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TALKING THROUGH THE CRISIS

Social dialogue and industrial relations
trends in selected EU countries

Edited by Igor Guardiancich and Oscar Molina

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This volume is produced under the “Post-Crisis Social Dialogue: Best and Innovative Practices in the EU 28” project. The project is part of a partnership agreement between the ILO and the European Commission, which is aimed at highlighting innovative industrial relations practices that help to foster sustainable reforms and jobs-rich and inclusive growth, in addition to strengthening the social dimension of EU’s economic governance. The project is financed by the European Union and managed by the Governance and Tripartism Department of the International Labour Office in collaboration with International Training Centre of the ILO.

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Foreword

This volume represents the final output of a project entitled “Post-crisis social dialogue: Good practices in the EU-28”, implemented by the International Labour Office (ILO). The aim of the project is to document and analyze emerging trends and good practices in social dialogue and industrial relations, in the period following the economic and financial crisis in Europe. The project, which benefits from the financial and technical support of the European Commission (EC), focuses specifically on developments since 2013, when countries began to exit the crisis, and examines the role of social dialogue in promoting sustainable policy reforms and job-rich inclusive recovery.

This project is a follow-up to an earlier ILO/EC project, implemented between 2012 and 2014, that analyzed the impact of structural reforms and fiscal consolidation policies on the industrial relations systems of five EU countries that were most hard hit by the 2010 sovereign debt crisis, including those under structural adjustment programmes. The findings of that project were published in 2014.¹

Under the current project, a series of in-depth national studies was carried out by reputed national scholars in a larger sample of eleven EU countries. These countries were selected to give a geographical balance and to ensure representation of the different industrial relations systems prevailing in Europe, including the Nordic, Continental, Mediterranean, Liberal and Eastern European models. The research involved analysis of secondary sources of information as well as interviews with key stakeholders in each country. A comparative analysis was also prepared, capturing the main trends documented in the country studies, as well as in other EU Member States.

A high-level tripartite knowledge-sharing conference, held at the Palais du Luxembourg in Paris on 20 May, 2016, provided the opportunity for the draft study findings to be presented and discussed. On the basis of this discussion, the draft reports were finalized and are brought together in this edited volume.

The volume, in its entirety, provides valuable insights into the many factors that have influenced recent developments in social dialogue in countries of the European Union – including the evolving economic and political context, the effectiveness of national institutions for tripartite and bipartite social dialogue, as well as the processes of the European Semester. The volume sheds light on the heterogeneity of approaches to

¹ Papadakis, P.; Ghellab, Y. 2014. *The governance of policy reforms in southern Europe and Ireland: Social dialogue actors and institutions in times of crisis* (Geneva, ILO).

social dialogue across European countries, clearly demonstrating there is no ‘one size fits all’ prescription for sustaining it through difficult economic times. It further shows how, where tripartite social dialogue was maintained through and after the crisis, it tended to produce positive outcomes in terms of promoting a return to positive economic growth, ensuring social and industrial peace, sustaining competitiveness and employment, and contributing to an increase in productivity and wages.

We take this opportunity to express our sincere appreciation to each of the national researchers who undertook the country studies and, in particular, to the volume’s editors, Oscar Molina and Igor Guardiancich, for so ably overseeing and coordinating the research as well as for drafting the overview chapter; to Christian Welz of Eurofound for his insightful comments and contributions throughout the project; and to Raymond Maes and Tim Van Rie of the Directorate-General for Employment, Social Affairs and Inclusion of the European Commission, for their invaluable support. We gratefully acknowledge the contributions made by participants in the tripartite conference in Paris, whose insights have helped strengthen the content of this book. They included representatives of the International Organisation of Employers (IOE), the International Trade Union Confederation (ITUC) and the European social partners, as well as tripartite delegations from 15 EU Member States and selected non-EU countries.

Our gratitude is extended as well to the ILO project team, in particular Youcef Ghellab, head of the Social Dialogue and Tripartism Unit, who was responsible for project implementation; Caroline O’Reilly, Angelika Muller, Sarah Doyle and Germaine Ndiaye of DIALOGUE Unit; and Daniel Vaughan-Whitehead of Inclusive Labour Markets, Labour Relations and Working Conditions Branch (INWORK), for their various invaluable contributions. Our sincere thanks go also to Sylvain Baffi and Marion Christophe of the International Training Centre of the ILO in Turin (ITC-ILO), for organizing two research seminars in Turin as well as the Paris conference, and to Cyril Cosme, Director of the ILO Office for France, for all his efforts to ensure the success of the Paris event. Finally, special thanks go to the two anonymous peer reviewers for their critical and helpful comments on the draft volume, to Frances Papazafiropoulos for editing the final text, and to Chris Edgar of the ILO Department of Communication and Public Information and José Garcia of the Official Meetings, Documentation and Relations Department for their support in producing this volume.

