

TRADE UNION RESPONSES TO CROSS-BORDER
COMPETITION IN THE ENLARGED EU:
EVIDENCE FROM THE AUTOMOTIVE
AND CONSTRUCTION SECTORS

by

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Abstract

This dissertation explores under what conditions West and Central-East European trade unions cooperate with each other. It focuses on the automotive industry, which is a critical case for East-West labor transnationalism in view of the importance of cost comparisons among car plants in different countries. The analysis of Polish-German union relations at three car and car component manufacturing companies, Volkswagen's engine plants, GM and MAN, shows that the German unions sought to establish cooperative links with their Polish counterparts in the areas subject to cross-border comparisons, when no national negotiation channels were available to them and thus the danger of underbidding by the cheaper Polish plants was particularly high. The Poles, in turn, cooperated in exchange for the Germans' support, only if they expected to benefit more from the Western assistance than from local solutions. Alternatively, they did not hesitate to utilize their comparative advantage of lower wages and inferior working conditions to attract new production.

The resulting cooperation was based on reciprocal exchange. The Germans helped the Poles build up their organizations and assisted them during disputes with the local management, whereas the Poles committed themselves not to underbid the Germans during investment distribution rounds. Overall, East-West European labor transnationalism was guided primarily by cost-benefit considerations. The evidence on GM unions' reactions to the economic crisis of 2008-2009 corroborates this assertion, showing that German employee representatives used enhanced government access to secure the interests of their sites at the cost of other locations, which led to deep divisions in the once unified cross-border GM labor front.

The last chapter tests the above arguments against evidence from the construction sector, in which the inflow of CEE workers to West European labor markets constituted a major source of competitive pressure. It shows that the mechanism governing interactions between Polish and German construction unions resembled the one identified in the car industry. Specifically, the scope of cooperation remained narrower due to the German union's attachment to national solutions and limited gains derived by the two Polish organizations from participating in migrant workers' assistance schemes.

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Introduction

Cross-border labor cooperation is hardly a new concept. In the nineteenth century, trade unions belonged to undisputed ‘champions of internationalism’ (Logue 1980: 7), placing the unification of the world’s working people on top of their agenda. The classical Marxist writings did not only assume commonality of interests among industrial laborers in different countries, but also argued that the struggle for the realization of joint goals would lead to the formation of common workers’ identity. Cross-border activities undertaken in the period of the First and the Second International, as well as symbols of international labor organizations to a great extent reflect this early course towards an ‘imagined universal class’ (Hyman 1999: 94).

In the twentieth century labor internationalism lost most of its previous appeal. During WW1 and in its aftermath, labor movements across Western Europe assumed an important position in the political economic systems of their countries. In exchange for mitigating workers’ discontent and preventing their radicalization during periods of economic hardship, they were granted the right to bargain collectively and won major improvements in working conditions. Following WW2, many West European states witnessed a historic compromise between capital and labor, as the latter offered industrial peace and steady demand for industrial products and gained income stability, better working conditions and extensive social provisions within national welfare states. In the golden years of corporatism, these labor-capital exchanges orchestrated by the state would bring tangible gains to union constituencies. At the same time, they diverted the organizations’ interests and resources away from cross-border activities, turning labor internationalism into a distant, elusive goal.

In the last decade of the twentieth century, however, the first cracks began to appear on West European countries' corporatist structures. The transnationalization of financial markets and the expansion of industrial production beyond nation state boundaries enabled employers to escape local compromises and thus avoid high costs incurred by such deals. Even if they have not completely withdrawn from national settlements, an exit option allowed them extract far-reaching concessions on the workers' side. The state's role as an arbiter between capital and labor also greatly diminished due to a growing role of supranational decision-making, while the choice of liberalization and deregulation as EU integration's leading principles put the ideological foundations of corporatist settlements under considerable strain.

These profound changes mirror the developments in the capitalist system prior to the period of labor's national embeddedness. At the same time, they point to a growing need for unions to coordinate their actions across borders. This necessity stems from at least two factors, closely corresponding with two basic functions of labor movements. First, in regard to the economic dimension of union activity, cross-border cooperation constitutes an alternative, but increasingly important channel to secure the basic level of working conditions within multinational companies (MNCs) and to prevent the management from playing off employees at different production sites against each other. Second, as argued by Wood (2006: 1) unions can be considered as 'agents for democracy', acting as interest-aggregating bodies and providing workers' political representation (see also Erne 2008; Stevis and Boswell 2007). Since the balance of power relations shifted significantly in favor of capital, it is the unions' task to make sure that the voice of 'vast numbers of the earth's <have-nots> and a large number of <have-somes>' (Turner 2003: 2) is still heard within the transnationalized European and global

economy. Bringing the economic and political dimension together, it is difficult to deny the need for cross-border union activism. But what factors make labor organizations ‘go transnational’?

Addressing the above question, this dissertation focuses on a setting that seems least conducive to the emergence of labor transnationalism. It seeks to identify conditions for the emergence of cross-border links between West and Central-East European (CEE)¹ unions in the automotive industry, where competitive pressure emanating from production internationalization on one hand and from East-West labor cost differentials on the other has been particularly high. To this end, it examines the relations between Polish and German labor representatives at Volkswagen’s engine plants and at GM and MAN. Despite important similarities between the firms, the timing and intensity of unions’ cooperative ventures varied significantly across the three cases, thus providing important insights into the question of why and under what conditions Western and CEE unionists cooperate with each other.

Union relations at Volkswagen’s (VW) engine plants took a form of reciprocal exchanges between Polish and German unionists. While the Poles committed themselves not to take over extra production from the German sites in the middle of the products’ life cycle, the Germans secured new investments at the Polish site and supported the local *Solidarność* unit in the course of its dispute with the local management. Union cooperation was based solely on gentlemen’s agreement between plant-level union leaders, but it nevertheless involved effective coordination and was sustained for a long period of time.

The GM case study first reconstructs cooperative links among West European unionists, developed in reaction to the management’s whipsawing practice and the related threat of restructuring and plant closures. It then shows how, in the absence of the above concerns, Polish

¹ The terms ‘Central-East European states’ (CEE) and ‘new EU member states’ refer to the eight postcommunist countries that joined the EU in 2004. ‘Old EU member states’ are West European countries that were EU members before the 2004 EU enlargement.

employee representatives abstained from cooperation and ensured the growth of their facility thanks to local concessions. Finally, it traces a shift in East-West European union relations from mutual underbidding to the formulation of a joint bargaining strategy during the Astra IV's investment site selection process, which provided for mutually beneficial exchanges between the Poles and the Westerners, thus making the case similar to that of VW's engine plants. Further evidence suggests, however, that labor transnationalism at GM remained fragile and did not fully replace concession bargaining at West European sites. It also excluded areas in which Polish workers' interests would suffer as a result of cross-border cooperation.

Lastly, MAN is an instance of labor transnationalism's failure. For most of the examined period, German unionists were struggling to prevent the relocation of bus production to Poland, but they also made modest attempts to create a platform for cross-border exchanges with Polish and Turkish employee representatives. In view of direct competition over production capacities and the resulting interest conflict between workers at Polish and German sites, however, cross-border union cooperation did not emerge. Instead, the Easterners did not hesitate to utilize their comparative advantage of lower wages and inferior working conditions when this channel proved more efficient in attracting new production to their site.

Drawing of the results of the empirical research, I explain the variation in cooperation patterns between Polish and German automotive unionists and, in more general terms, between Western and CEE labor representatives, through a dynamic interplay of the *structural features* of CEE manufacturing industries, the *interests* of workers in old and new EU member states and the *strategies* employed by trade unions to cater to these interests.

The point of departure for the main argument is a scholarly assertion regarding the specificity of a current wave of the automotive industry's expansion to the postcommunist

region. Contrary to initial predictions, the inflow of foreign direct investments (FDI) to CEE car sectors did not result in the establishment of factories manufacturing low value-added products for West European vehicle producers. Since the late 1990s, automotive sites in CEE have been experiencing a well-documented shift towards higher value-added production, accompanied with the closing of the West-East productivity gap. Similar developments can be traced in relation to manufacturing as a whole, which makes it possible to apply the causal mechanism identified in this study to the analysis of union relations in other industries and country configurations.

The FDI-led upgrading of CEE manufacturing competences resulted in the launch of parallel production at ‘old’ and ‘new’ Europe’s locations, which however was accompanied by significant East-West labor cost differentials. This intra-firm heterogeneity of wages and working conditions became a matter of concern for West European unionists since it increased their non-cooperation costs, i.e. costs that would be incurred by Western workers if cross-border underbidding between Western and CEE plants prevailed. Consequently, in the areas exposed to inter-plant performance comparisons, in which they could not make use of national strategies, the Westerners had an interest in coordinating with their CEE counterparts. Even though the threat of underbidding had existed earlier among West European locations, the creation of parallel CEE sites modified the rules of intra-company competition, as a loss associated with the failure to coordinate with the Easterners would be much higher than during previous ‘West-West’ benchmarking rounds.

As for the CEE side, I argue that workers employed in FDI-led industries in the postcommunist have not yet faced relocation and disinvestment threats to an extent known from West European locations but instead welcomed new production inflows in the aftermath of painful economic transition. Any engagement in cross-border cooperation with the Westerners

was preceded by an analysis of costs and benefits derived from transnational coordination *vis-à-vis* alternative, national strategies. Accordingly, CEE unionists cooperated with their West European counterparts only in exchange for assistance, be it investment guarantees, protest support or organizational help, when their goals could be achieved to a fuller extent through cross-border cooperation than through plant-level negotiations or mere compliance with the management's demands.

All in all, the unavailability of national solutions was a key variable behind East-West European union exchanges. It served as a 'push' factor for West European unionists, eager to regain control over the spheres subject to international benchmarking. At the same time, it 'pulled' CEE labor organizations onto the transnational arena, making them seek for Western unions' support when new investments and/or organizational growth could not be secured via national channels. The resulting cross-border union cooperation was interest-driven: the Westerners got reassured that that Easterners would not underbid them, while CEE unionists used the advocacy of their stronger West European colleagues to improve working conditions and/or to create new job opportunities at their sites. Similar to exchanges between West European unions, however, East-West European labor transnationalism was highly dependent on the set of goals pursued by individual union organizations and national alternatives available to them at a given time point. In this respect, it remained far from the nineteenth century ideal: even though it catered to the workers' economic interests and increased their influence on corporate affairs, it was prompted by cost-benefit considerations rather than by solidaristic sentiments.

This dissertation consists of six chapters. Chapter 1 starts with the study's background, puzzle and research question. It then discusses the literature on factors underlying labor transnationalism and outlines the main elements of the research design.

Chapter 1 is followed by three empirical chapters, each taking a form of a case study examining interactions between Polish and German unions at a different automotive company. Chapter 2 studies union relations at Volkswagen's engine factories, where cross-border cooperation was most advanced. Chapter 3 explores East-West union interactions at GM, portraying a shift from mutual underbidding to cross-border coordination based on reciprocal exchange. Chapter 4 presents the case of MAN's bus unit, where unions failed to cooperate across borders.

The presentation of empirical evidence is followed by an analytical Chapter 5, which identifies the mechanism behind cross-border union exchanges in the East-West automotive context, discusses the generalizability of the findings as well as the relevance of other cooperation factors. The last section illustrates the impact on 2008-2009 economic crisis on union relations by reconstructing GM employee representatives' reactions to a planned, but eventually not concluded sale of Opel to a Canadian-Russian consortium Magna/ Sberbank.

Chapter 6 examines whether the logic governing East-West union exchanges in the automotive sector is valid outside the manufacturing context. To this end, it reconstructs Polish-German union relations in the construction sector, where the 'import' of cheap CEE labor constituted a major source of competitive pressure. The chapter concludes that unions' interactions followed the mechanisms identified on the basis of the car industry evidence. Specifically, the scope for reciprocal exchanges in construction remained narrower in view of the German union's adherence to national solutions and limited gains derived by the two Polish unions from their engagement in migrant-targeting schemes.

The concluding part summarizes the findings, presents the contribution of the study and points to its limitations. It also outlines alternative scenarios for the future of East-West European labor transnationalism and gives suggestions for further research.

Chapter 1. Cooperation: against all odds?

1.1. Introduction

This chapter presents the background of my study and its research design. It starts by outlining the main obstacles to cross-border labor cooperation and highlighting the specificity of the competition-ridden East-West European context. Then it provides evidence for East-West European union liaisoning, which serves as a basis for the puzzle and the research question. Subsequently, the chapter discusses the literature on factors underlying labor transnationalism and points to a number of shortcomings inherent in the existing explanations. Finally, it sets out important elements of the research design, such as case selection, the definition of main concepts, time frame of the study and data sources.

1.2. Puzzle and research question

The last two decades have shown how difficult it is for trade unions in Europe to pursue joint strategies across borders. There has been relatively little progress in social dialogue at the EU level, not least due to the lack of coherence on the labor side (Keller and Sörries 1999; Falkner 2003). In a similar vein, only a minority of European Works Councils (EWCs), forums created to provide employee interest representation at MNCs operating in the EU, have moved beyond formal meetings and symbolic exchanges (Marginson et al. 2004; Kotthoff 2006). In the industrial relations literature, two sets of arguments have been developed to account for the

sluggish progress of European labor transnationalism. On one hand, institutionalists assert that despite an increasing pressure on national systems of interest intermediation, unions in Europe remain embedded in the political economic structures of their countries and continue targeting nation states to defend workers' rights (Ebbinghaus and Visser 1997). This strategy might prove successful since some states still act as powerful allies of their working classes (Silver 2003). At the same time, unions lack incentives to 'go European' given the limited competence of EU's supranational bodies in the social sphere (Streeck 2001). Further impediments to labor transnationalism stem from employers' low organization rates at the supranational level and a modest role assigned to EU-level industrial relations institutions such as the EWCs, which merely supplement national structures of interest representation instead of replacing them (Streeck 2003). As a result, both 'push' and 'pull' factors that would stimulate labor activism beyond nation state boundaries appear to be missing.

Interest-based accounts, on the other hand, point to the detrimental impact of regime competition on labor transnationalism, arguing that workers at different locations are engaged in a zero-sum game when competing over new investments. Hancké (2000) and Pulignano's (2006) analyses of cross-border union relations in the West European car industry suggest that in the era of transnationalized production, individual plant representations tend to opt for the improvement of their own position within the company at the expense of their colleagues abroad and thus against the spirit of cross-border labor solidarity. Unions may even go as far as to offer wage concessions in order to secure employment or future investment at their site. Zagelmeyer (2000: 1) gives an interesting interpretation of such contracts, presenting workers and management representatives concluding them as 'brothers in arms' in a struggle for local competitiveness.

Efforts at the company level might be viewed as part of a wider strategy to restore or sustain ‘national competitiveness’², referred to by Rhodes (2001: 165) as ‘competitive corporatism’.

The above difficulties besetting labor transnationalism are not confined merely to the West European setting. One could expect that cross-border union relations in Europe will become even more strained with the intensification of economic links between West European countries and their Eastern neighbors. Specifically, the integration of ten significantly cheaper CEE countries into the European production networks should heat up cross-border rivalry over future investments and capacity distribution, diminishing the prospects for the emergence of a unified labor front across the enlarged EU.

After an initial period of postcommunist recession, CEE states quickly became attractive FDI locations. FDI inflows to the region were due mainly to the combination of two sets of characteristics: favorable industrialization legacies, skill structures and stable institutional environment (Bohle and Greskovits 2007) on one hand and low remuneration levels and collective agreements coverage, as compared to Western Europe, on the other (see Table 1 below). These factors are regarded as particularly important for efficiency-seeking investments, which constituted a dominant group among the FDI inflows to CEE countries in the pre-EU accession period (Marginson and Meardi 2006).

² But see Krugman (1994) for problems related with the use of the microeconomic concept of competitiveness to the analysis of the economy as a whole.

Table 1. Average hourly labor costs, trade union density and collective bargaining coverage in selected CEE and West European countries

Country	Average hourly labor costs in euro		Trade union density (% of the workforce)		Collective bargaining coverage (% of the workforce)	
	1996	2006	2000	2005	2000	2006
Belgium	n.a.	31,58	49,3	51,5	96	96
Germany	22,90	27,20	24,6	21,5	63	63
France	22,52	30,25	8,3	8,6	95	95
Sweden	23,12	32,16	80,1	76	91	92
Spain	14,43	15,77	16,7	15	81,4	83
Poland	2,95	6,03	18	12,7	43	40
Czech Republic	2,80	7,14	24	21	43,9	49,6
Hungary	2,86	6,34	24	18,7	36,5	32
Lithuania	1,32	4,21	21,4	13,2	18	11
Slovakia	2,16	5,33	36,4	30,06	48	48

Source: Eurostat (2009); European Commission (2008)

In view of the considerable wage and labor cost gap between CEE and West European countries, many industrial relations scholars and policy practitioners viewed the CEE ‘newcomers’ as a danger to social standards and industrial relations practices, or even to the very industrial base of old EU member states. Voices in support of this thesis became particularly salient in the eve of the first round of EU enlargement to the East. It was claimed that labor cost differentials between sites located in Western and CEE would extend the scope for ‘coercive comparisons’ within MNCs, allowing the management to intensify cost-cutting pressures at

individual sites and exacerbating a pan-European ‘race to the bottom’ in regard to wages and working conditions (Vaughan-Whitehead 2003). Not only labor-hostile management strategies, but also potentially divergent workers’ interests were expected to spur East-West rivalry. In many manufacturing sectors, West European laborers struggled to keep production at home, whereas CEE workers directly profited from relocations and FDI inflows and thus had an incentive to retain lower wages and inferior working conditions as their competitive advantage (Telljohann 2005). As for the industries’ *Drang nach Osten*, recent studies show that production transfers from old to new EU member states have been relatively rare (see e.g. Galgóczi et al. 2006). However, an increase in capital’s bargaining power stemming from a mere threat of exit to low-wage countries as well as potential disinvestments in the West following the rise of CEE locations have been widely discussed within West European labor movements. These debates intensified after major relocation cases that attracted public attention in ‘old’ Europe and raised popular fears of job outflow to the East (Bohle 2008; Lindstrom 2008).

The expectation of intensified competition between workers from old and new EU member states put into question the possibility of reconciling their interests and creating a Europe-wide platform for union cooperation, be it at the EU or company level. The differing standards and industrial relations practices across the enlarged EU made Marginson (2006: 12; emphasis in original) conclude that

‘the 2004 enlargement both exacerbates the scope and nature of regime competition within Europe’s integrated market *and* threatens to stall the further Europeanization of the institutions and processes of labor market regulation’.

It must be noted that the author refers primarily to EU-level initiatives such as the European social dialogue and the workings of European Trade Union Confederation (ETUC) by pointing to the weakness of CEE confederal and sectoral union structures. Simultaneously, he sees more potential in cross-border union liaisons at the plant-level due to the socialization between West and CEE EWC delegates. Such a course of events, however, is not at all evident in view of the risk of distributional East-West labor conflicts that he and other authors discuss. Unionists' lacking intercultural and linguistic competences depicted by Stirling and Tully (2004) and Kotthoff (2005) only add to the problems besetting East-West labor transnationalism. Against the background of these difficulties, one should expect that East-West European context will not be conducive to the emergence of transnational union cooperation. Given CEE workers' comparative advantage of lower wages, it is more plausible to assume that they will assume the role of a 'Trojan horse' (Meardi 2002: 77) in the enlarged EU, putting a downward pressure on Western remuneration levels and taking away productive capacities (and indirectly jobs) from their West European counterparts.

Yet contrary to the pessimistic outlook, transnational cooperation did emerge between CEE and West European labor organizations. As suggested by a brief overview of union activities presented below, their joint activities were not limited to official dinners and symbolic declarations of solidarity. Instead, unions launched extensive information exchange, assisted each other in the process of organizing and became involved in cross-border collective action.

At the confederal level, for example, CEE and West European labor jointly mobilized against the draft Directive on services in the Internal Market, which aimed at liberalizing service flows within the EU (see section 6.5.4). CEE unions backed their West European counterparts in their opposition to the initial version of the act and rejected the so-called country of origin

principle, even though it would give temporary advantage to CEE companies and self-employed individuals wishing to offer their services in the West at lower prices. CEE unions justified their decision by arguing that they did not want their fellow workers to introduce unfair competition within old EU member states' labor markets (Śniadek in EPSU 2006; OS KOVO 2005). They were also aware that the destruction of West European social standards and collective bargaining systems would close the prospects for upward convergence of working conditions in CEE (B1 2006; OPZZ 2006). The elaboration of common position was followed by joint anti-Directive protests in Brussels (2005) and Strasbourg (2006), which signaled the consensus among the European labor over the desired shape of 'social Europe' and led to the rejection of the Directive's most contested provisions by the European Parliament.

The sectoral level also witnessed 'vital bilateral union networking' between West and CEE unions (Kahancova 2008: 6), which took a form of training activities initiated by West European labor activists in support of their less experienced CEE counterparts. Swedish, Dutch and Belgian unions were particularly active in this respect, assisting their CEE colleagues in recruitment and providing systematic advice concerning collective bargaining techniques (Kahancova 2008; SI1 2007). The German metalworkers' union *IG Metall* hired a Polish-speaking officer at its Berlin-Brandenburg-Saxony district, responsible for organizing courses for Polish unionists at *IG Metall*'s Berlin-Pichelsee training center. During the meetings, the Poles would become acquainted with differences between Polish and German industrial relations setups, *IG Metall*'s collective bargaining strategies, as well as with EU legislation on employee information and consultation. A separate series of seminars would bring together Polish and German unionists from the same companies prior to the establishment of the EWCs, which prepared the ground for their future cross-border cooperation (personal communication with

Maria Scholz 2008). Sectoral-level meetings of German and CEE unionists would also take place within Cross-Border Collective Bargaining Committees (Gollbach and Schulten 2000). These, in turn, helped develop particularly close links between *IG Metall*'s Bavarian district and Czech, Hungarian, Slovenian and Slovak labor activists. Since the conclusion of the so-called Wiener Memorandum in 1999, they have been exchanging information on collective bargaining results in their countries and initiating cross-border projects focusing on temporary work, precarious employment and working time flexibility (Neugebauer 2008). Beyond the metalworking sector, West and CEE unions would engage in bilateral projects aiming at upholding wage standards among CEE migrant workforce. In 1999, for instance, Polish and German unionists jointly monitored working conditions of Polish laborers employed at the construction of an express train line between Frankfurt and Cologne (Kahmann 2005; see section 6.5.2).

Last, but not least, East-West union cooperation seems to be taking root within MNCs. There is growing evidence of assistance offered by West European unionists in establishing labor organizations at their companies' CEE subsidiaries. The Swedish Woodworkers' Union, for instance, launched a project that aimed at organizing workers at Polish Ikea/Swedwood plants, as a result of which eleven out of fourteen plants became unionized (SII 2007). In a similar vein, German works councilors would often intervene when their CEE colleagues experienced difficulties in creating a union at their firms' subsidiaries (Tholen et al. 2007). Unionists from new and old EU member states continue to socialize within EWCs, where open hostility has rarely been reported (Kotthoff 2005). Instead, as documented by Meardi (2004), CEE unionists profit from their presence in these bodies, using the information they obtain from the central management in negotiations with local company representatives. They also circumvent the local management and achieve desired improvements in work organization and working conditions

through direct intervention at company headquarters. Overall, Meardi's evidence suggests that EWCs serve as a tool for improving working conditions at CEE subsidiaries rather than an arena of East-West rivalry.

Already this brief overview of union interactions shows that the East-West European setting featured a variety of cooperative initiatives undertaken at all levels of union organization and across different national contexts. The fact that such links emerged in the competition-driven post-EU enlargement setting runs counter the predictions of earlier scholarly writings and serves as an interesting empirical puzzle. Hence, in my dissertation I tackle the following research question: *why and under what conditions do West and CEE unionists cooperate with each other?*

1.3. Available explanations of labor transnationalism

The literature identified a number of preconditions for cross-border union cooperation in the West European context. In this section, I review recent studies on the topic and identify three sets of approaches that can be useful in accounting for East-West European labor transnationalism. I respectively refer to them as structural, socialization and interest-based explanations.

To begin with, a number of authors underscore the importance of structural variables for cross-border union activism. Bieler (2005) posits that employees representing the industries in which the production process is organized on a transnational basis have a higher propensity to cooperate across borders than their counterparts in 'domestic' sectors, such as healthcare and education. He substantiates his argument by claiming that the former have a longer and more

intense experience with globalization; most importantly, they have lost the ability to confront capital from national positions. Kotthoff's (2006) study offers similar conclusions. In the EWC sample examined by the author, the presence of active transnational labor representation coincided with cross-border organization of firms' activities and the resulting high degree of interconnectedness between sites located in different countries. A further important factor was the presence of a separate management division responsible for all European operations, which could serve as a bargaining partner (Marginson et al. 2004). Similarly, Arrowsmith and Marginson (2004) argue that the imposition of common HR practices across sites in different countries might further increase the coherence of transnational union representation, prompting the creation of a unified labor front *vis-à-vis* the management.

But the structural explanations suffer from two related limitations. First, if it was only the structural interdependence between the sites that brings about labor cooperation, we should witness a proliferation of unions' cooperative initiatives, proportional to the speed at which companies are internationalizing. The fact that such an 'explosion' of labor transnationalism has not taken place suggests that additional factors have to be present for cross-border union cooperation to emerge. The second objection to the structuralist theories addresses their implicit assumption regarding the alleged commonality of workers' interests. A mere similarity of production processes across borders does not entail the coalescence of localized employee representations' interests; it might well spur rivalry between individual production sites and force them to dance to the management's tune. By recognizing these two limitations, it does not come as a surprise that in the real world of union politics the instances of cross-border coordination have so far been relatively rare.

An interesting variant of the structural argument was developed by authors analyzing the activities of EWCs dominated by unions from the company's country of origin. As claimed by Lecher et al. (1999) and Kotthoff (2006), such bodies might be very effective in representing the interests of sites located in other countries if home country unions use their privileged access to the central management to bring up the concerns of overseas locations, provide them with first-hand information on company affairs and insist on shaping transnational restructuring processes in a socially responsible way. According to the author, although no common identity is formed around EWCs dominated by home country labor representatives, their role as the 'spokesmen of the diaspora' (Kotthoff 2006: 64) should be viewed as a genuine instance of cross-border cooperation.

Other studies suggest, however, that home country unions might be reluctant to 'service' their counterparts from other countries. Empirical research shows that in the first years following the EWC Directive's enactment, EWC incidence was the highest at companies whose workers enjoyed minimal codetermination rights, such as those from the UK or Ireland (in 50-60% of firms), whereas at companies based in Germany, France or the Netherlands, EWCs were only half that common (20-30%; Marginson et al. 1998, as cited by Kotthoff 2006). This results seem surprising at first, but in fact suggest that the 'best informed' unions are not interested in creating transnational union forums given that they obtain all relevant data through national access channels. Case study evidence seems equally disillusioning. As shown by Lecher (1998, as cited by Kotthoff 2006), home country unions might be tempted to use their superior knowledge of company affairs against overseas locations. Alternatively, they offer their assistance only when the interests of home country sites are secured. In 2006, for instance, Volkswagen's EWC dominated by German unionists supported an employee protest at VW Forest site in Belgium,

which was threatened with closure due to serious capacity reductions. A few days before the negative decision concerning the Belgian factory, however, VW had announced a plan to increase production volumes at the German Wolfsburg plant. The Forest location was eventually saved, but an interviewed Belgian car unionist representing the ACV-SCC federation ironically referred to the German unionists' role in the dispute as 'fifty-fifty union solidarity' (BCH 2008).

The ambiguity related to the role of home country unions stems from the fact that few studies try to explain under what conditions they are willing to support their foreign colleagues. In this respect, Whittall's (2000) article is a notable exception. When accounting for the assistance offered by German BMW unionists to their British colleagues at Rover, the author argues that the former were concerned with possible negative consequences of Rover's bankruptcy for BMW, which owned the brand. They also feared that lower remuneration levels and inferior working conditions at the UK subsidiaries might be used by the management to exert a downward pressure on social standards at Germany's BMW plants. This suggests that stronger home country unions might be ready to share information across borders and cooperate with their foreign counterparts when such exchanges lie in their own interests (In this concrete case, the Germans became the spokesmen British colleagues in order to uphold the firm's social standards and secure its economic position). Whittall's interesting claim needs further empirical testing and will be given special attention in this dissertation, given that the 'social gap' between German and CEE countries (see section 1.4.1) resembles that between Germany and the UK.

Recognizing the limits of the structural approaches, a number of researchers argue that union cooperation emerges as a result of socialization between labor representatives from different countries. Marginson et al. (2004) show that EWCs with the strongest influence on the management's decisions can be found at enterprises pursuing uniform HR policies, which at the

same time featured active union networking. Similarly, in his study on workers' responses to two transnational mergers and related restructuring measures, Erne (2008) argues that only the company at which labor representatives had known each other before the merger witnessed cross-border collective action. Analyzing recent cooperation initiatives at GM, Gajewska (2008) claims that 'each successful dispute or action brought the workers together and strengthened the relationship, in turn developing into more institutionalization and socialization' (2008: 116). Repeated interactions, in turn, led to the internationalization of common values and the creation of a common identity (Gajewska 2009; see also Greer and Hauptmeier 2008a). Greer and Hauptmeier (2008b), on the other hand, suggest that the presence of a charismatic union leader in the role of the EWC chair strengthens the internal coherence of transnational union representation and increases the prospects for the formulation of joint positions *via-à-vis* the employer on transnationally relevant issues such as restructuring or investment allocation.

But again, the socialization arguments are not without problems. First, when Gajewska (2008: 118) claims that each dispute 'brought workers together and enabled collective learning', the question arises of why the workers got together in the first place. An explanation formulated along the lines: 'they cooperated because they knew and trusted each other' introduces an element of circularity into the argument; it suggests that cooperation emerges as a result of (earlier) cooperation, which is a tautological statement that blurs the independent and the dependent variable. Second, empirical evidence shows that socialization and networking do not necessary override inter-plant competition. Pulignano's (2006) account of West European labor strategies at GM's European Employee Forum (EEF), which is often portrayed as one of the most active EWCs, demonstrates that alongside with their transnational engagement, plant-level union representations continued to forge concession deals with the local management, which

essentially repeats Hancké's (2000) pessimistic conclusions. As a result, it seems that just like in the case of the structuralist explanations, socialization alone can explain neither the emergence nor the subsequent development of cross-border cooperation.

Finally, the third group of labor transnationalism's accounts can be referred to as interest-based approaches. Their classic formulation traces back to the writings of Logue (1980) and Ulman (1975). In his theoretical analysis of cross-border labor cooperation, Logue asserts that trade unions, like other interests groups, pursue the economic interests of their members. With the transnationalization of business activities, workers are increasingly subject to pressures originating beyond the state boundaries; to address these concerns, unions are compelled to enter the supranational arena. From this perspective, cross-border union coordination can be regarded as a joint effort to minimize the competitive pressure exerted on national workforces rather than an exercise in transnational solidarity: as put by Ulman (1975: 9), 'each potential national participant must be able to regard such activity as serving its own immediate interests or ultimate self-interest'. The author further argues that it is not enough to look at unions' incentives to 'go transnational' to assess the potential for their cross-border activism. Instead, one should also consider alternatives to labor transnationalism – national political economic institutions through which 'firms' economic power might be countered' (Ulman 1975: 26), such as collective bargaining over jobs and investments and/or the government's industrial policies.

Building on Logue and Ulman's arguments, Fetzner (2008a) offers an interesting interpretation of recent cooperative initiatives undertaken by the West European GM unionists. Since no union enjoyed a privileged access to the company's headquarters, the danger of production cuts and plant closures was relatively evenly 'distributed' between all locations. Eager to attenuate the threats and at the same time deprived of alternative channels, employee

representatives from different sites joined their forces in opposition to the management's pressures, demanding equal distribution of restructuring burdens and future investments. Through their transnational engagement, however, each union catered to the interests of its own constituency.

The above theory could be seen as both theoretical and empirical extension of Hancké's (2000) competitive account presented in section 1.4.1. Union relations at the same company were adversarial in the 1990s, when competitive benchmarking was introduced for the first time, but they took a more cooperative turn since the beginning of the 2000s decade, when inter-plant 'beauty contests' became the rule of the day. Through the introduction of a long-term horizon, the game that the actors played was not any longer a one-shot, but rather an infinitely iterated Prisoner's Dilemma. Consequently, their interactions followed Axelrod's (1990:11) anticipation that 'with an indefinite number of interactions, cooperation can emerge'.

Still, it seems that Fetzner's argument cannot account for the emergence of East-West European labor transnationalism. It rests on the assumption that threats emanating from the company's cost-cutting and restructuring plans are evenly 'distributed' between all production locations, which however did not hold in the East-West European context in the period examined in my study. Wages and working conditions at 'new' Europe's factories were inferior to those at West European localities; as a result, company-wide cost reduction programs did not affect them to such an extent as 'old' Europe's plants. By the same token, CEE unionists could expect that they would not be omitted during product allocation rounds in view of their sites' considerable cost advantage.

To be sure, some authors argue that CEE production capacities might be gradually relocated further to the East, but three sets of arguments suggest that this is rather unlikely in the

foreseeable future. First, as claimed by the sectoral literature, capital intensive investments such as those in the automotive sector usually have a medium or long-term time horizon due to their high initial costs (Greskovits 2005). Second, a continuous shift towards more skill-intensive operations and higher value-added production, characteristic for CEE manufacturing sectors, as well the establishment of research and development (R&D) facilities across the region signals Western firms' long-term commitment to the 'new' Europe. Third, possible labor costs savings resulting from production transfer further east would be offset by higher transport and logistics costs of getting the ready products back to West European markets.³ The industry's low propensity to relocate from CEE corroborates the claim that the threat perception was not equally spread across manufacturing locations in old and new EU member states and hence leaves CEE sites beyond the scope of Fetzner's theory.

The above overview of the existing literature offers two sets of conclusions. First, while the different approaches bring up factors that are potentially relevant for labor transnationalism, they do not specify a causal mechanism behind unions' cooperative efforts. Second, the theories accounting for cross-border coordination among actors from homogeneous settings such as the high-wage West European countries might be of little use in the East-West European context. Consequently, while the research documented in this thesis is informed by the above-presented approaches, it recognizes the need to evaluate their explanatory power and to identify links that might exist between them. It also seeks to account for the new empirical reality resulting from the economic integration of high- and low-wage countries of 'old' and 'new' Europe.

³ I owe this remark to HR manager at MAN Trucks factory in Niepołomice, Poland (MMN 2008).

1.4. Research design and methodology

1.4.1. Case selection

While assessing the potential for cross-border cooperation between Western and CEE unions, looking at the automotive sector might be particularly instructive. It is a highly transnationalized industry, in which few major MNCs compete on spatially limited markets. It is also the sector of CEE economies that has absorbed a particularly high level of FDI since the early 1990s, both of a brownfield and greenfield character. Last, but not least, both in new and old EU member states, automotive unions are strong enough to make transnational commitments (Anner 2003).

On the other hand, while analyzing market trends and structural features of the European car sector, Hancké (2000) asserts that its competitive dynamics precludes cross-border union cooperation. The author argues that in the automotive industry, cost savings can be easily imposed on sites located in different countries thanks to inter-plant benchmarking, with individual locations competing over investments and production capacities by offering cuts in wages and concessions regarding secondary working conditions. The employer might exert this type of downward pressure using the following mechanism:

‘Management would start by singling out one plant as a pilot bargaining area for changes in working time and work organization. The agreement concluded in this <most favorable> setting (for management) was then, in the next round, presented to every other plant in the company as a minimum standard. These other plants had no alternative but to follow the suit, since they might otherwise find themselves in an unfavorable position in the next round of model planning’ (Hancké 2000: 45).

Hancké shows the competitive benchmarking mechanism at work by exploring the activities of West European automotive unions in the 1990s, i.e. in the period when restructuring and cost-cutting programs in the sector were for the first time accompanied by explicit transnational comparisons of costs and performance (Fetzer 2008b). But the car industry's expansion to CEE has created a setup that in many ways resembles the West European automotive landscape of the 1990s. Given that the sector's structural problems related to growing overcapacities had remained unresolved, the launch of car production in CEE has only enlarged the group of locations among which the 'investment pie' is to be shared. Following Hancké's reasoning, one could expect that automotive MNCs that invested in CEE will not only exploit the comparative advantage of lower labor costs at their new locations, but will be also inclined to use them to exert a downward pressure on West European wages and non-wage provisions. The costs-cutting drives following the 'eastern enlargement' of the European car industry will be based on the same mechanism as restructuring processes in Western Europe in the 1990s; the only difference will be that this time CEE production sites will be chosen by the management as 'most favorable' locations, at which cost-cutting measures can be launched in the first place and later extended to the 'old' Europe's factories. This implies a high potential for distributive conflicts between Western and CEE car plants and a high degree of rivalry between their workforces. From this perspective, the car sector constitutes a critical case for East-West European labor transnationalism, least conducive to the emergence of cooperative links between labor representative from old and new EU member states.

