who would be directly affected by privatisation (http://www.eurofound). Finally the still public owned ÖBB-Postbus GmbH was created from a merger of Postbus and Bahnbus (with a third of all the routes having had to be given to private transport companies).

In the course of privatisation and reorganisation measures conflicts also emerged between different unions and their employees, since the existence of different unions and pay schemes certainly does not increase solidarity between public transport workers: In the case of ÖBB-Postbus, for example, former Postbus employees are still members of the postal workers unions while former Bahnbus employees are members of the railway workers union (now part of VIDA). Former Bahnbus employees not only earn more than former Postbus employees – and both earn more than the newly hired ÖBB-Postbus workers – they also have a much lower retirement age. In the case of Innbus (the outsourced bus department of Innsbrucker Verkehrsbetriebe) the friction between old employees who are part of the railway workers union and the new employees who belong to the Trade Union for Retailing, Transport and Communication (now part of VIDA) have repeatedly culminated in open assaults between older and younger staff members. The presence of different unions in the same workplaces has also repeatedly fuelled conflicts between unions (Hermann 2006: 2).

Belgium

Recent years have been characterised by social unrest, with a couple of strikes as a result (end of 2004 – beginning of 2005). For instance, the public owned company MIVB had several strikes in Brussels due to a social conflict that was caused by the difficult labour situation (Sys and Verhoest 2006: 13). According to Chaidron (2005) a number of one-day strikes were held at MIVB in a dispute over staffing levels and
journey times: a collective agreement to resolve the dispute was signed by two of the three trade unions at the company in November 2004, but the socialist-oriented union CGSP/ACOD, called on its members to continue the industrial action. Chaidron stresses that in the following period there were increasingly fierce protests and widespread discontent from users, and from political and economist actors in Brussels, which also intensified the pressure on the socialist trade union.

There have also been a couple of strikes sparked off by security problems on several bus lines in Belgium. The aim of ‘De Lijn’ in increasing the share of exploitation by private partners to 50 % has also caused strikes (Sys and Verhoest 2006: 13).

Additionally in 2005 the public bus system in Wallonia (TEC) was affected by repeated strikes carried out over several weeks. The management of the Walloon Regional Transport Company (Société Régionale Wallonne des Transports, SRWT) - the company which is the cornerstone of the TEC - was not in agreement with the workers wage demands. The dispute was exacerbated by the resignations of several social conciliators appointed by the Federal Ministry of Employment (Lovens 2005).

Germany

Besides anti-privatisation campaigns against the material (partial-) privatisation of the German railway (Deutsche Bahn AG) there have been some campaigns (or local referendums) in the municipalities regarding the sell-out of public shares of public utilities and their transport companies. One prominent case of local protests was recently stressed in the media: the privatisation of the whole local public urban transport system in the large town of Pforzheim in 2006. Despite public protests the local authority of Pforzheim sold 51% of its public transport company to the French global player Veolia (Brandt 2007a: 23).

Local strikes have also occurred in the course of privatisation and reorganisation measures, e.g. in the city of Leverkusen. Strikes took place in the federal state of Bavaria in 2005 with regard to the implementation of a branch-level collective agreement (VERKEHR 2007).

Conflicts also emerged between different unions because of wage dumping based on different collective agreements (see section above). There is permanent pressure on the “highest” collective agreements and enduring conflicts between unions. The general aim for Verdi is to stop competition between different collective agreements. Verdi considers “branch-level collective agreements” (Spantentarifverträge/TV-N) to be a first step towards “sector agreements” for each federal state (www.verdi.de).

Poland

At the beginning of 1990 there was an open conflict about wages between city councils and trade unions concerning the budgetary establishments. The strike paralysed Warsaw and for two days no local transport operated. At present, fundamental conflicts are based on the speed of privatisation. This is not a structural conflict, since in some cities
trade unions and employees demand the privatisation of communal companies, while in other cities such proposals are approached with distrust (Kubisa 2006: 22). The necessity to improve the quality of services has been a key argument. Trade unions opted for an improvement of vehicle fleets that was only possible if private investors took over the enterprise. Regarding the restructuring of public enterprises (and turning them into limited liability companies owned by the local authority) trade unions are rather reluctant to embrace the idea of privatisation. They accuse the company management of intentionally squandering finances which has resulted in the liquidation of these companies and the market being taken over by private providers (accused of not following workers’ rights). Trade unions criticise the Municipal Transport Management Authority - accusing it of acting in favour of private providers and aspiring to liquidate transport companies owned by the local authorities. Moreover, accusations include an imposition of timetables which decrease the quality of transport services (Kubisa 2006: 20).

In May 2007, four employees of the Municipal Transport Corporation of Wałbrzych, a limited liability company, initiated a hunger strike. The protesters wanted to express their dissatisfaction with the fact that the civic authorities had decided to allocate the most profitable bus line to private carriers (Sula 2007).

Generally trade unions have not been able to launch campaigns against privatisation since a parliamentary bill has made privatisation obligatory (Kubisa 2007: 26).

**Sweden**

The liberalisation in Sweden’s transport sector has a lot in common with the deregulation in other infra-structural markets. But – according to Harmak and Thörnquist (2006: 6-7) there has been stronger trade union resistance to the selling out of public transport than in other infra-structural industries, a resistance mainly stressed by the Municipal Workers’ Union (Kommunal). However, union protests have not had any significant impact, even though the pressure for deregulation was never as accentuated as in the cases of the electricity market, the postal market, or in particular, the health care sector. This indicates a rather modest union power in the public transport sector. Evidence for this is the fact that there is information about only one strike, namely the notorious “pee break strike” in 1999. The result was that the working hour regulation for bus drivers changed. The Municipal Workers Union (Kommunal) has managed to get a special clause included in the nation-wide agreement with the employer counterpart SKL (the Swedish Association of Local Authorities and County Councils).

**United Kingdom**

Most of the unions have at various times run or supported campaigns against privatisation of transport services. The RMT, ASLEF, TSSA have funded research through the Catalyst think tank of the rail industry, putting together arguments for some form of re-nationalisation in a series of reports looking at the impact of privatisation and
the performance of the rail companies. They have also campaigned against the PPP on London Underground - arguing in particular about the enhanced risk to safety from splitting the maintenance work into three sections and running it as a separate business. The three unions also support the Capital Transport Campaign which lobbies for an improved, integrated and well-funded public transport system in London (Pond 2006: 14-15). Additionally the RMT has taken industrial action against the public-private partnerships covering London Underground infrastructure.

2.5.  **Analysing the abilities to limit competition based on labour costs reduction**

The following table tries to give some first comparative indications beyond references concerning market regulation:

**Table 16: Some indicators concerning the trade union ability to limit competition based on labour costs in local public transport services**

<table>
<thead>
<tr>
<th></th>
<th>Degree of employment reduction at the incumbents</th>
<th>Wage dumping</th>
<th>Strikes</th>
<th>Different worker status at the incumbents</th>
<th>New LRR</th>
<th>Bargaining coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>No employment reduction</td>
<td>No</td>
<td>Very rare</td>
<td>Yes</td>
<td>Fragmented</td>
<td>High</td>
</tr>
<tr>
<td>Belgium</td>
<td>No employment reduction</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Encom-passing</td>
<td>Very high (100%)</td>
</tr>
<tr>
<td>Germany</td>
<td>Modest in road-bound transport, but increasing in short-distance railway services</td>
<td>Yes</td>
<td>Rare (at local level)</td>
<td>Yes (only with regard to the two-tier wage structure)</td>
<td>Two-tier</td>
<td>High</td>
</tr>
<tr>
<td>Poland</td>
<td>No significant reduction</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Fragmented</td>
<td>High</td>
</tr>
<tr>
<td>Sweden</td>
<td>Decline (no data available)</td>
<td>No</td>
<td>Rare</td>
<td>Since the 1980s reversed</td>
<td>Encom-passing</td>
<td>Very high</td>
</tr>
<tr>
<td>UK</td>
<td>Strong decline in administration</td>
<td>Yes</td>
<td>Rare (but quite frequent on London Underground)</td>
<td>No</td>
<td>Fragmented</td>
<td>High</td>
</tr>
</tbody>
</table>

In general the establishment of new “fragmented LRR-Systems” due to privatisation and liberalisation is more frequently visible (in contrast to the “two-tier LRR” in the postal sector). But what about the abilities of the six analysed national “LRRs” to limit wage dumping? The following table gives a first evaluation:
Table 17: Abilities of national LRR to limit wage dumping

<table>
<thead>
<tr>
<th>Ability</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>DE</td>
<td>Modest</td>
</tr>
<tr>
<td>SE</td>
<td>High</td>
</tr>
<tr>
<td>BE</td>
<td>High</td>
</tr>
<tr>
<td>UK</td>
<td>Modest</td>
</tr>
<tr>
<td>PL</td>
<td>Low</td>
</tr>
<tr>
<td>AT</td>
<td>Low</td>
</tr>
</tbody>
</table>

The following country figures supply additional information:

**Austria**

There are large differences regarding the union density at the different companies. The bargaining structure is decentralised and fragmented due to privatisation. Wage differences are high between public and private employees and old and new employments. According to Hermann (2007) in Austria the collective bargaining system in public transport services offers only a very low degree of protection against wage competition. Some experts openly admit – according to information from Hermann - that one of the main purposes of increasing competition in the sector is to level down wages in the publicly owned companies.

As long as the unions are not able to establish common wage and working time standards within the same company – let alone in the same sector - competition will most likely further deteriorate employment and working conditions. This is all the more difficult as some of the major players – the powerful railway and postal workers unions – simultaneously have to transform themselves from company to sector unions. However, there are some first steps in this direction. The Railway Workers Union and the Union Retail, Transport, Communication are now part of VIDA. Furthermore, seven unions have decided to increase corporation in an alliance of infrastructure unions called INFRA. Among the seven unions are: the Trade Union for Retailing, Transport and...
Communication, the Federal Railway Workers Union, the Postal Workers Union and the Local Public Service Workers Union. INFRA could be a first step towards coordinating collective bargaining in local and regional public transport.

Belgium

The traditionally LRR in the local public transport sector shows a high ability to limit wage dumping. According to our information wage dumping has not occurred in Belgium. The labour conditions between the private and public sector have to be similar - based on special clauses in tendering contracts. The procedures of public tendering contain the consideration of wage and working conditions. No employment reduction was reported, but a decrease of employees at private companies. Belgium is a special and very interesting case, since on the one hand outsourcing and separate bargaining procedures has had a long tradition. On the other hand, tendering has increased, but at the same time has been re-regulated by the special clauses anchored in tender contracts.

Germany

In Germany employment reduction measures have been modest (except amongst technical staff), but wages in private companies can sometimes be very low.

The lowest wages are 7.62 euro per hour in the large city of Frankfurt (Bethge 2007: 4). In general the wages are slightly higher than in the low wage sector. Problematic are high wage differences between public and private companies and outsourcing measures for special services. Hence, a permanent pressure on the “highest” collective agreements exists. “Branch-level collective agreements” (Spartentarifverträge) – which currently can be rejected by the single companies – are mentioned by the trade union Verdi as being a first step towards comprehensive and obligatory “sector agreements”. Nevertheless the decision of a private competitor to affirm the branch-level collective agreement mainly depends on the question of whether federal states have laws which obligate them to consider this branch-level collective agreement in public tendering procedures (“Tariftreueklauseln”). An in-depth assessment is a matter for future research.

According to Verdi (Heimlich 2005) the main strategies and challenges for the union are:

1. One branch level agreement for each federal state;
2. One collective agreement at the same location as the rendering of services, which includes all means of transport;
3. Pushing federal states level governments for an extension of collective agreements. In that case the government can declare collectively agreements obligatory for all employments in a given sector, if both sides of the industry demand it.
**Poland**

Minimum wages are barriers which limit competition on wage dumping, but the minimum wage level is rather low in Poland. As there is low bargaining coverage there is also low protection against wage dumping: wage dumping is therefore an issue. Since the local public transport sector also in Poland has a high labour cost rate employers predominantly are focussed on a wage dumping business strategy.55

**Sweden**

All private-owned bus companies have to affiliate to nation-wide agreements in line with the idea of “Hångavtal” (overarching agreements). This is an effective instrument to downsize potential wage dumping and certainly can be exemplified in the case of the international firm “Connex” which is not able to make enough profit for an expansion on the Swedish public transport market. However, the sector agreement does not cover commissioned bus drivers i.e. bus drivers who do not work on regular lines. Nevertheless, similar labour conditions, bargaining and employee representation for employees in public and private companies do not indicate a two-tier LRR. The sector and firm level bargaining seems to be effective regarding the union ability to achieve similar wage levels and working conditions.

**United Kingdom**

With the break-up of some of the national agreements that previously applied in the transport (bus and rail) sectors, trade unions have been forced to re-organise their activities and provide the staff and resources to carry out collective bargaining at a more local level. Currently there is a high degree of collective bargaining (at company level) and an increase of union density in recent years. Nowadays wages are increasing more strongly than in other occupations following the decline in the deregulation-phase. In London wage and employment conditions are partly one element of tendering procedures. Furthermore a minimum wage regulation exists in the UK. In general the ability to limit wage dumping has increased in recent years, but in the years after the deregulation this ability was very low. The link between a good quality of services and good employment conditions is visible in tendering praxes. Thus there has been a little re-regulation – which took place after de-regulation (at least since the nationalisation of the railway infrastructure in 2001). Trade unions have also managed to organise themselves in the course of market concentration.

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55 The PIQUE case study about the local public transport in Warsaw offers clear empirical proves with regard to wage dumping.
3. **ELECTRICITY SECTOR**

3.1. **State of liberalisation and privatisation**

The electricity industry is normally divided into three different segments: generation, transmission and retail trade. After the deregulation drive in the six countries analysed in the PIQUE project this segmental division has gained even stronger importance due to the varying extent of privatisation. Retail sale of electricity is often considered a lucrative investment and has been easy to privatise. The generation of electricity, on the other hand, is a highly capital-intensive industry and therefore requires investors who are already financially very solid and well established. Transmission, finally, is a natural monopoly in most countries and regions (Thörnqvist 2007:1). Currently in Sweden, Poland and in the UK generation and transmission is unbundled, whereas in Austria, Belgium, France and Germany generation and transmission are conducted by the same large electricity generation companies.

Depending on the different segments of business activities, owner structures, actors and regulations vary. According to the EU requirements on liberalisation the modes of regulation have been reorganised in national contexts. Business activities of the different energy supply companies have changed since liberalisation measures started at the end of the 1990s. In 1996 the new EU directive 96/92/EC stipulated that a free entry to the transmission segment must be assured and regulated for all energy supply companies. In 2003 a further EU acceleration directive (2003/54/EC) was enacted. It contained the obligation for a “regulated third party access” through a regulatory agency, as well as “legal unbundling” of electricity production and supply from the network segment by 1 July 2004 (Brandt 2006b: 1).

The current EU-liberalisation policy still focuses on the “unbundling” of electricity generation and retail trade from the supra-regional transmission segment. According to a current draft of the European Commission (2007) – which is highly contested by large electricity providers and some European countries – three innovations are to be introduced in the future in order to increase competition:

1. Large generation companies are to give up their control over transmission networks - either by sale (“ownership unbundling”) or by assignation of the management control to an independent new transmission operator (“independent system operator”/ISO);
2. A rigorous price control over the wholesale trade of electricity and gas is to be implemented;

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56 Unbundling measures also took place in Denmark, Netherlands, Portugal, Spain, Italy, Finland, Slovenia and Romania.
3. National regulatory agencies are to be provided with more regulatory power and additionally have to be integrated in a new regulatory agency at European level (Handelsblatt 23.08.2007).

The background of this draft is that in countries where generation and transmission is in the hands of a large supplier, competitors are often discriminated when asking for entry to the transmission network. Additionally, high profits are often made through the fees taken for using the transmission network. These fees have to be paid by competing generation companies (e.g. regarding renewable electricity production) and local utilities active in retail trade. Afterwards the fees are forwarded to household- or industry consumers. More relevant seems to be the fact that with the change from public to private monopolies the large generation companies are often able to dictate prices due to their market monopoly position on the wholesale market. Large energy providers have been suspected on several occasions by the European Commission because of illegal price agreements. At the same time national regulations have been criticised by the European Commission as being deficient regarding price control. For example: in 2007 Germany abolished its price authorisation over consumer prices.

