

EXECUTIVE SUMMARY



International
Labour
Office
Geneva

ILO/EC CONFERENCE:

INDUSTRIAL RELATIONS IN EUROPE: FOSTERING EQUALITY AT WORK AND CROSS-COUNTRY CONVERGENCE?

Convergence in working conditions and living standards represents one major objective of the European Community construction.

The founders of the EC had planned that common economic interests towards economic integration would drive more convergence in terms of living standards and then also in terms of welfare states and social policies. The European Commission (EC) put in place a considerable number of Community programmes, instruments and resources to facilitate this convergence and cohesion process, as reflected in the steady growth of structural and investment fund expenditure as a percentage of the EU budget. The European Charter of Fundamental Social Rights clearly enshrined social objectives as a common goal, while European structural funds were precisely aimed at promoting the convergence of less developed countries and of the most backward regions within those countries. The various waves of EU accession – beyond their political goal of integration – were also aimed at bringing countries with a lower level of development (first the southern European countries and then the central and eastern European countries) on to the road of convergence with EU economic and social standards.

During the last crisis period, the common goal of convergence somehow disappeared from public policies and discourses, with countries reacting to the crisis in very different ways. Thus, the aftermath of the financial and economic crisis, and the adverse effects left over in some of the most vulnerable economies among the EU28, have acted as a catalyst to put the convergence concept back at the centre of European policy discourse.

In 2017, the European Pillar of Social Rights was ‘designed as a compass for a renewed process of upward convergence towards better working and living conditions in Europe’.

The aim of this conference is to provide insights into economic and social convergence trends in the EU over this period and to better identify the possible contributions of industrial relations to such trends.

In preparation for this event, a number of country reports have been written by high-level experts (on 14 EU countries) and a comparative statistical analysis was carried out by the ILO on EU28 countries.

How do industrial relations drive convergence?

Drawing upon the experts’ contributions, the project highlights four ways in which industrial relations seem to have contributed to national convergence stories.

First, national social dialogue is found to have contributed to convergence. The negotiation and signature of national tripartite pacts have contributed to maintaining social peace while adjusting labour market conditions to the macroeconomic context. In several countries negotiated wage moderation has acted as a problem-solving response to macroeconomic challenges (Belgium, Ireland, the Netherlands, Slovenia, Sweden), and could in many cases lead to pay restoration when macroeconomic and fiscal conditions improved. The development of national industrial relations

institutions, such as minimum-wage setting or the involvement of social partners in national policies, was also found to play a role, especially when the strength of the social partners and autonomous collective bargaining had been eroded. The participation of the social partners in vocational training, as in Germany, Sweden and Belgium, has also helped in facilitating access to good quality jobs.

Second, collective agreements are also found to be an engine of convergence. They can create a favourable institutional environment for the emergence of negotiated compromises aimed at balancing flexibility and security in the labour market, as in Sweden, or lead to innovative arrangements on wages, flexible working hours and also vocational training at both industry and enterprise level that help in upgrading skills and increasing opportunities, notably for women and young people, as shown by lifelong learning schemes and working time accounts agreed in collective bargaining in Germany and France. Some collective agreements presented in this volume have succeeded in reducing inequalities with regard to access to jobs, social protection and pensions. Some other agreements have permitted employees to reach a better balance between work and family life. Higher levels of trade unionisation and collective bargaining coverage of women seem to have had a positive effect on narrowing the gender pay gap. In Portugal, the social partners have started to negotiate a number of collective agreements that include arrangements for reconciling work and family life.

Collective agreements in some EU countries even take convergence as a benchmark, as shown by the Belgian framework, introduced in 1996 to preserve the country's competitiveness in the Economic and Monetary Union (EMU), which defines wage increases on the basis of wages of its main trading partners, such as Germany and Luxembourg. Similarly, in Ireland in 2011 some trade unions agreed a modest 2 per cent pay rise to take into account wage rises in Germany and the European Central Bank target of 2 per cent inflation, and by 2014, the '2 per cent strategy' had delivered over 220 collective agreements, covering more than 50,000 workers. These two examples show directly how industrial relations can help in regulating wages and thus also employment to achieve convergence.