To check the validity of the above argument, I focus on relations between Polish and German automotive unionists. Germany is the biggest automotive producer among old EU member states. In 2008, over 6 million new vehicles left the country's car plants, while over 700

automotive suppliers catered to the needs of final assemblers. With 19% share in Germany's manufacturing output in 2006 and 1.4 million jobs directly or indirectly related to vehicle production, the sector is viewed as 'a pillar of the national economy' (ACEA 2006; see Table 2 below). In Poland, car manufacturing represents over 10% of the industrial production. In 2008, car plants located in the country produced nearly 1 million vehicles and, together with component firms, employed nearly 200,000 people. In this respect, Poland is similar to Hungary, Slovakia and Czech Republic – other postcommunist states belonging to the so-called Visegrád Group, in which the share of car and car components production also accounts for around 10% of the total manufacturing production (ACEA 2006).

Table 2. Automotive production in Germany and Poland in 2008

Dimension	Germany	Poland
Direct employment	756,500	188,000
Total production of motor vehicles	6 ,045,730	992,000
Share of passengers' cars production in total motor vehicles production	5,532,030	864,200

Source: PAIiIZ (2009) for Poland and VDA (2009) for Germany

Furthermore, there is a high level of interdependence between the two countries' car industries. Together with other Visegrád countries, Poland absorbed the bulk of German FDI coming to the

postcommunist region (Nunnenkamp 2004). Nearly one-third of German companies investing in Poland chose car and machine building sectors, which made these industries the most favored destination among FDI originating from Germany (AHK 2004). As a result, car and car parts constitute the largest group among Polish exports to Germany (PAIIZ 2006), while Poland's Western neighbor serves as the prime importer of these product groups among the old EU member states (Samar 2008).

In the period of the analysis, the countries' structural interdependence was accompanied by considerable wage and labor cost differentials. The Polish-German cost gap could be observed not only in relation to manufacturing as a whole (cf. Table 1), but was also very clear in the car sector. In 2004, hourly labor costs in the industry exceeded €34 in Germany, but stood merely at €4.80 in Poland (Blöcker and Jürgens 2008). In effect, the chosen setting was exposed to cost comparisons between West and CEE sites and thus highly conducive to concession bargaining based on the mechanism presented earlier in this section.

In the Polish-German context, I examine union relations at three automotive companies: VW's engine division, GM and MAN bus unit. All three firms have significant capacities in Germany but also invested heavily in Poland in the late 1990s, during the second wave of the car industry inflow to CEE, which was characterized by export orientation and a shift towards high-quality production. As a result, their Polish subsidiaries produce vehicles and parts similar to those manufactured at West European locations. The characteristics of VW, GM and MAN's plants in the two countries are presented in Table 3 below.

Table 3. Polish and German subsidiaries of VW, GM and MAN

Company	Subsidiaries in Poland and Germany	Employment levels/ change	Unionization rate
VW engine plants	Salzgitter (GER)	6,300	> 90%
	Chemnitz (GER)	1,000	83%
	Polkowice (PL)	1,150	80%
GM/ Opel	Bochum (GER)	9,200 (2004) => 5,000(2008)=> 3,800 (2011*)	> 90%
	Rüsselsheim (GER)	7,000 (2008)=> 6,100 (2011*)	> 90%
	Eisenach (GER)	1,800 => 1,500 (2011*)	80%
	Gliwice (PL)	2,000 (2003) => 2,800 (2007) => 2,000(2009) => 2,800 (2011*) * forecast	30%
MAN bus units	Salzgitter (GER)	1,400 (2006) => 0 (2007)	>90%
	Poznań (PL)	850	30%
	Starachowice (PL)	900 (1999) => 2,400 (2007)	40 %

Source: Corporate press sources and the author's interviews with local union representatives. 2011 forecasts based on ERM (2010).

1.4.2. Cross-border union cooperation – conceptualization

Despite a growing scholarly interest in labor transnationalism, cross-border labor cooperation⁴ has not yet been conceptualized in the industrial relations literature. Recent studies on the topic document the broadest possible range of union activities, perhaps in view of the fact that transnational union exchanges had for a long period remained an understudied phenomenon (Fetzer 2008b). At the same time, however, they often interpret superficial contacts between labor organizations and non-binding declarations as exercises in cross-border union coordination.⁵ A similar problem arises in relation to the normative aspect of the labor transnationalism scholarship. As the neoliberal turn in the European economy since the mid-1980s is often portrayed as an attack on labor rights and codetermination mechanisms, many authors believe that labor resistance to it *should* take place. This normative tone appears for instance in neo-Marxist writings, which take union interest in cross-border liaisoning as given (cf. Bieler 2008a, Bieler 2008b). It is also characteristic for statements and press releases issued by supranational union organizations, such as ETUC or European Industry Federations (EIFs), which aim to convince the public opinion that concerted resistance against neoliberal policies is taking root at the EU level.

The above discussion suggests that the term ‘cross-border union cooperation’ is widely used and sometimes even abused, which only highlights the need to clarify its meaning. Rather than constructing arbitrary definitions, I have built up the concept by systematically reviewing the instances of cross-border union exchanges depicted in the industrial relations literature. On

⁴ This dissertation uses the terms ‘transnational/ cross-border cooperation’ and ‘labor transnationalism’ interchangeably.

⁵ EU-level coordination of wage bargaining belongs to the areas in which the discrepancy between union declarations and actions is particularly striking. Erne’s (2008) analysis of national wage bargaining results against the background of European wage coordination targets clearly illustrates this gap but the author nevertheless claims that there is a potential for union cooperation in this sphere.

the basis of secondary sources and primary evidence⁶, I have clustered cross-border labor activities into three categories that denote varying stages of development of transnational links, the growing amount of resources devoted to transnational actions and increasing cross-border commitments:

- 1 - *transnational contacts*, including information exchange on sector or company affairs, the organization of industrial relations systems in unions' home countries etc., as well as non-binding declarations of solidarity;
- 2 - *education and training projects*, involving joint programs and seminars;
- 3 - *transnational cooperation*, encompassing ad-hoc actions such as strike support, joint protest actions *vis-à-vis* the employers, as well as the pursuit of a common strategy in the area of product allocation, capacity sharing and collective bargaining.

While the first two types of ventures might in principle result in coordinated action, the initiatives falling within the third cluster involve concrete commitments on labor's side and have direct implications for plant-level bargaining and/or investment allocation patterns. As a result, even though this dissertation documents all three types of union exchanges, only activities from the third group are regarded as instances of transnational union cooperation.

To go further, a distinction should be made between the mere willingness to cooperate and the actual pursuit of a joint strategy. This dissertation adopts Hancké's (2008) outcome-

⁶ I reviewed all issues of *European Journal of Industrial Relations* and *Transfer* published in the period between January 1998 and September 2010. In my MA thesis, I conducted a comparative analysis of relations between Polish and German unions in the construction and metal sectors, relying to a significant extent on primary sources. In May and June 2007, I studied archival materials documenting transnational links established by the two biggest Polish confederations, Solidarity and OPZZ, and conducted a number of semi-structured interviews with their International Relations officers. I also analyzed pan-European labor mobilization against the draft services Directive.

related conceptualization of transnational union cooperation, which can be justified by two sets of arguments. First, a positivist inquiry can examine only observable implications of actors' actions; actors' intentions, on the other hand, cannot be observed. Second, classifying attempts of cooperation or instances of failed cooperation as 'cooperation' might lead to false causal inferences. By putting an equality sign between 'attempts to cooperate' and 'cooperation', one constructs a counterfactual referring to the likely results of the joint union actions if a certain hindrance was not encountered by the involved unions. It is difficult to determine, however, whether the failure was due to the external factors or to the actors' reluctance to coordinate. If the latter was the case, it would be wrong to label their activities cooperation.

1.4.3. Time frame of the analysis

This dissertation examines cross-border union initiatives undertaken in the period between 1998 and mid 2008. The choice of the starting date is not incidental; as indicated in the introduction, the late 1990s witnessed a turn in MNCs' investment strategies in CEE towards export orientation and efficiency-seeking. As a result, many enterprises, including the three examined firms, launched parallel production at its West and CEE subsidiaries. One can expect that in the period characterized by the East-West output similarity, the impact of competitive pressure on plant-level unions' strategies will be particularly salient. The rivalry should be particularly heated due to the significant labor cost differentials between new and old EU member states that persisted over the examined decade and began to narrow only after 2006, when CEE labor markets tightened (cf. Meardi 2007).

Furthermore, throughout the examined period the manufacturing sector in general and the car industry in particular was marked by a relative stability of growth and profit strategies. Despite temporal problems related to the stagnating demand and structural difficulties faced by individual producers, carmakers did not experience major downturns resembling the crisis of the early 1990s or that of late 2008-2009. Crises tend to create exceptional circumstances that considerably change actors' behavior, reshaping both the temporal perspective of their actions and their very goals; it is the time 'when old relationships crumble and new ones have to be constructed' (Gourevitch 1986: 9). For this reason, even though West and CEE unions' reactions to the 2008-2009 decline are briefly presented in Chapter 5 at the example of GM, this period lays beyond the analytical focus of my project.

1.4.4. Methodology and data sources

This dissertation employs a multiple embedded case study method (Yin 1992). Three automotive companies displaying important similarities in regard to the cross-border production organization and the national composition of their workforces have been chosen for the inquiry (see subsection 1.4.1. for details). Within each case, plant-level unions at Polish and German locations serve as distinct units of analysis.

The case studies are based on a variety of data sources. The bulk of empirical evidence was gathered in the course of over fifty semi-structured interviews conducted between 2007 and 2009 with unionists at the companies' Polish and German subsidiaries, and, if relevant, with project coordinators and labor activists at the sectoral level. Additional interviews took place

outside the Polish-German car setting and involved meetings with Belgian automotive sectoral and plant-level labor representatives and Polish and German construction unionists.⁷ Interview data was triangulated with other sources, such as press releases, company publications and union documents, in order to ensure robustness (Gillham 2000; Hancké 2009). While reconstructing the trajectory of VW's international expansion and early instances of cooperation between West European GM unionists, I made use of the rich secondary literature on the two firms. Additional data was obtained through participant observation during my factory visits as well as plant workforce meetings (*Betriebsversammlungen*), international conferences and training seminars for Western and CEE unionists that I have attended in the course of my research.

⁷ See Appendix for the interview list.

Chapter 2. Volkswagen's engine plants: transnational cooperation and local bargaining

2.1. Introduction

This chapter examines the impact of production internationalization on the strategies of Polish and German unionists at Volkswagen's engine plants. It shows that while German unionists from the Salzgitter factory strove to secure employment levels and future investments via pacts with the company management, they simultaneously built alliances with their Polish colleagues in areas not covered by such agreements. Specifically, they were reassured that the Poles would not take over strikebreaking work or accept temporary production transfers that would negatively affect capacity utilization at the West German location. The Poles committed to the above in exchange for organizational assistance and the support of their Western counterparts during investment site selection talks. Inter-union exchanges also benefited workers from the company's engine factory in Chemnitz. By coordinating with the Poles, they minimized the threat of inter-plant underbidding; Salzgitter works councilors, in turn, became their powerful allies involved in corporate decision-making.

The case study offers three sets of conclusions. First, it shows that even exceptionally strong home county unionists, such as *IG Metall* officials at VW, employ new strategies and 'go transnational' when their sites become vulnerable to cross-border cost and performance comparisons. Second, it illustrates the reciprocal character of exchanges between Polish and German union representatives. Finally, it shows that cross-border coordination efforts at VW ran

parallel to union-management negotiations at the company level. This suggests that labor transnationalism is unlikely to override the practice of local bargaining; on the other hand, however, it might oblige the unionists to refrain from local deals that negatively affect investment prospects and employment levels at foreign locations.

2.2. Company profile⁸

Volkswagen was founded in 1937 by the fascist German government, which intended to create a car brand affordable for every citizen – ‘people’s car’ or ‘the car for the nation’, as the company name suggests. Its first factory in Wolfsburg had just started regular production when WW2 broke out. After the war, the heavily damaged site was administered by the British, who used it to manufacture light army vehicles. Skeptical about the firm’s survival prospects, in 1948 they handed it in to the German state and as a result, the federal and Lower Saxony’s governments became VW’s owners. The latter retained a part of its shares until the present day (see section 2.3).

The postwar decades were marked by VW’s fast recovery and spectacular international expansion. Not only did the enterprise strengthen its domestic production base, but it also opened production sites in Latin America, North America and South Africa. In 1961, it broadened its product range by purchasing Audi, which assumed the position of an upper-class brand in the company’s portfolio. In the 1980s, VW was gradually increasing its engagement in the Spanish Seat, just to purchase it in 1990. It took over its production plant in Pamplona in 1987 and in 1991 established an additional unit in Palmela, Portugal. After the 1989 fall of the Iron Curtain,

⁸ This section is based on Knorr (1998) and information on VW’s corporate website (www.volkswagen.com).

VW bought the Czech Škoda and currently owns a number of production locations in the Czech Republic and Slovakia. In the 1990s and 2000s, the company further extended its CEE production base thanks to acquisitions and greenfield investments in Poland (Poznań and Polkowice), Hungary (Győr, with Audi's engagement), Bosnia and Herzegovina (Sarajevo) and Russia (Kaluga). Recently, however, Asia has become the main direction of VW's expansion. In China, it has been producing and selling vehicles through its subsidiary Shanghai Volkswagen Automotive Company since 1984, while in India it opened a sales point in 2007 and a factory in 2009. In the late 1990s, VW Group purchased three luxury brands: Lamborghini, Bugatti and Bentley, thus extending its portfolio to a full range of classes, from sports cars and limousines to middle- and low-price models. In August 2009, the company announced its plans to merge with Porsche by 2011, after the latter's failed attempt to acquire VW's controlling majority stake (*BBC* 2009). In late 2010, however, it emerged that the merger might be delayed due to legal proceedings against Porsche in the US and merger-related tax disputes in Germany (*FT* 2010).

The Volkswagen Group employs nearly 370,000 people worldwide and produces over 6.3 million vehicles a year (Volkswagen AG 2008). The core of the Group, Volkswagen AG, is headquartered in Wolfsburg and comprises of six West German car and component factories located in Wolfsburg, Emden, Braunschweig, Salzgitter, Hanover and Kassel, which jointly employ about 90,000 workers. The Group also opened a number of subsidiaries across Germany, including VW Sachsen with facilities in Mosel, Zwickau and Chemnitz.

VW's biggest and oldest engine plant is located in the Lower Saxony's town of Salzgitter. It was established in 1969 and has 6,300 workers on the payroll, 95% of whom belong to *IG Metall*. The company also owns a smaller engine plant in Chemnitz, Saxony. Originally a component producer for the East German Trabant and Wartburg brands, the site had been

manufacturing VW-licensed engines since 1984 (Behrens 1998) and was bought by the latter in 1992. Out of the initial 4,500 workers, only 1,000 remained by the end of the restructuring process. The unionization level at the plant (83%; VMC1 2008) is lower than in Salzgitter. Outside Germany, in 1998 VW established an engine-producing site in the south-west Polish town of Polkowice, where it employed 1,150 workers in 2008 (VMM1 2008). With 80% of the workforce belonging to *Solidarność*⁹, Polkowice unionization level is extremely high according to Polish standards. The Group's two other component plants located in Győr, Hungary, and Mladá Boleslav, the Czech Republic, put out engines for Audi and Škoda vehicles, respectively.

2.3. Volkswagen's corporate culture and its transformation

One of the biggest and most recognizable German enterprises, VW has been known for its special ownership structure. Close links between the company and the state can be traced back not only to the fascist times, but also to the first postwar years (Brumlop and Jürgens 1986). While privatizing VW, the federal and Lower Saxony's governments retained 20% of shares each. Lower Saxony has remained a shareholder until the present day and, in line with the so-called Volkswagen Act (*VW-Gesetz*) of 1960, cannot be outvoted by any other investor even if the latter possessed a higher number of company's stocks (Jürgens et al. 2002). This so-called 'golden share' rule sheltered the firm from hostile takeovers and, combined with the regulation securing two places in the supervisory board for the regional government officials, enabled the

⁹ Polish plant-level labor unions studied in this dissertation belong to one of the two federations, *Solidarność* or *Metalowcy*. Due to the weakness of sectoral union structures in Poland, individual plant level representations are relatively autonomous. Therefore, when *Solidarność* or *Metalowcy* are named in the case studies, I am referring to plant union representations at a particular location.

state to exert a considerable influence on corporate policies. The latter's impact was especially strong at the times of the social democratic rule, when state officials would ally with union representatives and pushed for employee-friendly solutions (Brumlop and Jürgens 1986). It was only in October 2007 when the European Court of Justice overturned the Volkswagen Act, claiming that the 'golden share' rule impeded the free movement of capital within the EU by discouraging potential investors from acquiring VW's shares (*Euractiv* 2007).

In addition to its special ownership structure, VW has developed a specific system of industrial relations. Participatory rights of its employee representatives go far beyond the provisions of the 1952 German codetermination law (*Betriebsverfassungsgesetz*). Any decision concerning the establishment of a new plant or the closure of an existing facility must gain the support of two-thirds of the supervisory board members. In the presence of government and employee representatives, it has been virtually impossible for company management to push through decisions in a unilateral manner (Jürgens et al. 2002). Unions also have their say in the selection of the company's Managing Director, while *IG Metall* leader and general works council chair usually assumes the position of the supervisory board's deputy chairman. Finally, VW negotiates a separate collective bargaining agreement for its six AG factories (*Haustarifvertrag*), whose provisions are usually more advantageous than those laid out in regional agreements for the metalworking industry (Brumlop and Jürgens 1986).

All in all, industrial relations at VW are characterized by a high degree of congruence between management and employees' standpoints (Jürgens et al. 2002). German union and employee representatives from VW AG factories participate in strategic decision-making, assuming the role of their company's 'co-managers' (Greer and Hauptmeier 2008b: 76). Due to its harmonious industrial relations system, stakeholder-oriented corporate culture, as well a

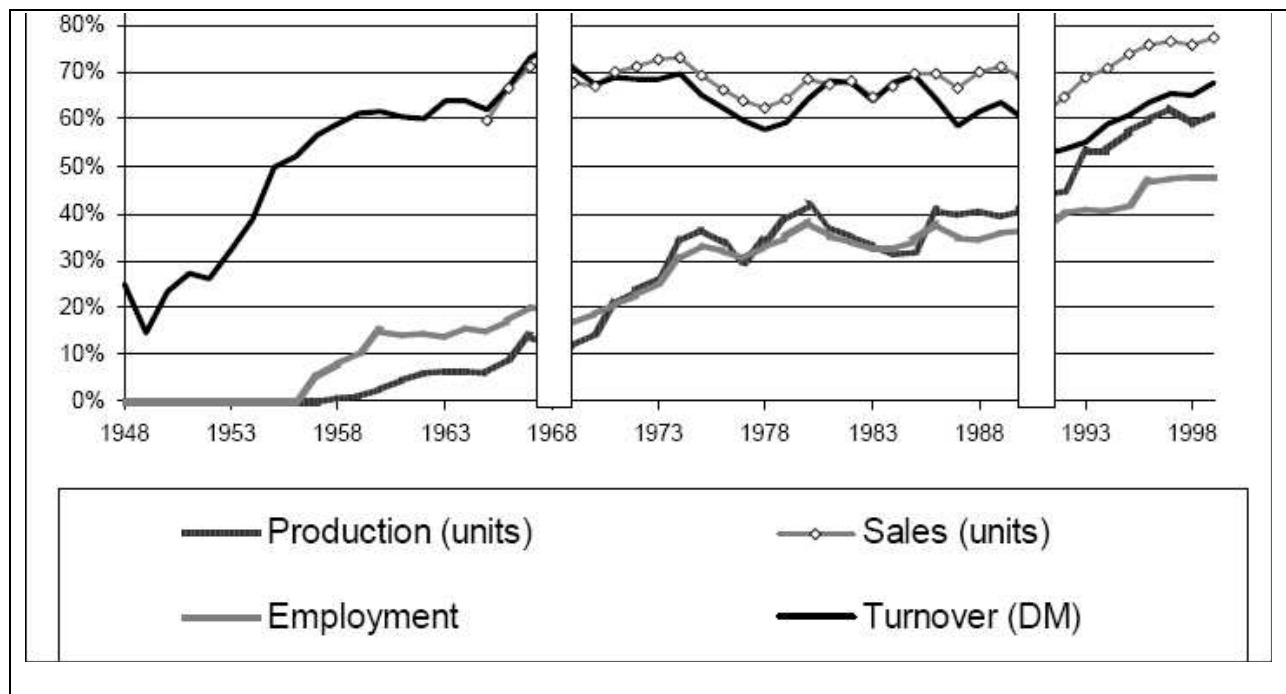
stable ownership structure secured by the Volkswagen Act, VW had for long been considered a flagship instance of German corporatism (Jürgens 1998). It also gained the reputation of an enterprise deeply rooted in the German political economic system, which guaranteed stable employment and continuous growth of its domestic subsidiaries.

In the last twenty years, however, VW's production organization and corporate governance system have begun to change. The transformation has not been synonymous with an abrupt departure from past practices; rather, it involved a series of incremental modifications which, taken together, have impacted on the spatial division of production and management-union relations at the company.

For decades, VW resisted the adoption of shareholder value principles. Shareholders' interests were balanced with long-term objectives of the main stakeholders, i.e. workers, resulting in what Clark (2006: 599) refers to as a hybrid 'enlightened shareholder value'. In their comparative study of four European carmakers, however, Jürgens et al. (2002) argue that since 2000 the enterprise has been attaching a growing importance to financial indicators. During the 2000 planning round, it outlined a set of financial targets, involving *inter alia* higher returns on capital and on sales. In addition, it introduced a new controlling system geared towards achieving higher efficiency at all company sites. The new scheme enabled VW not only to evaluate the performance of individual regions, brands and locations, but also to compare the data on a cross-sectional scale. Financial management became equally important as quality management, as the company used cost and productivity indicators as a basis for capacity distribution. With this 'hard evidence' in hand, management also found it easier to justify their new investment policy before the supervisory board.

Furthermore, the company reconstructed its internal value chains, which had a profound impact on relations between core and peripheral locations. In his historical overview of VW's production models, Pries (2002) argues that until 1970 the firm consisted of a scattered network of German production facilities, import partners and assembly plants located in countries pursuing import-substituting industrialization. From 1970 onwards, a more integrated model of production and international division of labor was in place, which however retained a clear-cut hierarchy between core and peripheral sites in terms of profit strategies, product sophistication and production technologies. It was only in the early 1990s when the division of roles between the two types of locations became less pronounced. Deep restructuring and technological advances at peripheral facilities enabled the company to make the maximum use of local advantages and thus to enhance its overall performance. Growing production, employment and sales volumes at the foreign units clearly demonstrate the upgrading trend, and, according to Pries (2003: 1), signal VW's transformation into a 'transnational carmaker' (see Figure 1 below).

Figure 1. Percentage share of production, employment, turnover and sales at Volkswagen's foreign subsidiaries, 1948-1998



Source: Pries (2003)

The upgrading of peripheral locations was facilitated by two interrelated innovations in the sphere of production organization. First, VW adopted the so-called platform strategy by making its vehicles' inner elements of increasingly similar across a few general types, which made it easier to switch between models and production sites in case of unsatisfactory demand affecting certain brands or regions (Pries 2003). Second, the introduction of the platform system led to the homogenization of production processes, and in effect the same technologies and quality control mechanisms were used at different locations. Even the acquisition of new brands, such as Seat in the 1980s and Škoda in the 1990s, did not reverse the unification trend, since 'the invisible part of the car' (Pries 2003: 11) and production processes at the newcomers' facilities soon began to resemble those characteristic for other VW plants.

The above changes were followed by new rules governing investment allocation. Besides strict brand division and vertical production organization, which allowed the core sites to utilize superior technologies and specialize in high-value added products, the firm began to manufacture similar models in high- and low-cost countries. In component manufacturing, for instance, VW opted for the so-called ‘flexible model-mix production’ scheme (Blöcker and Jürgens 2008: 117), launching the production of identical engine models at a number of sites and making it easily transferable between sites and across borders.

These innovations significantly increased production flexibility and thus could be used as a job-protecting device in the event of unsatisfactory demand in a given region (see section 2.4). At the same time, however, they facilitated inter-plant costs and productivity comparisons and thus could serve as a benchmarking tool accompanying investment and capacity distribution. In the extreme case, the management could play off individual plant representations against each other, inducing concessions affecting wages and working conditions. Although the whipsawing strategy at VW has not yet taken such an acute form as at GM, where investment allocation was preceded by a ‘beauty contest’ between all European plants (see section 3.3), a common view shared by the literature seems to be that ‘[c]ontinuous internal competition, internal benchmarking and global sourcing, based on costs and productivity parameters are becoming core elements of the world-wide strategy of the Volkswagen Group’ (Kädtler and Sperling 2002: 158). The scholarly insights were confirmed by the logistics manager at VW Polkowice, who summarized the investment distribution process as follows:

‘It’s quite simple – each location makes a bid [*bewirbt sich*] for new models. We [VW subsidiaries] are in a business union, we cooperate and we make our bids. And this all goes to the financial department of the enterprise and there they check how efficient location A, B and C are’ (VMM2 2008).

He also acknowledged that the company regularly adjusted production levels at individual plants in line with demand fluctuations:

‘Capacity allocation... it is centrally managed, it is where production and sales levels are monitored. Who can produce what, what are the trends. Every three months they examine this and make corrections’(VVM2 2008).

For German VW factories, the above trends had both short- and long-term implications. In the short run, the company’s focus on financial performance could lead to temporary production shifts to foreign locations at times of economic downturns or protest actions at German sites. Even the very threat of such transfers could be used by the management to put a downward pressure on home country workers’ working conditions. In the long run, capacity utilization of individual facilities would be preceded by company-wide tenders, in which the core sites would be subject to performance comparisons with significantly cheaper foreign plants. Having lost their technological lead, the Germans could be losing the investment bids, which would put in peril not only the current employment levels, but also the very existence of their sites. How did German employee representatives respond to the emerging threats? The next sections examine the strategies of VW engine unionists and show that they made use of both cross-border contacts and national bargaining instruments to tackle the challenges related to the growing financialization and transnationalization of their company.

2.4. No strikebreaking work, no production takeovers

Salzgitter works councilors showed interest in developing cross-border links with the Poles even before the launch of regular production in Polkowice. They approached Polish workers during a training session that the latter attended in Salzgitter in 1998 and called for the creation of an employee representation at their facility. A plant-level *Solidarność* unit was eventually founded as a result of an internal organizing drive in spring 1999, shortly after the site's creation. The firm did not oppose the formation of a union; to the contrary, prior union activism was allegedly considered as an asset during job talks, as it signaled interpersonal skills and social engagement of the candidate. As argued by the Polkowice *Solidarność* chair, this union-friendly attitude was motivated by the management's willingness to build up a credible partner on the employee side, able to articulate workers' demands in the course of collective bargaining (VMP 2007). It also shows that, in line with Bluhm's (2001) positive assessment of prospects for cross-border industrial relations' transfer at large, socially-embedded German firms, certain elements of VW's corporate culture did find their way to the Polish subsidiary.

In contrast with the Germans, the Poles initially remained reluctant to engage in cross-border exchanges. Instead, the Salzgitter and Polkowice factories participated in a tender for the production of balance shafts, which took a form of a competitive 'race' directly involving plant-level labor representations (VW Engine 2003). Only in 2000 did union relations improve, following a change of Polkowice union leadership. Salzgitter works councilors were the first to congratulate the current union chair, who won the ballot at that time. The new *Solidarność* leader was positively surprised by the Germans' gesture and acknowledged that he had received no such encouragement from his own confederation (VMP 2007).

Two years later a similar breakthrough took place in relations between Salzgitter and Chemnitz unionists. The initial impasse in ‘German-German’ relations had been due to structural difficulties faced by the East German factory and a negative attitude of its works council towards inter-plant liaisoning. In the early 1990s, Chemnitz underwent extensive restructuring, during which the plant’s works council shunned contacts with labor representatives from other locations, claiming that isolation was the best strategy for their factory to survive and to defend its position as a competitive and efficient site. In the eyes of the current Chemnitz works council chair, the management and the union leadership

‘...played on people’s emotions: <The plant has to think about itself, it has to develop its own character, it needs a future, it has to act independently, and not as a part of Volkswagen. It would be best if there were absolutely no contacts [with employee representatives from other VW plants], so that we concentrate on our job>’ (VMC1 2008).

With this motivation in mind, in 1992 Chemnitz works councilors rejected their Salzgitter counterparts’ cooperation offer, stating that they did not want to engage in bilateral exchanges without an official permission of VW general works council (GWC). According to the Salzgitter works council chair, the conflict’s culmination took place in 1995 during a strike at the Chemnitz plant, when the local union leaders did not allow a Salzgitter employee delegation enter the factory premises (VMS 2007). The election of a new works council in 2002, however, totally changed the climate: not only did the relations between unionists at the two German locations improve, but also foundation was laid for cross-border exchanges with the Polish labor representatives.

Soon after the launch of trilateral contacts, Salzgitter works councilors initiated a series of seminars for unionists from Polish and German engine factories. The first meeting of Polkowice and Salzgitter representatives took place in August 2003 at the West German location and enabled the delegates to get to know each other and to exchange basic information concerning the two plants. The unionists also discussed production organization, modes of employee interest representation at their plants and differences between industrial relations systems of the two countries. In the second part of the seminar, they focused on negative clichés that could possibly emerge in relation to the other side. Such stereotypes could impede contacts and preclude further cooperation and thus it was a priority for the unionists to eradicate them at the very outset. To this end, the unionists asked Hubert Wohlan, a former *Deutsche Welle* correspondent in Poland, to prepare a brief historical overview of Polish-German relations and to present mutual prejudices that had emerged over the centuries. Joint discussions on the latter made the unionists reject the ‘common wisdom’ about their neighbors. The Polkowice *Solidarność* chair presented the rationale for this exercise in a following manner:

‘In order to build trust and overcome the first hurdles related to mentality, to mutual perceptions, one has to answer certain questions. (...) [A]nd during this joint seminar we discussed topics like <how the Germans perceive the Poles and *vice versa*>, and we analyzed our history without trying to escape difficult questions (...). The conclusions were the most important, we perceived each other totally differently from what was presented in the media, books etc. (...) And we started laughing at all this, and generally the conclusion was that one shouldn’t support these false visions’ (VMP 2007).

Similar meetings were organized a month later for the two German localities and in 2004, a joint session gathered employee representatives from all three VW engine factories. In effect, the union leaders adopted a joint memorandum, which took the form of a gentlemen’s agreement but

nevertheless effectively served as a basis for their further exchanges. The unionists vowed to regularly exchange information regarding planned production and capacity changes and promised not to take over production from each other during strikes at another factory, so that not to give the management an upper hand in dealing with protest actions:

‘(...) in the event of protests or demonstrations, or any actions undertaken by the works council or German unions... in such moments we reject to take over their capacities, to the contrary, we support them [in their protest], so that not to let the employer play us off against each other, and we watch this closely, this is what we stick to’ (VMP 2007).

The rule concerning the refusal of strikebreaking work, agreed also within the company’s EWC, was soon applied in practice. During protest actions in the East German metalworking industry in June 2006, the Salzgitter works council rejected a production transfer from Chemnitz to the West German facility (*Labournet* 2006). But the trilateral cooperation agreement went beyond the mere rejection of strikebreaking work, as the unionists also pledged to consult each other prior to any shifts of production volumes between the three facilities. If the shift was expected to impact negatively on employment levels at another site, the receiving location would dismiss the offer. According to the Polkowice *Solidarność* chair, the three union leaders have so far managed to fulfill their promises:

‘Sometimes the management suddenly decides to relocate a part of production [to another facility]. Then just one phone call [to an employee representative at the plant from which the production will be transferred] suffices to find out whether this won’t have a negative impact on the employment levels at that other plant and if the answer is that everything is fine, we do not make any problems and accept the production.

Interviewer: And if there is a problem?

If there is then... then there is a heated discussion. And so far, if there was any risk for these other plants, we have opposed additional production inflows' (VMP 2007).

A real test for the cooperation network created by VW engine unionists took place in 2005. As a result of bad capacity planning for diesel engines, Chemnitz's core personnel were threatened with job cuts. The dismissals could be avoided, however, if the facility received extra production from the other two engine factories. Having exchanged information regarding the production and employment situation, Salzgitter and Polkowice employee representatives decided to decline overtime work at their locations and asked the management to transfer the resulting capacities to the troubled East German plant:

'We made an agreement [with the unionists from the other engine plants], and during talks with our management we signaled the readiness to give away this extra production. There was no need for us here to <kill> ourselves during overtime hours if workplaces [in Chemnitz] could be saved by letting this production go there' (VMP 2008).

The production transfer amounted to 20,000 engine units, divided equally between Salzgitter and Polkowice. For the Polish plant, such numbers were equivalent to a few months' loss of overtime work (VMP 2008). It is remarkable that the Polkowice *Solidarność* chair was able to convince his union's constituency to decline this extra income opportunity. From this viewpoint, the assistance offered by Polish and West German workers to their colleagues from the ailing East German facility should be regarded as genuine sacrifice of personal welfare and thus as a major instance of transnational labor solidarity.

All in all, the unionists from the three plants managed to develop strong cross-border bonds based on concrete commitments and a specific code of conduct governing cross-border production flows. Turning the Poles from competitors into allies gave the German unionists a feeling to stability and partial control over the transnational production space, to an extent that it prevented competitive benchmarking and inter-plant comparisons stimulated by the company:

‘The firm plays off the individual locations against each other, very intensely. So that they are all the time in competition with each other, so that they cut costs and so on (...). The company always has an interest in creating this climate of competition (...). And it is our task, the employees, to do something against it. And we respond to it with information exchange, cooperation, getting to know each other, visiting each other, upholding our contacts’ (VMC1 2008).

2.5. Volkswagen AG: concessions in exchange for job security

Parallel to exchanges with their counterparts from Polkowice and Chemnitz, Salzgitter unionists led plant- and enterprise-level negotiations with the company management. Since the ageing workforce and higher labor costs put the West German plant at a disadvantage *vis-à-vis* other VW’s component-producing sites, it was a priority for the local employee representation to secure employment and obtain new investments, even at the price of concessions affecting remuneration levels and working conditions. This is how the Salzgitter works council chair, an *IG Metall* member, summarized his union’s strategy in this regard:

‘During collective bargaining rounds in 1995, 1999, 2001, 2004 and 2006, we had to accept many cuts; wages have been cut, working time extended... for instance, nightshift bonuses have been reduced to the disadvantage of the

workforce (...). We gave it all away to secure employment. The provisions of VW collective agreements had always been more advantageous than those in other collective agreements (...) and we realized that we could not be competitive if we kept all these rules. And one can say that we exchanged all this for employment and investment guarantees' (VMS 2007).

The 2004 and 2006 bargaining rounds were crucial in providing Salzgitter employees with the above assurances. Their outcomes indicate, however, that workers had to sacrifice a lot to keep their facility afloat.

At the outset of the 2004 bargaining round at VW AG, *IG Metall* demanded a 4% wage increase for all employees but in view of the company's plans to lower labor costs at the six AG plants by 30% until 2010 so that to make €2 billion savings, it became clear that the union would have a hard time pushing its pay hike claims through. After protracted negotiations and a short warning strike attended by 3,500 Salzgitter workers (*Newsclick*¹⁰ 2004a), a compromise was eventually struck. In line with the deal from November 2004, known as the 'agreement for the future' (*Zukunftstarifvertrag*), all jobs at VW AG factories were secured until the end of 2007 thanks to considerable investments that were to follow the elaboration of savings plans for individual production locations. On the flipside, the unionists accepted a twenty-eight month-long wage freeze period, partially compensated by a one-off bonus of €1,000. In addition, extra hours were added to individual working time accounts (Volkswagen AG 2004).

Employee representatives were generally satisfied with the deal. A union officer from the Salzgitter region called it a 'fair compromise' (Räschke in *Newsclick* 2004b), whereas Lower Saxony *IG Metall*'s chair admitted that 'the union must accept reality and be proud of the fact that it was able to secure these jobs given the current climate of employers moving to central and

¹⁰ *Newsclick* is an internet data base offering a selection of articles from the local Lower Saxony press – *Braunschweiger Zeitung*, *Salzgitter Zeitung* and *Wolfsburger Nachrichten*.

eastern Europe or further afield' (Meine in EIRR 2004:19). External analysts claimed, however, that the agreement would bring only a half of the required savings and hence would not eradicate financial problems faced by the firm (EIRR 2004).