First the following table lists major liberalisation and privatisation steps in the six countries of our country sample. This will be followed by a summary of main changes in ownership structure and competition:

Table 18: Major liberalisation and privatisation steps

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>AU</td>
<td>An amendment to the second nationalisation act is passed in 1987 which states that the regulated companies now only has to remain 51% public property. The following year, the Verbund is partly privatised and 49% of the company is floated on the stock exchange.</td>
<td>Triggered by the EU directive, (96/92/EC) the process of reorganisation starts in 1998. The Electricity Business and Organisation Act (ElWOG) comes into force 1 January 1999. A gradual opening of the markets for the consumers starts 19 February 1999, an opening that is completed two and a half years later.</td>
<td>An independent regulator, based on the 2000 ElWOG, starts its activities 1 March 2001. The markets for generation and distribution are opened to all customers on 1 October 2001. The Energy Exchange Austria (EXAA), is founded in 2001. The controversial ‘Austrian electricity solution’ (ÖSL), a cooperation between Verbund and the Energie Allianz Austria, is launched in 2003. Due to different disagreements, the ÖSL has not yet been put into practice, though.</td>
</tr>
<tr>
<td>BE</td>
<td>Electrabel and SPE create CPTE in 1995 to coordinate and manage their activities in both the segment of generation and transmission – and by that to circumvent unbundling rules.</td>
<td>The EU directive on liberalisation of electricity triggers the Belgian debate; the liberalisation process is launched in 1999 by the transposition of the European directive at the federal level. The new government that comes into office in July 1999, speeds the process. Also in 1999, the federal regulator ‘Commission for the regulation of Electricity and Gas’ (CREG) is created. The general competition authority Raad voor de Mededinging is established in 2000.</td>
<td>Several complementary amendments to the liberalisation legislation in 2001-03. The Flemish regulator Vlaamse Reguleringsinstantie voor de Electriciteits- en Gasmart (VREG) is established as an independent agency in 2001. In 2003, the old regulating body, the Control Committee for Electricity and Gas, is finally discontinued. During 2007, all distribution companies will be free to buy electricity from the supplier of their choice without any limitation or restrictions.</td>
</tr>
<tr>
<td>Country</td>
<td>Description</td>
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<tr>
<td>DE</td>
<td>The 1990 Electricity Input Act (Stromeinspeisungsgesetz) forces the network energy supply companies to feed electricity with regenerative energy basis from new alternative electricity producers for fixed prices. The EU directive 96/92/EC is inaugurated into the National Energy Act (Energiewirtschaftsgesetz) in 1998, which formally liberalizes all segments of the electricity sector and thus abolishes all territorial monopolies. The first mergers and acquisitions of large energy supply companies take place in 1997. Several new ‘merger waves’ in 2000 and 2001. A new National Energy Act is passed in 2005, in order to adapt better to the 2003/54/EC directive. The price authorisation of end consumer prices was ended in July 2007; afterwards there has been no control at all. Net price regulation, based on incentive regulation, is planned to start in 2008.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PL</td>
<td>Liquidation of the power industry districts in 1989, followed by organisational reforms in 1990. The Polish Power Grids Company (Polskie Sieci Energetyczne S.A) is established as a one-man company of treasure of the state in 1990. The Energy Act, aiming to liberalise the energy market, is passed by the lower house of the Polish Parliament (Sejm) in April 1997. Following the EU practice, Poland thus adopted a system of gradual introduction of the Third Party Access (TPA). The Energy Act has since been updated by amendments 27 times to ensure further harmonisation of the Polish law with EC legislation. The steering document ‘Obsolete Energy Policy Assumptions by 2020’ is accepted in April 2002 by the government to present the overall ownership policy of the Ministry of Privatisation. After the EU entry, the Polish government passes a new Energy Act in January 2005, in order to inaugurate all relevant EU Directives into national legislation.</td>
<td></td>
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<tr>
<td>SE</td>
<td>The governmental body Vattenfallsverket is unbundled and transformed into the competition-exposed yet still state-owned company Vattenfall AB, in January 1992. The centre-right government passes a law in 1992 to split up the vertical integration of the electricity sector into three segments in 1996. Due to different circumstances, the law is however not put into practice until 1996. Regulating directives (‘letters’) from the government have regulated the industry ever since.</td>
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</tbody>
</table>

According to PIQUE data (PIQUE 2007) the following market- and ownership changes emerged in the privatisation and liberalisation process:

- Before liberalisation the electricity market was characterised by a high degree of concentration in all three market segments – generation, transmission and distribution as well as supply. However, with the exception of Poland there has always been more than one provider. Yet before liberalisation the different providers did not necessarily compete with each other. Instead in Austria, Germany, Sweden and the UK generation and supply markets were regionally segmented and partly sealed off from competition.

- Competition in the transmission and distribution sector remained limited after liberalisation. In Belgium, Poland, the UK and Sweden there is only one company responsible for transmission - meaning that there is effectively a monopoly, but also in the other countries there is hardly any competition between transmission and distribution operators. In generation and supply the number of companies has increased as a result of liberalisation. The exception is Belgium, where unbundling has led to a concentration of providers in the supply market. However, in Germany and Sweden the growing number of companies has been accompanied by a further increase in market concentration. In Belgium market concentration has also increased, whereas in Austria the situation has changed only marginally and is still characterised by many companies of which a small number dominate the generation and supply market. Poland and the UK are the only two countries in our sample where liberalisation has not increased market concentration.

- Poland is the only country where there was one market without competition in the generation and supply segment before liberalisation. In Austria, Germany, Sweden and the UK markets regional boundaries played such an important role that the situation can be described as multiple markets without competition. Belgium is the only country that already had competition on one market before liberalisation. While in transmission and distribution there are still multiple markets without competition, there is now competition on the markets in all six countries in the generation and supply segments.

- While in Austria, Belgium, Germany and Sweden there were private operators even before liberalisation, in Poland and the UK the sector was entirely publicly owned. There are still public providers in all six countries, although in the UK and Poland they are mainly in the transmission segment. In Austria and Sweden public owners still dominate the market, in the other four countries the sector is now predominantly in private hands. In most countries there were already different types of providers before liberalisation. Only in the UK and Poland were all providers publicly owned and operated as public agencies or companies. In Belgium and Germany main providers had always been private law companies with the federal and provincial governments and the municipalities as majority or minority share holders. Yet in both cases the state has pulled back in recent years and the share of private holders has subsequently increased. However, the shift was most radical in Poland and UK.
where many of the former public agencies or companies were turned into exclusively privately owned enterprises (PIQUE 2007: 21-22).

3.2. **Comparing the transformations of labour relations regimes**

The transformation of labour relation regimes in the electricity sector shows very different features in the six countries:

Due to the rather radical privatisation process in Poland and in the UK the transformation of labour relation regimes was very significant. A strong decentralisation of collective bargaining structures emerged. In contrast in Sweden and Belgium changes in collective bargaining structures remained limited. In Austria and Germany features of collective bargaining stayed stable in the generation segment, whereas in the supply segment important changes occurred: In Germany a replacement of the previous national bargaining for all public employees in favour of a special sector collective agreement only for electricity supply services emerged. Also in Austria there was a new sector collective agreement concluded regarding retail trade services (temporarily), and also new agreements at firm level.

An overlapping feature is that liberalisation in the electricity sector paradoxically has been linked with higher market concentration. The increase of new competitors has been very limited. Hence bargaining coverage, union density and workplace representation has stayed at a high level compared to other sectors. Also union density is often higher in electricity generation and transmission than in the supply/retail trade segment.

Traditionally in Austria and Belgium a “two-tier LRR” can be found, whereas in Germany a new “two-tier LRR” regarding privately and publicly owned companies emerged. This divide is often related to the segmentation in generation on the one hand and local retail- and supply services on the other. In contrast in the United Kingdom and Poland a rather new “fragmented LRR” has occurred since (new) collective bargaining procedures, levels and standards are the same in private and public companies. It is very interesting that the UK currently shows trends towards re-centralisation of collective bargaining after a radical phase of decentralisation in the course of extensive privatisations.

Only in Sweden is it not possible to analyse the emergence of a “new” LRR. The LRR in the Swedish electricity sector can be better interpreted as “encompassing LRR” since labour conditions are similar everywhere and offer a “common level of playing field competition”.

Partly due to outsourcing measures labour regulation in the electricity sector is no longer relevant for affected employees. In these cases labour regulation of other sectors is important. This concerns for example the labour regulation for metal workers in Germany (due to outsourcing of metal workers in the generation and transmission segment). A new lack of collective bargaining may partly be the reason, e.g. regarding the outsourcing of (privatised) utility services in the UK.

The following two tables show current industrial relations variables for the six countries involved in this study. Afterwards country features are presented:
### Table 19: Employees and employer representation in the electricity sector

<table>
<thead>
<tr>
<th>Companies and competition</th>
<th>Austria</th>
<th>Belgium</th>
<th>Germany</th>
<th>Poland</th>
<th>Sweden</th>
<th>United Kingdom</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public ownership prevails. The main operator (Verbund) is majority-owned by the state (51%). Fully liberalised since October 2001.</td>
<td>Predominantly private ownership: Main company in all segments is Electrabel (privately owned). Besides there is SPE (90% public shares) in generation, Elia (mixed ownership) in transmission, municipal companies (mixed ownership) in distribution and 2 private companies in supply/retail (Electrabel, Luminus).</td>
<td>4 private companies (RWE, E.ON, EnBW, Vattenfall Europe) are owners of the transmission network and combine a market share in electricity generation of 95.6%, as well as 72.8% in electricity supply; The distribution at local level is organised by 700 municipal companies (utilities), who are in mixed or majority ownership of the 4 large private companies.</td>
<td>The main energy producers (BOT and PKE) are publicly owned. The state is owner of 75% of the generation segment and 85% of the distribution segment. One public owned company is responsible for transmission.</td>
<td>Generation: one public company (Vattenfall AB) and 2 private companies (Sydkraft/E.On, Fortrum) Transmission: one “governmental” company (Svenska Kraftnät). Supply: 3 large companies combine 57.3% of this market</td>
<td>Private ownership largely prevails; - Generation: 10 companies have 80% of generating capacity with the rest shared among 40 other companies, - Transmission: 4 companies - Distribution: 7 companies now run the 14 distribution networks in England; - Supply - over 70 licensed suppliers but market dominated by six</td>
<td></td>
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</tbody>
</table>

<p>| Unions | 3 unions: 1) Metal, Textile and Food Workers’ Union (for blue-collar workers) 2) Private Employees Union (for white-collar workers); 3) Municipal Workers’ Trade Union | Within CSC/ACV (Christian unions) and FGTB/ABVV (socialist unions) especially 2 responsible sections: CSC-Energy and Chemicals section and for public service “CGSP-ACOD – gas &amp; electricity cos.” | Mainly 2 union: Verdi, IG BCE (Mining, Chemicals and Energy Industrial Union) | 5 trade unions; Most important is “NSZZ Solidarnosc” | 8 unions: The most important are SEKO for blue-collar workers) and Unionen (former SIF) for blue collar workers. Besides there are: SEF, ST, SSR, Civilekonomerna, Sussex, Sveriges Ingenjörer (former CF) | 4 unions; Main unions are Prospect (for managerial and specialist staff) and Unite (organises across most occupations and is the largest union in the sector). UNISON represents mainly administrative and clerical staff while the GMB organises manual workers |</p>
<table>
<thead>
<tr>
<th></th>
<th>Austria</th>
<th>Belgium</th>
<th>Germany</th>
<th>Poland</th>
<th>Sweden</th>
<th>United Kingdom</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Union density</strong></td>
<td>80%</td>
<td>No data</td>
<td>50-60% union density rates in the transmission segment, 40-50% in the utilities and 80-90% in the generation segment</td>
<td>55% in generation, 35% in distribution</td>
<td>Very high</td>
<td>Union density in the electricity, gas and water supply industry declined from 67% in 1995 to 47.9% in 2005</td>
</tr>
<tr>
<td><strong>Workplace representation</strong></td>
<td>Almost 100% of the companies have works council representation</td>
<td>Very high</td>
<td>Works councils, staff councils, co-determination in the supervisory-boards</td>
<td>By unions in all companies</td>
<td>By unions</td>
<td>74.8 % (2005) in the “electricity, gas and water supply sector”</td>
</tr>
<tr>
<td><strong>Employers association which are responsible for collective bargaining</strong></td>
<td>“Association of Austrian Electricity Companies” (Verband der Österreichischen Elektrizitätsunternehmen)</td>
<td>“Belgium Federation for the Electricity and Gas Sector” / Fédération Belge des Entreprises Electriques et Gazières – FEBEG.</td>
<td>“Municipal Employers’ Association” (Vereinigung kommunaler Arbeitgeberverbände, VKA) in the case of „branch-level agreements“</td>
<td>Within the “Federation of Employers Associations of Polish Energy” four different employer associations are organised</td>
<td>“Energi Företagens Arbetsgivareorganisation” (EFA)</td>
<td>none</td>
</tr>
<tr>
<td>Bargaining structure:</td>
<td>Austria</td>
<td>Belgium</td>
<td>Germany</td>
<td>Poland</td>
<td>Sweden</td>
<td>United Kingdom</td>
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</tr>
<tr>
<td>Before privatisation and liberalisation</td>
<td>Sector collective agreements for electricity generation; in the case of the municipal workers specific civil servant regulations negotiated between the union and city management</td>
<td>Bargaining rules for public employees and sector level bargaining (concluded at company and firm level) for private employees</td>
<td>Company collective agreements in generation; Utilities: national framework agreements either for blue- or for white-collar workers in public services</td>
<td>Public employment regulation; No collective bargaining structures but latent negotiations between the responsible ministry, the government, the management and unionists</td>
<td>The same two sector/industrial collective agreements for private and public companies and additional collective agreements at firm level?</td>
<td>Centralised industry level bargaining (3 major national sector agreements)</td>
</tr>
<tr>
<td>After privatisation and liberalisation</td>
<td>One sector collective agreement for electricity generation; One new sector collective agreement for supply; in the case of the municipal workers specific civil servant regulation and bargaining for private employees either by firm level collective agreement (Vienna) or by sector collective agreement for electricity retail</td>
<td>No change: Bargaining rules for public employees and sector level bargaining (concluded at company and firm level) for private employees</td>
<td>- Company agreements in generation; - Utilities: national branch-level collective agreement only for supply companies (TV-V)</td>
<td>Collective agreements at sector and company level</td>
<td>No significant change; two framework agreements and additional several collective agreements at firm level</td>
<td>Decentralised bargaining at company level; 50-60 separate bargaining groups; recently moves to re-establish company-wide bargaining in the large companies</td>
</tr>
<tr>
<td>Bargaining coverage</td>
<td>100%</td>
<td>100%</td>
<td>Almost 100%;</td>
<td>High</td>
<td>Very high</td>
<td>64.8% (2005) in the “electricity, gas and water supply sector”</td>
</tr>
<tr>
<td>Other forms of sector specific labour relations</td>
<td>Companies which previously were part of municipal utility providers do not fall under the general labour relations act. They have special legal provisions</td>
<td></td>
<td>A tri-lateral institution dealing with privatisation issues in the energy sector</td>
<td></td>
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</tr>
</tbody>
</table>
To compare the transformations of collective bargaining and workplace representation the following country sketches provide details:

**Austria**

Before liberalisation in Austria generation and supply markets were regionally segmented and sealed off from competition. The market has been fully liberalised since October 2001 (Pedersini 2005). After liberalisation the market situation changed only marginally and is still characterised by many companies, of which a small number dominate the generation and supply market. There were private operators and public providers even before liberalisation. The market is currently dominated by public owners. The most important company “Verbund AG” (which was formed on the basis of the 1947 nationalisation law) was a state-owned company fully owned by the government. The company was floated on the stock market in 1988. The government retained 51% of the shares. Some of the municipal operators were public companies and they were transformed into private law companies during the process of liberalisation (PIQUE 2007).

Employers are represented by the “Association of Austrian Electricity Companies” (Verband der Österreichischen Elektrizitätsunternehmen). Employers are usually represented by the Chamber of Commerce. However, electricity companies are not members of the Chamber of the Commerce.

In contrast the employees are represented by three unions:
1. The Metal, Textile and Food Workers’ Union (Gewerkschaft Metall, Textil, Nahrung). It represents the blue-collar workers in the sector.
2. The Private Employees Union (Gewerkschaft der Privatangestellten) representing the white-collar workers in the sector.
3. The Municipal Workers’ Trade Union (Gewerkschaft der Gemeindebediensteten) representing some employees in those establishments that are owned by the municipalities.

As far as union density is concerned the sector is particularly well organised. The Metal Workers’ Union claim that about 80% of the workers in the sector are union members. 80% is also the average density among municipal workers. Almost 100% of the companies have works council representation (excluded are very small local market producers).

Concerning current collective bargaining the bargaining coverage is 100%. Collective agreements regulate working hours and wages, but additional benefits and supplements are regulated in company agreements which traditionally play an important role in the sector. In the case of the municipal workers wages and working hours were fixed in specific civil servant regulations negotiated between the union and city management. Regarding the current bargaining structure it has to be differentiated in electricity supply, electricity trade and municipal workers:
1. At sector level there exists a collective agreement for white- and blue-collar workers in electricity supply. It was concluded between the Metal, Textile and Food Workers Union and the Private Employees Union and the Association of Electricity Companies. The agreement covers 16,000 of the 26,000 workers in the sector.

2. Since 2004 there has been a separate collective agreement – concluded between the same parties covering electricity trade. This was a big success for the unions as employers threatened to move to the much less favourable general agreement for trade. However, the unions had to make some concessions with regard to the flexibility of the wage scheme and later the two above-mentioned collective agreements were integrated into the general agreement for trade – including a special regulation for the electricity trade.

3. Municipal workers with civil servant status are covered by specific civil servant regulations. But new workers in the municipal electricity companies no longer have civil servant status. The new employees are covered by specific collective agreements: Partly they are covered by the general agreement for electricity-supply, but outsourced municipal utility providers have received their own company agreements, which is quite exceptional in Austria. The workers at Wienstrom, for example, are covered by a collective agreement concluded for the parent company Wiener Stadtwerke Holding AG. Hence there is an increasing fragmentation of wage groups between old and new employees.

For companies owned by the smaller municipalities, collective agreements of the larger cities are decisive. Among the communities of Vienna, Graz and Innsbruck only the Viennese holding (Holding Stadtwerke, which covers all companies owned by the community of Vienna) is entitled to conclude collective agreements. For Graz and Innsbruck, the sectoral association of electricity (Verband der Elektrizitätsunternehmen Österreichs, VEÖ) in cooperation with some sub-units of the Chamber of Economy (Wirtschaftskammer Österreich, WKÖ) sign the collective agreement, as far as the employer side is concerned Adam 2005).