It should be noted that the responsibility for opinions expressed in this book rests solely with its authors and its publication does not constitute an endorsement by the International Labour Office or the European Commission.

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A message from Deborah Greenfield, ILO Deputy Director-General for Policy

The ILO enjoys a long history of close collaboration with the institutions of the European Union on key employment, labour and social policy issues, dating back to the first agreement signed in 1958. This collaboration ranges from our shared efforts to tackle child labour and other violations of fundamental rights at work in some of the world's poorest countries to devising effective policy responses to economic crisis in some of its richest. Most recently, this collaboration has involved the analysis of emerging trends and good practices in the field of social dialogue and industrial relations across the Member States of the EU, focusing specifically on developments since 2013 as countries started to recover from the worst effects of the economic crisis.

Social dialogue and tripartism lie at the very heart of the ILO's mandate to achieve social justice, yet these are not simply "good practices" in the common sense of the term today. Instead, it must be recalled that the ILO has its genesis in two post-crisis eras – first, at its founding in 1919, as Europe began its recovery from the devastation of the First World War, and then again in 1946, when the ILO became a part of the United Nations, as the world sought to reconstruct following the Second World War.

The origins of social dialogue are enshrined in the Declaration of Philadelphia (1944), which states: "The war against want requires to be carried on with unrelenting vigour within each nation, and by continuous and concerted international effort in which the representatives of workers and employers, enjoying equal status with those of governments, join with them in free discussion and democratic decision with a view to the promotion of the common welfare."

Social dialogue thus represents an active decision taken by the nations of the world as a means to tackle the economic and social challenges which inevitably flow from crisis, in order to ensure lasting peace and sustainable prosperity for all.

The present volume highlights that, after several years of negative growth, many EU countries have started to see modest positive growth. According to the European Commission's economic forecasts, this modest growth has benefited from factors including low oil prices, favourable financing conditions and the exchange rate of the Euro. At the same time, however, significant economic challenges remain. Risks are becoming more pronounced and new challenges are surfacing, such as slower growth in China and other emerging market economies, weak global trade as well as geopolitical uncertainty.

So now is yet another time to rely on the promise of social dialogue to achieve balanced, sustainable and inclusive growth, and in particular, to address the widening inequalities that threaten recent gains made and that jeopardise a still quite fragile economic and social recovery. Indeed, one of the most worrying legacies of the crisis has been a further rise in wage and income inequalities, along with the high structural unemployment that continues to plague the global economy.

At the ILO, social dialogue is a critical component of the Decent Work Agenda. Social dialogue similarly lies at the heart of the European social model, through which states share certain core values, such as a commitment to full employment, social protection for all citizens, social inclusion and democracy. Both the ILO and the EU have seen social dialogue and tripartism endure through past periods of economic difficulty and, time and again, play an important part in devising measures to face the challenges.

Yet the worsening economic climate and the urgency of reforms during the 2008-09 crisis unfortunately led, in many cases, to reduced space for tripartite dialogue. Collective bargaining and industrial relations systems also frequently came under pressure, meaning that workers found it increasingly difficult to engage in meaningful negotiations. Labour market reforms during the crisis period placed additional strain on these systems.

As social dialogue and tripartism decline, the institutions that facilitate them also fray. Governments, representatives of employers and of workers have a joint responsibility to reinvigorate these institutions. Nothing short of serious political commitment and sustained collaborative effort will enable them to rebuild themselves and to find new ways of working in pursuit of shared goals.

Notably, the evidence presented in this volume suggests that those countries in which social dialogue has proven most resilient have also done better in weathering the crisis. Some of the country chapters reveal positive signs of a revitalization of social dialogue. National social dialogue institutions have proven to be key in this respect, not only as forums for discussion but also in helping to devise creative policy proposals for building a sustainable economic and jobs recovery, around which different interest groups can coalesce. The book indicates also the potential of the European Semester as an avenue that crosses national borders.

The aftermath of the crisis has opened up exciting new possibilities for tripartite and bipartite institutions to demonstrate their value in shaping a new social and economic contract. Governments and the social partners in Europe must seize upon this opportunity to engage in an informed debate, including on how to reinforce and modernize social dialogue institutions so they can better face the challenges ahead. The ILO stands ready to support its Constituents in this endeavor.