The experts' concerns soon proved well-grounded. A year after the *Zukunftstarifvertrag*'s conclusion, the six German sites continued to bring considerable losses that allegedly amounted to hundreds of millions of euros (IG Metall 2006). To make things worse, German economic press speculated over a possible closure or sale of one of VW's component plants (*Motor* 2006). The threat of liquidation or downsizing was particularly acute for the Salzgitter site, as the new corporate investment plan assigned it exceptionally low capacities that would leave 30% employees out of work. The local works council chair firmly rejected the scheme, calling it 'unacceptable' (Blechner in *Motor* 2005: 4). Even though the company eventually denounced the closure scenario, it argued that further cost cuts at AG factories necessary to keep the 2004 employment guarantee in place. Accordingly, it proposed the extension of working time to thirty-five hours without wage increase and offered generous compensation schemes for employees leaving the firm on a voluntary basis. After two months of negotiations, *IG Metall* managed to defend a 28.8 hour-long working week at AG sites, but it had to accept that the actual working time would vary from twenty-five to thirty-three hours a week at unchanged remuneration rates so that to account for demand fluctuations and changes in products' life cycle. In addition, 5% of the workforce could be asked to work forty hours a week for a higher wage. The unionists also agreed to a €1,000 bonus instead of a regular wage increase in 2007, while in 2008 they were to adopt wage increase rates outlined in Lower Saxony's collective agreement for the metalworking industry (Volkswagen AG 2006). In exchange for the concessions, each AG factory was granted a comprehensive investment plan. The Salzgitter plant, for instance, was

assigned a stable 30% share in the firm's European engine production¹¹, alongside with new product guarantees. The Salzgitter works council chair was very satisfied with the bargaining outcome, highlighting the importance of 'investment in new production halls and new technologies' (VW Engine 2007). In his view, the stable production share guaranteed the plant's future; wage and working time concessions, on the other hand, were necessary to retain the employment numbers and ensure that Salzgitter 'will not be pushed aside from the developments at Volkswagen' (Blechner in *Metallnachrichten* 2006: 3).

2.6. Solidarity with Solidarność

In the second half of the 2000s, the Poles too became concerned about the future of their site. Since its establishment in 1998, Polkowice had been manufacturing engines with a low-pressure unit pump system (*Pumpe-Düse*). In the mid-2000s, however, VW decided to phase out the *Pumpe-Düse*-based production, which proved obsolete and would not meet new EU environmental regulations, and announced a gradual shift towards the so-called *Common Rail* technology. This declaration left the Polish unionists unsure whether their factory would be included in the modernization project and assigned new engine models. As the decision concerning new products' distribution was to be taken by the central, not local management and thus remained beyond the scope of the Poles' influence, the local *Solidarność* leader decided to use cross-border union communication channels and urged his German counterparts to advocate new investments in Polkowice during their negotiations with the central management. As a result

¹¹ The share was calculated on the basis of VW Group's engine production, including Audi's Győr and Škoda's Mladá Boleslav facilities.

of his intervention, the Poles obtained reassurance from the company's EWC and Salzgitter and Chemnitz unionists that Polkowice would undergo the technological upgrading and be assigned a new product based on the *Common Rail* technology. According to the *Solidarność* chair, the German advocacy was of crucial importance:

‘We didn’t have such possibilities as our German colleagues who, thanks to the codetermination system, talked with the management directly about production distribution. (...) And indeed, these promises [regarding modernization and new investments] were fulfilled – we got the new product!’ (VMP 2007).

As it turned out later, the switch from *Pumpe-Düse* to *Common Rail* took place at all VW's engine factories in Europe, which makes it difficult to determine to what extent the decision to modernize Polkowice product portfolio was influenced by the German unionists. This uncertainty notwithstanding, the interview material indicates that the presence of Salzgitter works council chair in VW supervisory board gave the Poles a sense of security and a feeling that, with ‘their man’ within the forum, they would not be left empty-handed in the course of future product distribution rounds. A similar opinion was expressed by Chemnitz unionists, who referred to Salzgitter works council chair as a cooperation ‘forerunner’ due to his superior knowledge of company affairs (VMC2 2008), which served as a basis for ‘strategic accords’ between the engine unionists (VMC1 2008).

Once the new investment plans were announced, *Solidarność* came up with pay rise demands. The union argued that after years of wage restraint, it was necessary to ‘bring back the enthusiasm and work satisfaction’ to the Polkowice workforce by increasing wages and improving working conditions (*Biuletyn* 2007: 1). It thus demanded a 10% pay hike for all employees, the introduction of a seniority bonus, an increase in nightshift and Sunday work

payments and other bonus payments. The unionists justified their demands with ‘good financial condition of the company and production guarantees in the form of old *Pumpe-Düse* and new *Common Rail* engines’, but the management labeled the claims ‘impossible’ and ‘unsound’. Since neither the negotiations nor the subsequent mediation brought a solution acceptable by both parties, in May 2007 the union decided to stage a series of protest actions in front of the factory. The demonstrations made the firm agree to the majority of *Solidarność*’s demands, including two rounds of pay hikes (over 5% in July 2007 and 4% in January 2008), a generous annual bonus and an increase in shift payments (*Polkowice24* 2007).

In the aftermath of the protest action, the Polkowice *Solidarność* leader pointed out that the final compromise had been ‘a joint success’ of the management and the plant-level labor organization (*Polkowice24* 2007; VMP 2007). He also acknowledged that he had gained this insight thanks to the German unionists, who taught him to treat collective bargaining as a non-zero-sum game and to show understanding to the employer’s arguments. During the protests, the Poles regularly exchanged information and consulted their bargaining strategy with their Chemnitz and Salzgitter colleagues. The latter officially supported the action and expressed their readiness to participate in negotiations and serve as mediators if the union-management dispute could not be resolved, or simply to visit the plant to express solidarity with *Solidarność*’s claims. In addition, wage increase rates negotiated in Germany during earlier collective bargaining rounds served as a benchmark for minimum union demands in Polkowice.

In the fall of 2008, the Polish factory began preparations for the switch to the *Common Rail* technology. The company organized training sessions for the Polkowice workers to acquaint them with the new production scheme and announced that the new engine model’s regular production would start in January 2009. In the last months preceding the modernization,

however, the demand for the ‘old’ engines fell dramatically and it emerged that the Polish plant did not have enough work for its core workforce. At the same time, the Chemnitz plant, which had already switched to *Common Rail*, could barely keep up with overtime work. In order to save jobs in Polkowice, Polish and German unions jointly asked the management to temporarily transfer a part of Polkowice workforce to Chemnitz. The company accepted the proposal and delegated approx. 100 Poles to the East German site for the three remaining months of 2008. According to the *Solidarność* chair, his German colleagues’ intervention at the central management was ‘decisive’ for the transfer’s success and secured Polkowice workplaces during the unstable period (VMP 2008).

Alongside with bilateral exchanges with Salzgitter and Chemnitz, Polkowice unionists benefited from other forms of support offered by German sectoral-level trade unions and union-related think tanks and organizations. Between 2003 and 2005, *Solidarność* participated in a training project SIGEPO, coordinated by the German union confederation’s education department (*DGB Bildungswerk*) and Salzgitter plant’s works council. It aimed to acquaint Polish unionists and HR managers with EU regulations on occupational health and safety and to assist them in the implementation of *acquis communautaire* in this field prior to Poland’s EU accession (DGB 2003). In addition, Polkowice employee representatives regularly attended courses organized by *IG Metall*’s Berlin-Brandenburg-Saxony district at its training center in Berlin-Pichelsee, exploring such topics as the German industrial relations system, *IG Metall*’s bargaining techniques, as well as the division of labor in the European automotive industry (cf. section 1.2). The Poles also profited from workshops and conferences organized by German union-led or social democratic foundations - the Hans Böckler Foundation (HBS) and the Otto Brenner Foundation (OBS) and, most importantly, the Friedrich Ebert Foundation (FES).

According to the *Solidarność* chair, a joint seminar for the union and HR department representatives, prepared by FES shortly after the site's establishment, was a stepping stone in building cooperative union-management relations (VMP 2007).

Last, but not least, Polkowice *Solidarność* unionists made a wide use of cross-border communication channels and training opportunities provided by their company. Although the local union chair was not officially a member of the company's EWC¹², he had been attending the forum's meetings since 2001. Thanks to his presence in the EWC, the Poles had a better grasp of company affairs; they would also solve problematic issues related to work organization or occupational health and safety by intervening directly at the central management (ibid.). Moreover, *Solidarność* members participated in a series of workshops targeting employee representatives from the company's CEE subsidiaries, run since 1998 by a Czech consulting company EuroProfis. The meetings took the form of interactive seminars organized annually at different plants and discussed the building blocks of VW's corporate culture by comparing the practices at its German locations and those developed at CEE subsidiaries. Throughout the 2000s, the unionists focused *inter alia* on employment regulations, HR strategies, working time flexibility and collective bargaining procedures (EuroProfis, 2002, 2003 and 2004). The initiative was recently taken over by Wolfsburg-based *IG Metall* activists, who continue exchanges with CEE unionists within the so-called InterSoli project (VWP 2007; VWW 2007).

The Polkowice union chair claimed that the knowledge shared by his German colleagues was invaluable and contributed to the strengthening of the Polish plant-level union *vis-à-vis* the local management: '[e]very time we had a chance to meet, to exchange experiences, it all made us richer, made us approach certain issues in a more professional manner' (VMP 2007). In this respect, he did not object to the fact that his German counterparts had better access to the

¹² In Volkswagen's EWC, Poland is represented by a unionist from VW Poznań utility vehicle plant.

company management, but rather perceived codetermination as a mechanism used by German unionists to defend the interests of foreign subsidiaries:

‘This dominance [of German employee representatives] is present, but it’s to a certain extent justified. (...) The codetermination is a crucial tool; neither European nor World Works Council enjoys such rights. The latter may come up with certain initiatives, ask for clarifications, but only our colleagues at German works councils can act within the codetermination framework. They have the device that we do not possess. What would it help if we pressed for the election of, let’s say, Mr. Przybyszewski [Polish EWC representative] for the deputy chair or the chair of the European or World Works Council? Unlike our German colleagues, he would have neither tools nor the possibility to push for certain solutions or to co-manage the company. (...) [And the Germans] are trying, at least this is my impression all the time... more even, there is evidence that they indeed take all these problems of other plants into account, and sometimes step up solely in the interest of these other factories’ (VMP 2007).

The above overview of cooperation initiatives suggests that Polkowice unionists made a strategic use of the union power asymmetry, strengthening their organizational capacity and securing investments in Polkowice largely thanks to their German counterparts’ assistance. By rejecting strikebreaking work and temporary production inflows, they traded potential short-term gains for long-term investment security and the gradual enhancement of working conditions:

‘I repeat it all the time, the phrase we heard on one of Volkswagen’s EWC meetings: <we cannot concentrate on a short term boom [*long pause*]. By any means, we should try to achieve long-term development, secure jobs in a long-term perspective, most of all for all VW employees>. And this is the motto that guides our actions, and I am serious about that’ (VMP 2007).

2.7. Conclusions: the VW engine case

For many years, VW remained firmly rooted in the German codetermination tradition. Since the early 2000s, however, fierce international competition and a growing importance of shareholder value principles put its management-labor relations under strain. The company's core locations were subject to new investment site selection policies involving inter-plant cost comparisons; they also experienced sudden production shifts and cross-border capacity adjustments. This chapter argued that German unionists were unable to prevent the spread of these practices by adhering solely to bargaining procedures. In their attempt to attenuate cross-border competitive pressure, they reached for new solutions and established cooperative links with labor activists from abroad.

Furthermore, the chapter showed that Polish unionists did not question the power asymmetry existing between them and their German counterparts. This was because in exchange for their commitment not to underbid the Germans, they obtained generous assistance from their stronger colleagues in the form of information exchange, strike support and advocacy during investment site selection talks in the supervisory board. Chemnitz unionists took an intermediary position between Polkowice and Salzgitter: while their cost structure was less advantageous than that of the Polish site, they enjoyed a much more limited access to the management than their West German colleagues. By engaging in trilateral exchanges, they attenuated competitive pressure from the Polish side, at the same time securing their plant's future thanks to a strategic alliance with Salzgitter union crew.

Drawing on the case study evidence, two other factors, besides unionists' interest in cooperation, contributed to the success of labor transnationalism at VW. The first element is the

employee-friendly corporate culture of the enterprise. The positive attitude towards both national and cross-border union activism arguably made it easy for the unionists to get together. At the same time, however, it should not be viewed as more than a supportive condition given that the cooperation was launched directly between the three engine plants' representatives, and thus outside institutionalized cross-border communication channels provided by the company. As claimed by a Salzgitter representative, rare EWC meetings gathering a large number of delegates from different company subunits did not allow individual representations to make their voice heard (VMS 2007). In contrast, trilateral exchanges between engine plant unionists enabled prompt reactions to emerging cross-border problems, but their development depended in the first place on union agency and not on the company's support. The second important element could be referred to as a 'human factor'. Cross-border union cooperation at the three engine plants materialized only when union leadership in Polkowice and Chemnitz changed from the 'skeptics' to the 'enthusiasts' of transnational activism. But while the presence of charismatic union chairmen might be crucial to the launch of cross-border union contacts, it falls short of explaining why labor transnationalism at VW engine plants took on its particular shape. Personal qualities of the three leaders notwithstanding, an in-depth analysis of their commitments suggests that their cooperation was based on a reciprocal exchange and guided primarily by the expectation of benefits derived by their constituencies from cross-border liaisoning.

Finally, the evidence suggest that at VW engine plants, transnational cooperation served as a 'security valve' containing cross-border pressures (for the German unions) and a capacity-boosting tool (for the Poles). In either case, however, it was viewed by unions as an additional arena of activity and did not overrule the practice of national collective bargaining. In this respect, it is possible to say that cross-border union cooperation is successful already if unions

take account of the foreign locations' interests during their local negotiations with the management, as it was the case with labor activists at VW's engine plants. The next chapter examines whether their colleagues at General Motors also managed to pass this tough solidarity test.

Chapter 3. GM: from underbidding to reciprocal exchange

3.1. Introduction

This chapter documents cross-border exchanges between Polish and West European unionists at General Motors (GM). In the examined period, the company was gradually reducing its production capacities in old EU member states, while at the same time investing in CEE and the former Soviet Union. The chapter first presents cooperative efforts undertaken by West European labor representatives, which took place after 2000 in reaction to restructuring and closure threats. It then shows how, in the absence of the above concerns on the Polish side, GM *Solidarność* leaders shunned cross-border liaisons and instead attracted new investments to their facility thanks to a concession agreement. Finally, it traces a shift in the Poles' attitude towards their West European colleagues and the corresponding evolution of East-West European union relations from mutual underbidding to cooperation. Evidence on disputes between the Poles and the Westerners presented in the last section, however, testifies to the fragility of labor transnationalism at the company.

The case study is interesting as it shows the link between the company's investment strategy and union behavior. West European unionists 'went transnational' upon realization that their plants faced similar downsizing risks. The Poles, on the other hand, became more cooperative only during the Astra IV site selection process, when it became clear that their site would anyway receive the investment in view of its cost advantage over the four West European bidders. Furthermore, the evidence demonstrates the reciprocal character of union exchanges at GM, which makes the case similar to that of VW's engine units. Finally, the GM case points to

the limits of East-West transnationalism by showing it excluded areas in which Polish workers' interests would suffer as a result of their cross-border coordination, and that unionists at West Europeans plants continued offering concessions to gain an advantage over other sites.

3.2. Company profile

The US-based General Motors (GM) is a real 'global player' and one of the biggest automotive companies in the world. It runs production facilities in thirty-one countries, employing around 205,000 workers (GM 2010). The firm is divided into six business units: North America, South America, Asia/Middle East, Europe, Africa and Australia/Oceania. Its European division GM Europe (GME) was created in 1986 and headquartered in Switzerland, a country with no production locations. The foundation of an integrated managerial unit supervising the company's European operations curtailed the semi-independent character of product and market policies pursued in earlier periods by individual brands, in particular Opel (Haipeter 2006). It was only during the recent economic crisis that GME headquarters were moved to Rüsselsheim, Germany (*Spiegel* 2009a; cf. section 5.7).

GM has been present in Europe since the interwar period, when it opened an assembly plant in the Belgian Antwerp. Soon after, it purchased the Opel factory in Rüsselsheim and the Vauxhall plant in Luton, UK. After WW2, the company further expanded by establishing car assembly plants in Ellesmere Port (UK), Bochum (Germany), Zaragoza (Spain) and Azambuja (Portugal), as well as component-producing facilities in Austria, Germany and France. Following the fall of communism GM moved eastwards and launched car production in Eisenach (East

Germany), Gliwice (Poland), Szentgotthárd (Hungary; transformed later on into an engine plant), Kaliningrad and Togliatti (Russia). In 1991, GM acquired the Swedish SAAB and its assembly plant in Trollhättan, just to sell it in January 2010 to a Dutch luxury car producer Spyker (*Reuters* 2010). A few days before the deal, the firm also announced its decision to close the Opel site in Antwerp (*BBC* 2010).

In 2008, GME had around 54,500 workers on the payroll, nearly half of whom were employed at four German production facilities: car plants in Rüsselsheim, Bochum and Eisenach and a component factory in Kaiserslautern. In Poland, the company used to own a plant in Warsaw's Żerań district in the early 1990s and has been using it again since 2006 to assemble Chevrolet Aveo in cooperation with its Ukrainian joint venture partner AvtoZAZ. In addition, in 1998 it opened a car factory in Gliwice, which produces Astra and Zafira models. In 2008, the site had about 2,800 employees, 30% of whom were temporary workers. Unionization levels at German plants exceed 90% in the West and 80% in the East. In Gliwice, unions attracted nearly 30% of the workforce. Alongside with the dominant *Solidarność*, there exist two considerably smaller organizations: *Związek Zawodowy Pracowników Opla* (*Opel Workers' Trade Union*), which closely cooperates with *Solidarność*, and *Sierpień '80* (*August '80*), accused of siding with the management and thus boycotted by the two remaining unions.

3.3. The evolution of cooperation between West European GM unionists

It is perhaps an exaggeration to claim that European GM unionists 'have written trade union history' by actively cooperating across borders (Schäfer-Klug and Herber 2002: 50). On the other hand, their mutual relations did feature an unprecedented shift from mutual

underbidding in the 1990s to joint negotiations with the management and the elaboration of strict codes of conduct during investment bids in the 2000s. In this section, I present joint initiatives undertaken by West European unionists before and shortly after the Poles' 'accession' to the company's EWC. Drawing on the secondary literature, I also discuss possible motives behind their cooperative behavior.

The first contacts between West European GM unionists took place in the early postwar period (Fetzer 2008b) but it was only after the creation of GM's EWC (also known as the European Employee Forum, EEF) in 1996 that regular exchanges started. The formation of a Europe-wide employee representation coincided with the firm's grave economic difficulties. Weakened by the car industry's crisis of the early 1990s, GM was struggling with a considerable market share loss and increasing overcapacities (Hancké 2000; Schäfer-Klug and Herber 2002). To rationalize the production processes and cut costs at its European plants, in 1996 the firm launched the so-called Template project. The scheme aimed to disseminate best practices in the field of work organization and to this end, it introduced regular comparisons of individual factories' cost structures and productivity performance. Despite employee objections, inter-plant benchmarking became a standard policy accompanying investment distribution at GME. It enabled the management to exert cost-cutting pressures on a particular location, which would push other sites to offer even further-reaching concessions in order to attract the new production. The benchmarking was used in 1998, when plant-level agreements envisaging wage and working time concessions in exchange for employment and investment guarantees were first concluded at German and Belgian GM factories. A few days later, the management threatened to liquidate the Luton plant unless its costs, allegedly 30% higher than those at the company's continental sites, fell to the Belgian and German levels (Hancké 2000). In view of the danger, Luton workers

grudgingly accepted the proposed cost-cutting program. Unionists from the Spanish Zaragoza plant signed a similar deal, trading working time flexibility for plant survival guarantees.

The proliferation of plant-level agreements in the late 1990s indicates that in that period EEF failed to serve as a platform for constructive union exchanges. Instead, it was used by the management to disseminate information about planned restructuring rounds and to heat up competition between individual locations (Hancké 2000). Since the concessions would give only short-lived job guarantees and temporary cost advantages over other plants, West European sites were trapped in a competitive ‘race to the bottom’ that preceded each restructuring and investment distribution round. It goes without saying that the rivalry negatively affected relations among GME unionists. In the aftermath of the 1998 concession deal, British EEF delegates were allegedly so angry at their German counterparts that they did not speak to them (personal communication with Bob Hancké 2008).

It was only in 2000 when EEF managed to move beyond the particularistic interests of individual localities.¹³ The first concerted action took place in reaction to GM’s joint venture with Fiat, which affected nearly 15,000 employees at the company’s powertrain facilities in Western Europe and Brazil. As the firm broke EWC agreement’s provisions by not having consulted employee representatives on its plans, EEF demanded additional wage and working conditions’ guarantees for the powertrain workforce. The unionists’ pressure led to the conclusion of a European Framework Agreement (EFA), the second, after Ford, in the history of the car industry, which stipulated that GM/Fiat powertrain workers would be paid in line with GM standards and reemployed by the firm in the event of job shedding at the joint venture plants.

¹³ The review of EEF’s activities draws on Fetzter (2008a), Da Costa and Rehfeldt (2007) and Banyuls et al. (2008).

Another cross-border initiative was undertaken in response to GM's plans to shut the Luton factory. Parallel to negotiations with the management, EEF organized the so-called European Day of Action, during which 40,000 GM employees across Europe participated in protests and rallies to show their solidarity with their British colleagues. The company's second EFA signed in 2001 ruled out forced dismissals and saved Luton as a production location, despite the liquidation of its Vectra plant. However, the unionists' victory was short-lived as it turned out that the restructuring process at GME was yet to accelerate. In the same year, the firm launched the Olympia program, which envisaged capacity reduction by 350,000 units and personnel adjustments across West European GM plants. In the third GM's EFA, the management and EEF agreed that productivity increases were necessary, but stated that the related job cuts would be implemented in a 'socially responsible way' (EEF and GM 2001). In effect, EEF managed to push through its 'no plant closures, no forced dismissals' demand, which became the unionists' motto for future action. During another restructuring round launched in 2004, 12,000 workplaces were to be liquidated, and the bulk of dismissals (9,500) were to take place in Germany. Thanks to EEF-led negotiations, job shedding was coupled with retraining programs financed by the firm as well as generous severance payments and early retirement schemes, which encouraged many workers to voluntarily leave their jobs.

What spurred the evolution of West European unionists' relations from open rivalry towards cross-border cooperation? The literature offers numerous interpretations of the GM case. Labor transnationalism at the firm is often presented as a reaction to restructuring and aggressive management policies that aimed at playing off individual sites against each other (Da Costa and Rehfeldt 2007, Haipeter 2006, Banyuls et al. 2008). Fetzer (2008a: 291) extends the above interpretation by pointing out that both processes affected all West European sites to an equal

extent, thus creating a ‘shared sense of vulnerability’ between West European unionists who proved unable to secure their plant’s long-term survival through concession bargaining. In addition, Greer and Hauptmeier (2008b) highlight the role of GM union leaders and consider Klaus Franz, the charismatic German EEF chair, and Rudi Kennes, his Belgian deputy, as political entrepreneurs capable of mobilizing local union constituencies for cross-border collective action.

Alongside with the positive assessments of GM unionists’ transnational cooperation, critical voices are also raised. In the conclusion of her study on the 2004 company restructuring round and Opel Vectra site selection bid between Rüsselsheim and Trollhättan, Pulignano (2006) argues that EEF did not manage to prevent cross-border competition between individual GME plants. While EFAs would lay down broad rules governing the restructuring process and eliminated the threat of plant closures, they served as an umbrella for plant-level deals that reflected local interests and offered concessions specific to a given country’s industrial relations setup. In a similar vein, Fetzer (2008a) observes that GME unionists actively participating in EEF activities simultaneously showed strong interests in keeping their own locations afloat. He thus concludes that labor transnationalism at GM was ‘fragile, issue-specific and dependent on the coincidence of local and national interests’ (Fetzer 2008a: 305). He also finds that the majority of joint initiatives were undertaken in defense of West European sites against those located in other parts of the world. EEF’s ‘hostile approach against new entrants’ (Fetzer 2008a: 304), exemplified by its critique of GME plans to expand outside the ‘old’ EU (see section 3.7), can be seen as a part of the Westerners’ strategy to pre-empt cost comparisons with facilities in low-wage countries. To what extent does this interpretation capture the interactions between Polish and West European GM unionists? Did the Westerners account for Gliwice’s interests,

viewing it as an ‘insider’ location, or did East-West labor relations at GM remain hostile? The next sections shed light on these questions by providing a detailed account of strategies pursued by GM employee representatives, from the time of the Poles’ ‘accession’ to EEF in 1999 until 2008.

3.4. *Solidarność in EEF: the early period (1999-2004)*

In 1998, GM built an Opel assembly plant in the Polish town of Gliwice, in the heavily industrialized region of Upper Silesia. The investment was located in a special economic zone and thus exempted from taxation until 2016; moreover, the city authorities pledged to build a new road and a railway line to attract the automotive giant. In view of the painful restructuring of the Silesian coal mining industry and the resulting high unemployment (14% in Gliwice and 25% in adjacent towns as of 1999; Nowak 2005), it was hoped that GM would create new workplaces and attract further investments in the car component sector.

Initially, the new facility made a positive impression on its newly hired workforce. Clean production halls, innovative forms of work organization such as team work and regular festivities organized for employees and their families were associated with a new, ‘better’ type of industrial employment. In press reports released shortly after Gliwice’s opening, its manager argued that due to the excellent working conditions at the plant, the establishment of a labor union would not be necessary. He proved wrong just a few months later, in January 1999, when a group of workers dissatisfied with relatively low remuneration levels and unjust rules of team leaders’ promotion decided to set up a plant-level *Solidarność* unit. In view of the high unemployment

rates and the resulting intense competition over jobs at the factory, many preferred not to risk demotion or dismissal and thus abstained from joining the organization (PO1 2007). Despite this initial hesitation, however, the unionization level was continuously growing and reached nearly 30% in 2008.

Soon after the union's foundation, the Poles initiated contacts with the West European employee representatives. According to the Gliwice *Solidarność* chair, he and his colleagues expected that the Westerners would support them in the course of their conflicts with the company management:

‘Since the very moment of the union's creation, we've been aware that we would not be able to step against such a giant [GM] and such powerful management solely by ourselves. We thought we didn't have any chances unless we created a powerful union from the very outset, which was impossible in the Polish context. [...] So we thought we must contact the European Works Council' (PO1 2007).

Guided by the above motivation, *Solidarność* activists used their private links and approached Rudi Müller, the chair of EEF and GWC at the German Opel. During his visit in Gliwice in 1999, he was denied access to the factory premises and thus had to consult Polish unionists outside the plant. In the same year, EEF obtained the central management's consent to 'enlarge' to the East by granting an observer status to representatives from Poland and Hungary. Until 2004, i.e. in the period when the Polish EWC legislation was not yet in place, EEF meetings were attended by a union and a HR department representative but after Poland's EU accession, a *Solidarność* member won an official ballot and participated in EEF meetings as Gliwice's sole delegate.

Solidarność's presence in EEF triggered mixed reactions among its rank and file members. Gliwice employees were surprised to find their union liaising with West European workers, who had been perceived mainly as competitors. As expressed by the union chair,

'[t]he workforce was not convinced that this alliance [with EEF] was purposeful. There was a strike in Germany [in 2001], dismissals and so on, and we declared our solidarity [with the Germans]. And the reactions here were: <This Ciebiera [*Solidarność*'s chair name] got totally crazy: he is siding with the Germans at the time when they [GM] are cutting workplaces [in the West], which is in our interest!>' (PO1 2007).

Although West European union leaders were aware of the necessity to coordinate with the Polish plant – hitherto a 'blind spot' on the map of the European GM unions' contacts, the establishment of such links featured low on the priority list of 'old' Europe's workforces. In the first years following Gliwice's establishment, its capacities remained relatively low and hence the Westerners did not perceive it as a competitor. In the early 2000s, a much more serious threat to West European GM jobs emanated from GME's restructuring programs and hence the Westerners focused on negotiating restructuring terms rather than on East-West exchanges.

The situation changed only in 2004, when the management announced plans to increase Opel Zafira capacities. Employees at the Bochum plant had good reasons to consider their site as the most suitable to host the new production. The West German facility had been the only plant to produce the model and therefore had the necessary experience to take on extra responsibilities. Given Zafira's positive sales results, Bochum workers also believed that their site had contributed to the firm's profit and thus 'deserved' the new capacities (Stahlmann and Wendt-Kleinberg 2008). At the same time, however, Zafira was very much needed in Gliwice. To attract the investment, in May 2004 *Solidarność* signed an agreement with the local management,

offering a number of concessions in exchange for Zafira's arrival to Poland (*Solidarność Opel* 2004). The union accepted a three-year long wage freeze for all employees and an additional reduction of remuneration levels for newly hired workers, who would receive 85% of their wage during their first employment year. Shortly after the deal, the management announced that Zafira would be produced at the Polish site. Due to the capacity increase of 100,000 units, the investment led to the creation of a third shift in Gliwice and the hiring of 700 extra workers.

The management's decision on Zafira prompted negative reactions among West European Opel employees. Bochum workers criticized the concession deal and accused the Poles of social dumping (Nowak 2005). Together with the German press (see e.g. *Süddeutsche Zeitung* 2004), they speculated that the decision favoring the Polish plant might have political grounds and that GM, an American company close to the George W. Bush administration, allegedly invested in Poland in return for the country's involvement in the Iraqi war. The Poles, on the other hand, argued that they sought to secure the plant's future:

'It took the other side [West European unionists] a long time to understand us [i.e. the decision to sign the concession agreement], but we were in a different situation back then. Our production was running in a two-shift system, our car model was obsolete and there was a choice: either we get the Zafira and move towards a three-shift system or we don't get it and we stay with one shift only. Under such circumstances, nobody could be expected to say <ok, for the sake of international labor solidarity, I agree to a dismissal of the 50% of workers at my plant>' (PO2 2007).

Moreover, the *Solidarność* chair maintained that the concession deal signaled that the factory workforce was capable of making commitments in relation to important investments:

‘I wouldn’t say that [the concession deal] didn’t make sense. One has to show off a bit, right? [...] It is like with sportsmen, isn’t it? They cannot demand gigantic benefits if they have not yet proven anything [...], what they are able to do. And it was like that with Zafira, we showed what we can’ (PO1 2007).

The Zafira site selection bid was the first instance of East-West conflict related to investment distribution. It took place in 2004, parallel to a major restructuring drive at ‘old’ Europe’s locations. For West European union leaders, it signaled the necessity for the Poles’ inclusion in future cooperative initiatives, so that the latter refrain from further concessions. For the Poles, it was a lesson of GME’s competitive benchmarking policy, but also a proof that their lower wages and working conditions might constitute an advantage during future investment bids. As subsequent sections show, maintaining a delicate balance between investment attraction and pay hike demands was a major task for *Solidarność* in the period following Zafira’s arrival to Gliwice.

3.5. Delta Group and the European Solidarity Pledge

In the late 2000s, Astra III’s life cycle was expected to come to an end. The distribution of its successor’s capacities was planned for 2005-2007 and involved five European factories of the so-called Delta production platform: Bochum (Germany), Ellesmere Port (UK), Trollhättan (Sweden), Antwerp (Belgium) and Gliwice (Poland). Initially, the management planned to shut two West European Delta plants and distribute their production volumes among the remaining three locations. In order to avoid site closures and inter-plant competition, EEF had to come up with an action plan before individual facilities made their own bids. Already in February 2005,

EEF criticized the company's '<low cost> capacity allocation strategy', arguing that it 'lead[s] to a dangerous process of downward spiraling competition among the European GM plants and unions' (EEF 2005a). Together with the European Metalworkers' Federation (EMF), it set up the Joint Working Group on GM Delta plants, also known as the Delta Group, designed to coordinate union actions across borders. In view of the Zafira experience, it was also crucial for the Westerners to engage *Solidarność* in cross-border exchanges and hence they decided to hold the Group's first meeting in December 2005 at the Polish plant. During the talks, unionists from the five Delta plants signed the so-called European Solidarity Pledge, a unique document in which they opposed plant closures and forced redundancies and outlined the principles guiding their cross-border relations (EEF 2005b). In particular, they promised to inform other Group members on company decisions concerning their locations that could also be important for other Delta plants, and not to lead separate negotiations with the local management. The unionists also agreed that capacity distribution rules should be included in a separate EFA and set in line with EEF's proposals.

The Poles signed the European Solidarity Pledge only when its initial version was modified to incorporate their claims (*Solidarność Opel* 2005a). EEF based its Astra IV capacity distribution plan on March 2005 production levels and thus did not account for the significant capacity boost in Gliwice following Zafira's arrival. *Solidarność* objected to this arrangement and demanded that the Pledge take account of the post-Zafira *status quo*. Moreover, the Poles asked for an extra provision stipulating that the Group would make decisions solely on a consensual basis. They considered this point as particularly important, as it formally equalized their status with that of West European unionists:

‘We feel that we are treated on equal terms, you know. And I must say that this is our contribution, at least within the Delta Group, this is our contribution, and we shall be proud of it. We demanded that in the Solidarity Pledge [...] there was a point that [...] if only one representation says <no>, no decision is taken. [...] It’s true that we are smaller, but a small one must also have a say. Especially because the small one is always kicked in the butt. And this way, one has to make an effort and search for a compromise in order to save the small one, too. I think we will defend this provision like [our country’s] independence (PO1 2007).

In spring 2006, GME management issued a list of prerequisites for Astra IV investment. The demands, baptized by EEF as a ‘horror catalogue’, involved *inter alia* the introduction of a fifteen-shift working week, the elimination of extra payments for Saturday work and the decrease in bonus payments to the minimum level laid down in a given country’s labor law (EEF 2005a). Within the assigned deadline, each plant was expected to file an ‘offer’ outlining possible concessions, which were then to serve as a basis for negotiations on Astra IV capacity distribution. In an unprecedented act of cross-border coordination, the Delta locations jointly rejected the list, boycotting a number of subsequent deadlines for the submission of the offers. This unified labor front challenged the management’s plans to play individual production sites off against each other and thus eliminated the threat of mutual underbidding, instead granting EEF the position of a sole negotiating body.

In the course of the Astra IV site selection process, external actors played an important role in facilitating rapport between the unionists from the five Delta sites. A full-time coordinator assigned by EMF supervised EEF’s work and monitored the conclusion of subsequent EFAs, whereas the German metalworking union *IG Metall* applied for EU funds with the so-called GMEECO (General Motors Europe Employee Cooperation) project, designed to boost intra-Delta Group union exchanges. Thanks to additional EU resources, EEF and GMEECO’s *IG Metall* team organized numerous meetings for Delta Group representatives, during which the

latter had a chance to share information and discuss their future actions. Joint sessions facilitated personal exchanges between the unionists, which, in the eyes of the *Solidarność* chair, was extremely important for the ultimate success of the coordination scheme:

‘[...] they were getting to know our culture, our customs, and we were traveling [to other Delta plants], getting to know their customs, spending time with each other... most importantly, we were together. In my opinion, it is the most important thing that we were together as a group, and that we were getting to know each other from different sides, in funny situations, drank beer together, and ate a bit of salt together [i.e. faced difficulties], too (PO1 2007).

The unified union front was maintained until the announcement of GM’s decision on Astra IV capacity distribution in April 2007.¹⁴ Four locations – Bochum, Ellesmere Port, Trollhättan and Gliwice obtained the new production, but Antwerp was excluded. When the Belgian workers staged a strike in response to the firm’s decision, other European plants again organized a European Action Day, holding short protest actions and information meetings with their workforces in solidarity with the Belgian site¹⁵. Further negotiations between EEF and the GME management led to the conclusion of yet another EFA in April 2008, which restated the company’s decision concerning Astra IV capacity distribution. As a result, the Belgian plant underwent significant downsizing: out of 4,500 workers, almost two-thirds had to leave the plant.