As the sector always had private sector bargaining structures, liberalisation and privatisation only had a limited impact. In addition, the conclusion of a new separate agreement for the electricity trade occurred mainly in municipal utility providers. There liberalisation led to the establishment of independent electricity companies. Some of the outsourced companies joined the general agreement for electricity-supply, others concluded their own agreements as part of the outsourced municipal utility company. As the general collective agreement for electricity supply includes rather favourable conditions, workers covered by specific firm-level agreements are not necessarily better off. From this perspective liberalisation and privatisation did not lead to a significant deterioration of collective standards. Nevertheless, new workers in the municipal electricity companies no longer have civil servant status. Accordingly they are no longer covered by civil servant regulations but by collective agreements. Additionally many of the supplementary benefits regulated in company agreements were abolished (Hermann 2007). Generally the collective agreement structure is currently more complex in comparison to the situation before liberalisation and formal privatisations.
To sum up, in Austria electricity retail trade services were integrated into the general agreement over trade and new firm-level company agreements for municipal utilities emerged. Hence a “two-tier-LRR” is visible, but wage differences are currently not very important. The new system seems to be able to limit competition based on wage dumping.

Belgium

The sector was traditionally a public-private partnership between local public enterprises and the private monopolist “Electrabel” and the publicly owned company “SPE”. Yet the state has pulled back in recent years and the share of private holders has subsequently increased. Currently the holding company Electrabel and the SPE s.a. group have a market share of 98% in the electricity generation segment.

In 1995 Electrabel and SPE (which were also both traditionally active in transmission) founded CPTE to circumvent new unbundling rules. Due to this “legal unbundling” the new private company CPTE became responsible for transmission. In 2001 CPTE created the subsidiary Elia (Elia System Operator) for its network activities. One year later Elia was chosen by the government to be the exclusive Transmission System Operator. Elia is a predominantly privately owned company. Concerning distribution networks traditionally municipalities have a dominant position. Until liberalisation most municipalities transferred the distribution of energy to inter-municipal companies. The private company working in association with the municipalities was Electrabel. After liberalisation the number of distributing companies (regional or municipal companies) declined.

Competition was only introduced with limited success in the supply segment in the Flemish region in 2003 and recently in the Walloon and Brussels region. Instead of previous regional monopolies free choice of suppliers become possible. It is important that the municipalities are no longer active in this segment: Since the new Belgian electricity law stipulated a separation of distribution and supply activities, the municipalities were obligated to cease their activities in supply. The eligible customers who were previously serviced by the mixed inter-municipal companies and who did not select a new supplier - were supplied by Electrabel Customers Solutions (ECS) from then on. The pure inter-municipal companies transferred their retail activities to a new commercial entity called Luminus (Sys and Verhoen 2006: 5). From 2007 all distribution companies in Belgium will be free to buy electricity from the supplier of their choice without any limitations or restrictions. In the supply segment Electrabel currently has a dominant position, since only 14.2 % of the total amount of required electricity is supplied by competitors.

To sum up: real competition has only been the result for the end of the supply chain, namely the sales to consumers – and this to the disadvantage of municipalities since

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57 Legal unbundling by placing the network operations in a separate entity goes further than the “separation of accounts” and has not be confused with “ownership unbundling”.
they have been forced to sell off their (profitable) electricity supply services. Furthermore Electrabel kept almost totally the electricity production monopoly, which gives them still the monopoly decision on a very important part of the electricity total cost.

According to Moro (2005) the two main trade union organisations are 1) the Belgian General Confederation of Labour (Fédération Générale du Travail de Belgique/Algemeen Belgisch Vakverbond, FGTB-ABVV), with a socialist allegiance and 2) the Confederation of Christian Trade Union (Confédération des syndicats Chrétiens/Algemeen Christelijken Vakverbond, CSC-ACV), with a Christian allegiance. The FGTB-ABVV brings together a series of professional groupings, amongst which the General Confederation of Public Services (Centrale générale des Services Publics/Algemene Centrale der Openbare Diensten, CGSP-ACOD) includes all the categories of employees of public sector companies or public services, whatever their status or employment contract. The members of the CGSP-ACOD are affiliated to one of the ten professional sectors of the federation. Each sector is responsible for determining sectoral claims and they are represented on various committees for negotiation, conciliation, and joint-appeals. Among these the gas and electricity sector represents employees in companies and organisations involved in the production, coordination, transport and distribution of gas and electricity. The CSC-ACV, using an analogous model, encompasses a series of professional organisations, according to the activity sector. Amongst these, there is the *CSC-Energy and Chemicals section* (CSC Énergie-Chimie/ACV Energie Chemie), which represents mainly the employees in the gas and electricity sector.

Regarding employer representation in the energy sector the “Belgium Federation for the Electricity and Gas Sector” (Fédération Belge des Entreprises Electriques et Gazières - FEBEG) looks after the interests of companies in this sector.

In general social concertation at sector level takes place with the joint committees as intermediaries (these amount to nearly one hundred, with almost as many sub-committees, which cover practically all the activity sectors). The conclusion of collective agreements (CCT) constitutes the main activity of these joint committees. These collective agreements regulate, for a determined sector, the main aspects of compensation and the organisation of work. These agreements may be drawn up between one or several workers’ organisations on the one hand and one or several employers’ organisations on the other. The agreements determine the individual and collective relationships between workers and employers within the company or branch of activity.

With particular regard to collective bargaining in the electricity sector, collective bargaining is differentiated on the basis of the category of employees concerned: on the one hand employees in the private sector and on the other hand employees from the

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58 Aside, there exists the Federation of Liberal Trade Unions of Belgium (Centrale Générale des Syndicats Libéraux de Belgique/Algemene Centrale der Liberale Vakbonden, CGSLB-ACLVB), which is a much smaller movement.
Electricity Sector

public sector. Hence, there are two labour relations regimes, but, according to information from the catolique University Lovens they are not in competition:

Public parts of the sector (mainly in the distribution segment) are covered by the public sector employment rules and bargaining. For the private sector, collective bargaining takes place within the Joint Committee 326 (Universite Catholique de Louvain 2001). The binding force of all collective agreements concluded in the joint sector committee 326 is extended by Royal Decree and so they apply to all employers of the sector employed. Hence, the rate of bargaining coverage amounts to 100% (Van Gyes, 2006). This arrangement was applicable to everybody working in the sector (not only Electrabel, also SPE), but in practice had repercussions mainly for the staff at Electrabel, especially the new ‘privatised’ sales division. However, the ruling applied to others, for example to production workers.

Nevertheless, concerning the sales segment wages and working conditions arranged by sector agreement for the (private) incumbent (Electrabel) show a division between the personnel already working at the company before liberalisation and those hired after liberalisation. In the course of liberalisation Electrabel had to develop new sales departments with personnel coming from the so-called mixed public-private local enterprises (inter-municipal companies). According to estimations from unions (and mentioned in the press) on average these new employees are working with a 20% lower wage/premium/benefit level.

Changes to bargaining structures due to liberalisation and privatisation: There was no change to bargaining structure due to the liberalisation and privatisation process. Although due to liberalisation and privatisation the share of public employees in the supply/retail area decreased.

To conclude, a new LRR emerged, but not in competition with the old two-tier LRR of private/public segmentation. The new LRR emerged in the private sector to differentiate between the employment status of the people coming to work in the sector before and after the start of the liberalisation. Hence there is a new regime but without the creation of competition (and in practice mainly a two-tier effect within the old monopolist).

Germany

Before liberalisation the electricity sector was organised by a coexistence of public, private and mixed-economy enterprises in the framework of regional and local monopolies. Competition was not tolerated. The National Energy Act of 1998 transformed the EU directive 96/92/EC. Theoretically, legal competition which guaranteed access to the electricity transport system for electricity producers became possible. Additionally, it was planned to abolish territorial monopolies, but until now this has de facto not materialised due to long-lasting contracts over electricity supply, which have been concluded for several decades between the large generation companies and the utilities. However, the complete and seamless liberalisation process did not lead to competition, but to market concentration - due to mergers and acquisitions. The number of large energy suppliers (traditionally mixed ownership with dominant private
investors, currently only in private hands) declined from eight to four between 1997 and 2001. Currently there are still regional market monopolies in the generation segments of the four large privately owned energy supply companies (RWE, E.ON, EnBW, Vattenfall Europe), which combine 95.6% of the market share. Additionally they are the owners of the supra-regional transmission segment. Due to minority shareholdings in the municipal companies (utilities) the four large energy companies increased their market shares in electricity supply and distribution from around 50% to around 75% after liberalisation. The number of municipal companies also decreased from 900 to 700 (Brandt 2006b).

In general collective bargaining in the generation and transmission segments (operated by the large private generation companies) has to be differentiated from collective bargaining in the distribution and supply/retail trade segment (operated by public owned utilities):

a) In the generation segment collective agreements at firm level have generally been found in the large privately owned energy companies. These company agreements were concluded between the companies and the unions (mostly Verdi and Mining, Chemical and Energy Industrial Union/IG BCE when they formed a bargaining cartel). As a consequence of liberalisation a merger process was induced in 2000/2001 which has led to restructuring measures and massive cuts in personnel. The case of RWE is very interesting in this respect. RWE is the largest electricity company in Germany. In June 2006, after some years of bargaining, a new framework company agreement was settled between the above-mentioned unions and RWE. This new collective agreement combined old collective agreements with those at new RWE-subsidiaries (for example: the merger of collective agreements at RWE and VEW). An analysis of the old and new agreements shows that thereby a new wage classification for the work force was introduced. It contained a new two-tier wage structure since the wages for the new employees would be about 30% below the level of that for the employees employed before June 2006 (so called “Besitzstandsregelung”). Additionally, due to a change in tendered services, RWE enormously reduced its work force. Tendered services are now outside the electricity regulation and primarily an element of the regulation of the metal industry. Here the German Metalworkers’ Union is responsible for collective bargaining. In general the wages in the large electricity companies are higher than the wages in the utilities, but since 2006, as a result of the new RWE framework collective agreement, the lowest pay rates for new employees are slightly lower than the lowest pay rates for new employees in the utilities (data see table in the next section). According to information from a responsible unionist of Verdi, the other three large generation companies (Eon, Vattenfall, EnBW) are currently also trying to establish a new lower wage structure. He stresses, for example, that RWE uses only 4% of its expenditure for labour costs, which is an extremely low per cent compared to other sectors! Nevertheless, the profits of the large companies have been very high. Therefore

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59 Information provided by a representative of the trade union Verdi - responsible in the electricity generation segment – in a telephone interview on 30th October 2007.
the lowering of labour costs cannot be attributed to cost pressure because of competition, but rather to the profit interests of the shareholders.

b) Changes in collective bargaining structures also became apparent at local level regarding the electricity distribution and supply/retail by utilities:

Before liberalisation started in 1998 employment in public utilities was generally public employment. Currently almost all utilities have a private legal form. They are predominantly in public hands (of the municipalities), but minority shareholdings of private investors (i.e. the large producers) are the rule. Hence the employees are still public employees. If the majority of shares were taken over by private investors bargaining would move outside the scope of the national public services agreements (i.e. collective agreements at firm level would have to be settled), but this has seldom happened in the past. Nevertheless collective bargaining structures for the public employees in predominantly publicly owned utilities have changed.

Generally speaking, until 2005 there existed a rather centralised collective bargaining system in the public sector (Dribbusch and Schulten 2007). It centred on the idea of equal standards of working conditions for all employees in the public sector. It was accompanied by an established culture of social partnership and an overall non-adversarial bargaining culture (only 2 national strikes since 1949). The workplace representation of the public sector in 2003 was 68% (Eurofound 2004: 72). At the same time joint negotiations covering all public employees (i.e. blue- and white-collar workers) in public services at federal and local level were the norm. Until 2003 public employers formed a collective bargaining association which was composed of 1) the federal government, 2) the governments of the federal states, represented by the Bargaining Association of German Federal States (Tarifgemeinschaft deutscher Länder, TdL) and 3) the municipalities, represented by the Municipal Employers’ Association (Vereinigung kommunaler Arbeitgeberverbände, VKA). On the employees’ side most employees in public services who are trade union members are organised in trade unions affiliated to the Confederation of German Trade Unions (Deutscher Gewerkschaftsbund, DGB). Usually the DGB affiliates create a bargaining association.

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60 Public employees fall under the regulations of the Collective Agreements Act (Tarifvertragsgesetz) and have the same rights regarding collective bargaining and industrial action as private employees. However, in the 1990s the German public sector had been confronted with increasing budget restraints, privatisation and liberalisation and the introduction of new public management concepts. Between 1991 and 2003 the total number of public employees decreased by more than 28%. In the same time collectively agreed pay in the public sector was below pay increases in the total economy in almost every year.

61 The distinction between ‘public civil servants’ (35% of the employees in public services in 2003) and public employees including white-and blue-collar worker (48% and only 13% respectively has led to the emergence of two sub-systems of labour relations in public services. Wages and working conditions of the civil servants are determined by law through the German Parliament. In 1997, there was a reform of the law concerning the employment of state-level civil servants, legislating for the introduction of performance-based pay, flexible working hours, greater mobility and probationary periods for management grades (European Foundation 2004: 13). Until recently wages and working conditions have been oriented to the standards of the public employees. Nevertheless, ‘public civil servants’ never have been employed in the public electricity sector.
headed by the United services Union (Vereinte Dienstleistungsgewerkschaft, Verdi).62
Up to 2005 working conditions for public employees were mainly regulated by three
national collective framework agreements: one for all white-collar workers, one for
blue-collar worker employed by the federal government and the federal states as well as
one agreement for blue-collar worker employed by the municipalities.63
Hence (up to 2001) two nation-wide collective agreements were concluded for the
public employees in the predominantly publicly owned utilities:

- one for all white-collar workers (the so-called “Federal Collective Agreement for
  White-Collar Workers in the Public Sector”/Bundes-Angestelltentarifvertrag, BAT)
- and one for blue-collar workers (the so-called “Federal Framework Collective
  Agreement for Blue-Collar Workers at Local Level”/Bundesmanteltarifvertrag für
  Arbeiter gemeindlicher Verwaltungen und Betriebe, BMT G II).

But since the mid-1990s public services have been moved outside the scope of national
public service agreements due to privatisation. Hence the unions pushed for a new
framework agreement in the public sector to stabilise the centralised bargaining
structure. Finally in 2005 Verdi and representatives from the federal government and
the municipalities (VKA) agreed on a new general framework collective agreement (the
so-called “Collective agreement for public services”/”Tarifvertrag öffentlicher
Dienst”/TVöD) for about 2.1 million employees (for blue- and white-collar worker) in
the federal and municipal sector. It is designed to align with similar agreements in the
private sector (Keller 2005). The basis pay rate of the lowest scale undercut the lowest
rate of the old collective agreements and is intended to help stop the process of
outsourcing of certain service jobs.64

Nevertheless, two sectors - utilities and public local transport - retained their own
distinctive collective agreements (Dribusch and Schulten 2007: 156), which was an
innovation concerning the old collective bargaining for all public employees in
Germany:

- In October 2000 the new branch-level collective agreement only for supply
  companies (i.e. for utilities and some regional supplier) was concluded (the so-called
  “Tarifvertrag Versorgungsbetriebe”/TV-V) by the employer association of the

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62 Moreover a lot of employees are organised in professional organisations, such as the German Civil
servants’ Association (Deutscher Beamtenbund, DBB). These organisations have created a bargaining
union (DBB-Tarifunion). Traditionally, public employers hold parallel separate negotiations with both
groups, but conclude agreements first with the DGB-affiliates, which are than completely taken oven
by the DBB-Tarifunion.

63 In detail: 1) the Federal Collective Agreement for White-Collar Workers in the Public Sector (Bundes-
Angestelltentarifvertrag, BAT); 2) the Federal Framework Collective Agreement for Blue-Collar
Workers in the Public Services at Federal and Federal State Level (Manteltarifvertrag für
Arbeiterinnen und Arbeiter des Bundes und der Länder (MTarb); and 3) the Federal Framework
Collective Agreement for Blue-Collar Workers at Local Level (Bundesmanteltarifvertrag für Arbeiter
gemeindlicher Verwaltungen und Betriebe, BMT G II).

64 The bargaining parties also agreed to so-called opening clauses that allow for negotiation of new
working time arrangements for municipal employees.
municipalities (VKA) and two unions (ÖTV, DAG). Since 2001 it has been valid for all local utilities in Germany: It is composed of a new uniform wage pay system for blue and white-collar worker - on average higher pay levels than the two old national framework agreements for public employees, but still below the level of company agreements at the large private companies. According to Verdi it aimed to overcome the inflexible old wage structures. But a new low wage scale group for “elementary work” was also introduced. The level of this new lowest wage group was 20% below the old lowest wage scale group.

The following information pertains to the current structure of employer representation. At company level the interests of the employees are organised by works councils (Betriebsräte) in private companies and by staff councils (Personalräte) in public companies (e.g. employees of municipal utilities). Furthermore representatives of the trade union Verdi and also - but less significantly - the trade union Mining, Chemicals and Energy Industrial Union are active in the supervisory boards of the large network energy supply companies. Verdi is also active in the utilities. Moreover there is the German Metalworkers' Union representing for example the employees of private companies in the metal industry which produces station-based power from renewable energy. According to estimations from Verdi the union density rates in the transmission segment is 50-60%, between 40-50% in the utilities and 80-90% in the generation segment.

To sum up, private employees (working in electricity generation and transmission segment) are covered by four different framework company agreements belonging to the four large electricity companies. The public employees of the utilities are almost all covered by a special (nation-wide) “sector-level collective agreement for supply companies”. Thus, in Germany a “two-tier LRR system” is visible.

Poland

Before liberalisation began, there was only one vertically integrated state-owned company named “Wspólnota Energetyki i Węgla Brunatnego” (The Community of Power Industry and Lignite Coal).