Deborah Greenfield
Deputy Director-General for Policy
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Abbreviations

ALMP	Active labour market policies
AGS	Annual Growth Survey
BEPG	Broad Economic Policy Guidelines
CEE	Central and Eastern Europe
CSR	Country-specific recommendations
EC	European Commission
ECB	European Central Bank
EES	European Employment Strategy
EMCO	Employment Committee
EMU	Economic and Monetary Union
EP	European parliament
EPL	Employment protection legislation
EPSCO	Employment, Social Policy, Health and Consumer Affairs Council
ESF	European Social Fund
ESO	European Semester Officers
ESIF	European Structural and Investment Funds
ETUC	European Trade Union Confederation
EU	European Union
EUROFOUND	European Foundation for the Improvement of Living and Working Conditions
GDP	Gross domestic product
ICT	Information and communications technology
ILO	International Labour Office/Organization
IMF	International Monetary Fund
MIP	Macroeconomic imbalance procedure
NRP	National Reform Programme
NSDI	National Social Dialogue Institution
OECD	Organisation for Economic Co-operation and Development
PES	Public employment service
SPC	Social Protection Committee
SGP	Stability and Growth Pact
SME	Small and medium-sized enterprise

Contributors

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1. Comparative overview: National trajectories and good practices in social dialogue

OSCAR MOLINA AND IGOR GUARDIANCICH

1. Introduction

The financial and economic crisis, which started in 2008, had important implications for social dialogue and industrial relations across Europe. Two well-differentiated periods can be observed. In the initial stages of the crisis (2008-10), many Governments adopted a neo-Keynesian policy response in order to boost demand – and the social partners were significantly involved in both the formulation and implementation of these policies. Thereafter, the deployment of fiscal consolidation programmes, as well as policies to reduce other macroeconomic imbalances, led to the weakening or discontinuation of tripartite social dialogue in a number of countries (Eurofound, 2013; European Commission, 2013 and 2015b). The depth and duration of the crisis, coupled with the implementation of fiscal consolidation policies over a short time period and under financial assistance programmes, reduced the space for negotiation between the social partners and governments. However, studies have also noted the existence of remarkable differences across countries (Papadakis and Ghellab, 2014).

Most EU countries witnessed a recovery in GDP growth and in employment starting in 2013, with a consolidation in 2014 and 2015 (European Commission, 2015a; OECD, 2014). Data show that most countries have exited the recession and are experiencing a recovery, nonetheless characterized by different pathways and levels of intensity. Even though the use of the term “post-crisis” may be premature in countries that are still experiencing low or even negative growth rates, we use it to refer to the period following the most intense years of recession across Europe, namely from 2013 until the end of 2015, which was the cut-off date for the national studies. Recent reports show that unemployment and income disparities between European Union (EU) countries widened during the crisis (European Commission, 2016). Moreover, some countries have experienced rising income inequality, a trend that persists even in the post-crisis period (European Commission, 2015a; Vaughan-Whitehead, 2016).

In this context, social dialogue could be expected to play a crucial role for achieving inclusive and sustainable recovery and for designing policies to fit national priorities (ILO, 2009). It is also essential for the rebuilding of trust between the social partners and governments, which in many cases was eroded over the course of the crisis, particularly in those countries where social dialogue was discontinued. In its Communication on strengthening the social dimension of the Economic and Monetary Union

(EMU), the European Commission (EC) identified the reinforcement of the role of social dialogue in developing Eurozone-wide and national strategies as a policy priority. According to the EC, increased involvement of the social partners in framing and implementing economic and employment policies needs to accompany the developments in monitoring and coordination mechanisms, if EMU governance is to be effective and inclusive. At the high-level conference on the new start for social dialogue held on 5 March 2015, the EC called for greater involvement of the social partners in the European Semester at both EU and national levels (European Commission, 2015).

The recovery in economic and labour market conditions has not automatically translated into revitalized social dialogue in all countries. This should be a matter of concern for policy-makers, as social dialogue “can and should be a driving force for successful economic and social policies”.²

The differences between countries are reflected in the four scenarios of post-crisis social dialogue which are identified in section 4.2.1 of this overview chapter. In some countries, unilateral policy-making by the government remains the rule and the social partners’ role has been marginal in the post-crisis period. By contrast, other countries have witnessed an intensification of negotiations between the social partners and government at all levels, with a more consensual approach to policy-making.