¹⁴ In 2006/2007, however, EEF featured a dispute over an outsourcing deal signed by Bochum employee representatives. EEF’s steering committee criticized the deal, arguing that outsourcing was an important topic that should be first discussed within the Delta Group and that the conclusion of the local agreement could give the plant an unfair advantage over other factories. Bochum works councilors, on the other hand, claimed that the outsourcing plan constituted a part of Bochum’s ‘agreement for the future 2010’ (*Zukunftsvertrag 2010*) negotiated before the conclusion of the European Solidarity Pledge and prepared in collaboration with the local *IG Metall* unit, and thus did not have to be consulted within the EEF (GOB1 2008). It is difficult to assess which side was right, not least due to personal disagreements between Bochum works council chair and EEF chair, simultaneously the chair of Opel’s GWC based in Rüsselsheim. In any case, the provisions of the Bochum deal regarding the status of workers from the outsourced units were essentially repeated in the 2008 EFA (GOB1 2008; GOB2 2007).

¹⁵ This time, the European Action Day was scheduled for 3 May – Poland’s national holiday. It is difficult to determine whether the choice of the date was coincidental; according to Banyuls et al. 2008, however, the Poles could have proven reluctant to express their solidarity with the Belgian site that had lost the bid and thus it was ‘safer’ for EEF to organize the action without their participation.

Initially, dismissals were implemented in ‘socially acceptable’ manner and involved generous severance payments and early retirement schemes. In view of the plant’s low capacity utilization and the financial turmoil at GM, however, the company decided to shut the Belgian site by the end of 2010 (*Flanders Today* 2010).

What made *Solidarność* adopt a cooperative stance in the course of the Delta site selection process? During the interviews, the Poles maintained that they wanted to avoid a ‘rat race’ between individual plants (PO3 2007). Had the Delta sites’ representatives not coordinated their activities, they argued, the selection process ‘would have been marked by big sacrifices on the side of workers at each plant’ (PO2 2007). From this perspective, *Solidarność*’s presence in the Group seems to be motivated by a ‘shared sense of vulnerability’ with the West European GM unionists (Fetzer 2008a: 291). But on the other hand, it is unlikely that the danger of plant closures and disinvestment was ‘equally distributed’ between the five factories shortlisted for Astra IV. When discussing the likelihood of Gliwice’s downsizing or closure, the Poles were not referring to Europe-wide restructuring drives or investment distribution bids, but rather to the creation of new production capacities in post-Soviet countries and East Asia. At the same time, they dismissed the immediate character of the eastern relocation threat, pointing to Poland’s high score in investment rankings (PO1 2007). They also expressed doubts regarding GM’s ‘going east’ strategy in view of alleged ‘different culture, political upheavals [and] destabilized economy’ in the former Soviet Union (PO3 2007). The above statements suggest that the Poles expected to face Western Europe-like difficulties only in the long-term perspective; in the short-term, they could be certain that their plant would not be omitted during investment distribution rounds in the light of its significant cost advantage *vis-à-vis* ‘old’ Europe’s locations. The investment security, in turn, might account for *Solidarność*’s participation in the Delta Group

and explain why the union found it relatively easy to commit itself not to lead separate negotiations on the new Astra.

The above interpretation is corroborated by two West European sources. While discussing *Solidarność*'s transnational engagement, an interviewed Bochum works councilor expressed the following judgment:

'The Delta process proved that it's possible to lead joint talks and negotiations [...]; [it would be] good if it was continued. However, the Polish colleagues didn't participate in it; they were... <the holy cows>. It all started there and they were the benchmark. Rather, West European localities negotiated together, because the Polish plant was already lean, had adopted the processes that the Western plants were being confronted with' (GOB1 2007).

The interviewee went as far as to claim that prior to the selection process, GME management announced that the Polish site would obtain a share in Astra IV investment and work at its full capacity. Although no other source directly confirmed this assertion, Gliwice was indisputably the cheapest and leanest plant among the five Delta locations. From the very outset it met the majority of the requirements set out in the 'horror catalogue': only three out of fourteen points from the management demands' list, the elimination of extra payments for Saturday work, the introduction of a forty-eight-months' long working time corridor and the related cuts in bonus payments, could not be implemented as they went against the Polish labor law (EEF 2006a); therefore, it was relatively easy for the Gliwice employee representation to reject the document. In light of this fact, it could be argued that the main task of West European Delta Group members was to prevent the Poles, who would obtain the investment anyway, from offering further concessions. This rationale is best expressed by a German *IG Metall* activist and a former EMF coordinator for GM:

‘In the Delta case, the Poles were never expected to make further concessions. To the contrary [...], they will get the production anyway because they are the cheapest. [...] The main problem in relation to Eastern Europe is not that the production will be relocated there, it will be relocated anyway [...]. It is rather the question whether this [CEE] location will not additionally stimulate competition through concessions, which is totally unnecessary from our [West European] point of view’ (IGMO 2008).

3.6. Western assistance: ‘learning from older brothers’ (PO3 2007)

The Poles’ participation in the Delta Group did not involve unilateral restraint on the side of Gliwice workforce. Parallel to transnational commitments, *Solidarność* obtained considerable support from its West European counterparts in its struggle for higher wages and better working conditions.

In line with the 2004 Zafira agreement, wages in Gliwice were frozen for three consecutive years. It is thus a small wonder that when the deal was about to expire, pay rise claims reached the top of *Solidarność*’s agenda. In March 2007, the union demanded a monthly bonus of approx. €140 to be paid from May 2007 on and a regular pay rise of €125 as of January 2008, which altogether would bring an unprecedented 30% increase in remuneration levels. In addition, the union issued a list of twenty-one claims regarding working conditions’ improvements. Since GM’s counterproposal proved much more modest, *Solidarność* entered a collective dispute with the management and asked Klaus Franz, the chair of EEF and the Opel’s GWC, to serve as a mediator in the row (*Eironline* 2007). When the mediation did not bring expected results, Franz advised that *Solidarność* organize a two-hour long warning strike (GOR 2007), which made the management agree to a €700 bonus paid in two monthly installments and an extra five-minute break. Talks on further wage increases were scheduled for the second part

of the year. The Poles were very satisfied with EEF chair's engagement, stressing that his intervention brought 'concrete effects' (PO1 2007). They were also positively surprised that over 90% of the workforce from the morning and afternoon shifts participated in the protest action, which showed a high level of support for *Solidarność*'s demands among Gliwice workforce. During the second round of negotiations in September 2007, the unionists again asked for an exceptionally high pay hike of €280 for each worker, but this time the management refused to accept Franz's mediation. A deal from November 2007 envisaged a €140 wage increase as of January 2008, as well as an additional €350 bonus paid in two installments. The union called the compromise 'a good agreement' (*Eironline* 2007), but at the same time expressed a wish to negotiate a full-fledged collective agreement for the plant. Until the end of 2010, however, it has not been concluded.

West European unionists' assistance extended to other fields and involved *inter alia* advising the Poles on outsourcing practices. According to the *Solidarność* chair, only after the Westerners' intervention did his union realize that the gradual takeover of tasks by external firms eliminated easier jobs that could be performed by older workers whose condition did not allow them to get involved in physically-demanding tasks. As more and more workers in Gliwice who reached forty years of age continued to complain about their health due to the heavy workload, it was crucial to secure them a job at the plant. In this respect, the experience of West European factories, where manual workers' average age was much higher than in Gliwice, proved extremely valuable. Even though EEF's intervention against the outsourcing of doors and cockpit production came too late and the tasks were taken over by an external firm, the Poles nevertheless underscored the benefits of learning from their 'older brothers' (PO3 2007). They claimed that due to their longer experience in dealing with the GM management, the Westerners

were ‘always one step ahead’, .i.e. had better understanding of problems that the Polish plant would be confronted with in the future (PO3 2007).

Last, but not least, the Poles used their links with West European unionists to exert pressure on the local management in relation to labor law breaches. *Solidarność* and EEF filed a joint complaint to the Polish Labor Inspectorate, condemning the practice in line with which temporary workers whose contracts were about to expire were forced to train their successors. The unionists maintained that the policy did not respect the dignity of the former employee group (EEF and *Solidarność* 2006). The Poles also planned to organize a conference gathering GM unionists from all European GM sites in order to discuss workplace mobbing that allegedly constituted a major problem in Gliwice. The event was to serve a shaming instrument and force the local management to change their attitude towards Polish employees (PO1 2007), but eventually it did not take place.

3.7. Continuing disagreements

Despite Polish unionists’ engagement in cross-border exchanges, their position often diverged from an official policy line pursued by West European plant representatives and EEF. This section presents two recent disputes between the Poles and the Westerners, one emerging in the context of a ‘beauty contest’ over Opel Meriva and the other spurred by GM’s plans to expand its CEE capacities.

Shortly before the launch of the Delta Group, there appeared another opportunity to increase production volumes at the Polish factory. In 2005/2006, GM was to choose where to

locate the production of the new Opel Meriva, and placed Gliwice and the Spanish Zaragoza on the shortlist. EEF firmly supported the Spanish bid; in the so-called European Solidarity Pledge Meriva, it set out principles that should guide the Meriva site selection process, including *inter alia* a ‘guarantee of fair and equitable capacity utilization at all GME plants’ and the demand that new jobs are created ‘only if they are not at the expense of another site’ (EEF 2005c). By signing the Pledge, the Poles would step down from the bid and hand over the investment to the Spanish location and for this reason, the act was rejected by *Solidarność*. During meetings with West European unionists, the union’s representatives criticized the fact that the Pledge had not been subject to prior discussion within EEF. More importantly, they argued that in view of Gliwice workers’ hopes related to the new model, it was impossible for the union to step down from the competitive race as it would put its reputation at stake:

‘It is a difficult text to accept. (...) We are in a difficult psychological situation: how to explain to the workforce that we should step against such production takeovers; how to explain that we do not want investments at our plant? (...) This is how people [would] perceive such a declaration: <trade unions, in our name, do not want Meriva in our factory!> (...) If we adopt such position, nobody will come to the next meeting, unions will cease to exist’ (Solidarność Opel 2005b).

Moreover, *Solidarność* used what could be called ‘developmental rhetoric’, referring to a difficult economic situation in the Upper Silesian region and stressing the necessity to attract additional capacities in Gliwice to create new jobs for the unemployed:

‘The question is: how to do it [i.e how to sign the Solidarity Pledge Meriva] in view of the 20% unemployment rate [in the region]? (...) We are a developing plant. Solidarity does not involve only supporting each other in difficult situation, but also sharing the good things.’ (Solidarność Opel 2005b).

On the other hand, the Poles did not offer additional concessions to attract the Meriva investment. According to the Polish EEF delegate, the pressure to obtain the new model was not particularly high in the light of Gliwice full capacity utilization; besides, the union considered the upcoming Astra selection process as far more important (PO2 2007). Still, *Solidarność* did not back down from the bid, leaving the final decision to the management. In February 2006, GME assigned the Meriva production to the Spanish plant, arguing that the initial investment costs in Gliwice would be twice as high as in Zaragoza, but GME Vice President Eric Stevens stated that the company intended to expand production at the Polish plant and use its full capacities in the future (GME 2006).

Another major disagreement between unionists from new and old EU member states was related to GM's plans to boost its CEE and Asian operations while reducing production at West European facilities. In May 2006, GME President announced that two out of five West European Opel plants were threatened with closure in the near future (EEF 2006b). Shortly after this statement, GM decided to shut its Portuguese plant in Azambuja due to the site's high logistics costs, which was interpreted by German Opel's GWC as a 'prelude to the end of automotive production in Western Europe' (*Einblick* 2006). Its assessment seems at least partially justified given that parallel to the liquidation of the Portuguese factory, GM opened a car plant in a special economic zone near Saint Petersburg, Russia. The Westerners were very critical of the company's expansion 'towards the close and far East' (EEF 2006b), pointing to the fact that at the time when West European plants remained underutilized and underwent painful restructuring programs, GM was building up new capacities in CEE and post-Soviet countries.

In this regard, the planned acquisition of the Warsaw Żerań car plant, announced in mid-2006, seemed another nail to the coffin of ‘old’ Europe’s locations. The factory possessed a production capacity of 300,000 units and was the first site in Europe to manufacture GM’s Chevrolet vehicles. In addition, in contrast to the Saint Petersburg site, which produced for post-Soviet markets, Chevrolets manufactured in Warsaw were to be sold primarily in the EU. West European unionists would rather see Chevrolet capacities distributed among ‘their’ factories, which could revert or at least slow down the restructuring process, and therefore opposed GM’s plans to acquire the factory. Żerań did not eventually become a part of GM, but instead was taken over by GM’s Ukrainian joint-venture partner AvtoZaz. Just as initially planned, however, Warsaw-produced Chevrolets were exported primarily to West European markets.

Contrary to their Western counterparts, Gliwice *Solidarność* unionists welcomed the management’s plans to purchase another site in Poland. They rejected a joint EEF statement condemning GM’s policy of expanding its eastern capacities, and argued that it was crucial for the Polish plants to profit from the company’s drive towards the East:

‘*Solidarność* is aware how difficult the current situation at GM is, but it always firmly opposes any personnel reductions and fights for the preservation of jobs. (...) Therefore, we are actively defending workplaces in Gliwice and Warsaw (Żerań). (...) We should remember that GME is not a separate entity, isolated from the company and world markets. We cannot <get offended at the reality> and reject to fact that GM is expanding towards Eastern Europe (...). To the contrary, we must actively take part in this expansion for many years to come. This is why *Solidarność* will strongly support the increase of capacities at *competitive* Polish plants’ (Solidarność Opel 2006; emphasis added).

The rhetoric used by Gliwice unionists in the relation to the Warsaw factory resonates with that accompanying the Zafira and Meriva bids. It shows that *Solidarność*’s efforts to obtain

additional capacities were motivated by the willingness to catch up with West European living standards through the creation of new jobs in the Polish car industry. In the examined case, Gliwice unionists' support extended to Warsaw workers who could profit from joining the 'GM family' after years of insecurity and ownership changes.¹⁶ Still, it is difficult to assess whether the Poles' activism in this regard stemmed from their solidaristic feelings towards the Warsaw colleagues, or whether it was driven merely by the willingness to avoid shaming within national union structures. Interestingly, *Solidarność* did not express its solidarity with factories in post-Soviet countries, perceived as Gliwice's competitors due to their lower labor costs.

3.8. Conclusions: the GM case

Cross-border union exchanges at GM featured a shift from underbidding to cross-border coordination, both in the West-West and in the East-West European contexts. This strategy mix makes the case particularly interesting, as it simultaneously points to the possibilities and limits of plant-level labor transnationalism.

With regard to relations between West European GM unionists, the chapter built on the secondary literature and argued that 'old' Europe sites' continuous exposure to benchmarking and the presence of a restructuring threat 'equally distributed' among all locations prompted the creation of a unified employee front. It also showed that GM employees succeeded in

¹⁶ The Żerań plant, founded in the early 1950s, had considerable difficulties finding an investor in the aftermath of the transition. GM took over in the plant in 1993 but withdrew a year after, and the Korean Daewoo became the site's official owner. Following Daewoo's bankruptcy, the plant underwent large-scale downsizing and eventually was purchased by the Ukrainian AvtoZAZ. The major worry of the plant's union representation is that the site delivers models on the basis of short-term contracts but does not manufacture models under a single brand (PW 2008). In fact, press reports from October 2010 indicated that due to lack of new orders, the plant might be closed if talks with possible new investors failed (*WNP* 2010a).

coordinating their strategies across borders and formulated joint principles guiding investment site selections. Still, transnational activism ran parallel to plant-level concession bargaining, which indicates that cross-border rivalry between individual plants was not fully eradicated (cf. Fetzner 2008a and Pulignano 2006).

As for East-West union relations, the chapter argued that the establishment of the Polish site posed a considerable threat to West European plants, as its significantly lower labor costs could serve as an advantage during site selection bids. In order to attenuate the eastern threat, the Westerners sought to make sure that the Poles comply with coordination principles. But the latter were far from accepting unilateral restrictions and initially concluded a concession deal to secure the arrival of a new model to their plant. The subsequent shift towards a more cooperative stance was due to three factors. First, it took place after the Zafira investment that ensured Gliwice's full capacity utilization. Second, in view of their plant's most favorable costs structure out of the five shortlisted factories, the Poles could be sure that they would be assigned Astra IV production and thus they did not risk much by signing the European Solidarity Pledge. Finally, parallel to its cooperative engagement, *Solidarność* profited from EEF's advice regarding strike strategies and anti-outsourcing policies.

All in all, the evidence presented in this chapter suggests that East-West European union cooperation at GM took involved interest-driven reciprocal exchanges, which makes the case similar to that of the VW's engine units. While the Polish union vowed not to underbid West European locations by joining the Delta Group, the Westerners supported *Solidarność* in the course of its disputes with the local management. Despite the join front's success during Astra IV site selection bid, however, labor transnationalism at the company continued to take place in the shadow of rivalry. On one hand, the Poles' involvement in cooperative ventures rested on the

premise of investment security. If the latter was missing, they might well abstain from cooperation, justifying their actions by the ‘developmental rhetoric’ and evoking their responsibility *vis-à-vis* their rank and file. On the other hand, the Westerners cooperated with their Eastern counterparts in order to regain the control over the international environment in the absence of national bargaining channels. Grave difficulties faced by West European localities could lead to increased engagement of state actors in corporate affairs, thus opening ‘national windows of opportunity’ that for a long time had remained closed to ‘old’ Europe’s unionists. This, in turn, might turn their attention away from transnational solutions (see section 5.7).

Chapter 4. MAN: failed cooperation in view of company restructuring

4.1. Introduction

This chapter examines relations between Polish and German unionists at MAN Commercial Vehicles Group. Throughout the 2000s, the company gradually moved component production and bus assembly from the German plant of Salzgitter to Poland and Turkey, which resulted in large-scale job shedding at the former location. The evidence shows that German employee representatives used a variety of national strategies such as plant-level bargaining, workplace mobilization and political lobbying to prevent the relocation process and, when the goal proved unattainable, to secure alternative jobs for workers from liquidated units. They also attempted to liaison with unionists from bus-producing factories located abroad. Polish unionists, however, welcomed new production inflows to their sites and thus shunned cross-border exchanges initiated by their German counterparts for fear that such contacts would hamper the relocation process. At the same time, they adopted a wage freeze to retain their plants' cost advantage.

MAN's bus unit is an instance of failed labor transnationalism, in the sense assigned to this term in section 1.4.2. The absence of cross-border union cooperation at the company was due to the relative attractiveness of alternative, national options. Under the zero-sum conditions brought about by the relocation process, gains derived from national solutions were higher than potential benefits of cross-border liaisoning both for the Germans and the Poles. Cross-border

activism was additionally impeded by conflicts between German employee representatives within the company's GWC. The chapter also briefly documents the strategy of German unionists from the company's truck division who, taught by the bus unit's experience, tried to establish cooperative links with *Solidarność* at the Polish truck factory immediately after the site's establishment. Their efforts failed, however, in view of the inadequate resources devoted to the initiative and the deepening economic crisis.

4.2. Company profile

The history of the Germany-based industrial holding MAN dates back to 1898, when two large machine-building factories in Nuremberg and Augsburg merged. In 1908, the company was renamed Maschinenbau Augsburg-Nürnberg AG (MAN). With around €12 billion annual turnover, MAN is one of thirty firms composing DAX, the German Stock Index (MAN 2010). It is also a significant employer: more than a half of its 47,743 staff works in Germany (26,768 as of 2009; *ibid.*), followed by Austria and Poland, with approximately 4,000 workers each. Other important European MAN factories are located in Denmark, the UK and Turkey. Beyond Europe, the company invested *inter alia* in South Africa and Mexico and runs a joint venture in India, which assembles trucks for the Indian and East Asian markets.

MAN holding's operations are divided into four key areas: the manufacturing of commercial vehicles, diesel engines and turbo-machines and the provision of industrial services. The first area is managed by MAN Commercial Vehicles Group (*MAN Nutzfahrzeuge*), an independent business unit created in June 2003 and headquartered in Munich. Its product

portfolio encompasses trucks, buses, coaches, as well as engines and components for commercial vehicles. In 2008, the Group employed approx. 36,000 workers worldwide (MAN 2009).

In the early 2000s, the Commercial Vehicles division was bringing considerable losses due to the poor performance of its bus unit. As a result of subsequent restructuring, the coach-producing site in Pilsting, Bavaria, was downsized and eventually taken over by Visteon Bus GmbH in 2009, while the majority of its operations moved to Plauen, Saxony. At the same time, the bus factory in the Lower Saxony's town of Salzgitter witnessed gradual relocation of bus component production and assembly to the company's plants in CEE and the Middle East. The process was accompanied by massive job cuts: out of 1,800 workers employed at the Salzgitter plant's bus section in the early 2003, only 400 remained in 2007, putting out semi-finished bus bodies. Despite the plant's difficulties, unionization levels remained relatively high. At the time of the research, around 90% of the bus unit workforce belonged to *IG Metall* and a small but active fraction of *Alternative Metaller* was present in the factory's works council.

In Poland, the only postcommunist country hosting MAN plants, the company owns three factories. The Poznań unit was established as a greenfield site in 1998 and employs nearly 900 workers. It specializes in the manufacturing of bus chasses and bus assembly. The local *Metalowcy* union initially had limited appeal among the workforce but since a leadership change in 2006, the unionization level has risen to 30%. At the brownfield Starachowice factory, acquired by MAN in 1999, employment trends were initially negative. Only in 2003 did Starachowice set out on the path of stable development marked by increasing employment levels (2,400 in 2007), which was directly related to the relocation of bus bodies' construction from Salzgitter. The local *Solidarność* and *Metalowcy* unions jointly represent nearly 40% of the workforce. Finally, in October 2007, MAN opened a truck plant in Niepołomice near Cracow,

whose 400 employees assemble heavy range vehicles. Just a year after the site's creation, its unionization level reached 50% (MSN 2008).

4.3. The first relocation

When MAN announced its decision to launch bus component production in Poland, the Salzgitter unionists did not perceive the new investment as a threat to their own facility. According to an Salzgitter *IG Metall* officer monitoring developments at the company's bus division, this was due to a misleading information strategy adopted by the management:

'It is commonplace that they [the management] lie. They say they are going to build something small, a small plant. And this small plant will deliver its products solely to Eastern Europe, to the Polish market, or Belarus, Russia, Ukraine... something like that. Before they said the same about the Turkish factory [...]. And now, in fact, both locations [in Poland and Turkey] are [full-fledged] production facilities and deliver their products worldwide.' (IGMM1 2007)

In 2001, two years after the launch of production in Poland, the management considered cutting 100 Salzgitter workplaces by relocating the most labor-intensive processes to the new Polish plants. The Germans managed to prevent the move thanks to wage concessions and the elimination of social provisions set above those in the regional collective agreement for the metalworking sector (*übertarifliche Leistungen*).

In the early 2000s, however, the number of bus orders fell significantly, which directly impacted on the bus division's financial performance: it brought €100 million losses in 2001 and €84 million in the consecutive year (MAN 2003a). As a result, in April 2003 the management

announced a tough restructuring plan involving *inter alia* the relocation of semi-finished bus bodies' production from Salzgitter to Poland and Turkey, which would result in the layoff of 700 out of 1,800 German employees. The company justified its decision by arguing that '[t]hanks to the widening of production at the plants in Poland and Turkey, (...) [it] will use their wage cost advantages and improve (...) [MAN's] competitiveness' (MAN 2003b).

Salzgitter *IG Metall* unionists initially rejected the restructuring plan, maintaining that the required savings could be obtained through more efficient work organization in the logistics division, lower material costs and longer working hours, but the management made it clear that they would not reverse their decision. In September 2003, after several months of negotiations, the compromise was struck regarding the future of workers from the closed departments. In line with the deal, 150 employees would be taken over by Salzgitter's MAN truck factory, while 50 would leave the plant voluntarily under early retirement schemes. The remaining 500 employees (eventually 400, as 100 workplaces were saved due to working time adjustments) would move to a local employee sourcing company cooperating with VW subsidiary AutoVision and, after additional training, could be employed at other automotive or metalworking companies operating in the region (MAN 2003a). The employees were given a two-month deadline to decide whether they would join the sourcing company. In the case of refusal, MAN had the right to initiate an ordinary layoff procedure.

To the surprise of local *IG Metall* officers and works councilors, the majority of Salzgitter employees proved very critical of the deal. They accused the negotiators of taking a soft stance during the talks and argued that the compromise did not adequately secure the interests of future sourcing company workers, viewing the transfer to the employment agency merely as a 'procrastinated layoff' or 'sidelining' (*Newslick* 2003a). Moreover, they criticized

the criteria for agency workers' selection, claiming that the group would consist of too many elderly employees and union activists, whose chances of finding a new job were allegedly dismal. The union leaders refuted the claim, arguing that in view of a high average age of the workforce it was impossible to shelter older employees from the restructuring measures. They also argued that the compromise was 'the only way to avoid a more serious hardship' (Schreger and Behmer in *Newsclick* 2003b) and warned that forced dismissals would even to a greater extent be based on economic criteria. In the end, however, only 162 employees voluntarily moved to the sourcing agency, while the remaining 280 workers were laid off directly by the company. Some of them established a self-assistance group and went to court (*Newsclick* 2004c). Overall, it seems that the relations between the local employee representation and the workforce considerably deteriorated in the aftermath of the deal. When the deputy chair of Salzgitter *IG Metall*'s unit tried to defend the restructuring plan during employee meeting, he was 'ruthlessly booed' (*Newsclick* 2003c).

Throughout the examined period, Polish unionists were concerned primarily with their plants' affairs. In Starachowice, employee numbers fell substantially, following MAN's takeover of the local truck-producing STAR factory, with only half of the initial 900 workers remaining at the plant in 2003. In view of the 35% unemployment rate in the Starachowice region, jobs at MAN were highly desired; using the metaphor of the local *Solidarność* chair, 'people were storming the company's doors and windows in order to get in' (MSS 2007). 'It all moved' only in 2003, when the employment numbers rose as a result of production inflows from Germany. Even then, however, the unionists refrained from voicing pay rise demands:

‘Between 2000 and 2006, we knew that a whole lot of money was being invested in the plant. Modernization, reconstruction, new hirings – ok, ok. So we agreed for inflationary pay rises, 20-30 zloty [€5-7,5 per year], we tightened our belt.’ (MMS 2007).

By accepting the wage freeze, Starachowice unionists hoped to stabilize production and employment levels after years of the economic turmoil. A similar strategy was adopted by their counterparts at the Poznań unit, even though the economic situation in Wielkopolska, where the latter plant was located, was more favorable at that time. Given that the wage freeze coincided with the firm’s decision to relocate labor-intensive production from Germany to Poland, it might have been an element of a conscious tactic employed by the Poles to retain their plants’ cost advantage. Their strategy changed only in 2007, when production stability and the growing number of orders, coupled with the tightening of the Polish labor market, allowed them to make bolder pay rise demands. As a result of the negotiations, wages at Poznań and Starachowice plants rose by between €50- €60 and were supplemented with generous bonus payments (MMP 2007).

4.4. Information exchange or raising rivals’ costs strategy?

Prior to the 2003-2004 relocation, no links existed between German unionists and their counterparts from bus-producing units located abroad. The Germans did not even know whether they would find a reliable partner at the newly created Polish units. Once the 2003-2004 job shedding process came to an end, Salzgitter works councilors decided to fill this knowledge gap. In collaboration with the Polish office of the Friedrich Ebert Foundation and an *IG Metall*-linked

training center Arbeit und Leben, they launched a cooperation project for unionists representing MAN's bus manufacturing sites in Germany, Poland and Turkey.

The project's outline stated that MAN workers were to a growing extent confronted with changing economic conditions and new HR strategies. In view of the recent relocation experience, it was crucial that they were aware of their information and consultation rights and 'work together, not against each other' (MAN Bus 2004). To this aim, the project envisaged a series of seminars designed to acquaint the employee representatives with EU regulations on workers' participation, in particular with the Directive on Employee Information and Consultation and the EWC Directive. During the main workshop, small teams consisting of union representatives from the three countries were to develop proposals regarding future cooperation. In addition, the unionists vowed to intensify pressure on the firm to include their Turkish colleagues to MAN's EWC and the so-called Euroforum – EWC's working group bringing together representatives of truck and bus producing facilities.

Interviewed Salzgitter unionists presented the project's goals in more modest terms, claiming that it aimed first and foremost at establishing links between them and the Polish and Turkish unionists. Since the Turkish factory was located outside the EU, its representatives did not join MAN's EWC. The situation was more favorable in regard to the Polish sites, which elected a EWC/Euroforum delegate after Poland's 2004 EU accession. Nevertheless, as noted by the works council chair at the German bus unit, Euroforum and EWC meetings were too short to serve as forums for fruitful discussions (MWC 2007). Moreover, both bodies were dominated by truck factories' representatives, who paid little attention to the problems of the bus division (MGE 2007). The Germans were also convinced that the Poles would be interested in cross-border coordination and information exchange. In their opinion, as a result of production

transfers, the Polish factories had become the most expensive producers of labor-intensive components within MAN and thus faced a threat of production transfers to Turkey and the former Soviet Union (cf. section 4.4). For this reason, they allegedly needed early and precise information on company plans, which was enjoyed to a full extent only by the German works councilors.

After a preparatory meeting in Poznań, unionists from Poland, Germany and Turkey gathered again in Ankara in June 2005 and signed a joint memorandum, vowing to regularly exchange information on developments at their sites. Designated unionists were to contact other plants' representatives each month and brief them on the company's relocation plans, outsourcing measures and other activities that would threaten employment at other factories. The goal of these consultations, if unclearly stated, was 'to ensure employment at all locations at the level that enables coordination of joint actions and mutual support' (MAN Bus 2005).

On the Polish side, the reactions to the German-led seminar and information exchange initiative were mixed. The Poznań *Metalowcy* chair assessed the project positively, claiming that he had lacked knowledge of the German industrial relations system. He also hoped that certain conflict resolution methods presented by the Germans could be used at the Polish MAN plants (MMP 2007). In contrast, Starachowice unionists proved much more reserved. Even though they formally agreed to share plant-related information, they remained highly skeptical about the purposefulness of joint activities. The fact that the Ankara memorandum 'was not fully consumed' (MMS 2007), i.e. that regular networking did not take place, was justified by the Starachowice *Solidarność* chair in a following manner:

‘They [the German unions] are not interested in such information exchange and neither are we. Why? Because we have conflicting interests. They are trying to keep production there and the Germans [i.e. the management] are moving this production to us (...). So there is a conflict of interest and there is no information exchange, and even if there was, it would not be honest’ (MSS 2007).

The above statement suggests that in the eyes of the *Solidarność* chair, it was virtually impossible for the unions to coordinate actions across borders in view of the relocation process. The Poles, aware of the Germans’ struggle to retain jobs at their facility, were reluctant to share information that could benefit the latter. What is more, they perceived the cooperative initiative primarily as another means undertaken by German unionists to keep their plant afloat. This view was best expressed by the Starachowice *Metalowcy* leader, who claimed that the project aimed to encourage the Poles to raise bolder wage demands, which, in turn, would equalize the conditions in the two countries and eliminate the need for further relocation:

‘They [the German unions] felt that we are cheaper and at some point will take over this production (...) What could they do? Well, they tried, for instance, to motivate us so that we are, so to say, <more-demanding> [‘*bardziej żądający*’] – that we demand more money, more of everything, in order to prevent the relocation this way. (...)’

Of course during this first seminar, during unofficial, backstage, evening talks, there were numerous suggestions [from the German unionists’ side] regarding what we should do, but it would have been good for the German colleagues, not for our workers. We cannot accept such solutions. I think the Germans are aware of that... I would also try similar means if something like that [relocation] was happening to us. But we have our brains; before going to the Ankara seminar, I talked to our plant manager because he was not sure what we were going to do there, whether we would not harm him or our employees. [But I told him:] <Come on, I know where I work and where I collect my salary, what do you think? One should think through other people’s suggestions; I’ve got my brain, haven’t I?>’ (MMS 2007).

The last passage is particularly interesting, as it shows that rather than building cross-border alliances with their Western colleagues, Polish unionists preferred collaborating with the local management. The two latter actors forged what could be referred to as an informal ‘low-cost coalition’, which aimed at attracting new production to the Polish sites by retaining their cost advantage.

To be sure, the Poles did not completely shun transnational contacts with German employee representatives. The interviewed Polish union leaders repeatedly pointed to the benefits of their presence in the EWC and the Euroforum. During the meetings, they would obtain valuable information regarding MAN’s investment and production plans and had a chance to present local concerns in front of top company officials (MPE 2008; MMP 2007). They were also very positive about courses organized by *IG Metall*’s Berlin-Brandenburg-Saxony district (cf. sections 1.2 and 2.6). In Berlin, they heard for the first time about the EWC Directive, learned how to lead collective negotiations and how to communicate the bargaining results to union members.

If the Poles did not generally oppose ‘going transnational’, what caused their skepticism towards Salzgitter unionists’ initiative? All above-listed activities had a common characteristic: much as they strengthened Polish unions’ organizational structure and improved their bargaining position *vis-à-vis* the employer, they enabled the unionists to engage in the politics of small steps that would bring steady, if slow wage increases and working conditions’ improvements at the Polish facilities. It seems that the unions preferred to follow the gradual approach rather than to push aggressively for Western-like wages (and indirectly, costs) as they were well aware of the limits to their demands. If the gap between their wages and the German remuneration levels narrowed too quickly, they would deprive themselves of their comparative advantage and thus

narrow their prospects for further production inflows, be it in the form of FDI or production transfers from the German sites; they would also run the risk of making eastward relocations more imminent. Consequently, even though ‘the level [of losing the competitive advantage] has not yet been achieved’ (MMS 2007), Polish MAN unionists did not push for substantial pay rises. From this perspective, Salzgitter works councilors’ initiative of encouraging the Poles to step up with bolder wage demands was interpreted as an element of a raising rivals cost’ strategy (cf. Sinn and Sinn 1994; Haucap et al. 1999) and therefore rejected.

Despite the limited success of the first seminar round, the Germans did not abandon their plans to build up contacts with the unionists from foreign bus-producing facilities. In 2007, still before the final relocation decision was taken, they launched a new series of cross-border exchanges. Following a preparatory session in Ankara, the main workshop was to take place in the Polish town of Cracow in September 2007 but two days before the meeting, MAN’s GWC unexpectedly canceled the event. In view of conflicting interpretations, it is difficult to determine what prompted this rapid intervention. According to Salzgitter works council members and a local *IG Metall* representative, GWC’s truck representatives had ‘torpedoed’ the initiative (IGMM1 2007), having accused Salzgitter unionists of trying to establish an alternative Euroforum that would deal solely with bus issues. The latter regarded the allegations as nonsensical: although the superficial character of contacts within *Nutzfahrzeuge*’s Euroforum had spurred cross-border networking with the Poles and the Turks, separate union-management consultations on bus division’s affairs had allegedly not been envisaged. A contrary assessment was given by an interviewed Euroforum representative and a supervisory board member, who argued that the initiative had been non-transparent and ‘a bit isolated from the Euroforum’ (IGMM2 2007), and that the uncertainty regarding its goals had made GWC leadership prevent

further exchanges. Given the stronger position of the truck division within MAN's Commercial Vehicles Group, it cannot be excluded that the truck sites' representatives perceived new communication channels between the 'bus people' as a threat to their dominance in Euroforum, even if the latter did not intend to create a separate bus interest representation. Whatever the motivation, GWC's intervention hindered the attempts at cross-border liaisoning between unionists from Polish and German bus-producing units.

4.5. The second relocation

Despite the painful restructuring measures implemented in the early 2000s and a short recovery in 2006, MAN's bus unit again showed negative results in 2007, bringing €17 million losses in the second quarter of the year (*Süddeutsche Zeitung* 2007). Its dismal performance contrasted with the success of the truck division, whose turnover was growing from year to year due to the increasing demand for large transport vehicles in CEE (cf. section 4.6). In order to rescue the loss-incurring bus unit, in early July 2007 MAN's Managing Director Håkan Samuelsson announced that the entire city bus assembly would be moved from Salzgitter to the two Polish locations in view of 'cost advantages in Poland' (*Süddeutsche Zeitung* 2007). Bus production was particularly labor-intensive, he argued, as it took 1,500 labor hours to assemble it; moreover, it required high manual precision and technical skills. With the average hourly wage of €5 in Poland as opposed to €35 in Salzgitter, it is easy to calculate that the company would save €45,000 per unit (*ceteris paribus*) by transferring the production to CEE. With this consideration in mind, Samuelsson planned to complete the relocation until the first half of 2008.