Since 1990 the electricity and coal-mining industries have officially separated. Generation, transmission and distribution of electricity became separate segments and the institutional framework for competition in the generation and supply segments was established. In 1990 a new company “Polskie Sieci Energetyczne S.A.” /PSE S.A (Polish Power Grids Company) was established for transmission (as a one person company of Treasurer) and become exclusively the responsibility for transmission. This was accompanied by a rather radical privatisation shift: currently the state is owner of

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65 Later in 2001 ÖTV and DAG together with other unions founded the United Services Union (Verdi).
66 Information provided by a representative of the trade union Verdi – responsible for electricity supply by utilities – in a telephone interview on 23th October 2007.
67 Information provided by a representative of the trade union Verdi – responsible for electricity supply by utilities – in a telephone interview on 23th October 2007.
75% of the generation and 85% of the distribution segment (Radzka 2006: 26). In 2004 the generation sector included 12 power plants (large system generators), 19 heat-and-power plants and over 270 local undertakings dealing exclusively in electricity trade (Radzka, 2006: 6). Of the 33 companies in the distribution sector in 1990 only 14 remained on the market in 2004 (PIQUE 2007; Pedersini 2005; Radzka 2006, Sroka 2005).

Kozek and Kubisa (2007) stress that the Polish electricity sector is well organised. Trade unions representatives are active in all the companies. Moreover cooperation between trade unions and management shows features of a strategic alliance that aims at benefiting from taking over public property!

According to Sroka (2005) the trade union density rate is around 55% in electricity production and 37% in distribution.

Altogether five associations of trade unions are active in the sector (Kozek and Kubisa (2007):

1. Association of Energy Trade Unions (Zrzeszenie Związków Zawodowych Energetyków/ZZZE) associated with the All Poland Alliance of Trade Unions (OPZZ);
2. Independent and Self-Governing Trade Union “Solidarity” (NSZZ Solidarność), which calls itself to the most important union in the sector;
4. National Association of Trade Unions of Constant Movement Workers (Ogólnokrajowe Zrzeszenie Związków Zawodowych Pracowników Ruchu Ciągłego (OZZZPRC) associated with the Trade Unions Forum (Forum Związków Zawodowych),
5. Trade Union of Engineers and Technicians (Związek Zawodowy Inżynierów i Techników) belonging to National Section of Energy of the Trade Unions Forum (Sekcja Krajowa Energetyki Forum Związków Zawodowych).

Under the umbrella of the employer association “Federation of Employers Associations of Polish Energy” (Federacji Związków Pracodawców Energetyki Polskiej) four different employer associations are organised.\footnote{These are:
1. Association of Employers of Energy Companies (Związek Pracodawców Zakładów Energetycznych);
2. Association of Power Plant Employers (Związek Pracodawców Elektrowni);
3. Association of Thermal Power Stations (Związek Pracodawców Elektrociepłowni);
4. Association of Employers of Energy Sector Resources (Związek Pracodawców Zaplecza Energetyki).}

The rate of collective bargaining in this sector is higher than in other sectors: regular collective agreement negotiations are the norm. The industry has its own sector

\footnote{After the process of consolidation, the biggest generating plants are: BOT GiE SA, PKE SA, EL Kozienice SA. Their share in total electricity production increased from 49% in 2003 up to 62.1% in 2004.}
collective agreement for power industry workers. It was concluded in 1993 and signed by the various employer associations and covers all the personnel in the energy sector. It is a framework agreement ruling on many labour issues (except remuneration). In addition collective agreements are settled at firm level. They have been concluded with the majority of energy companies. The agreements regulate primarily the issues of wages, stability of employment and working time. They are not significantly different from the regulations laid down by the statutory labour law (Stroka 2004).

The change from a coherent labour relation regime for public employees in a publicly owned electricity sector to a liberalised, fragmented and partly privatised electricity sector means firstly the emergence of a new LRR, and a decentralisation of wage determination. The Polish LRR in the electricity sector shows the establishment of a multitude of new collective bargaining actors and collective bargaining procedures by collective bargaining at firm and sector level.

Additionally since 1998 a separate tri-lateral institution has been dealing with the energy issues: The “Tri-lateral Team for Restructuring of the Energy Sector” (Zespół Trójstronny ds. Restrukturyzacji Branży Energetycznej). In this committee, the government is represented by the vice-ministers of economy, labour and social policy, finances and treasury and by the chairman of the Energy Control Office (Urząd Regulacji Energetyki). In addition the trade unions, employer representatives and managerial board representatives of Polish Energy Nets S.A. (Polskie Sieci Energetycznych S.A.) are represented. Bargaining on the tri-lateral basis concerns the issue of privatisation. Problems are related to the plans of creating holding companies. Trade unions are afraid that existing multi-enterprise and company-level collective agreements could be dismantled. It is uncertain whether new holding companies would honour those agreements (Kozek and Kubisa 2007: 29). The privatisation regulations may also give employees the possibility to obtain some of their company’s shares, but the number of shares they may hold is usually very limited: from 10-15%. Moreover a great majority of employees sell their shares immediately after receiving them (Stroka 2005).

The private company “STOEN”, owned by a German capital group, has been closely watched by the employees of other state owned enterprises. Nevertheless, it was concluded that the company had offered acceptable terms of employment defined in company-wide and industry-wide collective agreements (Kozek and Kubisa 2007: 32).

Furthermore it has to be expected that trade unions will lose importance due to privatisation: In 2002, only 7.1% of union members in Poland were employed in private-owned corporations, 16.2% in enterprises with mixed equity, and 76.7% in state-owned enterprises or companies held by local governments, co-operatives, and public-owned (Stroka 2005).

Poland has seen the emergence of a rather “fragmented LRR” since collective bargaining procedures, levels and standards are fragmented and the same in both private and public companies.
United Kingdom

Before liberalisation UK generation and supply markets were entirely in public ownership and closed off from competition. The electricity industry, under state control, was organised around a single generating company, the Central Electricity Generating Board (CEGB), and twelve area boards which distributed electricity within particular geographical areas.

In 1983, as a result of liberalisation, the exclusive responsibility of the area boards was abolished and between 1990 and 1998 the retail market was opened up in several steps. In generation and supply the number of companies has increased as a result of liberalisation. The sector is now predominantly in private hands after a radical privatisation phase (1990-1996). Many of the former public agencies or companies were turned into exclusively privately owned enterprises. However, in the early years at least, competition was not as strong as the government had hoped and the market power of the big two generators to set prices remained strong. Finally in 1997 generation and transmission was unbundled (Arrowsmith 2005; Pique 2007; Pond 2006c; Pond 2007).

There was a dismantling of the traditionally centralised industry-level bargaining and its replacement by bargaining at company level. Hence, there has also been a decentralisation of collective bargaining in the electricity sector. There are no longer any sector agreements in the industry and the employers’ associations that exist are primarily industry-lobbying organisations and have nothing to do with collective bargaining or social dialogue. With the break-up of some of the national agreements that previously applied in the electricity sector, trade unions have been forced to re-organise their activities and provide the staff and resources to carry out collective bargaining at a more local level. In some cases collective bargaining was cancelled by the employers but later reactivated.

Bargaining coverage in the electricity sectors has been affected by liberalisation and privatisation in a number of ways. For example, the privatised utilities have outsourced some of their activities, therefore reducing the number of workers covered by company agreements – which means that workers who were transferred to the contracting companies may no longer be covered by collective bargaining.

Agreements are negotiated at local level and may even be decentralised further to cover specific bargaining groups or occupations. Although there have recently been moves to re-establish company-wide bargaining in EDF Energy, E.ON and Scottish Power.

Arrowsmith (2005) stresses two points:

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70 Latest situation following further liberalisation/ restructuring according to Pond (2006c: 2):

- Generation – 10 companies have 80% of generating capacity with the rest shared among 40 other companies;
- Transmission – National Grid Transco ScottishPower, Scottish & Southern, Northern Ireland Electricity;
- Distribution – Seven companies now run the 14 distribution networks in England;
- Supply – over 70 licensed suppliers but market dominated by six companies (EDF Energy, Npower, Scottish Power, Scottish & Southern, Powergen, Centrica).
1. Privatisation had immediate resource issues for the unions. In the ten years since privatisation to 2001, three major national agreements over pay and conditions across the industry were replaced by 50 to 60 separate bargaining groups. This prompted innovations on the union side, from successfully pressing for single-table ‘one company’ bargaining at Scottish Power in 2000, to the novel concept of ‘agency agreements’ in which one union leads in negotiations after consulting the other unions involved. Other responses have included branch mergers, better training for lay negotiators and ultimately trade union mergers.

2. Harmonisation is a current major trend in the sector, reflecting a renewed concentration of ownership in the industry which has had some important implications for pay bargaining. Amongst the most important of these has been a general move towards the re-introduction of common terms and conditions at power stations within the same group and for longer-term agreements to accommodate the introduction of major changes. For example, talks on the introduction of company-wide terms and conditions for each of the three main divisions of EDF Energy occurred in 2005. This has already been established at RWE Innogy and, at divisional level, at Powergen.

Generally the bargaining coverage is much better than in the private sector and almost as high as in the public sector: In the “electricity, gas and water supply sector” the coverage of collective agreements is 64.8 % compared with 20.9% in the private sector and 71.0% in the public sector (Department of trade and Industry 2006: 40).

The workplace representation is also high since in the “electricity, gas and water supply sector” the trade union presence at workplace is 74.8 % (Department of trade and Industry 2006: 40).

Nevertheless, the union density in the electricity, gas and water supply industry declined from 67% in 1995 to 47.9% in 2005 (Department of trade and Industry 2006: 21).

Currently the main union for managerial and specialist staff in the electricity industry is Prospect, with Unite the main union for industrial grades. Four unions are active in the electricity market:

1. Prospect was created in 2001 by the merger of the Institution of Professional Managers and Specialists (IPMS) and the Engineers and Managers Association (EMA). IPMS organised mainly technical and supervisory staff in the civil service but with a growing private sector membership as a result of outsourcing and privatisation. The EMA’s membership was concentrated in the utilities.

2. Unite is the largest trade union in the UK and was formed in May 2007 by a merger of Amicus and the Transport and General Workers Union (TGWU). Unite’s 1.9 million members cover virtually all sectors in the economy. Amicus, with its roots in the engineering and electrical industries organised mainly engineers and other skilled manual workers while the TGWU represented semi-skilled and unskilled manual workers and some clerical staff.
3. UNISON, the public services union is the second largest in the UK with 1.3 million members. In the energy sector it organises mainly clerical, administrative and managerial staff in the sector.

4. The GMB general workers’ union represents mainly semi- and unskilled manual workers. The union organises in electricity, gas and water as well as the coal and oil industries.

To conclude – in the UK electricity sector a new “fragmented LRR” emerged. This system currently shows some re-centralisation trends. This new “fragmented LRR” can certainly not be linked with trials to limit wages. Nevertheless a reduction in labour costs was made possible by job cuts in the course of privatisation and reorganisation measures.

Sweden

In the generation segment mainly one public company (Vattenfall AB) and two private companies (Sydkraft/E.On, Fortrum) dominate the market (together 98%). Since 1992 generation and transmission is unbundled. Only one “governmental” company (Svenska Kraftnät) with its private and municipality-owned affiliates is responsible for transmission. In the supply segment again the three large generation companies are dominant and cover 57.3% of this market. Nuclear power plants are still owned by the state but leased to providers.

Before liberalisation was completed (in 1996) generation and supply markets were regionally segmented and closed off from competition. After liberalisation the number of companies active in generation and supply increased, but was accompanied by a further increase in market concentration. There were already private operators before liberalisation, but the governmental body Vattenfallsverket, which was transformed in 1992 into the private law (stock company) but still state-owned company Vattenfall AB, was dominant (Andersson and Thörnquist 2006; Berg 2005; PIQUE 2007).

Generally there were almost no changes in collective bargaining due to liberalisation and privatisation. This can be linked to the similar labour relation regimes in the private and public sector which already existed before liberalisation (see below). According to Berg (2005) outsourcing/contracting out currently has no impact on collective bargaining coverage and working conditions.

Public companies in Sweden are regulated like private companies. There are no specific limitations or peculiarities concerning trade union rights, collective bargaining, strikes, right to association compared to workers in the private sector. Generally employees in the public companies join the same trade unions as their colleagues in the private sector according to common professional principles (Berg 2005).

71 In 1992 the new state business enterprise Svenska Kraftnät took over the responsibility for the main power network system from Vattenfall. Nevertheless the most important affiliate is still Vattenfall (besides Sydkraft and Fortrum).
Trade unions are either members in the Swedish Confederation of Trade Unions (Landsorganisationen, LO), the Swedish Confederation of Salaried Employees (Tjänstemännens Centralorganisation, TCO) and the Swedish Confederation of Professional Associations (Svenska Akademikers Centralorganisation, SACO). Affiliated trade unions bargain with the employer associations in Svenskt Näringsliv (Employers in the energy industry are organised in “Energi Företagens Arbetsgivareorganisation”/EFA; member in Svenskt Näringsliv) and produce frame agreements, giving guidelines and limits for the local bargaining. The local social partners in the company do the local bargaining.

Public electricians join the Swedish Electricians’ Union (Svenska Elektrikerförbundet, SEF). Public company professionals (civil engineers etc.) are organised in the respective SACO associations depending on their profession. According to Andersson and Thörnqvist (2007: 7) the most important trade unions are SEKO (Union for Service and Communication) for blue-collar workers and Unionen (former SIF) also for blue-collar workers. In addition there are: SEF, ST (Union of Civil Servants), Civilekonomerna (Union of Economists), Jussek (Association of Graduates), Sveriges Ingenjörer (former CF) and the Swedish Association of Graduate Engineers.

Collective agreements are concluded at national/sector (two frame agreements) and local level (company agreements): According to Berg (2005) in 2004 the energy employers’ association (Energi Företagens Arbetsgivareorganisation, EFA) concluded the so-called Kraftverksavtalet (Power Stations Agreement) with the electrician’s union SEF. There is also a second branch agreement between EFA and SEKO, Ledarna (Independent Federation for Supervisors organised in 23 smaller organisations, here: Energi&Teknik), SIF and CF (civil engineers’ union, SACO). Both agreements regulate pay, over-time pay, holiday leave, sick leave, over-time remunerations and other working conditions. There are also working time and work environment issues regulated in an appendix to the agreements. In Sweden there is no official registration of collective agreements. However, the coverage of collective agreements and the union density is among the highest in Europe.

Since in Sweden the LRR system for private and public companies is traditionally similar, it is not possible to talk about the emergence of a new labour relation regime. The current LRR in the Swedish electricity sector can be interpreted as “encompassing LRR” since labour conditions are similar everywhere and offer a “common level of playing field competition”. Sector bargaining is more important than bargaining at firm level to prevent wage differences.

### 3.3. Comparing employment, work and wage effects

It has to be stressed that labour costs in the electricity generation segment are much lower than in other services sectors. For example, the largest electricity supplier in Germany “RWE” (which is a multi-national company) uses only 4% of its expenditures
for labour costs. Nevertheless, Germany, Austria and the United Kingdom show massive employment reductions in the electricity sector. In the UK this was linked with generous early retirements. In Germany employment reduction mostly took place in the generation segment linked with outsourcing measures and rationalisation measures in the context of large-scale merger waves. In contrast in Belgium and Poland employment reduction has not been significant to date, whereas in Austria there have been some cuts in personnel.

Very significant is the change to more private employment forms in local supply and retail trade services in several countries: Austria shows a decrease of civil servants in the municipalities (and an increase of agency workers and self employed workers in wire maintenance). In Belgium significant changes for the employees in the retail segment have occurred since municipalities were forced to sell their trade services against the background of unbundling measures. Similarly, in the UK services of public utilities have been outsourced.

Poland seems to be a special case since currently workers, unions and public employers are trying to organise privatisations in the framework of workers’ stock ownership.

In general wages in the electricity generation segment are rather high compared to wages in other service sectors. Significant wage differences and two tier wage structures concerning new and old employees occurred in Belgium (retail segment), Germany (generation segment) and the UK (regarding outsourcing of special services). In Germany wage dumping is visible since new low wage groups have been established at a very low level in firm level collective agreements (generation segment) and in the sector level collective agreement (for supply/retail) to limit outsourcing measures. Only in Poland and Sweden have there been no reports of significant wage differences.