Third, industrial relations are found to play a role in mitigating the effects of a crisis. In Sweden, innovative practices and solutions were developed by the social partners in the 1990s to deal with job losses and structural changes. In the past crisis, the negotiation of collective agreements on reduced working hours has made it possible to limit employment cuts in Austria, France, Germany and other countries. By contrast, in countries where the low presence of trade unions and a lack of social dialogue impeded the pursuit of such mechanisms – as in the three Baltic states – the bulk of adjustments have involved employment cuts, with a very rapid increase in unemployment rates.

Fourth, industrial relations increasingly help in tackling new issues and challenges that are relevant for convergence. A growing number of collective agreements help to better regulate the increase in non-standard forms of employment and to better protect workers confined in part-time employment, temporary contracts, self-employment or in new forms of jobs and working arrangements. Others try to regulate outsourcing. In Sweden collective agreements have targeted – through training and assistance – newly arrived young migrants lacking relevant experience, while in Spain trade unions have helped to promote equal treatment of immigrants in terms of integration and working conditions.

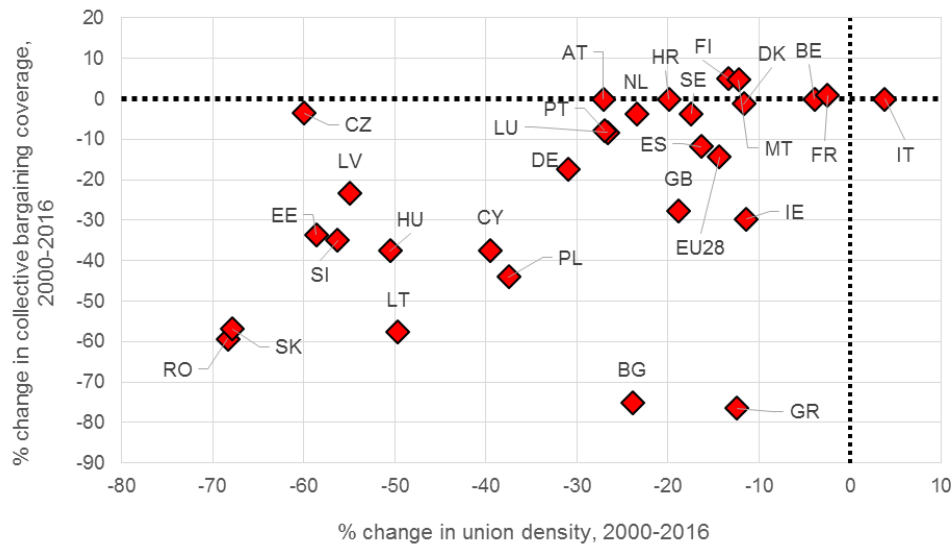
What are the trends of convergence and industrial relations over time?

The comparative analysis and national chapters in the volume prepared for this conference lead to three important conclusions.

First, an analysis of the convergence of EU countries on labour and social indicators over the past 17 years shows that after an upward convergence scenario until 2007, the global financial crisis changed the picture and led to rapidly increasing dispersion, so that over this long-term period (2000–2016), EU countries appear to have diverged rather than converged on the fulfilment of socio-economic indicators. This is a worrying trend, even if some more encouraging progress is reported more recently in national experts' contributions.