The news came as a shock to the Salzgitter workforce, as it meant that 1,400 out of 2,600 jobs at their bus and trucks producing facility would be cut. Local and regional *IG Metall* officials stated that they would fight to prevent the transfer: ‘Salzgitter without buses is like Wolfsburg without VW Golf’, complained Hartmut Meine, the chair of Lower Saxony’s *IG Metall* district (*Die Welt* 2007). Shortly after Samuelsson’s statement, a team consisting of *IG Metall* officials and bus unit works councilors initiated negotiations with the management. The employee side managed to mobilize considerable support of political actors, in particular of Lower Saxony’s Prime Minister and the federal Environment Minister originating from the Salzgitter region, who publicized the relocation issue and participated in discussions with the employer. When the negotiations reached a stalemate in September 2007, the works council called 1,400 bus workers for a protest against the management’s procrastinating stance during the talks and their reluctance to offer constructive solutions (*IG Metall* 2007).

This display of employee anger sped up the negotiation process and a few days later an agreement was reached. Although it proved impossible for the unionists to turn the company away from the relocation course, they managed to secure alternative jobs for 900 (according to some sources even 970) workers from the liquidated unit thanks to the increase in axis and crankshaft production at the local truck unit, which gave employment to 250 people, as well as the opening of a new logistic department, with the prospective staff of 200. Importantly, the negotiation team managed to retain nearly 500 jobs in bus chassis production thanks to synergies with the truck division that existed in this area. The remaining 400 to 500 employees were to be laid off ‘in a socially acceptable manner’, i.e. on the basis of voluntary dismissals and early retirement schemes. Finally, the unionists promised that the remaining workers would

‘contribute to cost savings’ through concessions during the upcoming collective bargaining round (MAN 2008).

The reactions to the compromise were again mixed. Although the main goal of the negotiation team – the avoidance of forced dismissals – was achieved and the result ‘could have been worse’, the chair of the Lower Saxony’s *IG Metall* district nevertheless argued that the compromise was ‘uncomfortable and painful’ for Salzgitter workforce (Meine in *Die Zeit* 2007). The workers managed to retain their workplaces, but the atmosphere ranged ‘from defeated to aggressive’ (*Newslick* 2007). In particular, the fear over one’s job did not disappear and Salzgitter workers expected that further relocations would follow, this time in the truck division (see section 4.6). Workplace security was temporarily restored thanks to an agreement concluded in January 2008, which restated the provisions of the September deal and guaranteed the continuity of production and employment at Salzgitter until 2012. Although 86,6% of the workforce voted in favor of the deal, the works council fraction of *Alternative Metaller* contested it, claiming that the agreed dismissal protection period was too short (NetzwerkIT 2008a).

With regard to the final relocation phase, the opinions of German works councilors and unionists participating in the final negotiations deserve special attention. It is remarkable that, for a number of times during the interview, they seemed to suggest that the inflow of additional production to the Polish sites would bring the latter more harm than good. The reason was that from that point on, the Poles were the most expensive bus producers within MAN and thus would soon face similar cost-cutting pressures as the German factory:

‘Since Salzgitter has been cleaned up, the whole pressure will be exerted on the Polish plants, because until now, it used to be put on Salzgitter. (...) Now we are not there to be cursed at any more. Salzgitter is out’ (IGMM1 2007).

Furthermore, they warned that the Polish plants should not feel safe given that the bus production could be transferred further east, to post-Soviet countries and Asia. The following two statements paint this gloomy picture and point to the allegedly temporary character of the management's location decisions:

‘When the whole production was relocated to Poland, it was so because the company expected certain profits. They move it to the Polish plant because labor costs are lower there. And then there must be profit: if the profit is not as high as expected by the board, they will pull out of Poland – massively!’ (MWC 2007)

‘There is already pressure on the Turkish location since the Chinese are cheaper. Soon Turkey will have to become cheaper, and then the pressure on Poland will intensify. Turkey already delivers coaches to the West European markets; it can also deliver city buses. So... the winner [of this relocation round, i.e. the Poles] cannot consider oneself a winner. A winner is somebody whose win stays there for good. And in this case... one has a job tomorrow, but he/she can lose it again soon’ (IGMM1 2007).

The recurrence of the ‘eastern threat’ in the German unionists’ statements can be justified on two grounds. On one hand, it might be an expression of ‘sour grapes’ rhetoric, invoked by the Germans, seemingly disappointed with the relocation decision, to diminish the significance of the production loss in front of themselves and the interviewee. Alternatively, it can be considered as a voice of experienced unionists who had gone through two rounds of tough negotiations with the management and thus had no illusions about the shareholder-oriented strategy of their company. The statements of MAN *Nutzfahrzeuge*’s Managing Director, convinced that the firm should ‘cater to customers needs’ and not ‘sell cars on the workers’ terms’ (Dürr in *Newslick* 2006), seem to justify the second interpretation and suggest that the Polish locations’ future existence will largely depend on their (low-) cost performance.

In response to the final relocation phase, the Poznań *Metalowcy* chair acknowledged that the restructuring process was ‘unpleasant’ from the perspective of the Polish workers who were taking away the work from Germany, and even more so for the German employees who were losing their jobs (MMP 2007). He claimed that he had suggested to his German counterparts that he could inform his union’s members about and express solidarity with the German workers. His proposal, however, was allegedly left without response.

With regard to the production transfers, Polish unionists stressed their organizations’ powerlessness and the lack of influence on company investment decisions: ‘[i]t is the employer and not us who decides what is being produced at our site’ (ibid.), claimed the Poznań *Metalowcy* chair. His counterpart from Starachowice went as far as to denounce any power of the local management, asserting that the Polish plants were fully dependent on the decisions made at the firm’s German headquarters. At the same time, the Poles maintained that in spite of the German workers’ plight, the management’s relocation decision might have had an economic rationale. On a highly competitive bus market, they argued, cost-cutting decisions ‘are motivated exclusively by the willingness to survive’ (...) and ‘if the company goes bust, all its employees will lose’ (ibid. 2007). In this respect, high costs at the German unit constituted too high a burden not only for the company as a whole and, but also for the Polish plants, and thus had to be reduced:

‘They [the company] are moving this production from Salzgitter exactly because the production there was expensive. Because in fact, we [the bus division] used to be (...) a <micro- [or sub-] company> within the enterprise, with the three factories: Salzgitter, Poznań and Starachowice. There was joint planning for all three sites and then it turned out that the one in Salzgitter did not bring any revenues, but rather losses. *We worked so that they get their high salaries* [emphasis added]. And finally somebody out there figured out that it cannot be like that any more, (...), they stopped production there and moved it to us. (...)

And I think that the revenues will significantly rise because we will not have to support this Salzgitter plant' (MMS 2007).

Moreover, the Poles did not view eastward relocations as an immediate threat to their facilities. On one hand, similar to their counterparts at Opel Gliwice, they emphasized the high 'quality and productivity' at their plants, arguing that foreign customers allegedly preferred 'made in Poland' vehicles than the ones produced at the German site (MMP 2007). On the other, they asserted that neither quality nor the work ethos in post-Soviet countries would meet MAN's high standards. Even if the most labor-intensive production processes could be gradually moved to Ukraine or Russia, political and economic instability was likely to prevent the company from investing large sums of money in the 'Wild East' (MMP 2007).

Last, but not least, Polish unionists openly excluded the possibility of rejecting production inflows in defense of the German site. In the eyes of the Starachowice *Metalowcy* chair, by doing so the Polish unions would betray the very goal of a labor organization, which is to boost employment:

'No, no, no. We live in Poland and we are bound by the Polish regulations on trade union activity. Our aim is to create workplaces, so I could not go to the manager and ask him: <Dear Mister, do not take over the job 'cause I am sorry for the Germans>, could I? It doesn't matter whether these are the Germans, the French or the Bulgarians, it's not important. Our goal is to influence the employer in such a way that he/she takes on new people, pays them well and offers them good social conditions. So exactly because of this, trade union solidarity between us and the Germans is a bit, so to say, <at a distance> [*'na dystansie*']' (MMS 2007).

This last remark signals the Starachowice *Metalowcy* chair's national orientation. In his view, even if union goals are similar across countries, the struggle for their attainment would take place

solely within national boundaries. Needless to say, this lack of identification with workers abroad and their problems did not bode well for cross-border cooperation.

4.6. A new plant in Poland: a prelude to relocation in the truck area?

At the time when MAN's bus division was facing serious liquidity problems that eventually led to its relocation to Poland, the truck unit marked major increases in sales and profits. One of the key factors behind this development was the spectacular growth of CEE markets. In 2006, for instance, the firm's turnover in the post-Soviet countries rose by 165%, with the number of truck orders going up by 190% in comparison with the previous year (MAN 2006). In the eyes of MAN *Nutzfahrzeuge*'s chief Marketing Manager, good sales results in the postcommunist region 'confirm[ed] once more the rationality of (...) [MAN's] international growth strategy' (...) [focused on] 'emerging markets of tomorrow' (Erichreineke, *ibid.*), while the company's chief Production Manager boldly stated: 'We are assuming that above all the markets in Eastern Europe and the Commonwealth of Independent States will be growing at above-average rates. And we want a share in this growth' (Wrebo in MAN 2007a).

As it proved difficult to satisfy the growing CEE demand with the existing capacities, the company decided to build a new factory that would deliver its products solely to the postcommunist markets. Already at the outset of the investment's site selection, MAN's Managing Director Håkan Samuelsson stated that no West European site would be considered as a potential location; instead, the firm would 'construct only where the cost are fine' (*Merkur* 2004). It thus shortlisted a number of CEE localities, including Wrocław and Starachowice

(Poland), Košice (Slovakia) and Miskolc (Hungary), but eventually the Polish Niepołomice near Cracow, added to the list only in the final phase, was chosen as the investment site. According to MAN officials, Niepołomice offered ‘a right balance between logistics and personnel costs’ (Sielemann in MAN 2007b). The town was located not only in proximity of Eastern European (especially Ukrainian and Russian) markets, but also close to German and Austrian suppliers (MMN 2008). In addition, the Małopolska region offered relatively low wages even according to Polish standards (MSN 2008). Last, but not least, the considerable investment support offered by the Polish state (European Commission 2006) helped to tilt the scale in favor of the south Polish location.

The new plant was opened in October 2007. Initially, 15,000 units per year were to be produced in a one-shift system and with 400 workers on the payroll, but MAN planned to create the second shift and employ at least 650 workers by 2010. The factory was equipped with state-of-the-art machinery. It also introduced ‘highly efficient logistics and assembly processes’ (Sielemann in MAN 2007b) and closely followed the principles of lean production, with 80% of the supplied elements delivered directly on the assembly line. Most of its highly qualified workers attended additional training at MAN’s Munich or Salzgitter plants.

The factory’s opening coincided with the downsizing of Salzgitter bus unit and thus raised fears among the German workforce over the future of their truck facilities. On an Internet forum of German MAN employees, the new site was depicted as ‘possibly a very serious threat’ (NetzwerkIT 2008b). According to Salzgitter workers who had visited the Polish plant, its production capacities could be easily increased to three shifts, with additional facilities constructed on surrounding areas. Niepołomice’s HR Manager confirmed the latter assertion, stating that in 2008, only 20 ha out of 80 ha purchased by the company were being used (MMN

2008). The fact that both Munich and Salzgitter plants' location-securing agreements (*Standortsicherungsverträge*) were to expire in 2012 only added to the German employees' concerns about the future of MAN's 'made in Germany' production.

Against the background of the above fears, the activities of German unionists representing truck-producing units are particularly interesting. Rather than contesting the location decision that seemingly remained beyond the sphere of their influence, they assessed it positively, on grounds that 'no German production will be relocated [to Poland]' (IGMM2 2007) and the truck-producing units in Munich and Salzgitter were working at their full capacities. At the same time, they acknowledged that in the event of a downturn, the German and the Polish sites might be played off against each other, as they were 'comparable' in terms of technological sophistication and production profile. For this reason, they aimed at developing good relations with the Poles before the relocation decisions were taken, hoping to be able to shape the process according to commonly defined rules:

'It was clearly defined from the first day what is produced in Cracow and what in Munich and Salzgitter. We also made it clear to each other [i.e. the Germans and the Poles] that the Cracow plant is necessary – it delivers certain models for the Russian/ Eastern European market, and we made it clear to each other that Cracow is not our competitor, but <an additional possibility> for the truck distribution, so it does not pose competition to the German plants.

One cannot avoid it [the relocation], there might be critical phases, but we want to develop contacts already in the good times, so that, when the conflict appears, we have the rules of the game ready. (...) We have put down everything what we discussed in Cracow, we also discussed it in the supervisory board. There is no security – in five years the company might relocate production to Poland and then people in Munich would fight for their site. But we will already have the general rules' (IGMM2 2007)

As suggested by the above comment, the truck division representatives hoped to avoid the repetition of the bus division story. They explicitly stated that they wanted to ‘learn from the [latter] case’ (IGMM2 2007) and develop cross-border contacts relatively early, building up mutual trust through joint seminars and information exchange. Such behavior could be labeled as a ‘pre-emptive’ cooperation strategy: it aimed at avoiding cost-cutting and relocation pressures through coordination with unionists from the cheaper Polish site, and thus resembled the approach adopted by GM unionists during Astra IV’s site selection (see section 3.5).

However, due to the insufficient resources devoted to cooperation and the meager sales results following the outbreak of the 2008 economic crisis, the early networking efforts between German and Polish MAN truck unionists were suspended in mid-2008. When in the late 2008 the Polish plant laid off 180 workers constituting a reserve for the planned second shift, neither Munich nor Salzgitter unionists expressed their solidarity with the dismissed employees. In view of CEE markets’ breakdown and Niepołomice’s reorientation towards West European exports, its *Solidarność* chair expressed doubts whether links between his organization and the Germans could be restored:

‘(...) it is hard to say whether we’ll be able to do something together under the current circumstances... a year ago we were partners of the Munich and Salzgitter plants; now we compete over new orders. It might turn out that e.g. Munich or Salzgitter will have to decrease production plans for the coming year so to share it with the Polish plant. So... it can be perceived negatively out there’ (MSN 2008).

4.7. Conclusions: the MAN case

At MAN, the management's decision to relocate production from Germany to Poland rendered labor transnationalism a daunting task. During the restructuring, Polish and German bus unionists abstained from coordinating their actions across borders. Since the formation of a unified labor front at the company's truck unit appears equally unlikely in the foreseeable future, MAN seems to be an instance of failed East-West trade union cooperation. Why did labor transnational not materialize in this particular case?

For German unionists, it was a priority to keep the bus production at home. In order to achieve this goal, they employed a variety of national strategies, including local negotiations and workforce mobilization; they also utilized political access channels and managed to grant their case considerable media visibility. Only when the first relocation showed their limited impact on corporate decisions did they attempt to build cooperative links with their Polish and Turkish counterparts. By staging information exchange and urging the latter two to raise bolder pay demands, the Germans hoped that the relocation process could be postponed. They also expected that the contacts would lead to the establishment of joint 'rules of the game', observed by all locations in the event of restructuring. But their cross-border initiatives suffered from two major flaws. First, they came relatively late, when the Polish sites had already enjoyed the first benefits of relocation, which severely limited the Poles' readiness to participate in the scheme. Second, by envisaging information exchange that aim 'to ensure employment at all locations' (MAN Bus 2006), they were crafted first and foremost for the German needs, and thus spurred negative reactions and accusations of opportunism by Polish union leaders.

Until the late 2000s, the goals of increasing production and raising employment levels dominated the agenda of MAN's Poznań and Starachowice unionists. The Poles were willing to accept a long wage freeze to attract new production to their locations. Drawing on their interview statements, one could even go as far as to claim that they forged an informal 'low-cost coalition' with the local management, which aimed at retaining their sites' comparative advantage. At the same time, they did not engage in cross-border activities initiated by their German counterparts for fear that such contacts could hamper the relocation process.

If both GM and MAN implemented large-scale restructuring and made a wide use of cross-border cost comparisons, why were the trajectories of labor transnationalism so different in the two cases? It seems that at MAN, cooperation failure was due to three factors. One was German employees' attachment to national solutions. Even though local bargaining and political mobilization eventually proved ineffective in stopping the relocation, for a long time they had diverted the Germans' attention and resources from cross-border liaisoning. The second reason was the rivalry between German bus and truck units' representatives. The 'truck people's fear of dominance loss within the company's EWC and *Nutzfahrzeuge's* Euroforum made them prevent Salzgitter bus unionists from staging cross-border exchanges exactly at the time when the latter became aware of the importance of such links. Last, but not least, it seems that the very conditions of company restructuring offered no space for reciprocal exchanges between the Polish and German employee representatives. In contrast with the VW and GM cases, there was nothing that German MAN unionists could offer their Polish counterparts in exchange for the latter's transnational commitments, not least in view of their own relatively weak position *vis-à-vis* the management. As a result, the Poles applied a short-term perspective, welcoming new production inflows and shunning cross-border cooperation that could prevent them.

Chapter 5. Economic integration and East-West European labor transnationalism

5.1. Introduction

In this chapter, I combine the insights from the three company case studies to identify conditions under which Polish and German automotive unionists cooperated with each other. I argue that cross-border union cooperation was interest-driven and emerged when German unionists did not have national negotiation channels at their disposal *and* Polish unionists profited more from the assistance of their Western counterparts than from local solutions. I then discuss the relevance of alternative accounts of labor transnationalism for the examined context, paying special attention to structural and socialization explanations. As for the findings' generalizability, I claim that the cooperation mechanism identified on the basis of the car industry's evidence might be found in other manufacturing sectors and countries in the East-West European setting, but divergent traditions of unionism in the West and/or CEE labor weakness can restrict its explanatory potential. Finally, I discuss the likely limits of transnational labor exchanges, pointing to the issue-specificity and the fragility of cross-border union commitments. A separate section illustrates the vulnerability of East-West European labor transnationalism by tracing divisions within European GM workers' front that emerged in 2009 over the planned, but eventually not concluded, sale of Opel to a Canadian-Russian consortium Magna-Sberbank.

5.2. VW, GM and MAN: comparative discussion and factors of union cooperation

At all examined companies, the management made use of ‘coercive comparisons’ between production locations in new and old EU member states, but the timing and intensity of cross-border labor liaisoning varied significantly across the three cases. What spurred German and Polish automotive unions’ interest in transnational action and under what conditions did they cooperate with each other? The analysis of the empirical evidence presented in the previous chapters suggests an inverse relationship between the extent of national access channels available to unions and their willingness to ‘go transnational’. This relationship, however, played out differently in the case of German and Polish labor organizations.

In Germany, the declining union influence on corporate investment policies made labor representatives enter the transnational action arena and initiate cross-border liaisoning. In other words, *German automotive unionists sought to develop cooperative links with their Polish counterparts in reaction to cross-border benchmarking whenever they could not secure their position through national channels*. This incentive guided the strategies of West European GM union leaders, who had no ties with the company’s European management headquartered in Switzerland and therefore were determined to coordinate with their counterparts at the cheaper Polish plant. At VW’s engine division, on the other hand, German unionists differentiated between issues negotiable at the national level, which they excluded from the transnational agenda, and those remaining out of their national control and therefore subject to cross-border coordination. While they preferred to secure employment via pacts with the company management, they consulted their Polish colleagues in regard to inter-plant production shifts and capacity allocation – topics not covered by company-level collective agreements. Finally, MAN

bus unionists tackled the relocation threat mainly with national strategies, combining company-level bargaining with protests and political mobilization, in hope that these measures would enable them to reverse the management's relocation decision.

Polish labor organizations, too, assessed potential benefits of the alliance with their West European partners against gains derived from national strategies. As a rule, however, they did not initiate cross-border exchanges; rather, if the support of stronger and more experienced German unionists represented an attractive option, it served as a 'pull' factor that stimulated their engagement in cross-border cooperative ventures and made them accept transnational commitments. In effect, *Polish unionists cooperated with their German counterparts when transnational cooperation was more beneficial for them than national/ local strategies*. This mechanism was at work at VW, where the Germans' advocacy in the supervisory board and cross-border experience-sharing were viewed by Polish engine unionists as more advantageous than unilateral strategies and concessions. In a similar vein, *Solidarność* at GM agreed not to underbid their West European counterparts in the course of the Astra IV site selection process in exchange for the Westerners' backing in its disputes with the local management. Notably, however, the Poles adopted a more cooperative stance only when Gliwice's investment prospects were favorable and thus the risk associated with rejecting the firm's demands was relatively low. In contrast, Polish unionists at MAN bus division abstained from cooperating with their German counterparts and engaged instead in an informal 'low-cost' coalition with the local management, as the gains related to the relocation-induced production transfers from Germany outweighed the potential benefits of cross-border coordination.

Where both Polish and German unionists favored transnational activism over national strategies, they engaged in a specific *reciprocal relationship*: while the Poles committed not to

underbid their Western colleagues during subsequent investment distribution rounds, the Germans would provide them with organizational assistance and, at times, enhanced access to the company headquarters. Their cross-border union alliance can be considered an instance of Kolm's (2008) continuation reciprocity, as it involved a sequential exchange of benefits driven primarily by self-interest and had 'retaliation for deterrence as its negative counterpart' (Kolm 2008: 18). In this regard, it remained distinct from other types of reciprocity identified by the author, such as balance reciprocity, guided by a moral obligation and the willingness to return a favor, or liking reciprocity, motivated by positive feelings toward the other actor. Continuation reciprocity served as a basis for labor liaisoning at VW engine division; after 2004, it also characterized relations between Polish and West European unionists at GM. Only at MAN did union cooperation fail to materialize as the pursuit of national strategies was perceived as more beneficial than cross-border exchanges (see Figure 2 below).

Figure 2. Relations between Polish and German unionists at VW's engine plants, GM and MAN's bus division

		Polish union: Western union assistance more beneficial than national solutions	
		Yes	No
German union: national solutions available	Yes	VW's engine plants (employment issues) <u>No cooperation</u> : the Germans uninterested, as employment guarantees negotiable at the national level	MAN's bus division GM during Magna- Sberbank negotiations (2008-2009) <u>No cooperation</u> : relocation spurs national responses
	No	GM (2004 - 2008) VW's engine plants (product allocation, production shifts, organizational support) <u>Cooperation</u> : reciprocal exchange	GM (until 2004) <u>No cooperation</u> : the Poles uninterested - gains from local concessions higher than from transnational cooperation

5.3. Why do unions go transnational?

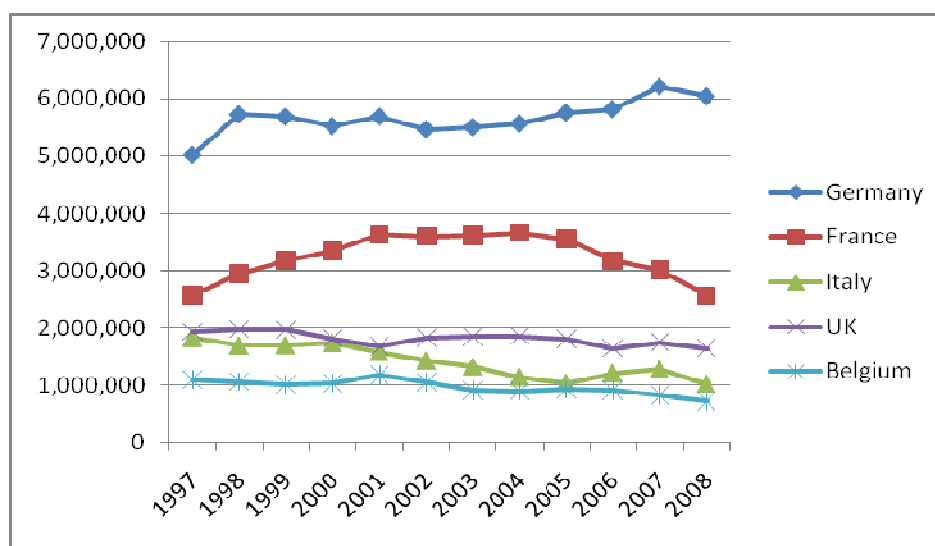
The previous section identified conditions under which Polish and German automotive unions cooperated with each other. This section scrutinizes the motives for their cooperative behavior. It argues that the recent wave of car industry's expansion to CEE had different consequences in terms of development and investment opportunities for the plants in old and new EU member states. These structure-driven differences, in turn, shaped the economic interests of union constituencies and guided the strategies of Polish and German labor organizations.

5.3.1. German car industry: workers on the defensive

Throughout the late 1990s and the 2000s, 'old' Europe's car sector has largely been on the defensive. Growing overcapacities in combination with plummeting demand resulted in a cut-throat rivalry among carmakers operating on the West European market. The upshot of the competition was a strong cost-cutting drive, which led to the gradual worsening of automotive workers' working conditions and employment prospects. These negative trends did not spare Germany – the biggest European car producer. Even though German vehicle production figures recovered at a much faster pace than those of any other West European country in the aftermath of the early-1990s crisis and have been continuously growing (see Figure 3 below), the increase has not been matched by proportional employment growth in production and assembly areas. The share of production workers in Germany's total automotive employment has been steadily

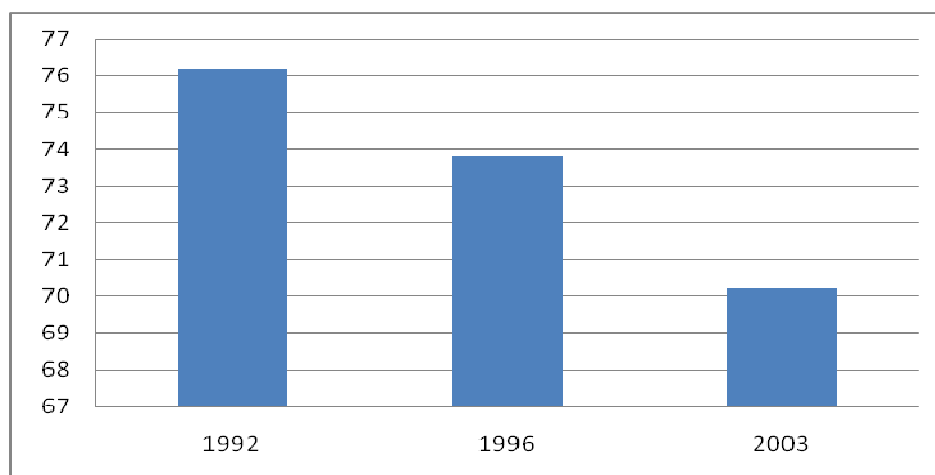
declining: between 1990 and 2004, it went down by 6 percentage points (Nunnenkamp 2004; see Figure 4 below).

Figure 3. Car production and assembly in selected West European countries, 1997-2008



Source: OICA (2010)

Figure 4. Percentage share of production workers in total employment in the German car industry, 1992-2003



Source: Nunnenkamp (2004)

According to Nunnenkamp, the decreasing share of production workers in Germany's total automotive employment was partially due to general trends characterizing developed market economies, such as the declining importance of manufacturing for job creation and growing production automation. But the author also associates German car workers' deteriorating job prospects with the relocation of car-manufacturing activities to CEE and the subsequent vehicle and component sourcing from the postcommunist region. Other sources confirm Germany car sector's reputation as a significant 'job exporter'. A study commissioned by the German Ministry for Economy and Technology shows that a half of relocation-induced job losses are attributable to the automotive industry (BMWT 2007), which suggests a high sectoral concentration of such activities (Bohle 2008). Until the late 2000s, offshoring threatened mainly production-related jobs, but there is growing evidence that it might also affect other employee groups. As shown by Bluhm (2007), recent eastward relocations in the German car sector have involved job outflow from engineering and other human-capital-intensive divisions.

In view of strong cost-cutting pressures backed up by credible disinvestment and relocation threats, German automotive unions used firm- and plant-level bargaining to protect jobs, even at the cost of wage and working conditions concessions. The first agreement of this kind dates back to 1993, when VW agreed to refrain from shedding between 20 and 30,000 jobs if the employees relinquished part of social benefits and cut working time to 28,8-hours per week. Within a decade, these so-called production location- or job-securing accords (*Standortssicherungsverträge, Beschäftigungssicherungsverträge*) became part and parcel of collective bargaining in the sector and by 2007 were concluded by all major German carmakers except BMW and nearly 100 suppliers (Jürgens and Krzywdzinski 2008). In most cases, the pacts would secure employment and provide investment guarantees for upcoming planning

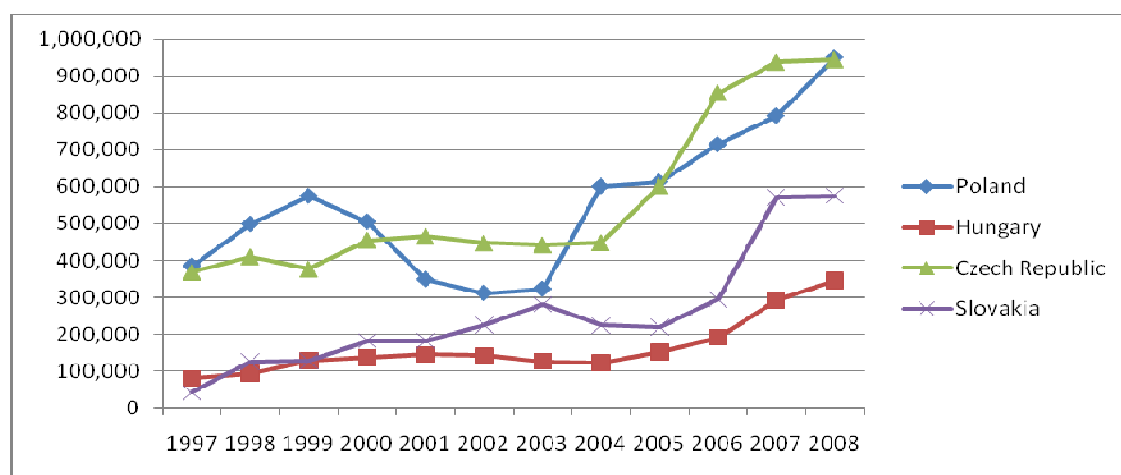
periods. On the flipside, they involved concessions on the workers' side, such as benefit cuts, wage freezes and increased working time flexibility (Zagelmeyer 2000; Jürgens et al. 2006). Following Germany, unions in other car-manufacturing countries concluded similar agreements, spurring an intra-West European 'race to the bottom' among locations seeking to gain an advantage during successive investment site selection bids (cf. section 1.4.1 and 3.3).

By the early 2000s, however, job-securing pacts lost most of their flair as concession bargaining's shortcomings became more evident. Due to the changing power balance between capital and labor, the once win-win character of such agreements was gradually replaced by the dictate of the management. In particular, the widening of employers' exit options resulted in a growing 'inequality of risk and profit distribution' between the bargaining parties (Jürgens et al. 2006: 13). While concessions offered by workers went further with each bargaining round and had an immediate character, job guarantees covered longer periods and could be renegotiated in view of changing economic conditions. Moreover, unions with limited access to corporate headquarters had a hard time obtaining viable employment and investment assurances. In the case of Opel, planning and investment decisions were made not in Bochum or Rüsselsheim, but at GM's European managerial center in Zürich, and thus remained beyond the influence of local employee representatives. Even unions with traditionally strong influence on investment policies, such as workers' representatives at VW, reported a growing number of issues not covered by collective deals and thus remaining out of their control (VMS 2007). In the next subsection, I show why the growing exposure to cross-border performance comparisons and the 'patchy' employment protection enjoyed by the German car workers became particularly problematic with the rise of CEE car industry.

5.3.2. Automotive production in CEE

The integration of CEE countries into the European automotive production networks started in the early 1990s, but gained considerable momentum only at the end of the decade. Between 2001 and 2008, Poland has been reporting a steady annual production increase of 10-15% both in passenger car and commercial vehicle segments (Samar 2008). The Czech Republic, Slovakia and Hungary also recorded impressive growth rates (see Figure 5 below). In effect, in the 2000s these four CEE states, commonly referred to as the Visegrád Four (V4), have created one of the most vibrant automotive production clusters in the world.

Figure 5. Production and assembly of motor vehicles in V4, 1997-2008



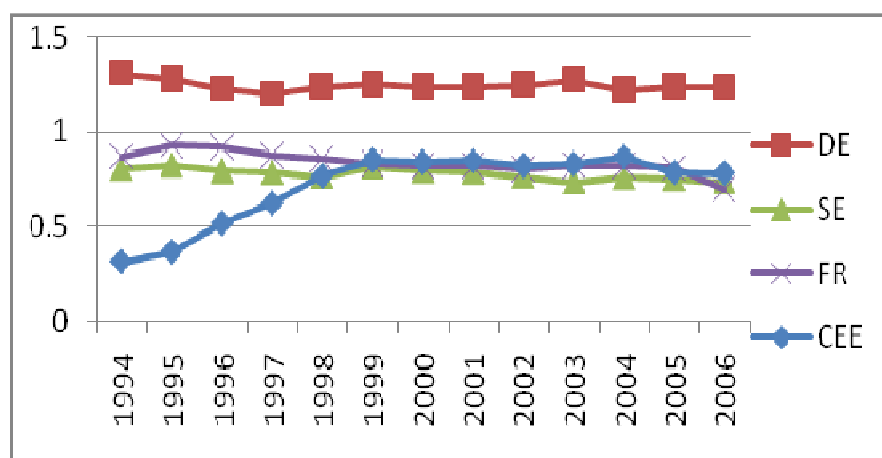
Source: OICA (2010)

Despite the growing production figures, early studies on the car sector in CEE raised doubts over its upgrading potential. Most authors expected that West European producers would capitalize on the region's cost advantages and task CEE sites with low value-added, labor-

intensive activities (Kurz and Wittke 1998; van Tulder and Ruigrok 1998). This, in turn, would help consolidate the specialization of (Western) ‘Europe’s industrial heartland’ (Lung 2003: 6) in high value-added, human capital-intensive production. Once created, East-West production hierarchy was likely to reproduce itself given CEE car industry’s dependence on Western investment and technology (Pavlínek 2006). In addition, early research reported limited spillovers from the car sector to other branches of CEE economies, which could deepen the already existing regional disparities in new EU member states (Pavlínek 2004). In the light of these findings, it was argued that CEE countries ran a serious risk of becoming ‘maquiladoras’ of West European carmakers – or a set of low value-added, export-oriented production enclaves (Ellingstad 1997).

Contrary to the initial predictions, however, the CEE automotive sector quickly recovered from the ‘maquiladora syndrome’ (Ellingstad 1997: 7). By mid-1990s, in view of a prolonged recession and stagnating demand in the postcommunist region, carmakers that had invested in CEE reoriented themselves towards export production and targeted West European markets (Jürgens and Krzywdzinski 2008). This move resulted not only in an enormous capacity boost, but also in a continuous shift towards higher value-added and better-quality production. By 2006, the relative unit values of car exports from V4 (calculated as a ratio between unit value of V4 exports and that of the EU as a whole) reached the level characterizing major West European producers, such as Spain and France (Šćepanović 2009; see Figure 6). Only German exports remained more expensive, but this was most likely due to the presence of a number of low-volume premium producers rather than to higher unit value of German automotive production across all car segments (Šćepanović 2009).

Figure 6. Relative unit values of vehicle exports (SITC Rev1 7321)

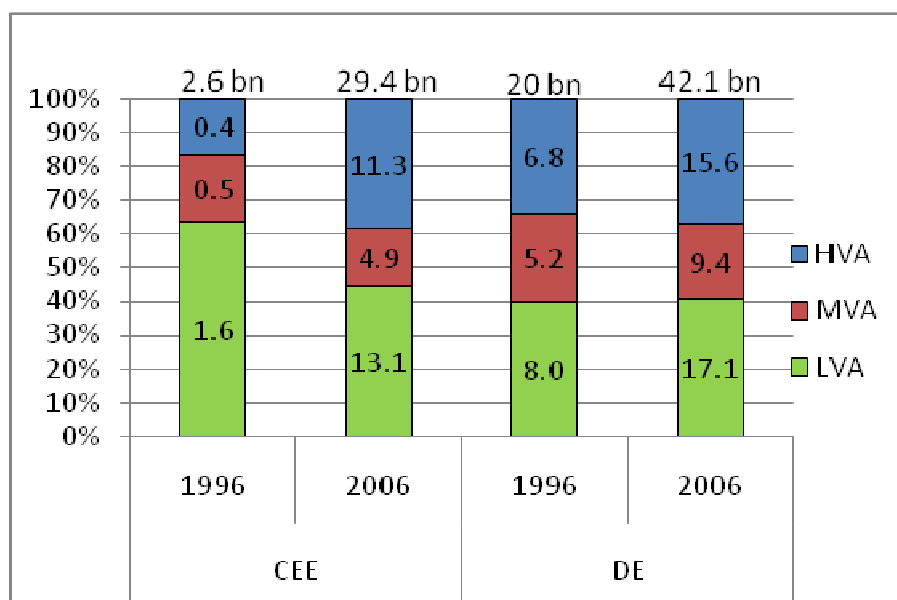


Source: Šćepanović (2009)

Note: DE- Germany, SE- Southern Europe (Spain and Portugal), FR- France

CEE's intermediate input production witnessed a similar upgrading trend. As shown by Figure 7 below, between 1996 and 2006 the share of low value-added car components (LVA) in CEE exports fell from nearly two thirds to less than a half. At the same time, the high value-added (HVA) components' share increased more than twofold, making up 40% of the region's total component exports. The comparison of CEE and Germany's export profiles suggests that while the two differed significantly in 1996, it took CEE countries only ten years to 'catch up' with their Western neighbor and obtain an equally high large of high value-added vehicle components in its export profile (see also Pavlínek et al. 2009).