The following table gives a detailed overview and is followed by country sketches:

---

72 Information provided by a representative of the trade union Verdi – responsible in the electricity generation segment – in a telephone interview on 30th October 2007.
Table 21: Employment and wage effects due to privatisation and liberalisation

<table>
<thead>
<tr>
<th>Status of workers</th>
<th>Austria</th>
<th>Belgium</th>
<th>Germany</th>
<th>Poland</th>
<th>Sweden</th>
<th>United Kingdom</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before formal privatisations and liberalisation</td>
<td>Private employees in generation and some civil servants in municipal utility providers</td>
<td>Public and private employees</td>
<td>Private employees in generation and transmission; Public employees in utilities (distribution and supply); no civil servants</td>
<td>Only public employees</td>
<td>Public and private employees</td>
<td>Employees in public owned companies – no legal difference to private sector employees but tendency to have better employment conditions, pensions etc.</td>
</tr>
<tr>
<td>After liberalisation (state of the art)</td>
<td>Private employees in generation supplier and some civil servants in municipal utility providers</td>
<td>Private and public employees (reduced category)</td>
<td>No real change in status</td>
<td>Public and private employees</td>
<td>Public and private employees with the same rights</td>
<td>No real change in status</td>
</tr>
</tbody>
</table>
| Number of employments and changes | Currently 20,000 – 25,000 employees in generation and distribution | Changes are difficult to estimate due to data problems, but there seems to be a rise in employment | - In the whole sector decrease of 16,5% between 1998 and 2004  
- Generation and transmission: Decrease from 217,600 in 1991 to 131,300 in 2002 (-40%) | Modest reduction in employment: Decrease from 113 595 jobs in 1996 to 96 810 jobs in 2004 (-15%) | No data available | Employment has more than halved. Falling from around 140,000 just before privatisation began in 1990 to under 60,000 today. |
| Employment forms | Increase of private employees and decrease of number of civil servants; | Decline of employees in public companies due to privatisation of municipal retail services | About 50% public employees and 50% private employees; 9% part-time employees | Mainly standard employment contracts (i.e. full time and unlimited) | No data available | No data |
| Wage differences | - Generally the sector’s pay level is extraordinarily high, with some 180% of the national average;  
- Generally wage differences are not significant, but partly (“Wienstrom”) new employees employed after 2001 and covered by a | New employees within Electrabel (mainly in newly founded, privately owned retail services) are working on average with a 20% lower wage level | - Generally wages in the generation segment are higher than in public-owned utilities, and wages in utilities are higher than in other public services  
- The lowest wage groups are in the generation segment! | No wage differences between public and private companies | Low wage differences | The assumption is that outsourcing has resulted in lower pay for some categories of workers. Overall those directly employed by the industry have maintained their level of average earnings in comparison to earnings in the economy as a whole |
<table>
<thead>
<tr>
<th>Wage dumping</th>
<th>No wage dumping</th>
<th>No wage dumping</th>
<th>Only regarding the lowest pay rates for “elementary” work</th>
<th>No wage dumping</th>
<th>No wage dumping</th>
<th>No wage dumping</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lowest pay rates</td>
<td>No data</td>
<td>No data</td>
<td>In 2007: - Utilities (TV-V): 1,429 euros monthly; 8,54 euro per hour old-federal states (1,290 monthly or 7,78 euros per hour in the new-federal states); - RWE (generation): 1,282 euros</td>
<td>No data</td>
<td>No data</td>
<td>Examples include €8.96 an hour at National Grid and €9.79 at npower and United Utilities</td>
</tr>
<tr>
<td>(basic pay, without</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>extraordinary allowances)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Statutory hourly</td>
<td>6.91&lt;sup&gt;73&lt;/sup&gt;</td>
<td>8.08</td>
<td>.75</td>
<td>1.42</td>
<td>-</td>
<td>8.20</td>
</tr>
<tr>
<td>minimum wages&lt;sup&gt;73&lt;/sup&gt;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<sup>73</sup> Last increases in 2007, based on national weekly working times; Source: WSI Mindestlohndatenbank 2007; (Schulten 2007).

<sup>74</sup> From 2009 on, based on an agreement between unions and employers and fixed minimum wages in collective agreements.

<sup>75</sup> Union claims for a statutory minimum wage of 7.5 euros. According to current surveys the majority of Germans also want the introduction of a statutory minimum wage in Germany.
Austria

In 2005 there were between 20,000 and 25,000 employees in the generation and distribution segment (Adam 2005). The staff retrenchment in the major electricity companies -in the period from 1996-2002- varied from -9 to -30%. In “Verbund” the workforce was reduced (39% between 1996 and 2002) by means of a package of measures including early retirement models, higher severance payments and bonuses, which were designed to motivate above all younger employees to leave the company of their own accord (Hofbauer 2006: 6-7).

Analysing the change of employment forms it has to be stressed that after liberalisation new workers in the municipal utilities no longer have civil servant status. Hence different wage regulations in the utilities for the same work are possible.

Regarding wages generally the sector’s pay level is extraordinarily high, with some 180% of the national average (Adam 2005). On the other hand many of the additional benefits regulated in company agreements were abolished in recent years. In the special case of “Wienstrom”, new employees who were hired after 2001 and were covered by the Stadtwerke collective agreement (company agreement) took a wage loss of 13% compared to their older colleagues (as did all new municipal workers in Vienna).

Nevertheless, according to information from FORBA wage differences between different collective agreements are not significant. There is no competition based on wage dumping.

Belgium

Employment change: according to Moro about 13,000 persons were employed in the electricity sector in 2004 (thereof 3,090 persons at Electrabel). According to the Catholique University Leuven employment changes are difficult to estimate due to data problems, but there seems to have been a rise in employment.

When the liberalisation process was given the green light by the government, Electrabel decided to restructure its activities to be in a better position to face competition. This caused social conflict, since the restructuring entailed a change of labour conditions. Moreover, it was planned to cut 1,700 jobs. As a result, only 14, 000 people were working for Electrabel in 2003, but that number later rose above the original level.

There was also a decline in public companies - to the favour of predominantly privately owned companies in the retail services.

With regard to new wage differences within the sales segment, wages and working conditions arranged by sector agreement for the (private) incumbent (Electrabel) – there are differences in the conditions for personnel working at the company before liberalisation and those hired after liberalisation. In the course of the liberalisation Electrabel had to develop new sales departments with personnel coming from the so-called mixed public-private local enterprises (inter-municipal companies). According to the Catholique University Leuven estimations provided by unions and the press indicate
that these new employees are working on average with a 20% lower wage level. Nevertheless they have the same sector-based conventional wage settlement as the competitors. In reality this situation is complicated by company-specific additional arrangements (collectively or individual) designed to attract competent people/specialists in a labour market that now has more than one or two employers.

Germany

According to Verdi\textsuperscript{76} there are currently around 220,000 employees working in the German electricity sector: one half of all employees is employed in the public utilities and the other half in the four large generation companies.

There was a decrease of around 16.5\% in employment in the whole electricity sector between 1998 and 2004 (Eurostat (2007):

Table 22: Number of employees working in the production and distribution of electricity

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of employees total</th>
<th>Change in relation to the previous year (%)</th>
<th>Part-time employees total</th>
<th>Proportion</th>
<th>Employees in full-time equivalent units total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>251297</td>
<td></td>
<td>15968</td>
<td>6.4%</td>
<td>244790</td>
</tr>
<tr>
<td>1999</td>
<td>239777</td>
<td></td>
<td>18034</td>
<td>7.5%</td>
<td>232342</td>
</tr>
<tr>
<td>2000</td>
<td>219586</td>
<td>-8.4</td>
<td>17428</td>
<td>7.9%</td>
<td>212488</td>
</tr>
<tr>
<td>2001</td>
<td>205816</td>
<td>-6.3</td>
<td>16524</td>
<td>8.0%</td>
<td>199048</td>
</tr>
<tr>
<td>2002</td>
<td>207419</td>
<td>0.8</td>
<td>16761</td>
<td>8.0%</td>
<td>200247</td>
</tr>
<tr>
<td>2003</td>
<td>198758</td>
<td>-4.2</td>
<td>17609</td>
<td>8.9%</td>
<td>191599</td>
</tr>
<tr>
<td>2004</td>
<td>209667</td>
<td>5.5</td>
<td>18988</td>
<td>9.1%</td>
<td>202139</td>
</tr>
</tbody>
</table>

Source: Eurostat 2007

The following table shows how the number of staff employed in the large energy companies in the German electricity sector was reduced between 1991 and 2002:

\textsuperscript{76} Information provided by a representative of the trade union Verdi – responsible for electricity supply at utilities – in a telephone interview on 23th October 2007.
Table 23: Employees in the German electricity sector 1991-2002 (excluding employees in utilities)

<table>
<thead>
<tr>
<th>Year</th>
<th>Employees</th>
<th>Change in relation to the previous year (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>217,600</td>
<td></td>
</tr>
<tr>
<td>1992</td>
<td>210,200</td>
<td>-3.4</td>
</tr>
<tr>
<td>1993</td>
<td>204,400</td>
<td>-2.8</td>
</tr>
<tr>
<td>1994</td>
<td>196,300</td>
<td>-4.0</td>
</tr>
<tr>
<td>1995</td>
<td>187,900</td>
<td>-4.3</td>
</tr>
<tr>
<td>1996</td>
<td>178,900</td>
<td>-4.8</td>
</tr>
<tr>
<td>1997</td>
<td>171,100</td>
<td>-4.4</td>
</tr>
<tr>
<td>1998*</td>
<td>160,426</td>
<td>-6.2</td>
</tr>
<tr>
<td>1999*</td>
<td>151,076</td>
<td>-5.8</td>
</tr>
<tr>
<td>2000*</td>
<td>137,197</td>
<td>-8.1</td>
</tr>
<tr>
<td>2001*</td>
<td>130,507</td>
<td>-4.9</td>
</tr>
<tr>
<td>2002*</td>
<td>131,600</td>
<td>+0.8</td>
</tr>
</tbody>
</table>

Source: Verband der Elektrizitätswirtschaft (VDEW), Berlin; * since 1998 Federal Statistical Office (annual average); Brandt (2006)

Employment was reduced from 217,600 employees in 1991 to 131,300 in 2002 (-40%). The first mergers and acquisitions of large energy supply companies took place in 1997. Several new waves of mergers took place again in 2000 and 2001. Thus the most significant employment increases in 1998 and 2001 have to be attributed to reorganisation measures in the course of mergers. Also outsourcing by tendering took place in the large companies. In contrast utilities currently even start out by applying outsourcing measures.

Nevertheless, compared to the personnel cuts in the whole electricity sector this data shows that generally employment reduction in the generation segment (large energy companies) was much higher than in the utilities. RWE – as a global player – has currently far more employees abroad than within Germany.

Generally wages in the generation segment are higher than in public owned utilities, and wages in utilities are higher than in other public services. However, the lowest wage groups can also be found in the generation segment. The largest generation company, RWE, pays a minimum of 1,282 euros per month (see Manteltarifvertrag RWE 2006) and additionally about a 30% wage difference exists between new employees and employees who were employed before 2006. Thus a two-tier wage structure is visible.

In utilities the wages in the lowest wage group in the old national agreements for all public employees - which was in place until 2001 - were 20% higher than the wages after 2002 according to the branch level agreement for supply companies (TV-V). Currently (2007) in utilities (TV-V) the lowest wages are at 1,429 euros monthly (8.54
euros per hour) in the old federal states and 1,290 euros monthly (or 7.78 euros per hour) in the new federal states.

To sum up, wage dumping only emerged in the lowest wage groups. It was legitimized by the fear of outsourcing measures (see also section 2.4.2).

**Poland**

According to Kozek and Kubisa (2007) around 55 thousand workers are employed in the Polish electricity sector. Mainly standard employment contracts are offered, i.e. full-time and unlimited. But according to information from Kozek there was a modest reduction in employment from 113,595 jobs in 1996 to 96,610 jobs in 2004 (-15%). Based on a company case study (STOEN-RWE in Warsaw) she stresses that reduction in staff in the electricity sectors is connected with privatisation, liberalisation and restructuring measures, since labour costs became more and more the crucial problem for managers. In addition, Stroka (2005) argues that the progress of privatisation in the polish electricity industry has been connected with lay-offs (Stroka 2005).

**Sweden**

According to Swedish statistics there were in November 2001 in Sweden 34,276 employees in electricity, water supply, sewage and sanitation (NACE, E+O90), (Berg, 2005). According to information from the University Gothenborg, liberalisation and privatisation in electricity has had some impact on structural changes in the workforce (no data available). Generally, public companies in Sweden are ruled as private companies and the employees have the same status as the employees in private companies. In the electricity industry the differences in working conditions between public and private companies are also relatively low and competition in wages and labour costs is relatively low as well. The electricity sector differs positively from other sectors concerning wages and labour relations. To a large extent this could be due to the company size (normally large companies in the electricity sector).

**United Kingdom**

Following privatisation, and for the first time, the electricity companies were responsible to private financial investors and, perhaps even more importantly, were forced to compete for orders. Their focus therefore became costs and customer service as well as security of supply. Firms were able to realise cost reductions in the form of large profits. This enabled large-scale employment reductions, facilitated by relatively attractive financial terms. In addition, firms were able to offer remaining employees above-inflation pay settlements in return for changes to employment terms and conditions (Arrowsmith 2005).

According to information from the Working Lives Research Institute employment in the sector has fallen by more than half since just before the privatisation process began, with over 140,000 workers in the industry in 1990 but fewer than 60,000 today. Overall
the electricity industry has retained its position as a relatively high paying sector with average pay remaining significantly above average earnings for the whole economy.

3.4. **Conflicts during the process of liberalisation and privatisation**

Generally the relationship between unions and employers is based on close cooperation. Conflicts are rare and limited to temporary periods in the electricity sector. Trade unions and large electricity companies often work together regarding liberalisation measures as employees would like to benefit from the gains of the large electricity monopolies. Anti-privatisation campaigns by unions were seen mainly in the UK.

There follows detailed country information:

**Austria**

In Austria there have not been any conflicts or specific campaigns against privatisation in the electricity sector.

Massive personnel reductions in the electricity sector in recent years have hardly been an issue in public debate. Hofbauer (2006) stresses that this can be ascribed to the fact that the restructuring has so far taken place in a “socially acceptable” way with the assistance of early retirement and natural losses. Most of the costs of reducing the workforce were thus borne by the state.

The restructuring of the public utilities sector is forcing the actors on both sides of industry to adjust to the new conditions. During recent years, the right to bargain has been conferred on a few of the restructured companies themselves, and new actors have emerged on the employer side. Ongoing restructuring has challenged the traditional demarcation lines of the unions. This has given rise to inter-union competition for members. However, since all unions involved are under the umbrella of a relatively strong union confederation, this competition has not actually resulted in fragmentation of bargaining so far (Adam 2005).

**Belgium**

When the liberalisation process was given the green light by the government, Electrabel decided to restructure its activities to be in a better position to face competition. This caused social conflict, since the restructuring meant that working conditions underwent change. Moreover, it was planned to cut 1,700 jobs. As a result, there were only 14,000 people working for Electrabel in 2003. That number was to increase at a later date to above the original level.

Municipalities also suffered a loss of revenue because of the liberalisation of the market, since they were forced to stop their activities in the supply of electricity. As a result of this they demanded compensation in 2003 (Sys and Verhoen 2006: 21).
Finally the FGTB/ABVV trade union confederation organised a 24-hour general strike in Belgium on 7 October 2005, mainly directed against the government’s plans for amended 'end-of-career' and retirement arrangements. The 24-hour strike particularly affected public services such as public transport, postal services, telecommunications and electricity, which were then undergoing restructuring initiatives prompted by liberalisation and privatisation. The action fuelled debate on the right to strike in public services (Van Guyes 2005).

For the moment there is still no two-year agreement in the sector (as in many sectors). Unions are trying to harmonise the labour conditions between old and new employees which seem to be an important aspect of the current dispute.

**Germany**

At local level privatisation is frequently the subject of strong public dispute in the area of local politics. In a number of cities petitions for a referendum have been started, sometimes with the help of trade unionists from the United Services Union.77 One prominent example is the city of Mülheim an der Ruhr (in the federal state of “North-Rhine Westphalia”). There, at the beginning of 2006, the first Europe-wide petition for a referendum against all types of future privatisation of municipal infrastructures was successful after the citizens of Mülheim an der Ruhr voted (http://www.mbi-mh.de/). This petition for a referendum is currently a model for further petitions at municipal level in other municipalities (http://www.mehr-demokratie.de/120.html). This development however cannot be considered a normal occurrence, the normal case has been a more silent privatisation of municipal infrastructures, which is proceeding mainly in the form of private-public partnerships.

Currently municipalities are afraid of liberalisation measures since they can limit their possibilities to make profits and to redistribute them. Before liberalisation local utilities had local monopolies in retail trade and local distribution (depending on the territory of their municipality), which gave them or the local authorities the possibility to make (public) profits. These (public) profits have been used for communal cross-subsidy (e.g. regarding public owned transport companies which are not cost-covering).

Unions are also afraid of new regulation measures since they tend to reduce labour costs. In February 2007 this led to a demonstration of 25,000 employees in Berlin.78 According to Verdi the planned new regulation method („Anreizregulierung“) would lead to job losses for 40,000 employees within the next 10 years, mainly affecting employees at utilities. Especially the rules concerning the reduction of labour costs have been seen as intervention in the wage autonomy. Ownership unbundling would also lead

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77 One case study is the city Düsseldorf. In a 2001 referendum 89% of the participants voted against the privatisation of 29.9% of the capital shares of the municipal utility. But the privatisation was not stopped. Although 90,000 citizens of Düsseldorf voted in 2005 in a petition for a referendum against the privatisation of further 25% of the municipal capital shares, further participation took place in 2006 (http://www.mehr-demokratie.de/duesseldorf.html?&no_cache=1&sword_list[0]=Stadtwerke).

to the danger of globally operating shareholders taking over the control of network infrastructure (transmission) and thereby affecting the interests of consumers and employees.\(^7^9\)

**Poland**

Generally problems between employees and employers in the Polish electricity sector are solved by negotiations.

Cooperation among the five trade unions has also been very good for several years, both at the industry and company levels. At the company level, the unions represent common position against the privatisation of enterprises. At industry level the positions are announced jointly.

However, an issue that has been discussed by the trade unions and the government since the beginning of 2007 is workers' stock ownership: The talks conducted in the Ministries of Economy and Finance aim at working out conditions under which the personnel of the energy sector could convert the shares of corporations into holding companies. Currently three large holding companies are being formed (Polska Grupa Energetyczna, Energetyka Południe, Proen i Energa). The workers want to be the shareholders of the individual companies. The unions expect the workers’ stock could be converted into the stock of the holding companies that are being formed. This is of particular importance to them as the holding companies are going to be listed on the stock exchange. The unions considered the results of the talks with the government to be unsatisfactory and declared emergency strikes at the beginning of 2007 (Kozek/Kubisa 2007).\(^8^0\) According to further information from Kozek the employees have demanded amendments concerning the distribution of employee shares in the newly-established companies, along with guaranteed severance benefits for any workers made redundant and finally in 2007 the government agreed.