Three sets of factors may help explain overall trends as well as differences in social dialogue dynamics across EU countries in the post-crisis period: the economic context, political conditions and national institutions. Turning first to the economic context, the analysis reveals certain characteristics of the post-crisis period that have posed challenges to a full-fledged recovery of social dialogue. In countries where growth was still sluggish, the social partners’ views sometimes diverged as to the policies needed to put the economy on to a more solid growth path, in particular regarding fiscal consolidation and wage-setting. Whilst trade unions generally favour more expansionary fiscal stances with somewhat higher real wage increases, employers and governments tend to advocate the maintenance of fiscal balance and strong wage moderation (Eurofound, 2014). The extent and manner of social partners’ involvement in the Semester process is seen to impact upon their agreement (or otherwise) on the policies needed for sustainable growth (see section 4.2.3). Furthermore, where countries have seen income inequality rise during the crisis, this may have presented an additional obstacle to social dialogue’s recovery in the post-crisis period. Labour market segmentation, which exacerbates income inequality, means that trade unions may struggle to represent an increasingly heterogeneous workforce in social dialogue processes. Divergences in company size may also give rise to conflicting interests within employers’ organizations.

Second, the national political context may also help to explain cross-country differences in social dialogue in two ways. The first of these is the impact of the crisis on the legitimacy of political actors. In those countries hardest hit by the crisis, and which received financial assistance from international lenders, traditional political actors (including the social partners to a certain extent) were particularly called into question. The second is the fact that the crisis led to political instability in some countries, the governments of which curtailed social dialogue in consequence (see section 3.2).

² Commissioner for Employment, Social Affairs, Skills and Labour Mobility, Marianne Thyssen, at: http://europa.eu/rapid/press-release_IP-15-4633_en.htm

Third, the analysis shows that institutions undeniably played a role in shaping social dialogue dynamics. In countries with a long tradition of institutionalized social dialogue, based on effective institutions for policy concertation and for collective bargaining, greater continuity and a revitalization of social dialogue is observed in the post-crisis period (see section 4.2.2). Institutionalization contributes to the building and maintenance of trust through continuous contact between government and the social partners. When industrial relations institutions are also strong and well-articulated, bottom-up consensus seeking is more likely to dominate and contribute to the maintenance of national-level social dialogue.

A number of positive lessons may be drawn from the experiences of revitalization observed in the post-crisis period. One is the importance of bipartite social dialogue as a stepping-stone towards tripartite dialogue, especially in countries lacking formalized mechanisms for tripartite social dialogue. In some countries where tripartite social dialogue was discontinued or weakened, bipartite dialogue between trade unions and employers has remained alive and delivered some important agreements. This is the case in Belgium, Finland, Slovenia and Spain, amongst others. By strengthening bipartite social dialogue, including through company-level representation structures, the social partners provide the basis for subsequently developing tripartite social dialogue.

In addition, active and well-functioning tripartite institutions provide an anchor for social dialogue. These institutions help to avoid major breakdowns in the process – and prevent the erosion of trust between and among the government and the social partners (ILO, 2013). In this vein, the crisis has shown how, in many countries, social dialogue is not self-sustaining but requires a firm and renewed commitment on the part of all the actors. Even in some countries with a strong social dialogue tradition, it sometimes proved impossible to bridge the gaps between the social partners and government during and since the crisis, in some cases leading to a questioning of the role of social dialogue. In other countries, by contrast, new institutions were created or dormant ones revived. The crisis has thus posed challenges, but also provided opportunities for these institutions to adapt to a new social and economic context. National governments and social partners should accordingly engage in a debate about how to modernize social dialogue institutions in order to enable them to produce the best outcomes in a constantly changing world of work. The ILO can support such a process – and the EU is contributing to social dialogue functioning, including through financial assistance under the European Social Fund.

A greater focus on the process of social dialogue, whereby the social partners provide ongoing contributions to policy-making without necessarily signing any formal agreement or pact, has proven valuable in some countries. When the objective of social dialogue is framed solely in terms of the conclusion of an agreement, this output becomes the sole indicator of success rather than the qualitative inputs made by the social partners. This may lead to a stop-and-go process that is more likely to end in failure than one that is more flexible in terms of the end goal of the dialogue.

This volume demonstrates the extent to which social dialogue matters in periods of crisis and recovery.³ Those countries where social dialogue has proven most resilient have done better in weathering the crisis. Social dialogue remains a key tool of governance to

³ The national studies presented in this volume generally take account of developments up to end December 2015.

achieve the goals of competitiveness, economic progress, an equitable distribution of income and social stability. Moreover, social dialogue may also help EU countries confront the social and political challenges created in part by the crisis, such as the decline of the middle class and the growing disaffection of a significant segment of national populations. By giving a voice in decision-making to the people affected by those decisions, social dialogue offers a highly effective tool to rebuild citizens' confidence in the government and to achieve broad support for the necessary policy reforms.