Figure 7. Exports of vehicle components per value-added segment



Source: Šćepanović (2009)

Note: Abbreviations stand for high value-added (HVA), medium value-added (MVA) and low value-added (LVA) components.

While the output at ‘new’ and ‘old’ Europe’s automotive locations became very similar, hourly labor costs in the CEE car industry stood much below the West European rates. The East-West gap has remained significant despite a much more dynamic increase in labor costs recorded in the postcommunist region over the last decade (see Table 4 below). It is estimated that it will take around seventy years until CEE automotive workers’ wage levels reach those of their Western counterparts, even after accounting for the differences in annual real wage growth rates between the two regions (PWC 2007).

Table 4. Labor costs in the car industry in selected European countries (in €; incl. non-wage labor costs), 1997 and 2006

Country	1997	%	2006	%	1997 to 2006
Germany	34.08	100	42.29	100	+ 24.09
Belgium	26.49	77.73	36.61	86.56	+ 38.20
Sweden	24.79	72.74	34.51	81.60	+ 25.38
France	23.61	69.28	35.52	83.91	+50.40
UK	19.95	58.54	30.71	72.61	+53.93
Italy	19.89	58.36	24.68	58.35	+24.08
Spain	17.18	50.41	21.99	51.99	+27.99
Slovenia	6.81	19.98	14.01	33.12	+105.72
Hungary	3.53	10.36	7.76	18.34	+119.83
Czech Rep.	3.49	10.24	8.10	19.15	+132.09
Poland	3.15	9.24	6.00	14.18	+90.47
Slovakia	2.15	6.31	4.80	11.38	+123.35
Romania	1.55(2000)	4.55	3.23	7.63	+108.38(2000)

Source: Blöcker and Jürgens (2008)

To sum up, data on the CEE automotive industry's structure suggests that by the mid-2000s, factories in 'new' Europe had acquired competences enabling them to manufacture cars and car components at a quality level similar to that at West European locations. At the same time, the comparison of hourly labor costs reveals that CEE workers performed similar tasks much more cheaply than their Western colleagues. In the competition-ridden automotive sector, the combination of these two characteristics gave a clear advantage to CEE facilities, at the same time threatening the interests of workers at 'old' Europe's car-manufacturing locations.

5.3.3. German unions: growing non-cooperation costs

German automotive companies were among the most active investors in CEE and thus the fear of Eastern competition was widespread among the country's car workers. At a time when German unions were losing influence on corporate decision making, in particular on the spatial distribution of future investments, their plants had to compete with CEE sites, capable of delivering products to the West European markets at comparable levels of quality and technological sophistication, but at much lower costs. In view of the East-West income gap, any attempt on the German side to underbid the Poles or the Czechs would spur a competitive 'race to the bottom' in which German workers would not be able to participate. As a result, *in the areas exposed to cross-border performance comparisons, when national solutions were unavailable and thus the threat of underbidding by the cheaper CEE locations was particularly high, German automotive unionists had an interest in coordinating with their eastern counterparts.* Such cross-border coordination of strategies for capacity-allocation rounds could help the Germans avoid distributional conflicts along the East-West dimension. It thus allowed them to partially regain control over the transnational division of production, thus securing employment and future investments at their sites.

Interestingly, it seems that the pressure on the German unionists to engage in cooperative exchanges with their eastern counterparts was higher than during the earlier 'West-West' benchmarking rounds. As shown by Mueller and Purcell (1992), Hancké (2000) and Pulignano (2006), the danger of inter-plant underbidding had been present in the European car industry long before the EU eastern enlargement. In the 1990s, individual West European union representations had recourse to local concessions to order to gain advantages over other locations

and to attract new investments (see section 1.4.1 and 3.3). Concessions offered within the relatively homogenous group of high-cost Western plants, however, were relatively ‘modest’, potentially ‘acceptable’ by all engaged labor organizations, whereas the emergence of parallel CEE sites introduced a new dimension to the European intra-company competition. In view of the East-West wage differentials, the costs associated with potential cross-border coordination failures became much higher for the Western workers than during earlier, exclusively West European ‘beauty contests’. It therefore became an imperative for German unionists to avoid East-West European concession spiral by preventing the Easterners from using the underbidding tactic. The above motivation was present at GM, where West European union leaders insisted on including the Poles into the Delta Group so that the latter ‘do not make any concessions’ (IGMO 2008). Similarly, through the elaboration of joint rules, German VW unionists made sure that their Polish counterparts would not underbid them to attract additional capacities. Notably, no such deals had been concluded by Western VW unionists before the production was launched in ‘new’ Europe.

5.3.4. Polish unions: benefiting from Western assistance

The growth of CEE automotive industry since the late 1990s has been unprecedented. In mid-2000s, the four Visegrád countries outpaced Spain in vehicle production (Dudenhöffer 2005) and were referred to as ‘the Detroit of the East’ (ACEA 2006). It must be noted, however, that FDI inflow to the postcommunist region was preceded by a deep economic downturn. The majority of greenfield investments in the CEE car sector in the late 1990s and the early 2000s

concentrated in traditional industrial areas (Dörr and Kessel 1999; Pavlínek 2004), which were severely hit by transitional recession and unemployment. Similarly, brownfield investments often involved painful restructuring measures following the acquisition of old, loss-incurring enterprises. As a result, the regions characterized by the highest density of automotive investments were also marked by considerable investment hunger. It could thus be expected that the goal of widening production and increasing employment would make local workforces and their unions accept cost-cutting and flexibility requirements set out by the company. At the same time, it was unlikely that Polish automotive workers would shun cross-border ‘coercive comparisons’ feared by their Western counterparts; due to their comparative advantage of lower wages and inferior working conditions, they had a good chance of winning intra-company site selection bids.

But it would be wrong to conclude that the Poles completely abstained from cross-border cooperation. The evidence from the three case studies shows that *Polish unions cooperated with their German counterparts in return for support* in the form of new investment guarantees or organizational assistance, *when they expected to benefit more from cross-border cooperation than from local negotiations or mere compliance with the management’s demands*. In effect, while the limited availability of national solutions ‘pushed’ the Germans into the transnational arena, it served as a ‘pull’ factor for the Polish unionists, making them use the support offered by their stronger and more experienced Western colleagues.

Moreover, it appears that CEE automotive unionists were able to use their relative weakness in a strategic manner and gain leverage over mode and extent of assistance obtained from their West European counterparts. This line of reasoning seems at first counterintuitive, as one would expect the ability to determine these matters to lie on the side of the stronger German

unions. But as argued by Schelling (1999) in his seminal work on bargaining, the actor's weakness might in certain instances act as a powerful commitment mechanism that constrains him/her and thus indirectly binds also the choices of the other party. In the East-West European context, the alternative to German unions' support would be the Easterners' acceptance of lower wages or flexibility requirements, which would adversely affect German car workers. In view of CEE unions' weakness and earlier instances of such concessions, the threat of them yielding to the management's demands was credible. In a way, then, West European unionists turned into 'hostages' of their weaker Eastern counterparts, agreeing to support them in order to attenuate the underbidding threat. CEE labor, in turn, became cooperation 'gatekeepers', able to 'enjoy the assistance that would be denied it if it could control its own resources' (Schelling 1999: 23). The intervention of VW's *Solidarność* at the Salzgitter works council and subsequent German unionists' advocacy for new investments at Polkowice illustrates the above-presented 'weakness can be strength' logic. It is likely that the Germans would have been unwilling to provide such comprehensive assistance had their Polish counterparts enjoyed a stronger bargaining position *vis-à-vis* the company.

5.4. East-West European union cooperation and the existing accounts of labor transnationalism

The previous sections argued that transnational cooperation between Polish and German automotive unions was interest-driven, with Polish unionists committing not to underbid their German counterparts during investment distribution rounds in exchange for organizational

assistance. This section reviews the existing theories of labor transnationalism and assesses their relevance for the East-West European context in the light of the above findings.

To begin with, the evidence from the three case studies confirms my earlier assertion that structural theories alone cannot account for union cooperation in the examined setting (cf. section 1.3). The launch of parallel production in old and new EU member states did create a sense of interdependence between workers at different locations. As illustrated by the MAN case and the dispute over Opel Zafira, however, output similarity and structural interconnectedness do not necessarily induce labor cooperation. The acquisition of similar competences by locations marked by divergent cost levels widens the scope for cost and efficiency comparisons and thus may heat up inter-plant competition. In a similar vein, it enables the management to use a relocation threat to induce concessions at the more expensive side, invoking the feeling of rivalry and hostility between the workforces.¹⁷

That being said, it would be incorrect to completely reject the importance of structural factors for cross-border exchanges. It was the specific organization of production in the European automotive industry, i.e. the launch of parallel production activities in (high-wage) Western and (low-wage) CEE countries that guided West European unions' efforts to secure the spheres vulnerable to international benchmarking and coordinate with their Eastern counterparts; in other words, 'interests had structural roots' (personal communication with Paul Marginson 2010). Still, it must be stressed that the structural affinity merely directed the Westerners' attention towards CEE; it was a necessary, but not sufficient condition for cross-border cooperation. In the examined cases, cooperative outcome depended primarily on the extent to

¹⁷ But see also my argument in this section's last paragraph regarding the reverse relationship between the extent of the wage gap and unions' readiness to engage in cross-border benchmarking.

which national access channels were available to West European unionists, and on the potential advantages that cross-border exchanges could bring to the Easterners.

The analysis of EWCs' role in stimulating transnational union contacts offers an equally mixed picture. As in the case of parallel production structures, the very existence of these forums does not entail the emergence of labor transnationalism, understood as sustained coordination involving concrete commitments (see section 1.4.2). Rather, they might serve as a useful platform for cross-border exchanges only if unions show strong interest in transnational liaisoning. Despite limited information and consultation rights granted in the company's EWC agreement, GM workers developed particularly strong cross-border links and managed to counter the management's benchmarking practice. In contrast, MAN's EWC was largely ineffective as it featured multiple conflicts not only between German unionists and their foreign colleagues, but also between German employee representatives from bus and truck divisions. In fact, it seems that the presence of an EWC is not even a necessary condition for labor liaisoning. As illustrated by the VW engine case, intense East-West exchanges might take place outside institutionalized communication channels. This is because bilateral contacts between unionists enable them to react promptly to emerging cross-border problems, whereas EWC meetings do not allow them to fully express their concerns due to the limited duration of the sessions and the high number of participants (VMS 2007).

Furthermore, socialization arguments linking the success of labor transnationalism to the frequency of union interactions should also be qualified. Trust was undoubtedly an important element cementing transnational labor relations, given that the unionists had no tools to enforce cross-border commitments. At VW's engine plants, the German and Polish unionists put substantial efforts in strengthening their bonds by learning more about each other and getting to

know the other side's expectations related to cross-border activism. Much as the mutual trust reinforced unionists' willingness to cooperate, however, it does not seem to have been the 'primary mover' that spurred their interest in cooperation. As the MAN case shows, socialization will not develop when union interests are better realized elsewhere. At GM, where a stable institutional framework for transnational union cooperation backed by significant EU funding was in place, goals pursued by the Poles set clear limits to their engagement in cross-border activities initiated by West European unionists. Even the charismatic EEF chair, who had arguably contributed to East-West European union rapport, was not able to influence *Solidarność's* position in this regard. Last, but not least, it seems impossible to account for the particular direction of cooperative initiatives by referring to trust and socialization as their solely drivers. Carefully delineated issue areas subject to transnational coordination at VW engine plants, on the other hand, point to the importance of interest-based motives for East-West European labor transnationalism.

Building on the above discussion, it is clear that the structural interconnectedness between CEE and West European locations served as a background condition spurring the unionists' interests in cross-border exchanges, which further developed thanks to intra-firm socialization processes. The actual scope and content of cross-border labor exchanges, however, was primarily a function of the economic interests of union constituencies, and depended on gains derived by unions from transnational cooperation and the availability of national alternatives to cross-border activism (see Figure 8 below).

Figure 8. Relation between the main explanatory variable and other factors facilitating East-West European labor transnationalism

structural preconditions => (output similarity)	economic interest => in cooperation	socialization =>	cooperative outcome
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Moreover, my study sheds new light on cooperation incentives of unions representing MNC's country of origin. The literature offers contradictory assessment of the effectiveness of cross-border labor representation bodies dominated by the home-country union. In 'best practice' cases, home-country unions use their privileged access to central management to express the concerns of overseas units. In other instances, the support they lend to their foreign colleagues stems from their concern over the profitability of the company as a whole, as illustrated in Whittall's (2000) account of relations between German BMW works councilors and their British counterparts from the loss-incurring Rover subsidiary (see section 1.3). But the evidence from VW's engine plants suggests yet another, self-interested motivation guiding cooperative behavior of unions representing the company's country of origin. Parallel to the spheres in which they enjoy close access to the management, there exist areas in which they are increasingly vulnerable to transnational comparisons. The willingness to control the latter sphere makes the otherwise strong home-county unions dependent on their weaker counterparts from abroad and turns 'paternalistic solidarity' (Greer and Hauptmeier, 2008b: 80) into a reciprocal exchange.

Finally, my research qualifies the existing interest-based accounts of cross-border cooperation by further specifying their scope conditions. In particular, while Hancké (2000) is right in claiming that the creation of new car production sites exacerbates problems related to

excess capacity, these difficulties will not necessarily induce ‘race-to-the-bottom’ rivalry between old and new locations. Instead, the evidence presented in this thesis shows that mutual underbidding constitutes a viable strategy only for actors whose cost levels are comparable; too wide a cost gap, on the other hand, renders the lack of coordination too pricey for the ‘more expensive’ actor. By implication, in the light of the East-West European wage differentials, the Westerners will try to avoid ruinous ‘beauty contests’ with CEE workers and search for innovative ways of attenuating transnational competitive pressure (cf. section 5.3.3). It can thus be expected that a more heterogeneous East-West European context will paradoxically feature more attempts at cross-border labor liaisoning than the homogenous group of high-wage old EU member states, but this claim needs further empirical testing.

5.5. Generalizability of the findings

As stated in section 1.4.1., the competition-ridden automotive industry can be viewed as the least likely setting to feature East-West European union cooperation. The fact that the latter emerged in such a difficult environment suggests that the cooperation mechanism identified in this dissertation might be also valid in other, less hostile contexts. Although King et al.(1994) advise caution in using crucial case studies as a basis for across-the-board explanations and warn against making deterministic inferences, there are grounds to expect that my findings could be generalized beyond the car sector. This is because structural preconditions for German unions’ ‘cooperative turn’, i.e. the launch of parallel production activities at ‘old’ and ‘new’ Europe’s

locations, are now present in a wide range of manufacturing industries and countries in the East-West European setting.

A growing body of research provides evidence in support of the East-West output similarity thesis. In her qualitative study of German firms' CEE subsidiaries in the automotive, metal, electronic, chemical and food sectors, Bluhm (2007) finds that the development of low-end production activities at CEE locations in the early 1990s was only a prelude to their rapid upgrading in the following decade. This profound change involved the reconfiguration of corporate value chains, with Eastern localities gradually taking on responsibility for technologically complex products and product segments. Bluhm (2007: 128) refers to this new production architecture as 'complementary specialization with an open end', indicating that even though CEE tends to specialize in technologically mature, standardized products, while Germany focuses on the manufacturing of up-market goods, Eastern sites' continuous upgrading might turn them into direct rivals of German facilities. The 'upward mobility' of the former is stimulated not only by the company headquarters' investment decisions, but also by the conscious efforts of CEE management and unions to attract high quality production. In effect, the author argues, CEE exerts a 'strong competitive pressure on Western Europe, as it is capable of manufacturing complex, high quality industrial goods' (Bluhm 2007: 282).

CEE's industrial upgrading is further confirmed by the longitudinal analysis of trade in manufacturing products between Germany and new EU member states commissioned by the German Ministry of Economy and Technology (BMWT 2007). It shows that between 1992 and 2005 the composition of German imports from the 2004 EU accession countries changed dramatically, with low-technology and high labor-intensive industry groups recording a significant drop and high technology, high-capital intensive sectors rapidly increasing their share

and becoming the dominant group within the total imports from the region. In the early 2000s, Germany even recorded a negative trade balance with CEE states in relation to the latter set of industries, as the quality imports from the region vastly increased whereas the structure of German exports to CEE had remained relatively stable for over a decade (compare Figure 9 and Figure 10 below).

Figure 9. Composition of industry groups in Germany's exports to CEE-8 (2004 enlargement group), 1992-2005

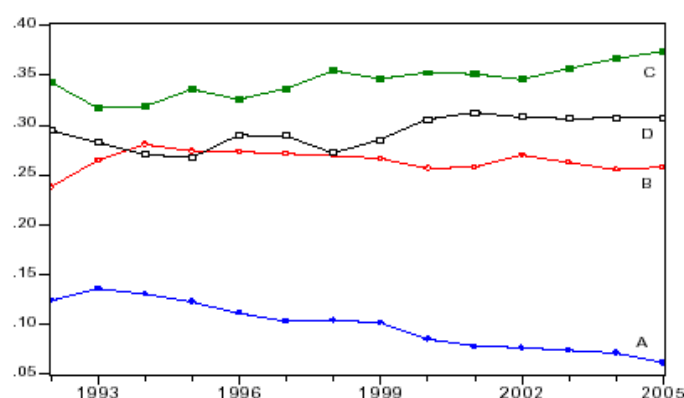
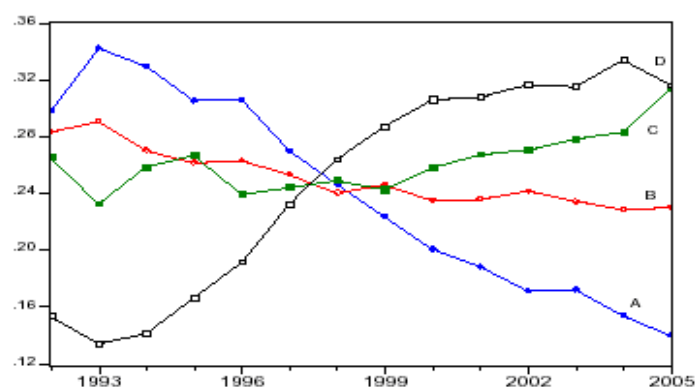


Figure 10. Composition of industry groups in Germany's imports from CEE-8, 1992-2005



Source: BMWT (2007).

Note: Industry groups: A – labor-intensive, B – labor- and skill-intensive, C – capital- and technology-intensive, and D – capital-, technology- and skill-intensive. CEE-8 are the eight postcommunist countries that accessed the EU in 2004.

In 2005, the industries with the highest share in Germany's imports from CEE-8 were the manufacturing of motor vehicles and engines (NACE 351) and the manufacturing of parts and accessories for motor vehicles (NACE 353), which together took up a 25% share in the region's exports to Germany (up from a mere 4% in 1992-1994), followed by the production of wooden furniture (NACE 467), electrical machinery (NACE 342) and other machine building subsectors. What can be inferred from the BMWT study, then, is that in mid-2000s, CEE sites in the region's leading export industries were able to produce high-quality capital-intensive goods at a similar level of sophistication as their twin plants in Germany. This structural similarity could have raised German unionists' interests in cross-border liaisons with their eastern counterparts as a means of attenuating cross-border competitive pressures in the process of product and capacity distribution. Similar motivation could have been characteristic for unions in other West European countries, given that studies analyzing the structure of CEE trade with the rest of the 'old' Europe yield results similar to those of the BMWT project (see e.g. Graziani 2002; Lefilleur 2008).

But despite the presence of industrial structures conducive to labor transnationalism, cross-border cooperation may not materialize in certain settings because of the different strategic orientations of labor movements. In particular, recent industrial relations studies point to significant variation in West European unions' perceptions of competitive pressure and in their responses to inter-plant benchmarking practices. In her analysis of the 2004 investment dispute between German and Swedish GM unionists, Pulignano (2006) finds that while the former made a wide use of employment security pacts, the latter strongly objected to trade wages and working conditions for employment guarantees. The author accounts for the variation by arguing that the Swedish collective bargaining culture approves of job shedding if it leads to the improvement of

the firm's competitive position. Rather than saving the existing jobs 'at all costs', the Scandinavians tend to rely on active labor market policies as an instrument stimulating labor market adjustments. This difference in unions' strategic orientation is important, as it suggests that in view of growing competitive pressure, Nordic unions will not have recourse to concession bargaining, so widespread in the German industrial relations landscape; instead, their response will be directed towards retaining the efficiency of the labor market as a whole. In a similar vein, the Scandinavians seem to differ significantly from their West European counterparts in terms of their attitude towards cross-border union cooperation. According to Knudsen (2005), while continental unions view transnational union activism as useful addition to their domestic strategies, Nordic organizations consider it 'as potentially harmful to their activities' (Knudsen 2005: 3). The author explains this difference by pointing to the specificity of Scandinavian industrial relations traditions, in particular to cooperative relations between trade unions and management and the voluntary, non-legislative basis for labor-capital accords in most of Northern Europe, as a result of which bonds between Scandinavian unionists and their managers are much stronger than in other countries. Consequently, it is likely that in the event of intra-plant conflicts, Nordic unions will focus primarily on negotiations with their managers; transnational coordination with unions at foreign subsidiaries, on the other hand, will remain too unfamiliar a method of dispute resolution.

Against the above rendering, it could be argued in line with Knudsen that Scandinavian unions' adherence to national bargaining is due to its enduring effectiveness. It can be expected that once the existing influence channels lose significance, Nordic labor organizations will reorient themselves towards transnational solutions. There is mounting evidence that Scandinavian unions gradually transform their practices and employ novel strategies in reaction

to CEE migrant workers' inflows. For instance, a Norwegian law envisaging an *erga omnes* extension of the existing collective agreements, in force since 1994, was first applied only in 2004 due to unions' concern that 'foreign workers [might] perform work under conditions that are generally inferior to the norms stipulated by nationwide collective agreements' (Alsos and Eldring 2008: 448). Similar provisions were introduced in Finland and Iceland (Dølvik and Visser 2009). This recent regulatory drive in Scandinavia, as well as assistance programs targeting CEE migrant workers launched by unions in a number of Northern European countries (Bengsston 2009; B1 2007; SI3 2007) can be viewed as first steps towards strategic reorientation of Nordic unions in response to the '[...] gust in a cold, possibly poisonous, <eastern> wind' (Woolfson and Sommers 2006: 50).

Last, but not least, even if West European unions prove willing to coordinate efforts with their Eastern counterparts, CEE labor weakness might pose an insurmountable obstacle to joint activism. At all three enterprises examined in this dissertation, union membership at the Polish subsidiaries was relatively high and inter-union relations cooperative. These conditions, however, are the exception rather than a rule in CEE, where low unionization rates and/or union fragmentation continue to beset labor movements in all countries except Slovenia (Crowley 2008). Even in the CEE automotive industry, considerable differences exist between vehicle and component-manufacturing sites. The latter are usually set up as greenfield facilities and tend not to be unionized; they are also particularly vulnerable to union-busting practices (Jürgens and Krzywdzinski 2007; JC 2008). At brownfield plants, on the other hand, inter-union rivalry is often a significant problem (Gardawski 2003). For example, at the Fiat plant in the Polish Tychy, seven competing unions organize 35 % of the workforce, which hampers the organizations' ability to define and defend workers interests (FIAT 2009). Such fragmentation poses an equally

serious obstacle to cross-border cooperation, as the divided labor representation is unable to make transnational commitments.

To sum up, it is likely that the logic behind East-West union labor transnationalism outlined in this dissertation can be applied to other settings. This is because the structural preconditions for unions' interest in cross-border contacts, in particular output similarity between 'old' and 'new' Europe's sites, are also present outside the Polish-German automotive context. But the argument's potential to 'travel' across countries and sectors might be limited for at least two reasons. In the West, union strategies can vary across different industrial relations systems and traditions. Thus, it cannot be excluded that in view of direct competition with CEE, unions in countries other than Germany would neither concede to the management's pressures nor initiate cross-border contacts. Similarly, the basic condition on the CEE side – the presence of a plant-level labor organization able to make transnational commitments – it not always met due to labor weakness and/or enduring inter-union conflicts.

5.6. Limits of East-West European labor transnationalism

Even though two out of three companies examined in this dissertation featured intense liaisoning between 'old' and 'new' Europe's unions, three major problems continue to beset East-West European labor transnationalism. Accordingly, this section focuses on unions' inability to fully eradicate cross-border competition, the persistence of national reference frames for union actions and the lack of enforcement mechanisms.

To begin with, the evidence from the three case studies suggests that unions' cooperative activities did not manage to fully eradicate inter-plant rivalry. In the most successful instances, unionists managed to reconcile their local interests while engaging in reciprocal exchange of benefits, but they did not challenge the broad competitive framework that their facilities were operating in. This failure was due to two related reasons. First, cross-border cooperation was merely a *reaction* to specific production architecture that threatened their members' vested interest, staged when the mechanisms for inter-plant performance comparisons had already been firmly in place. As a consequence, unionists would mobilize in response to instances of cross-border benchmarking and seek to build a unified front in the course of individual 'beauty contests', but their facilities were still playing according to the competition-geared 'rules of the game' set by the management. Second, due to its reactive character, East-West labor transnationalism materialized only in specific issue areas (cf. Fetzner 2008a). At GM, for instance, EEF's efforts concentrated on coordinating labor stances during the Astra IV site selection bid, but the Polish and West European unionists' positions regarding the company's eastward expansion continued to diverge. By responding to already present threats and leaving many contentious issues unresolved, the effectiveness of union actions was considerably limited. Importantly, they fell short of offering a systemic solution – the elimination of cross-border competitive pressure.

Furthermore, even in most successful instances of East-West labor transnationalism, labor organizations in old and new EU member states continued to view their respective national contexts as a significant, or even the most important, reference points. This was particularly visible in two spheres. First, their transnational activities remained highly conditional on rank-and-file consent. Since transnational commitments had concrete consequences for their plants'

capacity utilization, and thus for workers' fate, unionists needed to legitimize their cross-border engagement *vis-à-vis* their constituencies; otherwise, they could not count on their votes during the next union elections. For this reason, low membership support would often serve as a factor that 'tied' the unionists' 'hands' and limited their transnational involvement (cf. Schelling 1999). At GM, for instance, *Solidarność* justified its participation in the Zafira and Meriva 'beauty contests' by referring to their members' expectations related to the investments and massive criticism that their union would have received had it stepped down from the competitive race. Second, even when transnational cooperation materialized in certain issue areas, it ran parallel to national collective bargaining in other spheres. This 'dual strategy' was particularly pronounced at VW, where German unions continue to conclude local deals securing employment and investments at their plants, while at the same time seeking to coordinate their activities with the Poles with regard to inter-plant capacity distribution. This suggests that rather than replacing the national action arena, cross-border labor cooperation merely complemented it, extending the possible range of union strategies to tackle competitive pressure.

Last, but not least, East-West European labor alliances depicted in this dissertation took the form of gentlemen's agreements and thus lacked enforcement mechanisms. This could negatively affect their sustainability in the periods of economic downturns, when distributional conflicts become more pronounced and unions do not merely seek to win a fair share in the new investment, but fight for the very survival of their locations. Under these circumstances, unions might have recourse to local concession deals that offer immediate benefits to their sites, at the cost of foreign facilities. This 'national turn' might be facilitated by state authorities' readiness to grant assistance to their country's troubled industries. The next section demonstrates that such union-government alliances pose a serious threat to labor transnationalism.

5.7. Transnational union solidarity at the time of crisis? The Opel/Magna case

This section presents divisions between the GM unionists that emerged in reaction to the planned sale of Opel to a Canadian-Russian consortium Magna-Sberbank. The dispute took place in 2009 and thus lies beyond the time frame set in this dissertation (see section 1.4.3).

Nevertheless, I include this short case study as to show that at times of crises, even unions that once pressed for cross-border coordination are likely to make use of national solutions if the latter prove more effective in catering to their constituencies' interests (cf. Figure 2 on p.120).

After the financial sector's breakdown in late 2008, the automotive industry was among the first ones to run into trouble. The restricted credit availability did not only hinder research and development activities, but also caused liquidity problems, disrupting the day-to-day functioning of car-manufacturing companies. At the same time, the constraints on consumer borrowing and the uncertainty over the length and depth of the downturn led to a sharp decrease in car sales both in Europe and America.

The plummeting demand was particularly harmful to the 'Big Three' North American firms, GM, Ford and Chrysler, which had not yet fully recovered from the losses incurred by high fuel prices in 2007-2008. In November 2008, GM asked Germany, the country where nearly half of Europe's 54,500 Opel workforce was employed, for a €1.5 billion short-term loan, arguing that without the financial input it would need to declare the brand's insolvency in early 2009 (*Deutsche Welle* 2009). The loan was approved, but not without tensions within the German government over the shape of their future policies towards the company. Although temporary nationalization was ruled out almost from the outset, Economy Minister zu Guttenberg (CSU) favored Opel's 'orderly' insolvency, whereas Finance Minister Steinbrück

(SPD) insisted on lending it financial support, declaring ‘high interest in maintaining employment at *all four* [i.e German; emphasis added] Opel sites’ (*Bloomberg* 2009a).

When in February 2009 GM presented its restructuring plan to the US government, it turned out that the firm’s European operations could not be granted US state aid. As a result, the carmaker expressed willingness to sell a majority stake in Opel in exchange for European states’ assistance (*Age* 2009). In response, three companies submitted offers. The first potential investor, Canadian component producer Magna, demanded €4.5 billion in loan guarantees from the German government and other European countries hosting Opel factories. In exchange, it promised to invest €700 million into the brand, in partnership with Sberbank, Russia’s largest savings bank. The Magna-Sberbank consortium was also planning to develop an ‘industrial partnership’ (*Bloomberg* 2009a) with a Russian car producer OAO GAZ, as a result of which the latter would launch the assembly of 180,000 Opel vehicles per year at its Nizhny Novgorod site. The group planned to shed nearly 11,000 jobs across Europe, but only a quarter of the dismissals were to take place in Germany and thus all four German plans were to remain open. The second bidder, Belgian investment company RHJ, requested €3.8 billion in loan guarantees, offering to invest €175 million. It also planned to cut approx. 10,000 jobs at Opel, close the Antwerp plant and idle production at the East German Eisenach factory. The third contender, Fiat, stepped down from the bid as it refused to make additional investments into the brand (*Reuters* 2009a).

As a bridge loan provider, Germany sought to exert influence on GM in regard to the choice of the investor. The decision was due 1 June 2009, i.e. before the restructuring deadline set to the firm by the US government, but already before this date, German state officials made it clear that they preferred the Canadian-Russian consortium. Even though Magna-Sberbank requested a considerably higher amount of public support than RHJ, the fact that the planned job

reductions were to take place mainly outside Germany tilted the scales in their favor. For the same reason, the Magna bid was supported by *IG Metall*, Germany's largest metalworkers' organization. From the beginning of Opel's crisis, regional union representatives, as well as Klaus Franz, the chair of Opel's GWC, asked for the government's assistance in saving the brand (cf. IGM NRW 2009, *Spiegel* 2009b). Further on, the union backed up a 'general strategic concept' of the Magna takeover and declared its readiness to negotiate the restructuring conditions with Magna 'as soon as possible', although it objected to further concessions on the employee side (IG Metall 2009; *Bloomberg* 2009a; IGM Opel 2009). In view of the upcoming national elections, the German government followed the imperative of saving German jobs and in late May 2009 publicly announced their preference for the Magna-Sberbank offer, agreeing to provide the €1.5 billion bridge loan and promising further financial assistance to the group (*Reuters* 2009b). Consequently, GME signed a 'memorandum of understanding' with Magna, which served as a basis for further talks on the takeover (GME 2009).

Outside Germany, the assessments of the German involvement in the deal were clearly negative. UK Business Secretary Mandelson feared that excess capacity at Opel's European sites might 'involve change' and lead to job shedding. The Secretary General of a British and Irish union confederation Unite was more explicit in expressing his concerns over jobs at Vauxhall's Luton and Ellesmere Port plants, arguing that as a result of the Magna deal, 'the German plants will be saved and that just puts more pressure on everywhere else, [...], including the UK' (Woodley in *Mercopress* 2009). In a similar vein, the Polish Opel unionists criticized the alleged political ties of the German Opel unionists. According to *Solidarność*'s deputy chair, union solidarity developed among GM laborers in the course of the Astra IV site selection process 'might be killed due to the intervention of politicians and their promises to preserve jobs' (PO3

2009). But the Poles' statements were far from solidaristic, too: rather than for the Magna deal, they called for Opel's controlled bankruptcy, as the firm 'would then have the right to maintain only the best, most profitable plants, and get rid of the worse [i.e. more expensive] ones'. The bluntness of the comment and the accusations over political dealings in the West are probably due to the fact the Polish plant, which was the cheapest GM facility in Europe, lost nearly 800 out of over 2,800 workers in late 2008 and early 2009¹⁸, i.e. at the time when West European sites did not experience considerable layoffs.

In the summer of 2009, GM continued negotiations with Magna and RHJ.¹⁹ During the talks, the latter improved its bid by lowering the ceiling of public support from €3.8 to €3.2 billion and agreeing to invest €300 million rather than the initial €175 million (*Reuters* 2009a). But the German government, backed up by the country's trade unions, continued to support the Canadian-Russian consortium. Chancellor Merkel went as far as to declare that she would 'personally intervene in support of Magna's bid' (*Reuters* 2009b) and confirmed that she was ready to provide the company with €4.5 billion support. *IG Metall's* Secretary General Huber went to Moscow and discussed the prospective deal with the Russian PM Putin, reportedly expressing 'understanding' for the plans to produce Opel models in Russia (*Pressebox* 2009). Finally, on 10 September, GM's chief negotiator announced that GM board of directors had agreed to Opel's sale to the Canadians by the end of November 2009, which ended the six-month long negotiations over the future of one of the biggest European car brands (*Canada* 2009).

Just like the May memorandum, GM's September declaration caused much upheaval in other EU states hosting Opel locations. In late September 2009, UK Business Secretary, backed

¹⁸ The dismissed Gliwice employees were mainly temporary workers and workers employed shortly before the crisis in preparation for Astra IV's arrival (PO3 2009).

¹⁹ A Chinese car producer BAIC was shortly considered as a potential Opel buyer but it was not included in the final run of talks that started in late July 2009 (*Automotive News* 2009).

up by Spain, Hungary and Belgium sent a letter to EU Competition Commissioner Neelie Kroes, asking her to investigate if Germany had not broken EU state aid regulations by openly favoring Magna and implicitly tying its financial assistance to the choice of this particular investor (*European Voice* 2009), which *The Economist* described (2009) as ‘the worst of several options in terms of industrial logic’. In late October, Kroes questioned the Magna takeover, criticizing Berlin’s conditionality policy and casting doubts over the deal’s economic rationale. In response, the leader of CDU/CSU MEPs accused her of not being objective (Langen in *Gazeta Wyborcza* 2009a), while the German government spokesman Wilhelm stated that there was ‘no need to question decisions that had already been taken’ (*EU Business* 2009).

The delay caused by the Commission’s inquiry, however, brought about a dramatic turn in the Opel’s story. On 4 November, GM announced that it had reconsidered its previous decision and did not intend to sell its European brand neither to Magna, nor to any other investor, and instead would implement the restructuring scheme on its own. A few days after the decision, the company published a blueprint of its recuperation plan. It intended to return the German government’s loan and ‘fix’ Opel on the basis of its own resources totaling €3 billion. At the same time, it planned to cut 30% of Opel’s operational costs, liquidate 10,000 jobs and close up to three plants, possibly including Antwerp and Eisenach (*Spiegel* 2009b).