**Sweden**

Since liberalisation in Sweden has been supported by the main political actors since the beginning of the 1990s, no significant conflicts or strikes have emerged: The idea of an opening of the sheltered markets for competition was first brought up in the 1980s, under a social democratic government. Yet, the idea was not really put into practice until a new, centre-right government came into office in 1991. The ideological foundation for the development of the market was the conservative parties’ joint campaign programme before the general election of 1991. The programme was strongly influenced by neo-liberal thoughts. When the conservative coalition won the election

\(^7^9\) http://ver-und-entsorgung.verdi.de/ver-_und_entsorgungspolitik/anreizregulierung_09.07

\(^8^0\) Successive drafts submitted by the Ministry of Economy failed to be approved by the unions. The drafted law does not extend the workers’ stock ownership rights to the retired employees, old age and disability pensions or to former employees of the companies who had worked there for at least ten years. Another source of criticism is the process in which the stock of the companies would be converted into the shares of the holding companies.
there was consequently a well-paved road for the privatisation of public property. It must however be kept in mind that when the Social Democratic Party got back in office three years later, after the general election in 1994, the new government did nothing to reverse the process (Andersson and Thörnqvist 2006: 9).

**United Kingdom**

Generally trade unions have mounted publicity campaigns against most of the big privatisation actions but these have mainly involved lobbying with perhaps some mobilisation in the form of demonstrations. However, certainly in the case of electricity there was never any clear prospect of the process being stopped.

Industrial action remains rare in the sector, with only one stoppage recorded throughout electricity, gas and water supply in 2003. A threat of industrial action by members of AEEU, TGWU and GMB forced Scottish Power to withdraw proposals to cut jobs in June 2000. However where problems are more acute, such as at Northern Electric, where the company reportedly faced a one-off cut in revenue of around 26-31% in 2000, the unions have had to negotiate major changes in terms and practices, as well as conditions of employment (Arrowsmith 2005).

The level of employment increased by 60% but was based on generous early retirement schemes. This might be a reason why there was almost no industrial action.

**3.5. Analysing the abilities to limit competition based on labour costs reduction**

As in the postal sector labour costs reduction in the electricity sectors primarily took place through employment reduction (especially in Germany and in the UK). Wage dumping emerged in Germany in the case of new lowest-wage groups which were laid down in collective agreements and in the UK concerning outsourcing of special services. Additionally an increase in the share of private employees is visible in all six countries. Important wage differences – two-tier wage structures – were laid down for employees in new and old employment positions and fixed in collective agreements in three of the six countries (Belgium, Germany). The relation ship between employees and employers everywhere was based on cooperation, consequently strikes remained limited.

Generally in Sweden, Belgium and Poland changes applying to the labour force have been rather limited. The Polish electricity sector is still mainly publicly owned and the labour relation regimes in Sweden and Belgium have remained extremely stable in the process of liberalisation and privatisation. In Belgium a new LRR emerged in the private sector to differentiate between the employment status of the people coming to work in the sector before and after the start of the liberalisation. This was not linked with the creation of competition between Electrabel and new competitors. Additionally only in Sweden it is inadequate to analyse the emergence of new LRRs. In Sweden it seems to be possible to talk about a “encompassing LRR” (no wage differences and public-private segmentation).
Whereas in Germany a new “two-tier LRR” emerged (different wage standards regulations and different bargaining procedures in a public-private divide), in Poland and the United Kingdom a new “fragmented LRR” has been established (no public-private divide in labour regulations and fragmentation of collective bargaining).

Regarding our working hypothesis (see section 1), that a strong path-dependency in the development of new collective bargaining systems has to be expected due to liberalisation and privatisation, this working hypothesis can generally be confirmed: There was a strong path-dependency in Belgium and Sweden. In Germany traditionally bargaining at company level remained in the generation segment. In (predominantly public) supply services a sector bargaining solution was found, which is rather common in “private” sectors. In Germany electricity supply and local public transport are special cases in collective bargaining: Only these two sectors have their own sector agreements within all public sectors in Germany and thus are no longer part of national collective barging procedures for all public service sectors. In Poland it is difficult to detect path dependency because of the general socio-economic transformation process. The UK shows path dependency since collective bargaining at firm level has traditionally been the bargaining method.

Table 24: Some indicators concerning the trade union ability to limit competition based on labour costs in electricity services

<table>
<thead>
<tr>
<th></th>
<th>Degree of employment reduction</th>
<th>Wage dumping</th>
<th>Strikes</th>
<th>New LRR?</th>
<th>Bargaining coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>High (39% between 1996 and 2002 at the main operator)</td>
<td>No</td>
<td>No</td>
<td>Traditionally two-tier</td>
<td>Very high (almost 100%)</td>
</tr>
<tr>
<td>Belgium</td>
<td>No data</td>
<td>No</td>
<td>Yes</td>
<td>Two-tier</td>
<td>100%</td>
</tr>
<tr>
<td>Germany</td>
<td>High (-40% in generation between 1991-2002; in the whole sector decrease of 16.5% between 1998 and 2004)</td>
<td>Only in lowest wage groups</td>
<td>No</td>
<td>Two-tier</td>
<td>Very high (almost 100%)</td>
</tr>
<tr>
<td>Poland</td>
<td>Modest (decrease of 15% between 1996 and 2004)</td>
<td>No</td>
<td>Yes</td>
<td>Fragmented</td>
<td>High</td>
</tr>
<tr>
<td>Sweden</td>
<td>No data</td>
<td>No</td>
<td>No</td>
<td>Traditionally encompassing</td>
<td>Very high</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>Decrease of 60%</td>
<td>No</td>
<td>no</td>
<td>Fragmented</td>
<td>High (68%)</td>
</tr>
</tbody>
</table>

Comparing the abilities of the six analysed national “LRRs” to limit wage dumping the following table gives a first evaluation:
Table 25: Abilities of national LRR to limit wage dumping regarding liberalisation

<table>
<thead>
<tr>
<th>Ability</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>DE</td>
<td>High/Modest Very high bargaining coverage; sector agreement for public employees in utilities; company agreements in the four large generation companies; wage dumping has emerged regarding outsourcing in the generation segment and is currently starting in utilities. The lowest pay rate according to collective agreements is about 7.70 euro per hour (in generation)</td>
</tr>
<tr>
<td>SE</td>
<td>High</td>
</tr>
<tr>
<td>BE</td>
<td>Modest</td>
</tr>
<tr>
<td>UK</td>
<td>Modest</td>
</tr>
<tr>
<td>PL</td>
<td>High</td>
</tr>
<tr>
<td>AT</td>
<td>High</td>
</tr>
</tbody>
</table>

More information on individual countries:

**Austria**

Wage differences between different collective agreements are not significant, and there is no competition based on wage dumping. Hence the collective bargaining system seems to be stable enough. In the past there was an attempt by employers to apply the general retail trade collective agreement (Handelskollectivvertrag) for employees at outsourced electricity retail services. To avoid this, in 2004 the unions initially managed to settle a new collective agreement for white- and blue-collar workers in electricity supply companies. Recently the two mentioned collective agreements have been integrated into the general agreement for trade including special regulations for the electricity trade.

**Belgium**

The Belgian bargaining system offers a very high bargaining coverage through sector level bargaining. Nevertheless in the course of unbundling measures wage differences between new and old employees regarding retail services within the incumbent emerged. Hence in contrast to other sectors, the ability to prevent wage dumping seems to be more limited.

**Germany**

Generally there has been a considerable drop in employment - especially in electricity generation. In addition high bargaining coverage exists due to sector agreement for public employees in utilities and company agreements in the four large generation companies (in the latter a new two-tier wage structure for old and new employees has
emerged). But the lowest wage rates in the generation segment are at a low level (around 7.7 euros per hour). Hence, wage dumping has emerged regarding outsourcing in the generation segment.

**Poland**

In general a rather radical privatisation and liberalisation process emerged. However, compared to other sectors union density and bargaining coverage in Poland is comparatively high. Collective bargaining is running at company and firm level. Additionally a tri-lateral dialogue about privatisation issues has been on the political agenda. Taking into account that no significant wage differences between public and private companies, no employment reduction measures or important industrial conflicts have been reported - the ability of the new LRR to protect against wage dumping seems to be high. However a declining union density rate has to be expected in the process of privatisation.

**Sweden**

In Sweden a very high bargaining coverage and union density rate can be found. Sector and company bargaining exists without any difference in labour regulations for private and public employees (!). No wage difference or outsourcing measures have emerged. Generally due to privatisation and liberalisation the old “encompassing LRR” has survived the process of liberalisation without significant changes.

**United Kingdom**

With the break-up of some of the national agreements that previously applied in the electricity sector, trade unions have been forced to re-organise their activities to carry out collective bargaining at a more local level. In this way collective bargaining structures were reformed rather than dismantled following privatisation, and reformed in a way that was no so different from developments elsewhere in both the public and private sectors. Most major sector-wide agreements in the private sector had been decentralised in the 1980s and following this there was even further decentralisation to plant-level at large employers like the jet engine manufacturer Rolls-Royce and food manufacturer Cadbury. The main example of decentralisation in the public sector was in the civil service where national bargaining has been replaced with negotiations in over 200 bargaining units.

According to Arrowsmith (2005) this reflected a managerial view that restructuring could better be achieved by collective agreement than conflict, given relatively strong trade union organisation and disruptive capacity, and also continued political pressures manifested in the regulatory framework. Some companies made ‘partnership’ deals with the trade unions, pledging employment security and union involvement in return for greater employee flexibility. United Utilities signed such a deal with Unison, as did Scottish power, though more informal or ‘tacit’ forms of partnership are generally observed in the electricity sector than in other utilities like water. There has been extensive work reorganisation, facilitated by new technology, including teamwork; home-based work and working time flexibility, and a growth of HRM techniques. However there has been much more decentralisation of collective bargaining, which has led to pressures on trade union resources, though this trend is beginning to be reversed somewhat as the industry becomes more concentrated.
4. **HOSPITAL SECTOR**

4.1. **State of liberalisation and privatisation**

As part of modern European welfare-state systems the responsibility for the provision of adequate health care lies with the state. This also includes hospital services which are a key component of national health systems covering large parts of the overall national health budgets. All European countries have comprehensive regulation on the financing, provision and organisation of hospitals in order to guarantee adequate services. The national differences in the organisation of the hospital sector are closely related to the existing national health care systems. Traditionally there are two basic health care systems in Europe: the Bismarck and the Beveridge systems. The *Bismarck system* is characterised by the existence of public “sickness funds” as a major source of health care financing. Among the countries covered by this study Austria, Belgium and Germany belong to the Bismarck countries. In contrast to that the *Beveridge system* is predominantly based on a tax-funded health system for which Sweden and the UK are typical representatives. A similar system of tax-based health care financing – which has sometimes been called the *Semashko system* – used to be found in the former socialist countries in Central and Eastern Europe. However, since Poland introduced a national health insurance system in the late 1990s it has become a kind of hybrid system.

Historically there has been a close connection between the national health care systems and the provision of hospitals. For a long time, hospitals in the Beveridge as well as in the Semashko countries were run almost exclusively by public authorities. In contrast to that the Bismarck countries always had a mix of public and private providers with strong influence of private *not-for profit* providers such as churches and other welfare organisations.81

Since the 1990s all European countries have introduced encompassing reforms to their health care systems (Sen 2003) which have also set in motion an ongoing restructuring process in the European hospital sector.82 These reforms were driven by various developments as, for example, changing health needs of the population, demographic changes, new advanced technologies etc. (McKee et.al. 2002). However, the main objective behind most health care reforms was simply the containment of costs which have shown a steady increase during recent decades. Considering the crisis of public finances in many European countries the reduction of health care spending has become an important instrument for the consolidation of public budgets. Moreover, in the

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82 For an overview see the contributions in: McKee and Healy (2002).
Bismarck countries there have been strong demands for a limitation or even decrease of the employer’s contribution to the sickness funds in order to reduce overall labour costs. One major tool to decrease expenses for hospitals has been the reduction of hospital capacities. Most European countries have seen a decline in the average number of hospital beds (Healy and McKee 2002). Although there have been significant national differences all countries involved in this study have followed this general trend (Table 26). The biggest decrease of average hospital beds in relation to the population has taken place in Sweden, Poland and Germany, while only in the UK has the decrease been rather modest. In order to provide adequate hospital services with reduced capacities of hospital beds a second major development has been the significant reduction in the average length of stay per patient (Healy and McKee 2002). The general trend therefore has been towards fewer hospital beds being used much more intensively with shorter average lengths of inpatient stays.

Table 26: Acute care hospital beds per 100,000 inhabitants

<table>
<thead>
<tr>
<th></th>
<th>Austria</th>
<th>Belgium</th>
<th>Germany</th>
<th>Poland</th>
<th>Sweden</th>
<th>United Kingdom</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>665.4</td>
<td>503.3</td>
<td>744.5</td>
<td>576.4</td>
<td>304.5</td>
<td></td>
</tr>
<tr>
<td>1996</td>
<td>660.3</td>
<td>496.6</td>
<td>724.0</td>
<td>573.5</td>
<td>282.6</td>
<td></td>
</tr>
<tr>
<td>1997</td>
<td>653.2</td>
<td>493.8</td>
<td>707.3</td>
<td>563.9</td>
<td>269.1</td>
<td>321.0</td>
</tr>
<tr>
<td>1998</td>
<td>643.7</td>
<td>485.8</td>
<td>696.8</td>
<td>552.9</td>
<td>257.1</td>
<td>317.5</td>
</tr>
<tr>
<td>1999</td>
<td>636.3</td>
<td>477.4</td>
<td>688.0</td>
<td>530.0</td>
<td>253.9</td>
<td>314.8</td>
</tr>
<tr>
<td>2000</td>
<td>628.7</td>
<td>472.6</td>
<td>680.3</td>
<td>509.9</td>
<td>245.2</td>
<td>315.0</td>
</tr>
<tr>
<td>2001</td>
<td>628.7</td>
<td>465.8</td>
<td>670.4</td>
<td>501.5</td>
<td></td>
<td>316.0</td>
</tr>
<tr>
<td>2002</td>
<td>610.6</td>
<td>460.1</td>
<td>663.1</td>
<td>460.9</td>
<td></td>
<td>315.8</td>
</tr>
<tr>
<td>2003</td>
<td>606.8</td>
<td>451.7</td>
<td>656.6</td>
<td>463.2</td>
<td></td>
<td>316.8</td>
</tr>
<tr>
<td>2004</td>
<td>615.6</td>
<td>448.3</td>
<td>643.8</td>
<td></td>
<td></td>
<td>314.7</td>
</tr>
<tr>
<td>2005</td>
<td>606.6</td>
<td>441.1</td>
<td>634.9</td>
<td>469.0</td>
<td></td>
<td>309.7</td>
</tr>
<tr>
<td>Change 1995-2005*</td>
<td>-8.8%</td>
<td>-12.4%</td>
<td>-14.7%</td>
<td>-18.6%</td>
<td>-19.5%</td>
<td>-3.5%</td>
</tr>
</tbody>
</table>

Source: Eurostat, own calculations

One major result of the reforms of the health care systems has been the promotion of liberalisation and privatisation in the hospital sector. Unlike the classical network industries such as post, telecommunication, energy etc. liberalisation in the hospital sector does not simply mean the opening of markets for new competitors but more a general economisation and commercialisation of hospital services through the introduction of market-oriented mechanisms and the promotion of competition (OECD 2006). A crucial element for the liberalisation of hospital services has been fundamental changes in the hospital financing systems. Traditionally, most European countries had a system of hospital financing which guarantees the hospitals full cost coverage whereby
the reimbursement of hospitals was usually based on per-diem fees. In the 1990s most European countries introduced capped hospital budgets and started a more fundamental reform of hospital financing by the introduction of Diagnosis Related Group (DRG) systems. The basic notion of the DRG system is that every case should be reimbursed by a uniform flat-rate determined by a DRG irrespective of the concrete treatment and the actual corresponding costs of an individual hospital.

A fundamental consequence of the introduction of capped hospital budgets and a DRG-based reimbursement system is that hospitals have become able to make deficits or profits which automatically increase the competition among them and make them behave like a regular profit-oriented company. The change in the hospital financing systems was a major precondition for hospital services becoming more and more an interesting field of investments for private for-profit providers. Subsequently, since the 1990s larger private health care and hospital corporations have emerged in many European countries which are now among the strongest advocates for further liberalisation.

The liberalisation of hospital services have gone along with a widespread privatisation, which is comprised of different forms and variants (Maarse 2006, WHO Europe 2002). A widespread form of privatisation has been the outsourcing of non-medical operational activities such as laundry, catering, cleaning, security and administrative services. In some countries hospitals have gone even further and contracted out medical services as, for example, diagnostic testing or laboratory services (OECD 2006).

In order to involve private capital in the financing of new investments in public hospitals a further form of privatisation has been the development of public private partnerships (PPP). In PPP public authorities contract private companies for the renovation, building or running of hospitals (McKee et. al. 2006). In exchange for taking over the current costs of certain hospital investments the private companies usually receive long-term leasing and purchasing contracts with the public hospital provider. The use of PPP in hospitals has been most widespread in the UK which has introduced a special programme (the so called Private Finance Initiative) to promote PPPs (Pond 2006). However, most other European countries have had at least some experience with PPPs in hospitals.

In a further variant of privatisation the management of public hospitals receives greater or even full independence from the public authorities. As a first step most European countries introduced an organisational separation of the public purchaser and provider of hospital services. Furthermore, there has been a trend towards a corporatisation of public hospitals which changed their legal status so that they became companies under private law. Under increasingly competitive framework conditions public hospitals tend to use their legal independence to introduce similar management strategies as are practised in private for-profit hospitals.