The remainder of this chapter is divided up into four sections – followed by concluding remarks (section 6). Section 2 introduces the methodology and concepts used throughout the study, justifying the case selection and the particular focus of this research. The third section presents the political and economic context of the post-crisis period in Europe. The fourth provides an overview of social dialogue dynamics in the post-crisis years, including broad comparative evidence on the role of National Social Dialogue Institutions (NSDIs) and the European Semester. Finally, section 5 analyses industrial relations and collective bargaining developments in the post-crisis years.

2. Methodology and concepts

The volume is composed of this overview chapter and eleven country studies. Due to the project's financial limitations, it was not possible to cover all EU-28 countries in the research, and so a sample of eleven countries was selected. Notwithstanding, evidence of developments in countries not directly covered by the project has been included in this chapter, in order to illustrate some particularly important developments elsewhere. The selection of country cases was based on two criteria. First, the countries were chosen to reflect the diversity of industrial relations systems in Europe (the independent variable): the Nordic (Sweden, Finland), Continental (Germany, France, the Netherlands), Mediterranean (Spain), Liberal (Ireland) and Eastern European models, the latter consisting of three sub-configurations (neo-corporatist in Slovenia, embedded liberal in Slovakia, and neoliberal in Lithuania; see Bohle and Greskovits, 2012). Second, the countries illustrate different dynamics of social dialogue during the crisis (the dependent variable). Cases include countries where social dialogue was eroded during the crisis as well as others where it fared relatively well. Indeed, the former group of countries had been the subject of an earlier ILO/EC project, which focused on countries undergoing structural adjustment.⁴ Given the specific objective in this project to identify good practices, it was necessary to expand the sample so as to include additional countries in which positive developments were anticipated, which might provide policy lessons for those countries where social dialogue has encountered difficulties.

The country studies followed a similar research methodology and chapter structure. In order to enhance the studies' consistency and comparability, authors were first provided with a detailed specification of the research objectives, questions and the topics to be covered in each country. Two coordination meetings, which brought together all the country chapter authors, enabled the development of a shared research approach.

⁴ This project, which ran from 2012-14, was called "Promoting a balanced and inclusive recovery from the crisis in Europe through sound industrial relations and social dialogue: The impacts of the crisis in Greece, Ireland, Portugal and Spain."

Finally, members of the research coordination team⁵ revised draft versions of all chapters – also in the light of comments by external peer reviewers – in order to guarantee high-quality standards for all contributions. The evidence presented in the country chapters comes from several sources. Interviews were held with Government officials, European Semester Officers, employers’ and workers’ organizations; on average, six interviews were carried out for each country study. Secondary sources, including official documents, newspaper and scholarly articles, were reviewed. The volume has also benefited from comments and suggestions made by participants at the Tripartite Knowledge Sharing Conference “Post-crisis social dialogue: Good practices in the EU-28” held in Paris in May 2016. The Conference provided an opportunity to obtain feedback on the draft research findings and for participants to discuss recent developments in industrial relations and to exchange experiences of social dialogue in the post-crisis period.

This volume focuses on developments at the national level and, in particular, on developments in national level social dialogue processes. But it does not engage in an assessment of either the outcomes delivered by social dialogue or its impact on the labour market or economic growth. All country studies and the overview chapter analyse different social dialogue paths and their supporting mechanisms, without entering into a broader analysis of the relationship between social dialogue and socio-economic outcomes. However, as several participants at the Tripartite Conference pointed out, the analysis of social dialogue outcomes should be considered a priority for future research. In addition, although the main focus is at the national level, reference has been made to sub-national developments in social dialogue in those countries with more decentralized political and administrative structures. Moreover, the study adopts a supra-national, multi-level dimension by looking at the European Semester and the role of national social partners in this process. The transnational dimension is not addressed in the volume, as its focus on process, rather than outcomes, does not allow an assessment of the impact of developments in one country on another country.