Even though the extent of job shedding envisaged by GM was close to that planned by Magna, the Americans’ sudden change of mind as well as the lack of guarantees for the German workers infuriated German politicians. Kurt Beck, the President of Rheinland-Palatinate, where the Kaiserslautern component factory was located, stated that he had been ‘rarely so angry and disappointed in his life’ (*Spiegel* 2009c), while the Economy Minister Brüderle viewed the decision as ‘entirely unacceptable’ (*Bloomberg* 2009b). Even greater anger was expressed by the

German unionists. Klaus Franz, the head of Opel's general works council and GM's EEF, labeled 4 November 'the black day for Opel'. He also ruled out further concessions on workers' side, such as the reduction of holiday and Christmas bonuses, and called for a strike at all European Opel sites. On 5 November, nearly 5,000 workers in Rüsselsheim and 3,000 employees in Bochum went out in protest against the dismissals (*WSWS* 2009), waving banners urging GM to 'get lost' [*GM, hau ab!*] Strikes were also organized during the night and morning shift at the Antwerp factory, which faced a serious closure threat (*Spiegel* 2009d).

German and Belgians stakeholders' anger stood in sharp contrast to the reactions of governments and workers in other countries. There, GM's refusal to sell Opel was interpreted as a reassurance that the restructuring burden would be distributed more equally than under the Magna-Sberbank deal seconded by the German government. In the UK, Unite's Secretary General described the news as 'fantastic', while Business Secretary Mandelson called it 'a pleasant surprise' for Vauxhall workers (*Bloomberg* 2009b). At the Polish site, workers and unionists also gave a 'sigh of relief' (*Gazeta Wyborcza* 2009b): according to *Solidarność*, the Gliwice factory 'was back into play' as 'economics, not politics would matter' in the company's decision-making. As noted by the Polish economy Minister Pawlak, GM's decision to stay involved in Opel opened 'significantly better' prospects for the Polish factory than the Magna takeover (*Bloomberg* 2009b). Only in Spain the reactions were slightly more balanced. When GM decided not to sell Opel, Spanish unions had just finished negotiations with Magna over the extent of dismissals at the Zaragoza site and signed a deal reducing expected cuts to 900 workplaces, down from the planned 1,400 (*Spanish News* 2009). The abrupt change of circumstances left the Spaniards uncertain over their plant's future and thus they treated the

firm's decision 'with extreme caution'. The Spanish government, in turn, was more positive about the preservation of *status quo* (Spiegel 2009e).

The Magna story illustrates the fragility of labor transnationalism at times of severe distributional conflicts. The same unionists who signed the European Solidarity Pledge in December 2005 and precluded pan-European 'race to the bottom' during the Astra IV site selection bid (see section 3.5) took on diametrically opposing stances on the Magna-Sberbank takeover. Their preferences regarding Opel's future were shaped primarily by the desire to defend the economic interests of *their* sites and constituencies, even if such a course defied economic logic and harmed workers at other locations. At the same time, it has to be pointed out that German unionists were not the only ones to be accused of 'economic nationalism' (Spiegel 2009f). It is true that they were in best position to lobby their government for 'German-workers-friendly' solutions and made use of this opportunity. But also their Belgian counterparts sought to secure the Flemish government's support for Antwerp (Reuters 2009c; Flanders Today 2009) and backed the expensive Magna deal, as it offered better prospects for their factory. Rudi Kennes, the ABVV union leader at Opel Antwerp and EEF vice-chair, did not abstain from using 'competitive' rhetoric, stating that the Belgian site was cheaper and more productive than other company plants (ABVV 2008; Fetzer 2008a; but see also *Finanznachrichten* 2009). Similarly, Polish unionists would stress their site's cost advantage and argued that the restructuring should follow 'the fittest (i.e. the cheapest) will survive' logic (PO3 2009).

Finally, the Magna case shows the subordinate position of transnational cooperation *vis-à-vis* national union activism. In the absence of national access channels, unions willingly engage in transnational exchanges to cater to their membership's interests. But where their activism at the national level still brings desired effects, or when national 'windows of

opportunity' re-emerge as a result of exceptional circumstances such as crises, transnational commitments tend to give way to local and/or national responses. In light of the deep divisions between GM laborers, it might take a long time to rebuild trust within EEF. The process will be additionally impeded by restructuring hardships, which started with GM's January 2010 decision to close the Antwerp plant and continued with an announcement of a Europe-wide job reduction plan a month later.²⁰ It seems that GME, once the flagship case for European labor transnationalism, have turned into a symbol of unions' self-interested motivation and their continued adherence to national bargaining arenas.

²⁰ The plan involves 20% capacity cut across Europe and the dismissal of 8,300 workers. The only car-producing plants excluded from the job-cutting scheme are the Polish Gliwice and the British Ellesmere Port (*Gazeta Wyborcza* 2010a). Between 2010 and 2014, employees will have to 'contribute' to the restructuring by offering wage concessions amounting to €265 million. In exchange, GM is ready to invest €11 billion into Opel and significantly renew its product portfolio (*WNP* 2010b).

Chapter 6. Labor migration and union strategies in the construction industry

6.1. Introduction

In Chapter 5 I scrutinized the mechanism behind cross-border cooperation of Polish and German automotive unionists. In this chapter, I test whether a similar logic governs union interactions in service sectors and to this end, I analyze relations between Polish and German labor representatives in the building industry. Construction is one the most transnationalized service sectors, exposed to strong competitive pressures related to cross-border labor mobility. Germany and Poland are selected due to their geographical proximity and persisting wage differentials. In addition, the Poles constituted the largest national group among contract workers posted to Germany on the basis of bilateral agreements that the latter concluded with CEE countries in the early 1990s (Menz 2003), while pre-enlargement studies assessing CEE workers' propensity to migrate classified Germany as one of their most favored destinations (see e.g. Boeri and Brücker 2000).

The chapter starts with a brief comparison between manufacturing and service industries. It then outlines union dilemmas related to labor migration and presents strategic options available to them in this regard. The subsequent analysis of German and Polish unions' positions on East-West workers' mobility shows that the German building union *IG BAU* used national channels to block CEE nationals' access to the German labor market. Only when the protectionist policies proved ineffective in preventing migration and upholding wage standards

did the organization extend its activities to migrant workers' recruitment and established cross-border links with the two Polish construction unions. But the Poles shunned cooperation since assistance to migrants – non-members that have exited the domestic labor market – would be of no advantage to their constituency. All in all, the chapter concludes that the mechanism governing union relations in the building sector resembles that identified for the car industry. Specifically, construction unions cooperated less intensely due to the German union's attachment to national solutions and limited gains that could be derived by the Poles from cross-border liaisoning.

6.2. Market liberalization and competitive pressure in manufacturing and services

EU service markets are transnationalizing. In line with the freedom to provide services, one of four fundamental economic freedoms granted within the Internal Market, firms can post their workers to another EU member state to perform contracted activities, whereas self-employed individuals may offer their services in countries other than their own, benefiting from the free movement of labor. As a result, cross-border competitive pressure, discussed in the previous chapters in relation to manufacturing, is also present in the service sectors. The employment and contracting of cheaper foreign workers are equivalent to relocations and outsourcing used in manufacturing, as they too enable firms to significantly cut costs spent on wages and social contributions (Eichhorst 1998; Menz 2003). Moreover, the presence of migrants decreases employers' dependence on local workforce and thus enhances their bargaining position.

Construction bears a number of features that make it particularly vulnerable to competitive pressures and wage dumping. Unlike manufacturing, ‘production’ location in the building industry is mobile – building sites can be referred to as ‘traveling factories’ (Bosch and Zühlke-Robinet 2000:14). With a similarly high level of mobility characterizing the sector’s workers, the supervision of their working conditions is extremely difficult. In contrast to other private service sectors, wages in construction remain relatively high across all skill groups, which serves as a ‘compensation’ for cyclical fluctuations and the seasonal character of employment (Cremers 2006). By the same token, West European collective agreements in construction tend to include special provisions concerning holiday payments and retirement schemes. This generosity of wage and social provisions might create an incentive on the side of companies and self-employed individuals to circumvent the regulations in order to gain an advantage over other market participants. Furthermore, the sector is characterized by a unique production organization. Having won tenders for large construction projects, big construction firms delegate specific tasks to subcontractors, which in turn sign contracts with even smaller business entities, building specialists and self-employed individuals. This complicated structure invites social dumping as it gives priority to cheaper offers. Finally, due to the sector’s fragmented structure, construction workers are less unionized and less likely to stage collective action than their counterparts in manufacturing, who form homogenous workforces grouped at large production facilities (cf. Shafer1994).

In Western Europe, concerns over migration-induced wage dumping were voiced already in 1986, following Spain and Portugal’s EU accession. They led to the implementation of the so-called Posted Workers Directive and a subsequent re-regulatory drive, during which most EU countries extended their labor regulations and/or generally applicable collective agreements to

cover posted workers (Eichhorst 1998; Menz 2005; Cremers et al. 2007). In view of their slow implementation and the focus on minimum standards, however, the new rules did not fully protect high-wage labor markets (Verscheuren 2008). Critical assessments intensified in the eve of eastern EU enlargements in 2004 and 2007. As argued by Menz (2003), both ‘push’ and pull’ factors facilitating migration flows were present in the East-West context. With the eight postcommunist accession countries’ GDP reaching merely 46% of the EU average and wages at the level of 10-25% of Scandinavian rates, the Easterners had an incentive to migrate to the West (Dølvik, and Eldring 2006). At the same time, West European firms were interested in sourcing cheaper CEE labor, especially in construction, where wage expenditures reach up to 50% of the operating costs (Menz 2003).

Furthermore, both manufacturing and service sectors featured distinct actor constellations, one pushing for the further liberalization of EU product and service markets and the other seeking to preserve national control over cross-border flows. As already mentioned, both CEE and West European firms had an interest in ‘exiting’ high-wage, high-standard settings of old EU member states by relocating production or contracting-in CEE labor. But also CEE states saw their stake in the competitive game. Relying on low wages and lax employment regulations to attract FDI into their countries’ manufacturing industries, they were keen on capitalizing on similar advantages in service sectors and thus pushed for the unabridged application of the freedom to provide services and the free movement of workers’ rule in the enlarged EU. Their liberal stance was clear in the course of debates on the EU Services Directive (Gajewska 2009), but also in the context of recent disputes referred for a preliminary ruling to the European Court of Justice²¹, such as *Laval*, *Viking* and *Rüffert*, in which freedom to provide

²¹ In the Lisbon Treaty that entered into force on 1 December 2009, the European Court of Justice was renamed the Court of Justice. However, I still use the old name as it was valid at the time of the above-discussed rulings.

services collided with social partners' right to enforce national wage standards (Lindstrom 2008). In all three cases, the Court ruled in favor of the former, stating that union actions should serve public interest and subjecting them to a tough proportionality test. In so doing, the Court departed from its previous 'pro-social' position and became one of the most vocal promoters of economic liberalism in the EU (Blanke 2008; Dølvik and Visser 2009; Höpner 2008; van Peijpe 2009). A similar shift took place in the Commission's policy. In the past, it would promote free movement of goods and uphold a strict state aid policy regime, but it took a more balanced stance on other freedoms, especially on that of service provision. Its recent proposals for the Services Directive (2006) and the Temporary Agency Work Directive (2008), however, were decidedly more liberal (Countouris and Horton 2009).

On the other side of the 'barricade', 'old' Europe's governments sought to protect national labor standards from the EU-led deregulatory drive and competitive pressures from the East. Only three out of fifteen West European EU member states, Ireland, UK and Sweden, opened their labor markets to CEE workers on 1 May 2004; others opted for transition periods that temporarily blocked the Easterners' inflows. Although most states lifted the restrictions two or five years later, Germany and Austria extended them to the maximum allowed period of seven years, i.e. until 2011. In addition, Germany limited CEE companies' freedom to provide services in sensitive sectors such as construction (Dietz 2005). The decision to restrict labor markets access for CEE nationals was at least partly rooted in popular fears over the economic implications of EU eastern enlargement. Threatened by the specter of 'Polish plumbers' offering their services at low prices in Berlin, Paris or Brussels, public opinion in the West lent little support to postcommunist countries' EU accession.²² Similarly, the 2005 French and Dutch

²² A nation-wide poll in Germany showed that 46% of the respondents were against the EU eastern enlargement (Fellmer and Kolb 2009).

referenda on the EU Constitutional Treaty were preceded by heated disputes over the extent of social dumping in the enlarged EU, which allegedly tilted the scale in favor of the ‘No!’ vote (see Clift and Howarth 2010 for the French case). Finally, West European unions and civil society organizations would occasionally mobilize at the EU level in protest against the further liberalization of service sectors. In the context of the draft Services Directive, they staged high-visibility protest actions and successfully lobbied the European Parliament to limit the applicability of its most liberal provisions.

To sum up, service sectors in general and construction in particular have been exposed to strong competitive pressures. The subsequent debate over the extent of service market liberalization led to the formation of opposing interest constellations of domestic and EU-level actors. While governments, the public and organized civil society in Western Europe were concerned over social dumping, firms in the West and the East, CEE governments, ECJ and the Commission objected any restrictions to EU’s economic freedoms. What position did Western and CEE service sector unions take in relation to these highly contested issues? I tackle this question in the remainder of this chapter, starting with a brief overview of dilemmas faced by unions operating within transnationalized labor markets and the presentation of their strategic options in this regard.

6.3. Trade unions and migration: strategic dilemmas and policy options

When arriving at a host country, migrant workers enter a new environment marked by a distinct set of legal rules and industrial relations. At the same time, receiving country unions face

a dilemma concerning the choice of relevant policies *vis-à-vis* immigrants. As argued by Penninx and Roosblad (2000) and Castles and Kosack (1973), there is a high likelihood that the interests of the indigenous workers and the newcomers will diverge. The latter increase labor supply in the country and thus may exert a downward pressure on domestic wages and working conditions or serve as a pool of alternative workforce during strikes and wage disputes. Consequently, unions in host countries are likely to cater in the first place to the interests of the local workforce; as they ‘owe their first loyalty to the indigenous workers who created the organizations, trade unionists might lead campaigns to keep out the migrant workers or even reduce the existing number’ (Castles and Kosack 1973: 127). But such a protectionist stance can backfire if the unions prove unable to prevent migrants’ inflow. If the latter nevertheless manage to enter the labor market, it will be difficult to organize them, which might pose a serious challenge for the receiving country union. Castles and Kosack summarize this strategic dilemma as follows:

‘It may seem logical [for the unions] to oppose immigration, but once there are immigrant workers in the country, it is essential to organize them – not only in their own interests, but also in the interests of the rest of the workers. If the unions oppose immigration initially [...] they might find that the migrants do not trust them and are unwilling to join. Where this happens, the unions have the worst of both worlds. Not strong enough to prevent immigration, their attempts to do so only alienate the new workers to them. The result is the weakening of the unions and the deepening split in the working class (Castles and Kosack 1973:128).’

Castles and Kosack’s study suggests that receiving country unions might either pursue protectionist policies in regard to migration or opt for an inclusionary approach. By taking the protectionist stance, they will seek to prevent the inflow of foreign workers and posting companies. If it proves impossible to uphold the entry ban, they will try to make sure that the

newcomers comply with local labor market regulations and/or wage standards. To achieve these goals, they will use national access channels and lobby the government for protective measures. They might also liaison with state authorities and bodies responsible for the enforcement of legal and contractual provisions. Lastly, unions may cooperate with employers to ensure that minimal wage and collective bargaining provisions are applied to all workers and business entities operating on the territory of a given country (Kahmann 2006).

Alternatively, receiving country unions can take a liberal stance on labor migration. In this case, they will opt for transnational strategies, which in the service sector context can refer to two types of actions. First, the unions can stage information campaigns and organizing activities targeting foreign workers who have already entered ‘their’ labor market. They might also engage in cooperative ventures with labor organizations from migrants’ home countries and jointly provide information and assistance to prospective migrants. Second, they can launch cross-border projects aimed at strengthening sending country unions’ organizational position and membership base, thus indirectly raising the awareness of social standards among potential migrant workforce.

At first sight, unions in sending countries might appear unaffected by labor migration. Individuals wishing to take up employment in another country do not only ‘exit’ domestic labor market structures, but also leave their home country union ranks. As a result, migration is viewed primarily as a concern of labor organizations in the receiving states (Bengtsson 2008). But migrants’ home country unions rarely remain indifferent towards the labor mobility issue. This is because workers’ outflow directly impacts on their institutional position, with two conflicting outcomes possible in this regard. On one hand, migration decreases the pool of potential members and can lead to a declining membership rate. This might pose a serious problem in

services sectors, where the union density rates are on average much lower than in manufacturing. On the other hand, however, sending country unions might indirectly profit from increased labor mobility. As a result of immigration, the sending country's labor market tightens, which boosts the bargaining position of the domestic workforce. Recent studies examining post-enlargement labor migration trends confirm this logic and document increased mobilization on the side of CEE unions. Similarly, CEE employers are reported to be more willing to offer wage increases in order to dissuade workers from leaving their jobs and migrating to the West (Meardi 2007; Woolfson et al. 2008).

Moreover, sending country unions can take different stances regarding the conditions of migrant workers' entry to receiving countries' labor markets. They can encourage prospective migrants to utilize their competitive advantage and to offer their services abroad at dumping prices. To this end, they might stage information campaigns targeting those who are willing to emigrate, but also use institutional access channels and lobby their governments to push for more liberal regulations of the international flow of workers and services. Alternatively, sending country unions can choose to object wage dumping and instead pursue transnational strategies. In so doing, they may coordinate with receiving country unions, staging joint information campaigns in defense of migrant workers' rights and helping to organize them in destination countries. The participation in such ventures can provide them with membership recruitment tools that can be used during national organizing drives. In addition, the preservation of social standards in the receiving countries might in the long term benefit their own members, who could enjoy them alongside with their counterparts abroad once the wage gap between their country and receiving states narrows.

Table 5 below summarizes the above-presented strategic options of receiving and sending country unions.

Table 5. Receiving and sending country unions' strategies in regard to labor migration

Strategies	
	National Transnational
Receiving country unions	<ul style="list-style-type: none"> - lobbying governments in favor of migrant entry ban and/or other protective measures - liaisoning with state authorities and law-enforcing bodies in defense of wage standards of the domestic workforce - cooperation with employers – law enforcement via collective agreements
Sending country unions	<ul style="list-style-type: none"> - information campaigns for migrant workers - migrant organizing - joint migrant-assistance projects in cooperation with sending country unions - organizational support for sending country unions
	<ul style="list-style-type: none"> - supporting wage dumping by encouraging prospective migrants to use of their low-wage comparative advantage on receiving states' labor markets - lobbying governments to push for more liberal regulations of international service flows

In what follows, I explore which of these strategies were adopted by Polish and German unions in the construction industry. Before turning to empirics, however, I briefly present the major features of the two countries' building sectors.

6.4. Construction industry in Germany and Poland

6.4.1. The German building sector

After the reunification of 1990, the German building market experienced an unprecedented boom, as generous tax benefits and subsidies supported non-residential construction, civil engineering and building maintenance in East Germany (Andresson and Clobes 2004). To meet the increasing labor demand, the government concluded bilateral agreements with the neighboring postcommunist states, allowing CEE firms to temporarily post their workers to Germany in line with pre-assigned national quotas. Following the creation of the Single Market, intra-EU employee posting also intensified, and in 1996 Germany hosted 188,000 posted workers who accounted for 16,5% of the total blue-collar employment in the building industry (Kahmann 2006). The prospect of an easy gain also attracted illegal practices; in its 1993 article, a popular periodical estimated the number of illegal employees at 500,000 (*Focus* 1993).

By the mid-1990s, however, the boom in the German construction was over, as the state stopped its generous subsidy schemes for East Germany's reconstruction and the majority of large infrastructure projects had been completed. In view of the declining demand, the sector experienced a wave of bankruptcies, with the rate of insolvencies growing from 1,875 in 1993 to 7,041 in 1996 (Hunger 2001). In the same period, unemployment increased twofold, while the pessimists estimated that every second workplace in the industry would be eliminated (*Berliner Zeitung* 1995, as cited by Hunger 2001). Indeed, in 2002 the employment level in small firms stood merely at 54% of the 1995 levels, while investments dropped by one-half (Höh 2003).

Only in 2006 did the sector register the first signs of an upswing, marked by the increasing number of contracts (*Manager-Magazin* 2006).

Despite the long-lasting downturn, the hierarchical production structure in construction remained in place. Large German companies continued to delegate tasks to domestic and foreign subcontractors and, since the EU eastern enlargement of 2004, a growing number of self-employed individuals (Dietz 2005). The recent economic crisis affected the building industry in Germany to a much lower extent than in other European countries. This was because the former had gone through major restructuring already before the Europe-wide recession and, in contrast to the UK, Spain or Bulgaria, did not experience the real estate bubble. Still, reports indicate a 3% decline in orders, with the biggest slowdown in housing construction. To compensate for shorter working hours and the corresponding decrease in wages, the German government introduced special allowances covering up to 60% of the wage cuts, as well as stimulus packages for modernization and infrastructure works (*Euroline* 2009).

6.4.2. The Polish building sector

During the transition and in its aftermath, the Polish construction industry was marked by rapidly changing business conditions and cyclical growth. Within a decade, it experienced a major change in ownership structure, as the share of private enterprises increased from 30% in 1990 to 95% in 2000 and accounted for 90% of the sector's employment (Bolkowska 2000). Between 1990 and 1999, the industry's average annual growth rate stood at 8%, while the

construction volume doubled. In the same period, the number of construction workers declined from 1,318,000 to 930,000, which shows a major productivity increase.

But the economy-wide recession of the late 1990s did not spare the building sector. Faced with the decreasing demand for construction services and the growing competition of foreign companies entering the market, Polish firms has a hard time steering through the crisis. Even domestic giants such as Exbud, Budimex and Mitex had to find strategic investors to remain afloat (*MuratorPlus* 2003). As a result of the restructuring, the sector lost nearly one-third of its employees, and in 2005 the number of registered construction workers stood merely at 623,000 (Eldring and Trevena 2007). The change of fortune came only in the second half of the 2000s, with a boom in residential construction and the inflow of EU funds for modernization of public buildings and transport infrastructure. At the same time, however, it proved increasingly difficult for companies to find qualified workforce, as many construction employees made redundant in 1999-2004 had chosen to emigrate to the West. When in 2007 experts estimated that the industry was short of 120-150,000 workers, firms rushed to offer wage increases to keep the remaining employees. In effect, in 2008, gross wages in construction exhibited the highest growth rate in the Polish economy (17 %), reaching €900 and thus remaining approx. €100 above the country's average (*Gazeta Prawna* 2008). In addition, firms started importing construction labor from neighboring post-Soviet countries and East Asia (*Rynek Budowlany* 2008; *Gazeta Prawna* 2010).

During the crisis, a slight decline in orders took place in the last quarter of 2008, but the sector did not experience a major downturn and the government refrained from demand-boosting stimuli or income support schemes (*Eironline* 2009). Nevertheless, serious structural problems and regulatory shortcomings remained. With 52% of the workforce employed in micro-sized companies (1-9 workers), the sector is highly fragmented. Due to their small size, Polish firms

find it difficult to obtain loan guarantees and participate in bids for large building contracts, and thus tend to perform subcontracting tasks for West European companies operating on the Polish market (Zawadzki 1998). Finally, firms complain about a long red tape, complicated public procurement rules and dumping practices of foreign construction giants, which allegedly keep their prices at artificially low levels (*eGospodarka* 2010).

6.5. East-West labor mobility and union reactions

Informed by the above-presented industry characteristics, this section explores the positions of Polish and German construction unions on East-West labor mobility and documents their unilateral and bilateral initiatives targeting migrant workforce. It is based on union materials, press publications and secondary sources, as well as twelve semi-structured interviews conducted between 2005 and 2008 with high-rank officials and international relations officers from German and Polish construction unions.

Construction workers are represented by a single union in Germany and two in Poland. The German *IG BAU* has around 325,000 members (*Frankfurter Rundschau* 2010) and operates in three different industries: construction, agriculture and forestry. It is divided into sixteen regional districts (*Bezirksverbände*) and coordinated by a central office in Frankfurt am Main. In Poland, there are two unions operating in the building sector. *Solidarność* represents between 70,000 to 80,000 construction workers, but the majority of them are organized within the territorial units and only 15,000 are members of its Sectoral Branch for Construction and Wood

Industry (SC 2005). *Budowlani* belongs to the left-wing trade union confederation *OPZZ* and has around 47,000 members (B1 2005).

6.5.1. Bilateral labor treaties with CEE countries and intra-EU employee posting

Following the fall of the Berlin Wall, Chancellor Helmut Kohl unveiled plans to conclude bilateral agreements with the neighboring postcommunist states that would give CEE firms and their employees limited, quota-based access to the German market. CEE employee posting would considerably differ from the post-WW2 migration waves, as CEE workers were not expected to join local labor organizations and remained outside the social security system. Faced with the threat of labor market segmentation and wage dumping, *IG BAU*²³ pressurized the government to abandon their plans, but in view of the post-unification boom the agreements were nevertheless concluded (Kahmann 2006). The union's activities subsequently concentrated on lobbying for the equalization of migrant and domestic workers' status. The organization pointed to considerable savings on the side of employers subcontracting CEE labor reaching up to 65% of the German wage, and thus demanded that firms employing CEE workforce pay compensation as a substitute for social security contributions, the so-called anti-dumping tax (*'Anti-dumping – Abgabe'*) (IG BAU 1992), which however was not imposed.

Soon after the agreements' conclusion, it turned out that the number of CEE workers exceeded the established quotas. The Easterners would also work longer and were paid less than

²³ Until 1996, the German construction operated as IG BSE (*Industriegewerkschaft Bau-Steine-Erden*). Only then did it merge with the agriculture and forestry union GGFL (*Gewerkschaft Gartenbau, Land- und Forstwirtschaft*) to create IG BAU (*Industriegewerkschaft Bauen-Argar-Umwelt*). Given the continuity of unions' position on CEE labor mobility, I refer to *IG BAU* for the sake of clarity even when I discuss *IG BSE*'s activities (cf. Kahmann 2006).

their German colleagues; moreover, their illegal employment became rampant (GA 2005). Consequently, *IG BAU* lobbied the government to put a ban on hiring the CEE workforce and, more generally, to restrict foreigners' employability in economically depressed regions. The union's position on the former issue was supported by construction employers, threatened by unlawful subcontractors (IG BAU 1993). In view of the appeal, Germany decreased CEE workers' quotas and intensified legal controls.

Following the Single Market's creation in 1992, similar threats of labor market segmentation and wage dumping emerged in the context of employee posting from South European countries. In order to narrow the gap between domestic and foreign workers' remuneration, *IG BAU* and other unions from the German Trade Union Confederation *DGB* advocated the introduction of minimum wage. The issue proved 'particularly embattled', however (Menz 2005: 544), due to the opposition of the liberal government coalition party FDP and Germany's biggest employers' organizations. The compromise provided for the general application of a minimum wage, but only if the latter was agreed jointly by the social partners in a given sector. After protracted negotiations, an hourly minimum wage for the building industry was set at much lower rate than the one initially proposed by *IG BAU*. Despite the shortcomings, the establishment of wage minima (at least formally) prevented the emergence of multi-tier labor markets and were included in the so-called Posted Workers Act (*Arbeitnehmer-Entsendegesetz*) adopted in 1996.

In the early 1990s, the Polish construction unions dealt primarily with domestic affairs and internal problems. The transitional crisis forced them to redefine their role under the new socioeconomic conditions. The unions faced a drastic fall in membership numbers, reflecting workers' disillusionment with the new economic reality, but also the bankruptcies of large,

unionized construction firms (B1 2005; cf. section 6.4). Some organizations underwent important structural reforms and it was only in that period when *Solidarność*'s Sectoral Branch for the Construction and Wood Industry was created (SI2 2007).

6.5.2. EU enlargement and the meanders of transnational cooperation

After several years of lobbying against the inflow of CEE migrant workers, in 1999 *IG BAU* made an attempt to establish cooperative links with the two Polish building unions. The Germans invited *Budowlani* and *Solidarność*'s Construction Branch to the joint monitoring of wages and working conditions of Polish employees constructing an express train line between Frankfurt and Cologne. *IG BAU* officials hoped that it would be easier for the Poles to reach their fellow workers and identify unlawful Polish companies (GA 2005). Overall, however, the project did not prove successful, as most workers proved hesitant to discuss their working conditions even with Polish unionists (SC 2005).

Despite the failure of the first common initiative, in the same year the three unions signed an official cooperation agreement (*Solidarność*, *Budowlani* and *IG BAU* 1999), in which they vowed to defend the interests of construction workers from the other country operating on their markets and to provide them with organizational and legal assistance. They also promised to monitor the activities of their countries' companies operating abroad and jointly fight illegal practices. To meet these goals, the unions agreed to exchange information on social standards and industrial relations in Poland and Germany and to stage annual leadership meetings. They also planned to set up a joint information bureau in Warsaw, designed to 'represent the common

interests of construction workers from the two countries and communicate common initiatives to the broader public', but also to serve as an information spot for Polish workers wishing to take up employment in Germany. In the bureau's founding agreement from October 2000, the three unions pledged to share its operating costs (Solidarność, Budowlani and IG BAU 2000).

It soon appeared, however, that the above projects were difficult to implement. The planned information exchange took place only in the initial phase following the cooperation agreement's conclusion, as the Poles did not find it useful when no burning issues were on the agenda. Similarly, the joint information bureau was closed in 2003, after two years of functioning. From the very outset, the Poles approached the initiative with skepticism; a *Budowlani* representative went as far as to call it '*IG BAU*'s reconnaissance center' (B2 2005). As for a *Solidarność* representative, communication opportunities created by the bureau were not fully used, as the *IG BAU* activist in charge spent most of his time in Germany (SC 2005). The Germans, on the other hand, pointed to the lack of genuine engagement on the Polish side (GA 2005). *IG BAU*'s contributions proved the bureau's sole financing source, as the Poles neither took their share in the expenses nor provided organizational assistance that they had promised (IG BAU 2003). In Germans' view, the Polish unions' inaction was partially due to their organizational fragility. In a special report preceding the unit's closure, the bureau's chair expressed his concerns in this regard:

'Unfortunately, it is difficult to make them [the Polish unions] understand that due to their weakness, powerlessness and bad-quality social dialogue, they seriously threaten our European collective bargaining policy' (IG BAU 2003).

On the other hand, the bureau's failure might be partly due to the fact that its foundation coincided with the announcement of *IG BAU*'s protectionist position regarding the post-enlargement CEE workers' mobility. The Germans expected that negative trends on the German construction market, such as excessive inflow of migrants from low-wage countries and illegal employment, would continue in the post-enlargement period (Schmidt-Hullmann in *Sozialistische Zeitung* 2001). They asserted that CEE candidate countries had not yet fully met the EU accession criteria and criticized the loopholes in the postcommunist states' legal systems, claiming that their premature EU accession could threaten 'old' Europe's industrial relations and social protection systems. In this respect, *IG BAU* was worried about the conditions of the German labor market, arguing that

'[t]ens of thousands of people working in forestry and gardening, in waste management and in agriculture, as well as in the construction industry have already lost their jobs – they were overtaken – often on a illegal basis – by migrant workers coming predominantly from the neighboring East European states' (IG BAU 2000).

To protect German workers from the negative consequences of increased CEE workforce inflows, the union pushed for a ten-year long transition period, during which the access of the latter to the crisis-ridden German labor market would be restricted. In a joint declaration issued in September 2000, construction employers' associations and the union essentially repeated earlier *IG BAU*'s points, additionally demanding a similar restriction in the sphere of freedom of establishment (ZDB, DBI and IG BAU 2000). Since in the meantime *DGB*'s stance also shifted in favor of transitional arrangements, Chancellor Schröder took social partners' position into account and in December 2000 proposed a flexible scheme of 3+2+2 years' long transition

periods, leaving the decision concerning their imposition to individual EU member states. When the solution was officially accepted at the European level in May 2001, Germany opted for the longest, seven-year long transition period for the free movement of workers and additional restrictions on services provision in the construction-related industries, which could be lifted after three or five years (Bohle and Husz 2003; Dietz 2005).

Polish trade unions, both at the confederal and sectoral levels, were disappointed with the German unions' position. The protectionist stance taken by the latter departed from the 1999 declaration of *Solidarność* and *DGB* leaders, in which both officials set themselves against labor market restrictions (DGB and Solidarity 1999). According to *Solidarność*, it constituted a 'step backwards' in union relations (Solidarność 2001) and an attempt to build 'a new Berlin Wall on the Oder' (SC 2005). Moreover, the shift in the Germans' position was hard to accept by the Poles in light of their own anti-dumping stance. During EU accession negotiations, both Polish union confederations strongly objected 'employing [migrant] workers on conditions different from national standards' (OPZZ 2004; Solidarność 2001) and even encouraged ETUC and old EU member states to pressurize the Polish government to fully implement the social *aquis* before their country's EU accession.

Once the transition period-related tension eased, *IG BAU* came up with yet another cooperative initiative. In 2003, the so-called PECO Institute (PECO-Institut e.V.), an organization affiliated to *IG BAU*, launched the project 'Cross-Border Collective Regulations and the Development of Industrial Relations in the Construction and Agriculture Sectors', addressed to construction unionists from Poland's western regions. The initiative was guided by *IG BAU's* concern over a low quality of social dialogue in Poland, and thus followed the union's intention to 'build partners on the Polish side' (GA 2005). The goal of constructing joint

collective bargaining structures suggested by the project's title soon proved too ambitious and the scheme focused on trust-building activities such as panel discussions and exchanges between Polish and German unionists. In the course of eighteen seminars, the Poles learnt about wage and working conditions in Germany and became acquainted with *IG BAU*'s collective bargaining strategies. Topics also involved membership recruitment tools and methods of attracting young workers to the union. According to the project manager, an *IG BAU* activist, the PECO initiative was very rewarding, as it enhanced mutual understanding between Polish and German unionists and led to the establishment of personal contacts between them (G2 2005). He also hoped that knowledge disseminated during the seminars would contribute to the strengthening of the two Polish unions. From *Solidarność*'s point of view, PECO was a major success, as it provided union activists with valuable organizing skills (SC 2005), while *Budowlani*'s international relations' officer argued that 200 Polish unionists participating in the training sessions 'improved their skills and broadened their horizons' (B2 2005).

6.5.3. Migrant workers – a hard nut to crack

Despite the restrictions on post-enlargement labor mobility, the problem of illegal employment in Germany's construction sector remained unresolved. Moreover, CEE nationals were entering the German labor market either as self-employed individuals or as workers contracted on the basis of bilateral agreements (GA 2005; G2 2005). Consequently, in 2004 *IG BAU* intensified its fight against illegal employment and wage dumping. For one, it joined the Finance Ministry and Germany's biggest employers' associations in the so-called Action

Alliance against Illegal Employment in the Construction Industry (*Aktionsbündnis gegen Schwarzarbeit in der Bauwirtschaft*), designed to monitor the extent of unlawful practices on the German construction market. For the other, it launched a campaign ‘Without Rules – No Way!’ (*Ohne Regeln geht es nicht!*), which aimed at combating illegal employment through active engagement of its rank and file. The union established an anonymous hotline, which could be used to report the instances of illegal employment and collective agreement breaches. The information obtained this way was further directed to customs and labor inspectorate offices, authorized to conduct controls, impose fines and expel unlawful employers and workers from Germany. *IG BAU* justified its campaign by claiming that ‘the extraordinary scale of illegality requires taking extraordinary measures’ (IG BAU 2004), underscoring that it targeted unlawful firms rather than illegally employed individuals (*‘illegale Beschäftigung’* and not *‘Illegalenbeschäftigung’* - G1 2008; E1 2008). The intention notwithstanding, the idea of anonymous denunciation was rejected by local activists. In a position paper addressed to the union’s Executive Committee, they described the idea as ‘flawed’, arguing that it harmed workers, not companies (Maurer et al. 2004). They also expressed fears that the campaign might contribute to the spread of xenophobic attitudes among German construction employees. As an alternative, they suggested that *IG BAU* lend active support to migrants, adopting ‘the most important rule [...] of solidarity, a joint struggle’, and thus remained faithful to the international roots of trade unionism.

In view of the limited success of the venture and membership criticism, the controversial project was suspended. However, the fact that its timing coincided with CEE countries’ EU accession attracted criticism from the Polish construction unions. As for a *Budowlani* official, neither the denouncing campaign launched before the EU enlargement, nor the introduction of

transition periods for CEE citizens could heal the situation in the crisis-ridden German construction industry. Such initiatives, he claimed, aimed merely at boosting *IG BAU*'s image as a union fighting for the 'German' workplaces and thus at defending the interests of its core constituency (B1 2005).