Finally, there is the full material privatisation whereby public owners sell entire hospitals to private corporations. Among the countries involved in this study Germany is so far the only one in which a significant number of material privatisations have taken
place in recent years (Schulten 2006). In Austria, Poland and Sweden there have been only a very few experiences with material privatisations, while to date there have been no full privatisations in Belgium and the UK. In Austria, Poland and the UK some new private for-profit hospitals have been built from scratch, in Belgium some public hospitals were taken over by not-for-profit private hospitals.

To sum up, examining the current ownership structure of hospitals involved in the PIQUE project one gets the following picture (Table 27): In the countries with a strong public health system such as Poland, Sweden and the UK the overwhelming number of hospitals and hospital beds are under public ownership while so far private for-profit hospitals have played only a minor role. In the Bismarck countries, Austria, Belgium and Germany, the private not-for-profit companies are still in a very strong position - which in the case of Belgium even provide the majority of hospitals and hospital beds. Austria, Germany and the UK have a significant number of private for-profit hospitals which are often smaller clinics so that the number of hospital beds is still rather limited. However, in Germany there are also a couple of larger hospitals run by private for-profit companies.

Table 27: Ownership structure of hospitals in the PIQUE countries

<table>
<thead>
<tr>
<th></th>
<th>Public</th>
<th>Private not-for-profit</th>
<th>Private for profit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Austria (2005)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hospitals</td>
<td>45.8%</td>
<td>34.8%</td>
<td>19.3%</td>
</tr>
<tr>
<td>Beds</td>
<td>63.9%</td>
<td>28.3%</td>
<td>7.8%</td>
</tr>
<tr>
<td><strong>Belgium (2003)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hospitals</td>
<td>36.2%</td>
<td>63.8%**</td>
<td></td>
</tr>
<tr>
<td>Beds</td>
<td>38.7%</td>
<td>68.3%**</td>
<td></td>
</tr>
<tr>
<td><strong>Germany (2005)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hospitals</td>
<td>35.1%</td>
<td>38.2%</td>
<td>26.6%</td>
</tr>
<tr>
<td>Beds</td>
<td>52.3%</td>
<td>35.2%</td>
<td>12.5%</td>
</tr>
<tr>
<td><strong>Poland (2004)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hospitals</td>
<td>81.4%</td>
<td></td>
<td>18.6%**</td>
</tr>
<tr>
<td>Beds</td>
<td>95.8%</td>
<td></td>
<td>4.2%**</td>
</tr>
<tr>
<td><strong>Sweden (2007)</strong>*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hospitals</td>
<td>95%</td>
<td></td>
<td>5%</td>
</tr>
<tr>
<td><strong>United Kingdom (2006)</strong>*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beds</td>
<td>92%</td>
<td></td>
<td>8%***</td>
</tr>
</tbody>
</table>

* Since there are no official statistics on private hospitals for Sweden and the UK are estimated
** Figure includes a very small number of private for profit hospitals:
*** Most of them are private for profits hospitals
Source: National Statistics, own calculations
4.2. **Trade unions and employers’ organisations**

It is one of the basic characteristics of hospital services that they are particularly labour intensive. Accordingly, labour costs normally account for between two-thirds and three-quarters of hospital running costs (Buchan and O’May 2002). Since liberalisation and privatisation have put the hospitals under enormous pressure to improve their cost efficiency, the reduction of labour costs has become a top priority for hospital restructuring in all European countries. Thus, liberalisation and privatisation have had a strong impact on the development of labour relations in the hospital sector.

Traditionally, in most European countries labour relations in public hospitals have been part of the overall labour relation framework for the public sector. Apart from that, private not-for profit and for-profit hospitals have established their own labour relations regimes. However, wages and working conditions in private hospitals are often closely linked to the public sector developments (Grimshaw et.al. 2007). The changes to hospital labour relations induced by liberalisation and privatisation have shown significant differences from country to country and have been closely shaped by the specific national regulation and institutions of labour relations. However, the pressure for labour cost reduction has provoked some similar tendencies which could be found - although to varying degrees - in many European countries.

First, the most common instrument to reduce labour cost has been the contracting out of services which often went along with a significant deterioration of wages and working conditions for the affected employees. The outsourced sectors were usually separated from the collective agreements and work regulation of the ‘core’ hospitals workers and led to the establishment of a two-tier workforce. Secondly, in some countries the coordination between labour relations in public and private hospitals has become much weaker. Private hospitals might see the undermining of wages and working standards determined in the public sector as an opportunity to improve their competitiveness. Finally, in reaction to public budget problems but also to increasing competitive pressures from the private sector there have also been some significant changes within the public sector labour relations regime. In some countries there has been a gradual shift from centralised bargaining at national level towards more decentralised bargaining which gives public hospitals a greater degree of autonomy to regulate their working conditions and to depart from the public sector agreements.

In order to analyse the impact of liberalisation and privatisation on labour relations in the hospital sector for the six countries involved in this study, this chapter will first give an overview on the national trade unions and employers’ organisations that are involved. Then the collective bargaining structure and its development in the national hospital sectors will be analysed. Finally, there will be an examination of conflicts related to the liberalisation and privatisation of hospital services.

In all countries there is a relatively high number of trade unions which are involved in the hospital sector (Table 28). Usually the main general or public sector unions have sections for health and hospital workers. In addition, in most countries there are also independent professional unions - in particular for doctors and nurses. Moreover, in
Austria and Belgium public and private hospitals are covered by different trade union organisations.

Considering the high number and differentiated organisational structure of trade union organisations it is rather difficult to determine the overall trade union density in the hospital sector. For most countries involved in this study there is no official data available for trade union membership in hospitals. In the UK official data identifies a trade union density of 43.4% for “health and social workers” in 2006, this figure was 28.4%, which was clearly above the average union density (Grainger and Crowther 2007). In Germany estimations made by the Unified Service Union (Verdi) vary between 10% and 15% with a somewhat higher union density in larger public hospitals. In Austria trade union density shows a great variation - differing from more than 90% in hospitals provided by social security companies to well below 10% in smaller private clinics. Poland has an estimated trade union density in hospitals of about 50% which is surprisingly high in comparison to an average rate of only 14% in the overall economy (Kozek and Kubisa 2007). However, trade unions are concentrated almost exclusively in public hospitals while there is usually no union representation in private clinics. Finally, in Belgium and Sweden trade union density in hospitals is expected to be at least as high as in the average economy where the union density is 47% in Belgium and 77% in Sweden (European Commission 2006). Since the development of wages and working conditions in public hospitals are mostly determined by the overall development in the public sector, employees in hospitals also gain from the relatively high trade union density in the public sector which is in all countries significantly above the density in the private sector (ibid.).

83 The European Industrial Relations Observatory (EIRO) is currently carrying out a representative study for the European hospital sector. The results of that study should be available in spring 2008.
84 Information provided to the authors by Verdi.
Table 28: Main trade union organisations in the hospital sector

<table>
<thead>
<tr>
<th>Country</th>
<th>Public</th>
<th>Private not-for-profit</th>
<th>Private-for-profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>Union of Public Services (Gewerkschaft öffentlicher Dienst, GÖD)</td>
<td>Union of Salaried Private Sector Employees (Gewerkschaft der Privatangestellten Druck – Journalismus Papier, GPA-DJP)</td>
<td>Trade Union for Transport and Private Services (vida)</td>
</tr>
<tr>
<td></td>
<td>Union of Municipal Employees (Gewerkschaft der Gemeindebediensteten, GdG)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td>Public sector unions:</td>
<td>Private sector unions:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Algemene Centrale der Openbare Diensten/La Centrale Générale des Services Publics (ACOD/CGSP) affiliated with FGTB/ABVV confederation</td>
<td>Syndicat des Employés, Techniciens et cadres de Belgique/Bond der Bedienen, Technici en Kaders van Belgie (SETCa/BBTK) affiliated with FGTB/ABVV confederation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>ACV-Openbare Diensten/CSC-Services Publics affiliated with CSC/ACV confederation</td>
<td>Landelijke Bediensten Central (LBC) affiliated with ACV confederation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Vrij Syndicaat voor het Openbaar Ambt / Libre de la Fonction Publique (VSOA /SLFP) affiliates with the CGSLB/ACLVB confederation</td>
<td>Centrale Générale des Syndicats Libéraux de Belgique/Algemene Centrale der Liberale vakbonden van Belgie, (CGSLB/ACLVB).</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>Unified Services Union (Vereinte Dienstleistungsgewerkschaft, ver.di) affiliated with the DGB confederation</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Trade Union for Public Service Employees at municipal and federal state level (Kommunalgewerkschaft für Beamtte und Arbeitnehmer, Komba) affiliated with the DBB confederation</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>German Doctors’ Association (Marburger Bund – Verband der angestellten und beamteten Ärztinnen und Ärzte)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poland</td>
<td>Federation Trade Unions of Workers of Health Care and Social Safety Services, (Federacja Związków Zawodowych Pracowników Ochrony Zdrowia i Pomocy Społecznej ZZPOZIPS – OPZZ)</td>
<td>Independent and Self-Governing Trade Union “Solidarity” (NSZZ Solidarność) with different sections for health care professions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>National Trade Union of Nurses and Midwives (Ogólnopolski Związek Zawodowy Pielęgniarek i Położnych) associated with the Trade Union Forum (Forum Związków Zawodowych).</td>
<td>National Trade Union of Doctors (Ogólnopolski Związek Zawodowy Lekarzy)</td>
<td></td>
</tr>
<tr>
<td>Sweden</td>
<td>Municipal Workers’ Union (Kommuna) affiliated with LO confederation</td>
<td>Swedish Association of Health Professionals (Vårdförbundet) affiliated with TCO confederation</td>
<td>Doctors’ Union (Sveriges Läkarförbund) affiliated with SACO confederation</td>
</tr>
<tr>
<td></td>
<td>Swedish Association of Health Professionals (Vårdförbundet) affiliated with TCO confederation</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Doctors’ Union (Sveriges Läkarförbund) affiliated with SACO confederation</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>National Trade Union of Nurses and Midwives (Ogólnopolski Związek Zawodowy Pielęgniarek i Położnych) associated with the Trade Union Forum (Forum Związków Zawodowych).</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>National Trade Union of Doctors (Ogólnopolski Związek Zawodowy Lekarzy)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>United Kingdom</td>
<td>16 unions are members of the NHS Staff Side Council. The most important are General unions affiliated with the: UNISON, AMICUS, TGWU; GMB; UCATT and USDAW</td>
<td>Professional unions not affiliated with the TUC: Royal College of Nursing, British Medical Association; Royal College of Midwives</td>
<td></td>
</tr>
</tbody>
</table>

Source: Own composition
<table>
<thead>
<tr>
<th>Country</th>
<th>Public</th>
<th>Private not-for-profit</th>
<th>Private-for-profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>Public authorities at federal, federal states and municipal level</td>
<td>Association of Interest Representation of Austrian Confessional Hospitals and Elderly Care Homes (Verband Interessenvertretung von Ordenspitaltern und von konfessionellen Alten- und Pflegeheimen Österreichs) Austrian Social Insurance for Occupational Risks (AUVA – Allgemeine Unfallversicherungsanstalt)</td>
<td>Association of Austrian Private Hospitals (Verband der Privatkrankenanstalten Österreichs)</td>
</tr>
<tr>
<td>Belgium</td>
<td>Public authorities at federal and regional level</td>
<td>Caritas-Catholica Vlaanderen Fédération nationale des associations médico-sociales Association Belge des Hôpitaux Confédération belge des établissements privés de soins de santé Coordination Bruxelloise d’Institutions sociales et de santé Association francophone d’Institutions de Santé Federation des Institutions Hospitalières</td>
<td>( \ldots )</td>
</tr>
<tr>
<td>Germany</td>
<td>Bargaining Association of German Federal States (Tarifgemeinschaft deutscher Länder, TdL) Municipal Employers’ Association (Vereinigung kommunaler Arbeitgeberverbände, VKA)</td>
<td>Employers’ bodies of Christian churches and welfare organisations (Diakonie, Caritas, Red Cross etc.)</td>
<td>German Association of Private Clinics (Bundesverband Deutscher Privatkliniken, BDPK)</td>
</tr>
<tr>
<td>Poland</td>
<td>Public authority at national level</td>
<td>Association of Health Services Managers (Stowarzyszenie Managerów Opieki Zdrowotnej) All- Poland Association of Non- Public Self - Governmantal Hospitals, (Ogólnopolskie Stowarzyszenie Niepublicznych Szpitali Samorządowych) associated with Polish Employers Confederation (Konfederacja Pracodawców Polskich</td>
<td>Polish Private Hospitals Association (Ogólnopolskie Stowarzyszenie Szpitali Niepublicznych), OSSN associated with Polish Employers Confederation (Ogólnopolskie Stowarzyszenie Szpitali Niepublicznych) All-Poland Association of Employers in Private Health Care System (Ogólnopolski Związek Pracodawców Prywatnej Służby Zdrowia) associated with Polish Employers Confederation (Konfederacja Pracodawców Polskich)</td>
</tr>
<tr>
<td>Sweden</td>
<td>The Swedish Association of Local Authorities and Regions (Sveriges Kommuner och Landsting, SKL)</td>
<td></td>
<td>Association of Private Care Providers (Vårdföretagarna) Pacta employers association affiliated with SKL</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>Department of Health NHS Employers</td>
<td>( \ldots )</td>
<td>( \ldots )</td>
</tr>
</tbody>
</table>

Source: Own composition
The mixed structure of hospital providers is mirrored by a differentiated landscape of employers’ organisations representing the hospital sector (Table 29). As far as public hospitals are concerned the employers’ function has either been taken over directly by the public authorities at national, regional or municipal levels or has been kept by particular public employers’ associations. In the UK all public hospitals are affiliated to NHS Employers. In Austria, Belgium and Germany, which have a relatively large non-profit sector, the hospitals are represented by a comprehensive number of associations and welfare organisations. Austria, Germany and Poland also have special employers’ associations for private-for-profit hospitals. In Sweden there is an employers’ association for private care providers which also represents the relatively small number of private-for-profit hospitals.

4.3. Collective bargaining

In all countries involved in this study public hospitals are part of the overall collective bargaining or wage formation process of the public sector. The only exception is the UK where there is a separate collective bargaining system for the National Health Service (NHS) which covers all public hospitals. In recent years Poland has also seen more separate negotiations for the public health sector.

Collective bargaining in the public sector is still characterised by some specific features which distinguish them from the private sector (Bordogna 2007). First of all, in many countries the right to bargaining is still rather limited, since it is the state which finally determines wages and working conditions by statutory regulation. Among the countries covered by this study this holds true for Austria, Belgium, and Poland as well as for civil servants in Germany. In the UK it is also the government which does have the final say over the level and timing of the pay increase, but it is not set by statutory legislation. In contrast, free collective bargaining which leads to legally binding agreements takes place only in the Swedish and the German public sector (in the latter only for non-civil servants’ employees). However, all countries have a more or less formalised system of negotiations which usually has de facto a strong influence on the determination of employment conditions in the public sector.

In Austria there are regular pay negotiations between the unions and the state at national level. These negotiations usually conclude with an informal agreement for a certain wage increase which afterwards is legally put into place by the public authorities at the various levels. In Belgium trade unions and public authorities conclude collective agreements at national level which are complemented by additional agreements at regional level. Although these agreements have no legally binding status, in practice they determine wages and working conditions. In Poland ad hoc negotiations have taken place between the unions and the national government which, however, often did not lead to an agreement so that in the end the state unilaterally imposed certain changes in wages and working conditions.

In the UK the NHS staff council and the NHS employers have concluded a collective framework agreement for the whole public health sector which defines the pay structure
and basic working conditions. However, regular pay increases are not determined by collective bargaining but by the NHS Pay Review Body which is composed of a group of “independent” experts. The NHS Pay Review Body makes regular recommendations for wage increases in the NHS which afterwards are usually taken over by the government. Nevertheless, both employers and trade unions try to influence the Pay Review Body by making their own wage claims.

In Germany collective agreements are concluded for non-civil servants in the whole public sector including employees in public hospitals. In the past the government took the results of these agreements and transferred them almost completely to the civil servants. In recent years, however, this link has become much weaker. Among the countries in the survey Sweden is the only one where the wages and working conditions of all public sector employees are subject to free collective bargaining. There is a three-level collective bargaining system according to which basic wages and employment standards are negotiated within national agreements for the public sector covering all activities at regional and municipal level including public hospitals. In addition, complementary negotiations take place at local and company level, so that single hospitals can have their own agreements.

There are significant differences regarding the employment status and collective bargaining coverage for hospital employees in the respective countries. In Belgium, for example, all doctors are self-employed and have their individual contracts with the hospitals so that they are not covered by collective agreements. In Sweden, there are traditionally different collective agreements for blue-collar, white-collar and academic staff which also hold true for hospitals. In the UK there are different pay review bodies for doctors and other NHS staff. In Poland there are separate negotiations between government and doctors and government and nurses trade unions. Finally, in 2006 the German doctors’ association achieved for the first time separate collective agreements for doctors which have been included in the overall public sector agreements.