As the objective of the research was to identify “good practices in social dialogue”, it is important to clarify at the outset what is meant by these terms in the context of the project. Regarding social dialogue, the ILO definition is used: “Social dialogue includes all types of negotiation, consultation or simply exchange of information between, or among, representatives of governments, employers and workers, on issues of common interest relating to economic and social policy”. The ILO definition of social dialogue is much broader than the EU definition as contained in articles 154-5 of the Treaty on the Functioning of the European Union (TFEU). According to the EU definition, social dialogue refers to formal consultation with the EU social partners by the Commission on the content of proposals in the field of social policy, as well as their capacity to engage in a dialogue among themselves that may lead to contractual relations, including agreements. On the basis of the broader ILO definition, “good practice” in social dialogue is used to refer to instances where governments have systematically involved the social partners in the process of formulation and implementation of policies, including labour market reforms, pension reforms, etc. For this project, the term also includes cases of

⁵ The research coordination team comprised the authors of this chapter, and staff of the Social Dialogue and Tripartism Unit (DIALOGUE) of the ILO, of Eurofound, and of the Directorate-General for Employment, Social Affairs and Inclusion of the EC.

“a revitalization in social dialogue”, where governments have shifted from a unilateral approach to policy-making towards a more consultative one.

In order to compare dynamics across countries and to map the diversity in the crisis and post-crisis periods, the concepts of “continuity” and “discontinuity” have been used. By continuity, we mean that the process of social dialogue was not interrupted, even if the outcomes may not have reflected all the views of the social partners. Conversely, discontinuity refers to an interruption in the dialogue between the social partners and the government. It is nonetheless important to recognize that this distinction may not always be clear. It is sometimes difficult to establish whether or not the dialogue was interrupted in practice, and the views of the social partners may even diverge in this respect.

In addition to tripartite social dialogue dynamics, the national studies also analysed post-crisis developments in industrial relations generally, and in collective bargaining specifically. The country chapters contain an analysis of developments in: wage setting, given the relevance of wages to collective bargaining; the structure of collective bargaining, and in particular whether there has been a trend towards centralization or de-centralization; and collective bargaining coverage. Regarding wage setting, reference is made in most chapters to pressures for wage moderation⁶ or wage restraint in the context of the crisis. Whilst in some countries wage restraint relaxed in the post-crisis period, pressures to continue a policy of wage moderation in collective bargaining remained strong in most countries.

3. The economic and political context

3.1. The economic context

The relationship between economic conditions and social dialogue is neither linear nor direct. Economic crises are often associated with reduced room for manoeuvre and limited time available for reaching a compromise. On the one hand, under the institutional framework of the EMU, governments may find it more difficult to provide compensation for the adjustments required in social policies and labour market regulations. But, on the other hand, an economic crisis may also increase the incentive for governments to negotiate incomes policy and other structural reforms, in order to reduce social tensions and conflict. There are several examples of such positive experiences in a crisis context, including Spain in the early 1980s, Ireland in the mid-1980s, Italy in the early 1990s and Germany in the early 2000s.

The impact and intensity of the crisis, which highlighted both the imbalances between EU Member States (Johnston and Regan, 2015; Hall, 2012) and the shortcomings of the EMU’s architecture (De Grauwe, 2014; Pisani-Ferry, 2014), varied significantly across the countries studied. According to Eurostat, when the recession reached its peak in 2009, the average contraction in GDP across the EU was 4.4 per cent. The worst affected countries were the Baltic States, where output fell by circa 14.5 per cent on average. Rather than the Eurozone periphery or the less developed new Member

⁶ Wage moderation is taken to mean a wage policy through which wages or compensation per employee increase by less than the sum of productivity gains and the European Central Bank inflation target. Whenever this occurs, the purchasing power of wages declines.

States, the worst performances were registered in Finland, Lithuania and Slovenia. Lithuania's 'financialized' growth model relied on foreign net savings, which all but disappeared during the crisis. Finland was hit by multiple external shocks – while Slovenia's crisis stemmed from its delayed privatization process and related governance challenges (see chapters by Jokinen and Guardiancich in this volume). Poland was the only country where the economy only slowed down, rather than contracted, recording 2.6 per cent growth in 2009.

Of the eight countries that requested international financial assistance, five were part of the Eurozone (Cyprus, Greece, Ireland, Portugal and Spain) and three were outside it (Hungary, Latvia and Romania). Currently, only Greece has still to graduate from a lending programme (the third Economic Adjustment Programme for Greece runs until 2018).

In 2012, the EU-28 as a whole entered a double-dip recession. In addition to Poland, 11 countries have experienced steady economic expansion since 2009: Austria, Belgium, Bulgaria, Germany, Estonia, France, Ireland, Lithuania, Malta, Slovakia and the United Kingdom. Five Member States (Hungary, Latvia, Luxembourg, Romania and Sweden) experienced one more year of negative growth, while four countries experienced two more years (the Czech Republic, Denmark, the Netherlands and Slovenia). The countries exhibiting the weakest economic performance were (and still are) confined to Southern Europe, plus Finland. Croatia (2009-14) and Greece (2008-13) experienced six years of recession. Spain and Portugal (2011-13), and Cyprus, Finland and Italy (2012-14), entered a second recessionary period that lasted three years.