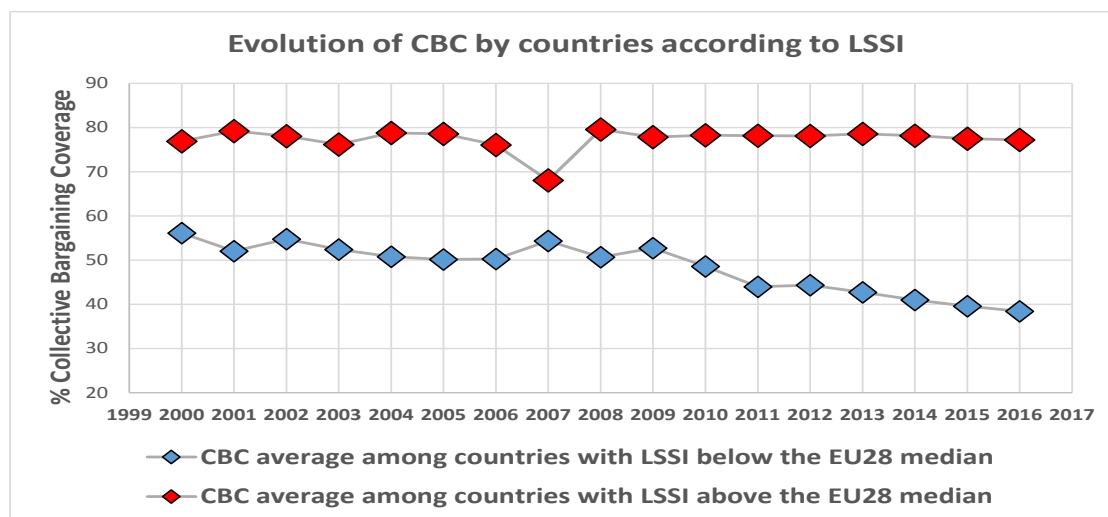
The second conclusion is that such erosion of social indicators has also been extended to industrial relations, with a general decline in collective bargaining coverage and trade unionisation. In many countries, the fall in those two indicators is above 50 per cent over 17 years. Only a few countries experienced an increase in collective bargaining coverage between 2000 and 2016 (such as Belgium, France and Italy), or experienced almost no change (eight among the 28), while all other countries saw their collective bargaining coverage decline (almost all countries being below the zero horizontal line in Figure 1). Moreover, almost all countries have experienced a 10 per cent or more decline in union membership, with many countries experiencing a decline above the 50 per cent mark: the results indeed show an overall weakening of industrial relations among the EU28.

Figure 1. Collective bargaining coverage and trade unionisation, by country and EU28, 2000-2016



Third, this volume shows that the resilience of industrial relations has often coincided with improved performance and better resilience to the crisis. As shown in Figure 2, which presents a comparison of industrial relations changes alongside trends in labour and social indicators, countries with labour market and social indicators below the median show a lower proportion of workers covered by collective bargaining compared with countries with labour market and social dynamics indicators that are above the EU28 median.

Figure 2. Evolution of collective bargaining coverage and labour and social summary indicator, EU28, 2000-2016



Evidence at national level further documents this relationship. The countries that experienced some weakening of their industrial relations systems during the crisis have also experienced the most substantial decline in their labour and social indicators. While countries such as Greece, Spain and Portugal were on the way to convergence towards the EU28 average, they seem to have started diverging from the crisis onwards.

In fact, a certain divide with regard to industrial relations can be observed, between a group of countries with more resilience of industrial relations, lower inequality levels and better labour and social indicators, and another group of countries in which industrial relations have been weakened, income inequality has increased and social indicators have declined. A number of newer EU members are also continuing their economic growth without developing industrial relations systems very much. This process may undermine the sustainability of their growth in the future, as shown by the severe adjustments they had to absorb during the crisis.

Our analysis thus confirms that stronger industrial relations are not conducive to lower labour market dynamics and socio-economic outcomes, but can on the contrary be related to positive outcomes with regard to the European Pillar of Social Rights.

To sum up, a number of elements dealt with in this project seem to confirm the relationship between strong industrial relations and the convergence process on key socio-economic indicators. In a context in which the European Commission in its social pillar agenda has concluded that such social indicators definitely contribute to economic growth and convergence, the evidence provided in this project highlights that industrial relations rather than being weakened or dismantled as obstacles on the road to convergence, should definitely be treated as a key lever for achieving cross-country convergence.

On the basis of detailed evidence from individual countries and at comparative level, a policy discussion will be held with the aim of carefully identifying what policies and initiatives available to policymakers and all actors could help EU member states and EU citizens to continue along the road towards convergence.