On the wave of the critique, *IG BAU* adopted a more cooperative approach and launched a project 'for', and not 'against' CEE migrants operating on the German construction market. In spring 2004, the union commissioned a survey among posted construction workers, which illustrated their limited awareness of German collective regulations (Laux 2005). The poll also showed that migrants would be interested in joining a union if it addressed their specific needs (Schmidt-Hullmann and Buntentbach 2006), but would rather seek assistance outside *IG BAU*, possibly due to a negative image that the latter had created through its engagement in policing activities (cf. Kahmann 2006). Consequently, the union leadership decided to create an organization separate from *IG BAU* and in September 2004, it founded the European Migrant Workers' Union (*Europäischer Verband der Wanderarbeiter, EVW*). Despite its formally independent status, *EVW* shared the Executive Office with *IG BAU* and used its resources to cover its start-up activities (E2 2006). The union intended to reach foreign posted and seasonal workers employed in the German construction and agriculture, among whom the Poles constituted the most numerous group. It was planned, however, to attract employees from other service and industry branches and to extend *EVW*'s activities to other EU countries hosting large migrant workers' communities (*Eironline* 2004; E3 2006). In line with the union's statute, it sought to improve migrants' social standing (§2.1.a) by providing them with legal assistance in the case of a legal dispute with the employer, as well as with administrative and linguistic help (EVW 2005). The crucial difference between *EVW* and national labor organizations was that the

protection of the former extended over the period when a worker returned to his/her home country, or when he/she was temporarily posted to another EU member state. Through this system of selective membership incentives, the union indirectly fought against unlawful companies, cooperating closely with the customs office and running a database of insincere employers (E2 2006).

The new initiative was badly received by the Polish construction unions. As for *Budowlani* officers, *EVW* could pose competition to CEE labor organizations. Given that *EVW* membership lasted after the termination of the foreign contract, returning workers could abstain from joining their home country unions (B2 2005). They further claimed that the national unions' activities might be obstructed by having *EVW* operating on 'their' territory (B1 2007). Overall, *EVW* was perceived as yet another tool designed by *IG BAU* to protect Germany's construction job market from the inflow of illegal workforce and dishonest subcontracting firms.

6.5.4. Post-enlargement period: a shift from bilateral to EU-level relations?

In the period following the EU's eastern enlargement, arguably the biggest controversy among European trade unions was spurred by the EU Services Directive. The draft version of the act included the so-called country of origin principle, stipulating that an individual or a company would be allowed to provide services on the territory of another EU member state on the basis of laws and regulations of his/her country of origin or the country of establishment, and was not obliged to abide by the rules of the host state. The principle was viewed by West European unions as a serious threat to their countries' wage standards and collective bargaining

arrangements, not least in view of the East-West social gap. Fearing the inflow of unlawful companies and self-employed individuals from CEE, *IG BAU* was among the most vocal opponents of the act (IG BAU 2005; IG BAU 2006).

The objections to the Directive's liberal version were shared by the two Polish construction unions. In a joint declaration, the organizations stated that they did not want their country workers to introduce unfair competition and prompt social dumping that would 'undermine the achievement of several decades of social dialogue in [Western] Europe' (Solidarność and Budowlani 2006). Their concern over the persistence of the European Social Model, however, did not seem to stem exclusively from solidarity feelings towards the West. In the eyes of a *Budowlani* high-rank official, the dissolution of collective bargaining systems in Scandinavia and Germany, inevitable if the Directive were enacted in its initial version, would eliminate the prospects 'for the adoption of better solutions' in Poland (B1 2006). The unions also stressed that the country of origin principle would pose a threat to current Polish standards as a result of future EU enlargement rounds, when countries with even lower wage levels and inferior working conditions joined the EU. Finally, they feared 'legal chaos' that would emerge after the adoption of the country of origin rule: when services on the territory of a single member state could be provided in accordance to twenty-seven different legal orders, wage monitoring and health and safety inspections would be virtually impossible (B1 2006; SI2 2007). Beyond the statements, however, neither *Solidarność's* Construction Branch nor *Budowlani* actively participated in the anti-Directive protests, even though their confederations sent delegations for ETUC demonstrations in Brussels and Strasbourg.

The post-enlargement period also witnessed the failure of the European Migrant Workers Union. The idea of organizing migrant workers into a separate union proved too ambitious in

light of their ‘mobile’ characteristics. As it turned out, it was impossible to maintain contact and extract membership fees from them once they changed their country of residence (G1 2008). In addition, a specific claimant attitude among migrant workers would make them seek assistance when they had experienced exploitation, but they would stop paying their membership contributions as soon as the problem was resolved. As a consequence, instead of the planned 10,000, by 2006 *EVW* attracted only 1,000 members. To make things worse, its membership base was in constant flux, as workers who received assistance would leave the union without initiating the self-organizing process that *IG BAU* had hoped for (E1 2008). Last, but not least, West European unions, which had been expected to contribute financially and logistically to the project, preferred to organize migrant workers in their own ranks (G1 2008). In view of *EVW*’s chronic under-financing, in 2008 its operational activities were overtaken by *IG BAU*, and there were plans to transform it into a migrant-targeting NGO (IG BAU 2008).

Parallel to the change of *EVW*’s status, *IG BAU* actively supported the extension of transition periods for CEE workers to the maximum allowed period of seven years, i.e. until 2011. The union maintained its pre-enlargement rhetoric and claimed that problems of the German construction sector such as stagnating demand and high unemployment could only be aggravated if CEE firms and workers were allowed to enter the German market (G1 2008). The second rationale for transition periods was the willingness to redirect CEE migration flows out of Germany. The union’s international relations officer expressed this argument in a following manner:

‘[The transition periods] had also another, wider goal. Before EU eastern enlargement, 80% of Central-Eastern Europeans who expressed their willingness to migrate could imagine only Germany and Austria as their potential destinations. In the meantime, they have discovered that wages and

employment prospects in, let's say, UK and Ireland are significantly better than those in Germany and have changed their migration preferences (G1 2008)'.

The organization positively assessed the effect of temporary restrictions in the sphere of service provision and labor mobility. According to Klaus WieseHügel, *IG BAU*'s chair, not only migrating individuals, but also 'CEE dumping companies' have moved their operation elsewhere ('*haben sich umorientiert*'; IG BAU 2007). The union expected that post-2011 East-West migration potential would be low, mainly because of the aforementioned redirecting of migration inflows to other EU member states, but also due to the narrowing income gap between Germany and its CEE neighbors (G1 2008).

6.6. Union strategies in the construction industry: the Polish-German perspective

The preceding section presented policy stances taken by Polish and German construction unions in the context of transnationalizing EU labor markets. This section analyses their strategies and examines whether the reciprocity-based mechanism of cross-border labor cooperation, outlined in the previous chapter for the manufacturing context, is also valid in service sectors.

6.6.1. *IG BAU*: simultaneity of national and transnational strategies

Throughout the 1990s, *IG BAU* faced a threefold challenge. One stemmed from the cyclical character of business activities and the related employment instability in construction. The situation became particularly difficult towards the middle of the 1990s, as wave of bankruptcies and increasing unemployment rates plagued the industry during what Bosch and Zühlke-Robinet (2000:23) call ‘the deepest economic, structural and social crisis’ in the German building sector. The second challenge was related to the regulatory regime governing foreign workers’ inflows. Rules governing intra-EU employee posting were initially not codified in EU law and thus firms sending workers to Germany could pay them much lower ‘country-of-origin’ wages. Even the adoption of the Posted Workers Directive and the Posted Workers Act did not fully eradicate the wage dumping threat from the side of South and East Europeans, as the minimum wage remained far below the average pay in Germany’s construction sector (Menz 2005). The third problem was that of illegal employment, which intensified in the boom period but persisted also during the downturn. The proliferation of illegal practices led to a considerable segmentation of the German construction labor market, as alongside with regular and posted workers, there emerged the third, ‘grey’ sphere of employment (Menz 2003).

Confronted with the growing competitive pressure on one hand and a less and less controllable regulatory environment on the other, *IG BAU* tried to limit CEE workforce inflows and uphold the existing labor law regulations using national strategies. The union’s activities in this respect abounded, ranging from lobbying for protectionist measures and cooperation with the police to joint anti-dumping drives organized together with employers’ associations. But the structural features of the construction industry and the wide spread of illegal practices in the

sector, rendered protectionist and policing strategies unsuccessful. In the same vein, CEE workers' inflows intensified in the post-accession period despite the official ban. Recognizing the limits of the national actions, or, as claimed by Lille and Greer (2008: 577), out of 'desperation', *IG BAU* attempted to tackle the problems with transnational strategies. It launched cooperation projects with the Polish construction unions, hoping that the sending country organizations would be better predisposed to fight the illegal practices of 'their' companies. It would also assist the Poles by sharing organizing and collective bargaining tips with them, as it expected that stronger CEE unions would voice bolder pay demands and thus make immigration unattractive. Last, but not least, *IG BAU* directly approached CEE migrants by founding *EVW*, supplementing its policing approach with organizing efforts.

To an extent, the logic behind *IG BAU*'s activities was similar to that of the German unionists at the three examined automotive companies. The union reached for transnational strategies only when national access channels proved ineffective in shielding its members from the eastern competition. Furthermore, cross-border activities ran parallel to *IG BAU*'s national-level engagement, thus resembling the 'dual-track' approach followed by the German VW engine unionists. An important difference between the two cases, however, was that at VW, national and transnational spheres of union activity were clearly separated: the unionists launched cross-border cooperative ventures in certain areas from very early on and persistently pursued their joint goals. In contrast, *IG BAU* engaged in transnational cooperation, simultaneously pushing for protectionist measures in the same issue areas, which rendered its policies inconsistent and might have undermined trust of potential cooperation partners and *EVW* members. In effect, the union was caught in 'the worst of both worlds' dilemma identified by

Castles and Kosack (1973: 128; see section 6.3), as it could neither prevent migrants' inflows nor organize them in its ranks.

6.6.2. Polish unions: limited gains from migrants' assistance

For the Polish construction unions, postcommunist transformation brought an even more complex set of challenges. Structural changes related to the privatization of large state-owned enterprises and the growing unemployment in construction, combined with negative societal attitudes towards trade unions, resulted in a sharp decrease of union density rates and the corresponding drop in union revenues. In view of the low unionization levels and the limited amount of resources remaining at their disposal, the organizations preferred to assist their own constituency rather than to support migrant workers wishing to quit their union membership (if they in the first place belonged to a union) and leave the Polish labor market. For this reason, both *Solidarność* and *Budowlani* were unwilling to engage in the migrant-targeting schemes initiated by *IG BAU*. The case study evidence shows, however, that the same unions were more interested in cross-border projects aiming to boost their organizational capacities. They positively assessed the PECO initiative, as the knowledge of membership recruitment and collective bargaining techniques shared by the stronger German union could be used in national negotiations and their day-to-day activities.

The logic guiding Polish construction unionists' engagement in cross-border cooperative ventures followed the one identified for their counterparts in the automotive industry. In both car manufacturing and building sector, the Poles cooperated across borders only when resources

and/or knowledge acquired through transnational exchanges could be used for the benefit of their constituency. At the same time, however, construction unionists remained more reluctant than their automotive colleagues to make cross-border commitments, perhaps in view of limited gains derived from migrant-targeting projects. Another possible reason for their inaction could be the above-mentioned ‘double-faced’ policy pursued by the German union, although the significance of this factor should not be overstated. As the evidence shows, the fact that the PECO project coincided with *IG BAU*’s lobbying in favor for transition period did not prevent the Poles from participating in the former.

6.6.3. Labor transnationalism in the automotive and construction sectors: common traits and differences

Building on the analysis of unions’ stances, it is possible to draw a number of parallels between Polish-German labor transnationalism in manufacturing and service sectors. In both contexts, cross-border union liaisoning was launched in response to competitive pressure related to the liberalization of production factors’ flows and the transnationalization of markets. While automotive unionists were primarily concerned with relocations and inter-plant ‘coercive comparisons’, discussions between their construction counterparts were dominated by the labor mobility issue. Similarly, in both sectors cross-border initiatives emerged only when national solutions proved ineffective in sheltering national union constituencies from cross-border competition; as a result, transnational cooperation played a subordinate role *vis-à-vis* the organizations’ national activism. Finally, union activities in the two types of sectors were interest-driven. Through their transnational engagement, unions catered primarily to the needs of

their own constituency, assessing potential gains from cross-border ventures against those derived from national actions.

There are important differences between the two sectors, though. Construction was highly fragmented and thus the majority of transnational initiatives were undertaken by relatively weak sectoral-level labor organizations. In contrast, union activities in the car industry took place primarily at the company level, which again can be explained by the sector's structural characteristics: the presence of 'big players' – large TNCs and the strength of company-level union representation (Anner et al. 2006). Furthermore, in contrast with 'successful' cooperation cases such as VW or GM, where cross-border contacts between Polish and German unionists would bring multiple advantages to both sides, construction offered a narrower scope for reciprocal gains. First, in view of the sector's structural features that made it particularly conducive to wage dumping, the Germans prioritized national actions and made modest moves towards transnational solutions only when protectionist measures did not bring the expected results. Second, the Poles would not benefit much from assistance to laborers exiting the Polish labor market: while they would have to co-finance the projects, they could not count on migrants as potential members and hence abstained from participating in migrant-targeting schemes. As a result, cross-border union cooperation in construction was less intense than in the car sector.

6.7. Conclusions: the construction industry case

This chapter argued that service sectors have been exposed to growing competitive pressures since EU regulations on cross-border service provision and workers' mobility shifted

in the liberal direction. In view of the cheaper CEE workforce inflows, West European unions' core concern was the preservation of national wage standards. To this end, they could either push for a ban on migrant workers' entry or opt for an inclusionary approach and try to organize the newcomers, be it by utilizing innovative recruitment strategies or by cooperating with 'new' Europe's unions.

CEE workers had been present on West European labor markets long before their countries' EU accession (Marquez 2010). In the case of Germany, the bulk of inflows took place in the 1990s, while post-enlargement immigration remained below the predicted levels (Knogler and Vincentz 2005). Nevertheless, the strong concentration of migrant and posted workers in construction could have a negative impact on wages and working conditions of the domestic workforce. In view of the dumping threat, *IG BAU* engaged in government lobbying and built alliances with domestic employers to prevent CEE workers' access to the German labor market. Only when the national solutions proved ineffective did the union supplement its strategy with migrant organizing and cooperative ties with CEE labor organizations. The two Polish building unions, however, showed limited interest in migrants' assistance initiatives. They cooperated with the Westerners only when cross-border projects were financed by the latter and when they themselves could benefit from the schemes. In this respect, the mechanism governing Polish and German construction unions' relations was similar to that identified in the car industry, even though their transnational exchanges were less intense.

As argued by Castles and Kosack (1973) and Penninx and Roosblad (2000), it does not come as a surprise that unions seek to protect wage standards of their core constituency in view of migrant workers' inflow. At the same time, protectionist strategies cannot be sustained over a long period of time not only due to legal limitations, but also in view of the growing

transnationalization of EU member states' economies. The economic integration of high- and low-income countries will have a negative impact on wages in the former group of states (and a positive one on remuneration levels in the latter) due to forces of factor price equalization, which can be stopped neither by union activities nor by regulatory instruments (Sinn and Ochel 2003). Still, unions might try to integrate migrants into their ranks and push for equal remuneration levels for the domestic and posted workforce. *EVW*'s experience shows, however, that despite calls for transnational coordination of unions' strategies on migrant workers (see e.g. Greer and Lille 2008), initiatives in this regard will be pursued mainly by receiving country unions and implemented within nation state boundaries.

Conclusions

This research was driven by an empirical puzzle. Contrary to the pessimistic predictions of the pre-enlargement literature, cross-border liaisoning between ‘old’ and ‘new’ Europe’s unions have taken root not only at confederal, but also at sectoral and company levels. In order to find out why and under what conditions Western and CEE union cooperated with each other, I examined relations between Polish and German unionists in the automotive industry – the sector that was least conducive to labor transnationalism due to its structural characteristics and the importance of inter-plant comparisons. The empirical inquiry focusing on VW’s engine plants, GM and MAN showed that cross-border union cooperation emerged at the first two enterprises, but its timing and intensity remained case-specific. At VW’s engine factories, where cooperation was most advanced and sustained over a long period of time, the unionists coordinated their strategies in regard to cross-border capacity distribution. In addition, the Germans provided their Polish colleagues with organizational assistance and made sure that the company’s modernization strategy would benefit the Polish plant. At GM, the Poles initially abstained from cooperation, concluding a concession deal to attract a much needed investment to their facility. They cooperated with the Westerners in exchange for strike support and strategic advice, when risks associated with contesting management’s demands became negligible. Finally, MAN’s bus unit featured attempts at cross-border labor liaisoning, which however failed as national solutions proved more attractive both for Polish and German unionists.

Drawing on the analysis of the empirical material, I argued that despite the importance of structural preconditions and socialization processes, East-West European labor transnationalism was driven primarily by cost-benefit considerations. German unionists sought to coordinate their

strategies with the Poles in the areas subject to cross-border benchmarking, when they could not secure their standing through national access channels. This was because these spheres were vulnerable to underbidding from the side of significantly cheaper Polish workers and therefore potential costs associated with the lack of coordination were too high. The Poles, on the other hand, were ready to ‘go transnational’ whenever they could profit more from cross-border cooperation than from local solutions such as concession bargaining or the preservation of *status quo*. In effect, while the unavailability of national solutions ‘pushed’ the Germans onto the transnational arena and make them initiate cross-border liaisons, the Westerners’ support ‘pulled’ the weaker Polish unionists to renounce underbidding and accept transnational commitments. The resulting cooperation involved reciprocal exchanges between Polish and German unions: the former vowed not to concede to the management’s demands to attract production to their sites, whereas the latter helped their CEE partners strengthen their organizations and/or provided them with enhanced access to corporate decision-makers.

I further asserted that the above mechanism guiding union cooperative behavior could be generalized beyond the Polish-German automotive setting given that the structural prerequisites for cross-border union liaisons, most importantly output similarity between ‘old’ and ‘new’ Europe’s sites, were present also in other sectors and country configurations. At the same time, however, I claimed that divergent union traditions in the West and labor weakness in the East may limit its explanatory potential. To test whether my argument was valid in service sectors, in the last chapter I reconstructed the Polish-German union relations in the construction industry, which was exposed to strong competitive pressures due to the inflow of cheap CEE labor to West European markets. The analysis showed that the logic behind construction unions’ interactions was similar that identified in the car sector, but they cooperated less intensely due to the

Germans' attachment to national solutions and limited gains derived by the Poles from participating in migrants workers' support schemes.

My dissertation offers a threefold contribution to the industrial relations literature. First, it uses original empirical evidence to reconstruct East-West European union relations in two important sectors. The longitudinal character of the study additionally makes it possible to spot shifts in unions' behavior that are not always captured by analyses conducted at a single point of time. Second, it provides further support to interest-based accounts of labor transnationalism; in particular, it develops ideas presented in the theoretical studies of Ulman (1975) and Logue (1980) by outlining a causal mechanism behind unions' cooperative behavior and assigning concrete meaning to terms such as 'incentives' and 'alternatives' in the East-West European context. Third, rather than refuting alternative explanations for cross-border labor cooperation, it reassesses their role in stimulating union exchanges and links them to the main explanatory variables.

Despite my efforts to gather high quality data, the present study suffers from two limitations. First, it does not scrutinize the relation between the management's attitude towards labor transnationalism and the extent of union liaisoning. It is a serious deficiency, as one could expect that in some cases 'socialization was cheap' (personal communication with Guglielmo Meardi 2010), i.e. that it was easier for unionists to establish and maintain cross-border contacts than in others due to positive or at least permissive employer's attitude towards such activities. In this regard, it seems that VW unionists were in the most comfortable situation. Not only did they enjoy significant support of their company in the form of office space and state-of-the-art IT equipment, but would also socialize with their foreign counterparts within transnational union forums initiated by the firm, such as the EWC or the East-West seminars (see section 2.7). On

the other hand, however, the GM case suggests that management's negative attitude might also act as a stimulus for union cooperation. The firm featured intense cross-border labor liaisons exactly because of its reluctance to negotiate with the unions and its policy of playing off national workforces against each other. The ambiguity concerning the role of the 'management factor' suggests that this variable should be given more consideration. Unfortunately, at all three companies I was repeatedly denied access to company officials and managed to conduct only three interviews with management representatives and one with a company spokesman – far too few to reconstruct the link between corporate policies and labor transnationalism.

The second limitation stems from the choice of the case study method and the related difficulty to generalize findings beyond the examined cases. Much as I believe that my arguments in favor of their broader validity are plausible (cf. section 5.5), it cannot be stated with full certainty that the cooperation mechanism identified in section 6.2 holds for the automotive industry as a whole, in the Polish-German context, or, even more widely, in the East-West European setting. Similarly, the construction case study might well be portraying only Polish-German union relations given that the literature documents heightened activism on the side of other West European migrant-receiving countries such as the UK and Norway.²⁴

Although political scientists tend to value comparisons more than case studies, it is very difficult to apply the comparative method to the analysis of company-level union relations. First, comparing a small number of cases would not significantly boost my findings' robustness, while the inclusion of a higher number of East-West company-level union interactions would not allow me to examine them thoroughly enough to derive causal inferences. Second, it is very hard to ensure the comparability of cases selected across different national contexts and union traditions.

²⁴ See e.g. Eldring et al. 2009; Fitzgerald and Hardy 2009; Fitzgerald and Hardy 2010; Heyes 2008; Krings 2009 and Tapia 2009.

If they differed on too many grounds, it would be again impossible to generalize on the basis of the evidence they provide. To be sure, some authors go as far as to compare different types of initiatives undertaken at various levels of union organization, viewing them as expressions of a single phenomenon – transnational union cooperation (cf. Anner et al. 2006; Gajewska 2009). When constructing these so-called contextualized comparisons (see Locke and Thelen 1995 for definition), however, one should be extremely cautious not to compare ‘apples with oranges’, i.e. not to bring together analytically distinct phenomena.

A possible solution to the comparability problem would be to look at relations between home country unionists and their counterparts at a given firm’s foreign subsidiaries. Such comparison would make it possible to keep many company- and home country unions-related variables constant and hence could focus on the role of host country factors (cf. Kahancova 2007). While I find this method interesting, it was not my intention to examine the ‘host-country’ effect but instead to explore the motivations behind cooperative behavior of *both* Western and CEE unions. Still, applying this kind of design could be a valid suggestion for future research on union liaisoning at MNCs such as VW or GM, whose subsidiaries are located not only in Europe, but also in other parts of the world. It could be examined, for instance, whether different socioeconomic contexts give rise to distinct forms of union coordination and if so, what are the factors behind the variation in type and intensity of union bonds. Beyond the ‘one company, many subsidiaries’ setting, it would be also interesting to analyze relations between labor organizations from countries other than Germany and Poland, for instance those between Baltic unions and their Scandinavian counterparts. In both country pairs, cross-border competitive pressure was present, but the specific strategic orientation of Nordic unions (see section 5.5) might have catered to a different outcome in regard to cooperation/ lack thereof. In a similar

vein, it could be fruitful to compare European and American ‘labor transnationalisms’, given that the secondary literature²⁵ suggests that US and Canadian unions actively liaison with Latin American labor organizations. Here again, however, ensuring the comparability of cross-border initiatives might be a daunting task. First, free trade unionism in Latin America is an exception rather than the rule, and thus assistance offered by US or Canadian unions to their southern counterparts might be more of a political than economic nature. Second, South American factories tend to manufacture low-end, semi-finished goods for US and Canadian industries. Their focus on complementary production, in turn, creates different structural preconditions than the launch of parallel activities at Western and CEE subsidiaries.

In light of my findings, it seems that East-West European labor cooperation significantly departed from the nineteenth century vision of labor internationalism, according to which *common* interests of the working people could be realized only via concerted cross-border action (see Introduction). While Polish and German automotive unions did join forces in defense of ‘democracy at work’ (Turner 1993) and social standards at their companies, their actions were guided primarily by the interests of their constituencies and not by a unified working class ethos. It was so because in the twentieth century’s era of nation state dominance, the ‘global or the ‘European’ ceased to be the most important reference frames for the working people (in fact, it is debatable if they had ever been). Despite growing business transnationalization and intensification cross-border competitive pressure, rank-and-file members continue to identify themselves with colleagues at their own plant or, at most, at other company subsidiaries located in their country. Even if union leaders manage to coordinate with their counterparts from other countries, joint initiatives need to serve the interests of all workforces in question *and* be more

²⁵ See e.g. Armbruster 1998; Boswell and Stevis 1997; Carr 1999; Dombois and Hornberger 1999; Johns 1999; Compa 2001; Delp et al. 2004; Burgoon and Jacoby 2004; Hathaway 2000; Frundt 2005; Roman and Arregui 2005 and Kay 2005

attractive than national solutions. When national alternatives to transnational activism appear, however, unions are likely to withdraw their engagement from the latter and make use of national ‘windows of opportunity’ to secure their standing, even at the cost of their foreign counterparts.

The fragility of cross-border commitments became clear during the 2008-2009 crisis, which was particularly pronounced in the automotive sector. In view of the bankruptcy and restructuring threats faced by carmakers, West European governments rushed to rescue ‘their’ car industries not only by adopting income-supporting and demand-boosting measures, but also by directly intervening in corporate decision-making. During negotiations over Opel’s sale, the German government publicly announced their preference for the Magna-Sberbank bid, even though it required a higher level of public support than other investors. It was Magna’s promise to keep all four German plants open and shed jobs mainly at other European Opel sites that tilted the scales in its favor and granted it the support of the German unions – once vocal advocates of labor transnationalism at GM (see section 5.7 for details). Similarly, the Italian government pressurized Fiat to increase production at the company’s home plants. As a part of a €700 million plan to increase capacity utilization of its Pomigliano D’Arco site, the firm launched the production of the new Panda in Italy rather than in the Polish Tychy, despite the latter’s significant cost advantages (*Eironline* 2010; *Gazeta Wyborcza* 2010b). In France, President Sarkozy made the government’s support for Peugeot Citroen and Renault conditional on retaining jobs at their French factories and attempted to dissuade the latter from launching the production of its Clio IV model in Bursa, Turkey (*Reuters* 2010b). Importantly, state interventions of this kind gained the approval of the countries’ unions, which were ready to offer additional concessions to save their members’ jobs. Fiat Panda’s relocation deal, for instance,

was signed by Italy's three main labor confederations and accompanied by an agreement increasing working time flexibility at Pomigliano D'Arco (*Gazeta Wyborcza* 2010b).

Even when the governments abstained from direct intervention, West European workers' crisis-related worries froze their interest in cross-border liaisons and made them perceive their foreign colleagues not as allies, but as potential competitors. In the case of VW's engine division, press reports indicate that the temporary transfer of Polish workers to the Chemnitz plant, which took place in late 2008 due to inadequate demand for old-technology-based engines produced in Polkowice (see section 2.6), met with mixed reactions among German employees, who feared the substitution of the plant's workforce with the cheaper Polish laborers. The concerns were assuaged only when the local works councilors once again explained the reasons for the Poles' presence at the site (*Freie Presse* 2008). In a similar vein, migrants' assistance schemes launched by West European labor organizations were put under considerable strain during the downturn. Even British unions, once the forerunners of migrant workers' organizing, had a hard time sustaining their inclusionary policies in view of the growing unemployment among the domestic workforce. In 2009, GMB and Unite confederations participated in protests at the Lindsey Oil Refinery, maintaining that major investments project launched on the UK territory and financed from the British citizens' taxes should give jobs local labor rather than to workers posted from other EU member states. The action was followed by sympathy strikes across the region and protests at Alstom sites in Staythroe and on the Isle of Grain (Barnard 2009). All in all, the evidence suggests that despite the cautious optimism voiced by Erne (2010), West European union responses to the late 2008-2009 downturn took mainly a defensive form and were formulated within national boundaries. Rather than coordinating strategies with their CEE counterparts, the Westerners sought to secure their jobs by capitalizing on their

governments' protectionist policies. Since CEE unionists did not receive comparable assistance from their governments they could only hope, like *Solidarność*'s vice chair at Opel Gliwice, that sooner or later economics would prevail over politics, i.e. that job shedding at their sites would prove temporary in view of their persisting cost advantage over 'old' Europe's plants (*Gazeta Wyborcza* 2009b).

When the crisis ends and West European governments withdraw their extraordinary involvement in the economy, leaving the restructuring task to the industry itself, distributional conflicts along the East-West dimension are likely to become even more pronounced. In view of the lowering levels of state support, West European unionists may reorient themselves towards cross-border cooperation and again try to liaison with their eastern counterparts in order to secure fair investment and capacity distribution. At least in the initial phase, however, such coordination might be difficult given that CEE unionists' trust was undermined by the Westerners' self-interested policies pursued in the period of economic hardship. The Easterners might be reluctant to 'share the pain' of post-crisis restructuring with their Western colleagues, who did not show their solidarity during the 2008-2009 dismissals wave in the East.

On the other hand, CEE unionists might be more inclined to engage in cross-border cooperation in the long run, once crisis-related grudges are forgotten. First, as CEE labor markets continue to tighten due to skill shortages and emigration, CEE unions are more likely to use their voice and push for higher wages and better working conditions (Meardi 2007). In their struggle, they might seek the assistance of their Western colleagues, who in turn will be eager to help as the narrowing of social gap between the East and the West decreases the competitive pressure they are subject to. Second, with the rise of new automotive locations in post-Soviet countries and East Asia, Polish factories might soon prove 'too expensive' and the local unions might be

forced to offer concessions in order to avoid relocations further east. If the eastern threat becomes imminent, it might act as a powerful factor facilitating East–West European exchanges, putting workers from the old and new EU member states into the same boat *vis-à-vis* even cheaper eastern competitors. Alternatively, if the car industry undergoes a technological revolution induced by regulatory pressures for CO₂ emissions’ reduction and the related search for alternative energy sources, CEE sites might well not stand up to the challenge due to their dependence on the West European R&D (Bernaciak and Šćepanović 2010). If the benefits of greening and fuel diversification remain limited to Europe’s industrial core, Western and CEE automotive plants’ output will cease to be identical, which in turn might reduce the Westerners’ incentives to coordinate with their CEE counterparts. It still remains to be seen, however, whether such a radical technological change will materialize.

Appendix: interview list

Secretary of *Solidarność*'s Sectoral Branch for the Construction and Wood Industry. Cracow, 26 and 27/4/2005.

Budowlani Secretary. Warsaw, 28/4/2005; Budapest, 4/4/2006; Warsaw, 27/6/2007.

Budowlani international relations officer. Warsaw, 28/4/2005.

IG Metall's Berlin-Brandenburg-Saxony officer responsible for cross-border contacts with the Polish unions. Berlin, 2/5/2005.

IG BAU officer in the Berlin-Brandenburg-Saxony in charge of the PECO project. Berlin, 3/5/2005.

Secretary of *Solidarność*'s Sectoral Branch for the Metalworking Industry. Telephone interview, 6/5/2006 and Katowice, 4/7/2007.

Anonymous high-rank *IG BAU* officer. Telephone interview, 12/5/2005.

EVW officer based in Warsaw. Telephone interview, 20/4/2006.

EVW officer based in Frankfurt am Main. Telephone interview, 21/04/2006.

Chair of International Relations Office at *Solidarność*'s National Commission. Gdańsk, 3/1/2007.

International relations officer at *Solidarność*'s National Commission responsible for contacts with Scandinavian unions. Gdańsk, 2 and 3/1/2007 and 14/6/2007.

International relations officer and economist at *Solidarność* National Commission. Gdańsk, 5/6/2007.

International relations officer at *Solidarność*'s National Commission responsible for contacts with unions from German-speaking countries. Gdańsk, 12/6/2007.

Solidarność's longtime activist responsible for the union's international contacts in the early 1990s. Gdańsk, 12/6/2007.

Solidarność officer at the union's Membership Development Department. Gdańsk, 13/6/2007.

Branch unionism coordinator and EWC expert at *Solidarność*'s National Commission; Gdańsk. 15/6/2007.

Director of the Friedrich Ebert Foundation in Warsaw. Warsaw, 26/6/2007.

Officer at the Friedrich Ebert Foundation in Warsaw. Warsaw, 26/6/2007.

Secretary of the *Metalowcy* federation. Warsaw, 28/6/2007.

Solidarność chair at Opel Gliwice. Gliwice, 6/11/2007.

Solidarność deputy chair at Opel Gliwice. Gliwice, 6/11/2007; telephone interview, 20/8/2009.

Solidarność officer and State Labor Inspectorate representative at Opel Gliwice. Gliwice, 6/11/2007.

Metalowcy chair at MAN Poznań. Poznań, 8/11/2007.

Solidarność chair at VW Poznań. Poznań, 9/11/ 2007.

Solidarność officer at VW Poznań. Poznań, 9/11/ 2007.

Solidarność chair at VW Polkowice. Polkowice, 13/11/2007; telephone interview, 16/10/2008.

Metalowcy chair at MAN Starachowice. Starachowice, 15/11/2007.

Solidarność chair at MAN Starachowice. Starachowice, 15/11/2007.

Chair of *Solidarność*'s Automotive Industry Section. Warsaw, 16/11/2007

Solidarność member and EEF representative for Opel Gliwice. Telephone interview, 21/11/2007.

Works council chair at Opel Bochum. Bochum, 26/11/2007.

Scientific advisor to Opel Bochum's works council. Bochum, 26/11/2007.

Officer at *IG Metall*'s EWC Team. Frankfurt am Main, 27/11/2007.

IG Metall supervisor of MAN AG and MAN Commercial Vehicles Group and a member of MAN AG's supervisory board. Frankfurt am Main, 27/11/2007.

EEF chair and Opel's general works council chair. Rüsselsheim, 29/11/2007.

IG Metall international relations officer. Frankfurt am Main, 30/11/2007.

IG Metall international relations officer responsible for the textile industry. Frankfurt am Main, 30/11/2007.

Volkswagen general works council's expert on cross-border union contacts. Wolfsburg, 4/12/2007.

Works council chair at MAN bus division in Salzgitter. Salzgitter, 6/12/2007.

IG Metall deputy chair in Salzgitter district and local *IG Metall* supervisor of MAN Salzgitter. Salzgitter, 6/12/2007.

Deputy works council chair at MAN bus division in Salzgitter and a Euroforum delegate. Salzgitter, 6/12/2007.

Works council chair at VW Salzgitter. Salzgitter, 8/12/2007.

Chair of *Metalowcy*'s federation in the Wielkopolska region. Poznań, 4/1/2008.

MAN's EWC and Euroforum delegate representing Polish MAN factories. Poznań, 4/1/2008.

Works council member at Opel Bochum. Bochum, 9/5/2008.

Management spokesman at Opel Eisenach. Eisenach, 19/5/2008.

Works council chair at Opel Eisenach. Eisenach, 20/5/2008.

Deputy works council chair at Opel Eisenach. Eisenach, 20/5/2008.

Works council chair at VW Chemnitz. Chemnitz, 25/5/2008.

Deputy works council chair at VW Chemnitz. Chemnitz, 25/5/2008.

IG Metall officer in the Chemnitz district. Chemnitz, 26/5/2008.

Solidarność chair at Johnson Controls Siemianowice. Berlin, 8/6/2008

IG Metall member and former EMF coordinator for GM. Frankfurt am Main, 24/6/2008.

Assistant to the GMEECO project. Frankfurt am Main, 24/6/2008.

IG Metall officer responsible for the GMEECO project. Frankfurt am Main, 23/7/2008.

Researcher and activist at Institut für Kirche und Gesellschaft related to the Westphalian Evangelical Church. Duisburg, 8/8/2008.

Former chair of *Solidarność*'s Automotive Industry Section, Zielona Góra, 11/9/2008.

Solidarność chair at Warsaw/ Żerań car plant. Warsaw, 25/9/2008.

HR manager at VW Polkowice. Polkowice, 29/9/2008.

Logistics manager at VW Polkowice. Polkowice, 29/9/2008.

Solidarność chair at MAN Niepołomice. Niepołomice, 1/10/2008.

HR Manager at MAN Niepołomice. Niepołomice, 1/10/2008.

Chair of the Union of Engineers and Technicians at Warsaw/Żerań car plant. Telephone interview, 20/11/2008.

DGB Nordrhein-Westfalen district's international relations officer. Düsseldorf, 25/11/2008.

IG BAU officer and former EVW chair. Frankfurt am Main, 1/12/2008.

IG BAU international relations officer. Frankfurt/ Main, 1/12/2008.

FGTB union officer responsible for union-government bargaining. Brussels, 2/12/2008.

ABVV/ FGTB chair at Opel Antwerp and EEF deputy chair. Antwerp, 3/12/2008.

ABVV/ FGTB union officer responsible for the car sector and the member of EMF's sectoral committee for the automotive industry. Brussels, 5/12/2008.

ACV-SCC union officer responsible for the car sector and the member of EMF's sectoral committee for the automotive industry. Brussels, 5/12/2008.

Solidarność chair at Fiat in Tychy. Telephone interview, 20/8/2009.

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