Such diverging economic performance means that distinguishing between the crisis and post-crisis periods in Europe is not as clear-cut as in the United States, where GDP growth unambiguously resumed in 2010. As there is no commonly accepted cut-off point for the crisis years in the literature on the EU's recent economic performance, we have necessarily adopted an informed view on this, which may nonetheless be challenged. According to Eurostat data, the EU-28 and the Eurozone, after experiencing a double-dip recession, have recorded positive rates of economic growth (averaged across their respective Member States) since the second and the third quarters of 2013, respectively. Hence, in this volume, we generally refer to the years 2008-12 as the crisis period, and the years 2013-15 as the post-crisis period.

Such an assessment also falls in line with the other major indicator of socio-economic malaise in the EU-28, namely the unemployment rate. Joblessness peaked in 2013 at 10.9 per cent and declined slightly in 2014 to 10.2 per cent, indicating that a timid recovery got underway. However, just prior to this slight improvement, the differences between EU Member States were considerable – adding to the definitional ambiguity noted above. Eurostat calculates that, in 2013, unemployment rates ranged from just above 5 per cent in Austria and Germany to as much as 27.5 per cent in Greece and 26.1 per cent in Spain. The highest rates were observed in Southern Europe: Croatia (17.3 per cent), Cyprus (15.9 per cent) and Portugal (16.4 per cent). Ireland, which also requested international assistance, registered an unemployment rate of 13.1 per cent. Finland's labour market initially reacted well, but the economic outlook has been worsening more recently. Differences in national unemployment rates across the EU increased during the crisis, and show no signs of reversal in the post-crisis period (European Commission, 2016). The variance is even higher for youth unemployment.

Croatia, Greece, Italy, Portugal and Spain all had youth unemployment rates higher than 30 per cent (Greece and Spain higher than 50 per cent) as late as 2014. In Germany, by contrast, it was lower than 8 per cent. Such disparities have already triggered substantial out-migration from countries with excess labour supply to those with skill shortages (European Commission, 2014). Among the countries of Central and Eastern Europe with traditionally high unemployment, Poland and Romania fared relatively well, helped by the migration of their labour force to Western Europe (to Italy and Spain in the case of Romania, to Germany and the United Kingdom in the case of Poland) (Meyer, Bridgen and Andow, 2013).

One of the most worrying legacies of the crisis has been a further increase in both wage and income inequalities (European Parliament, 2015; Dabla-Norris et al., 2015; OECD, 2015). This is linked to: the increase in (long-term) unemployment and deepening labour market segmentation through the extension of low-paid jobs (Emmenegger et al., 2011); reductions in social benefits in some Member States (although fiscal consolidation programmes were in some cases designed so that richer income groups contributed more in relative terms, see Avram et al. 2013); and institutional factors related to declining coverage of collective bargaining or its decentralization (Bosch, 2015; Jaumotte and Osorio-Buitron, 2015). Rising inequality challenges not only social cohesion, but also economic growth. In the short-term, aggregate demand is affected – while in the medium- and long-term, inequality makes it difficult to accumulate human capital (OECD, 2015). Finally, from the point of view of social dialogue, increased inequality poses problems of representation and legitimacy to the social partners, with trade unions most negatively affected. In particular, widening disparities in wages and other working conditions make it increasingly difficult for trade unions to adopt common and acceptable positions for their constituency as a whole (Checchi, Visser and Van De Werfhorst, 2010).

3.2. The political context

Political conditions constitute another element affecting social dialogue dynamics; a crisis that leads to political instability and electoral weakness of governments can have both positive and negative effects.

On the one hand, according to some scholars, the electoral weakness of governments may encourage social dialogue leading to tripartite agreements (Baccaro and Lim, 2007). Weak government coalitions, such as minority governments relying on external support, may be more inclined to search for consensus in policy reforms than governments backed by a strong electoral majority.

On the other hand, governmental action is frequently constrained (for example, by the rules governing the EMU), leading to the unilateral adoption of policies during a crisis, rather than using established procedures of social dialogue. The legitimacy of such decisions, in terms of a government's responsiveness to citizens' concerns, may consequently be weakened, potentially contributing further to political instability (Scharpf, 2011; Streeck, 2011).