As far as private hospitals are concerned, most countries have a rather fragmented collective bargaining structure with multi and single employer agreements or no agreements at all. The most comprehensive system exists in Belgium where all private (not-for profit) hospitals are covered by the inter-professional agreements for the private sector which lay down the overall margin for wage increases. In addition there are collective agreements at sectoral level covering all private hospitals. In future there will be also separate agreements for private hospitals in the Flemish and in the Walloon region. In Austria there is a sectoral agreement for private for-profit hospitals and various company and multi-employer agreements for non-profit hospitals. The few Swedish private hospitals are mostly covered by the sectoral agreement for private health care. In Germany private hospitals are mostly covered by company agreements or have no agreements at all. As far as church-related hospitals are concerned there are no collective agreements but unilateral working directives which are imposed by the employers after consultation with employees’ representatives. The latter is a result of the fact that Christian churches in Germany have a special legal status in the organisation of labour relations. Finally, in Poland and the UK private hospitals are usually not covered by any collective agreements. In the UK there are no collective agreements in the private hospital sector as none of the health service unions are recognised as negotiating partners.
### Table 30: Collective agreements in the hospital sector

<table>
<thead>
<tr>
<th>Country</th>
<th>Public</th>
<th>Private not-for-profit</th>
<th>Private-for-profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>Public hospitals are part of the public sector which has no collective agreements but where employment conditions are subject to unilateral state regulations. There is a system of informal negotiations which have a strong influence, for example, on regular pay increases.</td>
<td>There are various company and multi-employer agreements for non-profit hospitals.</td>
<td>There is a sectoral agreement for private hospitals.</td>
</tr>
<tr>
<td>Belgium</td>
<td>Public hospitals are covered by the national collective agreements for the public sector with additional agreements at regional and local level; these agreements are not legally enforceable but have to be transposed by the government into legislation.</td>
<td>Non-profit hospitals are covered by the inter-sectoral agreement for the private sector. In addition there is a sectoral agreement for private hospitals concluded by the joint committee No. 305.01. In future there will be further agreements at regional level (joint committees No. 330-332).</td>
<td>./.</td>
</tr>
<tr>
<td>Germany</td>
<td>Public hospitals are usually covered by the collective agreements for the public sector at the level of the federal states and the municipalities. Hospitals which are organised by the Christian churches have no formal collective agreements but informally negotiated arrangements according to their special status in the organisation of labour relations. Other non-profit hospitals have company agreements or no agreements.</td>
<td>The big private hospital chains have company agreements either for the entire corporation or for every local clinic. Smaller hospitals have either company agreements or no agreements.</td>
<td></td>
</tr>
<tr>
<td>Poland</td>
<td>Employment conditions are usually subject to unilateral state regulations. There are ad hoc negotiations between the state and the unions which sometimes lead to (legally non-binding) agreements. Some public hospitals have collective agreements at company level.</td>
<td>Private hospitals have no collective agreements</td>
<td></td>
</tr>
<tr>
<td>Sweden</td>
<td>There is a three-level bargaining system with national agreements for the regional and municipal sector (including public hospitals), agreements at local level and agreements for individual hospitals.</td>
<td>Sectoral agreement for private health care services</td>
<td></td>
</tr>
<tr>
<td>United Kingdom</td>
<td>There is a national framework agreement for the National Health Service (NHS) which covers all public hospitals. Within national Pay Review Bodies employers and trade unions give recommendations for regular pay increases which are finally decided by the government.</td>
<td>There are no collective agreements in the private hospitals as none of the health service unions are recognised as negotiating partners</td>
<td></td>
</tr>
</tbody>
</table>

Source: Own composition
To sum up, in all countries almost 100% of all public hospitals are covered by formal or informal agreements in the public sector (Table 31). In private hospitals the bargaining coverage is relatively high in Austria, Belgium, Germany and Sweden and very low in Poland and non-existent in the UK. Considering the whole hospital sector there is a two-tier labour relations regime dividing public and private hospitals.

### Table 31: Bargaining coverage in hospitals

<table>
<thead>
<tr>
<th></th>
<th>Public</th>
<th>Private not-for profit</th>
<th>Private for profit</th>
<th>Separate agreements for different professions within hospitals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>100%</td>
<td>High</td>
<td>High</td>
<td>None</td>
</tr>
<tr>
<td>Belgium</td>
<td>100%</td>
<td>100%</td>
<td>Low</td>
<td>Hospital doctors are self-employed and therefore not covered by collective agreements</td>
</tr>
<tr>
<td>Germany</td>
<td>&gt; 90%</td>
<td>High</td>
<td>High</td>
<td>Yes, for hospital doctors</td>
</tr>
<tr>
<td>Poland</td>
<td>100%</td>
<td>Low</td>
<td>High</td>
<td>Yes, for hospital doctors and hospital nurses</td>
</tr>
<tr>
<td>Sweden</td>
<td>100%</td>
<td>Low</td>
<td>High</td>
<td>Yes, for blue, white-collar and academic staff</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>100%</td>
<td>none</td>
<td>none</td>
<td>Different pay review bodies for doctors and other NHS staff</td>
</tr>
</tbody>
</table>

Source: Own composition

#### 4.4. Liberalisation and privatisation and its impact on labour relations

In almost all countries involved in this study labour relations in the hospital sector have become much more conflictual in recent years, often including strikes and industrial action. These conflicts were often related to changes in the system of hospital financing and the political decision to introduce capped hospital budgets which did not leave enough room for adequate pay increases in line with the rest of the economy. Moreover, under the pressure to save labour costs the employers have often forced hospital staff to accept lower pay and a deterioration in working conditions. In some countries there have also been some strong conflicts which were directly related to the privatisation of hospital services whereby trade unions have tried to organise resistance against the contracting-out of services or even the full privatisation of public hospitals. Finally, the political promotion of competition among hospitals has made it clear that the lack of sector-wide regulation, collective agreements or at least coordination of wages and working conditions is becoming increasingly problematic. There is a clear danger that the existence of different labour relation regimes for public and private hospital might end up by creating a downward competitive spiral of labour costs.

In Austria the fragmented collective bargaining structure in the hospital sector provides a high potential for competition on labour costs. So far, collective bargaining in private (not for profit and for-profit) hospitals has oriented itself to the developments in the public sector and usually provides similar regular pay increases. According to
information provided by the Austrian trade unions, the collectively agreed minimum wages in private hospitals can be up to 20% below the determined wages in the public sector. However, private hospitals usually pay an additional rate above the collectively agreed minimum standards so that de facto there are still rather similar wage levels in private and public hospitals.

In Belgium the latest major bargaining conflict in private (not-for profit) health care took place in 2004 and 2005 when the trade unions demanded significant pay increases, shorter working hours and the hiring of more staff (Lovens 2004). The conflict lasted more than one year until a new collective agreement was reached. In the meantime there were various demonstrations and industrial action at local level, interspersed with wider-ranging strikes when only a system of minimum services was provided (Rochet 2005). In addition Belgian trade unions linked the collective bargaining conflict to a broader campaign against the “commercialisation” of health care. Since Belgium has an encompassing collective bargaining system, competition over labour cost between public and private hospitals is still rather limited, although average wages in public hospitals are around 10% higher than in private clinics. In order to prevent labour cost competition in future, the Belgian trade unions have also tried to coordinate their bargaining policy in public and private hospitals.

In Germany liberalisation and privatisation has led to increased competition between hospitals, with far-reaching consequences for labour relations and collective bargaining. The massive outsourcing of non-medical services staff in public hospitals usually went along with a withdrawal from the public sector agreements and the establishment of a two-tier workforce (Jaehrling 2007). Moreover, private hospitals tried to detach the regulation of working conditions from the standards provided by public sector agreements. The private not-for profit hospitals, which in the past had taken over more or less the standards of the public sector, started to lose this relationship, in particular by introducing new low wage grades. After the sale of a public hospital to a private for-profit provider, the new private owners usually terminate the public sector collective agreement and try to conclude a new company agreement (Schulten 2006).

On average labour costs in private for-profit hospitals are around 10% lower than in public hospitals (Schulten 2006). The differences in labour costs are most pronounced for non-medical services workers and nursing assistants while there are almost no differences in the payment of doctors. As a result, the overall wage dispersion is much higher in private hospitals. In order to limit labour cost competition between hospitals, more recently the trade unions have tried – at least with partial success - to conclude agreements with private hospitals which contain similar wages and working conditions to those in the public sector. Apart from that, trade unions often play an important role in local anti-privatisation alliances which fight against the privatisation of hospitals.

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85 Information provided by a representative of the Austrian trade union vida in a telephone interview on 24th October 2007 (see also Lindner 2005).

86 According to figures provided for PIQUE by the Belgian Crossbank for Social Security.
A rather different situation can be found in Poland where the health system is chronically under-financed, since the amount of the GNP spent on health care is among the lowest in Europe. In recent years the lack of financial resources has led to an increasing number of conflicts between the state and health care employees whose wages are rather low in comparison to other occupations in Poland. In 2007, the pay dispute escalated when doctors and nurses demanded significant wage increases of up to 30% and organised a wave of social protests, strikes and industrial action (Czarzasty 2007). The poor funding of the Polish healthcare sector and the low wage levels have also promoted an increasing labour migration of Polish doctors and nurses to Western Europe, so that there is a growing shortage of skilled labour in hospitals. Against this background even some unions as, for example, the National Trade Union of Doctors, are calling for a privatisation of health care services and hospitals in order to overcome the crisis in the public heath care system. Although there is no information available on wages and working conditions in private hospitals, it seems to be very likely that they are better than in public hospitals because of the labour shortage– at least for skilled employees.

In Sweden the relatively small number of private hospitals is covered by a separate collective agreement for private health care which, however, provides similar wages and working conditions as in the public sector. At the St Göran hospital, which was one of the most prominent hospital privatisations in Sweden in the late 1990s, the first private care agreement included working standards below the public sector. Since there is a strong belief in Sweden that hospitals should not compete on wages and working conditions, the St’Göran hospital was finally forced to accept a better agreement. The resistance to privatisation of hospitals among trade unions and politicians led to the adoption of the so-called “stop-law” in 2000 which prohibited the sale of public acute hospitals to private for-profit providers. However, this law was abolished in July 2007 by the current centre-right government, so that there might be some further privatisations in future. Considering the encompassing collective bargaining system, as well as the high union density, the Swedish labour relations regime has relatively good preconditions to avoid competition on labour costs.

Since contracting out and public private partnerships have been the major forms of hospital privatisation in the United Kingdom the main related conflict in labour relations has been the development of a two-tier workforce whereby a growing number of hospital employees were no longer covered by the agreements of the National Health Service. The trade unions run a “fair wage campaign” and demanded the same wages and working conditions for NHS and outsourced employees (Bach and Givan 2005; 2007). As part of the so-called “Warwick Agreement” in 2005 the unions and the Labour government reached a principle commitment to end the two-tier workforce in public services. In the same year the unions and the Department of Health concluded an agreement with private contractors that hospital cleaners, porters and catering staff

87 Information provided by union representatives at St’Görans hospital.
would, in future, receive the same pay and working conditions as NHS staff (Bewley 2006).

As far as private for-profit hospitals are concerned information from a survey on behalf of the Royal College of Nursing (RCR) using Labour Force Survey data on earnings suggests that average pay for nurses in the private sector is around 20% lower than that in the NHS (Pike and Williams 2006). However, these figures may not be comparing like for like and the private sector statistics may include many low-paying nursing homes rather than hospitals. Another RCN survey indicates that there is less dissatisfaction about pay in private sector hospitals than in NHS hospitals and this may be attributed to differences in workload (Ball and Pike 2007). Since private clinics are usually not covered by collective agreements they might use the opportunity to undermine the NHS standards. On the other hand, the shortage of doctors and other high-skilled workers might set an incentive to provide even better standards. Since there is no joint sector-wide regulation for hospital workers in both public and private clinics, there is a potential for more competition on labour costs in future.

In addition to the fight against the possible negative effects of liberalisation and privatisation on wages and working conditions, most trade unions in the UK are also politically campaigning against further privatisation of the NHS. Under the slogan “Keep our NHS public” the trade unions, together with other political and social organisations, launched a campaign to clear up the economic, social and health effects of privatisation and criticised the government’s promotion of further privatisations in the public health service (http://www.keepournhspublic.com/index.php).

Comparing the impact of liberalisation and privatisation on labour relations in the hospital sectors all countries involved in this study give evidence for the possible development of two-tier labour relations both at company level within single hospitals as well as at sectoral level between public and private hospitals. Both tendencies can be seen as an expression of growing competition on wages and working conditions in a rather labour intensive sector. To what extent the latter will become really effective depends not only on the political regulation and limitation of the privatisation process but also on the structure of the national labour relation regimes. Countries with more encompassing collective bargaining systems and higher union density as, for example, Belgium and Sweden, seem to have much better preconditions to limit labour cost competition than countries with more decentralised and fragmented bargaining structures such as Germany or the UK. However, as the example of the UK has shown, there is also the possibility to re-regulate labour relations in order to end two-tier workforce models.
CONCLUSIONS

The focus of research in this study is the question: Does liberalisation lead to competition based on lowering wages and other labour costs?

In general this question can be affirmed. Labour cost reductions primarily have been made possible by reductions in personnel in the context of extensive reorganisation measures at the incumbent monopolists (especially in the electricity and postal sectors). In addition, the detailed analyses of the impact of liberalisation and privatisation on changes in wage levels and wage differences often reveals the establishment of two-tier wage structures at the incumbents and wage dumping between new competitors and the incumbents.

However, there are exemptions: cases that were either due to re-regulation of market liberalisation measures (e.g. local public transport in Belgium, the hospital sector in the UK, the letter market in Germany) or to flexible collective bargaining structures (Belgium and Sweden). These indicate that the fragmentation of labour conditions and the deterioration of minimum standards can be limited. It is an examination of these exemptions that can provide political alternatives.

The impact of liberalisation certainly depends on the political conflicts over market regulation. One factor influencing the varying pace of the liberalisation process might be the strategies undertaken by national governments to promote national interests in protecting their own markets against competition and making privatisation- and reorganisation measures for its (future) incumbents affordable, while demanding further liberalisation in other EU countries. In addition new liberalisation directives of the EU-Commission have been prevented and disarmed at EU level by the national governments (e.g. with regard to local public transport) or at local level by legal conflicts and municipalities’ creative interpretations of public tendering guidelines of the EU-Commission (e.g. in the public local transport sector). Anti-privatisation campaigns and protests by the unions have failed almost everywhere (and as a compromise often led to new two-tier wage structures) – apart from some successful examples at local level (e.g. the strong increase of local referendums in Germany against the privatisation of municipal infrastructure in the last years).

Nevertheless, our analyses commenced with the assumption that, despite important differences in labour relations in the past, there were some general characteristics that were characteristic of collective bargaining structures in the public sector in most European countries. These include high levels of union membership, extensive

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88 The aim of the report is to provide the empirical basis for a policy paper, which will be focused on political perspectives. This “Policy Paper: Perspectives for labour relations in public services” and further results of the PIQUE project can be downloaded at www.pique.at.
bargaining coverage and relatively homogenous employment and working conditions, even though bargaining was based on informal processes in several cases.

Indeed, these characteristics have been increasingly put into question with the liberalisation and privatisation of public services. The basic working hypothesis of the report has been that privatisation and liberalisation lead to the emergence of new labour relations regimes (LRR) which have no - or only weak - links to the old LRR of the public sector. This holds true in particular for collective bargaining and the determination of wages and working conditions. Since many service sectors are rather labour-intensive (the electricity sector is an exemption in this respect), companies tend to transfer market pressure to the workforce and try to overcome their former “privileged” public sector LRR.

Hence, one of the general findings is an increasing decline of union power, a fragmentation of the bargaining structures and subsequent employment and wage conditions within the former monopoly suppliers (e.g. two-tier wage structures between new and old employments after privatisation or liberalisation and between employees with and without civil servant status) as well as between the former monopoly suppliers and the new competitors. In several sectors and countries new competitors are covered by no or different collective agreements and profit from lower employment standards (lower wages and longer or more flexible working hours).

Due to the lack of a common level, the competition in these sectors threatens to start a downward spiral with the result that some providers use wage dumping as a method to increase their competitiveness. On the other hand our findings show that some countries and sectors are more successful in establishing equal employment conditions. To sum up, if downward competition on wages and working conditions should be avoided there is a strong need for a sector-wide social regulation.

As far as the sectors are concerned the findings are as follows:

**Postal services sector**

In most countries the liberalisation and privatisation of postal services led to a massive reduction in employment. The former monopolistic postal companies are usually no longer part of public sector agreements but have settled their own company agreements. Labour relations in the newly established postal companies vary from country to country: While collective bargaining and coordination at sectoral level are relatively strong in Belgium and Sweden, all other countries have a rather fragmented bargaining structure with company agreements or no agreements at all. Without sectoral regulation there is a strong potential for wage dumping which so far has occurred specifically in Germany.

**Local public transport**

All countries have seen some formal and (partial) privatisations of local public transport companies and outsourcing measures. A strong fragmentation of former local public
transport companies and collective bargaining structures has emerged. Wage dumping is possible on the basis of collective agreements. Often extreme wage differences have been observed between public and private owned companies as well as between new and old employment. Staff reduction is not as relevant as in other sectors. The exemptions regarding wage dumping are Belgium and Sweden which have comprehensive collective agreements at sectoral level.

**Electricity sector**

Liberalisation measures have, for the most part, led to a decline of public ownership and higher market concentration by large private suppliers. Outsourcing measures are common. Compared to other sectors, in the electricity sector the changes in bargaining structure have been rather modest. Nevertheless, due to reorganisation measures and mergers there have been massive job reductions. On the other hand the wage level is still very high in the production segment but lower in the retail part of the electricity chain (e.g. in utilities). With the exemption of outsourcing measure and personal cuts LRRs seem to be more powerful than in other sectors (bargaining structures remain largely intact and bargaining coverage is still extensive).

**Hospital sector**

In the hospital sector liberalisation has taken the form of a general commercialisation of health services. In most countries the dominant form of privatisation is still the contracting out of services which is often accompanied by a deterioration of wages and working conditions. So far Germany is the only country where a significant number of public hospitals have been sold to private providers. Labour relations in public hospitals are usually still part of the public sector LRR. There are sectoral agreements for private hospitals in Austria, Belgium and Sweden. The other countries have either company agreements or no agreements at all. Depending on the national labour market situation wages and working conditions in private hospitals can be either lower or higher than in public clinics.
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