Partly as a consequence of citizens' dissatisfaction and partly as a result of crisis mismanagement, at least eight Member States within the Eurozone have witnessed the collapse of one or several governments during the crisis (see table 1.5 of the appendix).

This research covers five countries whose governments underwent an unscheduled change: Ireland, the Netherlands, Slovakia, Slovenia and Spain.

Beyond short-lived governments and the disaffection of voters, perhaps the most worrying aspect of the impact of the crisis on European politics is the rise of populist and/or radical parties on both the right and left. The former are chiefly located in Northern Europe and in several Central and Eastern European Member States, while the latter have sprung up mainly in Southern Europe.

4. Social dialogue dynamics and good practices in the post-crisis period

4.1. Between continuity and discontinuity: Social dialogue during the crisis

In the realm of policy-making, one of the characteristics of the crisis period starting in 2008 was a greater recourse to government unilateralism. After an initial response phase in which social dialogue played an important role (Ghellab, 2009; Freyssinet, 2010), the involvement of the social partners was progressively curtailed from 2010 onwards. To a greater or lesser extent, all governments adjusted their fiscal balances and implemented fiscal consolidation policies, with reductions in social expenditure and public sector employment (Vaughan-Whitehead, 2013). Moreover, this adjustment took place in a relatively short time frame under the pressure of international financial markets and institutions. Altogether, this reduced the possibilities for fruitful social dialogue and political exchange due to the limited resources available and the tight reform schedule.

There were, however, significant differences between countries, not only in the existence (or otherwise) of a discontinuity in social dialogue but, and more importantly for the sake of this volume, in its duration. Some of these differences can be appreciated in table 1.6 of the appendix, which contains a summary of the main findings for the crisis period. A more detailed exploration of the links between the resilience of social dialogue and the correct operation of individual National Social Dialogue Institutions (NSDIs) is presented in section 4.2.2. In principle, we can expect NSDIs to play a role in supporting tripartite social dialogue and favouring its continuity. But this relationship is mediated by other institutional, economic and political variables, hence making it difficult to establish a direct link between the two. This confirms the results of previous scholarship; the differences between countries were not only related to the prevailing institutional setting (e.g., the functioning of NSDIs), but also, crucially, to the socio-economic context (Hyman, 2010).

In the initial phase of the financial and economic crisis, social dialogue played an important role in devising and implementing national responses to mitigate its social and labour market impacts (Rychly, 2009; Ghellab and Papadakis, 2011). In many cases, these responses adopted a neo-Keynesian approach aimed at sustaining demand through increased public expenditure, under the assumption that the crisis was of a temporary nature. As a consequence, most European governments, and in particular those of Southern European countries and Ireland, came under heavy pressure from financial markets to reduce their budget deficits sharply and immediately (Papadakis and Ghellab, 2014). The adjustment and structural reforms implemented after 2010

took place in a context in which social dialogue was either assigned a less important role or was abandoned.

Five of the eleven countries included in this study experienced a discontinuity in tripartite social dialogue during the economic crisis: Belgium, Ireland, Lithuania, Slovenia and Spain (see also European Commission, 2015b). In Finland, the discontinuity occurred in the post-crisis years. Only in Slovenia did this discontinuity happen despite the existence of relatively strong tripartite bodies that had previously sustained tripartite social dialogue in line with its neo-corporatist tradition (a unicum in Central and Eastern Europe). In Ireland, it might be argued that there was some form of ‘soft’ institutionalization of social dialogue through the periodic renewal of partnership agreements (Avdagić, Rhodes and Visser, 2011). In the case of both Lithuania and Spain, despite the existence of NSDIs, tripartite social dialogue developed mostly at the margins of these institutions in a non-formal way, although for different reasons.

In the remaining countries studied, no major discontinuities occurred although, in many of them, social dialogue faced difficulties and mounting tensions during the crisis period of 2010-13 (France, the Netherlands and Slovakia), or after it (Finland), as detailed in the following section. The only exceptions were Germany and Sweden. This means that, even in countries where social dialogue was continuous, it was not immune from tensions and difficulties, as might be expected in a period of deep adjustment and structural reform. What characterizes these countries is precisely the actors’ capacity to overcome the difficulties, through a variety of compromises and trust-building measures.

4.2 Social dialogue in the post-crisis period

4.2.1 *Overview of main developments and good practices in social dialogue*

Social dialogue in the post-crisis period is characterized not only by a diversity in national patterns but also by the features of social dialogue processes, as shown in table 1.7 of the appendix. Four scenarios may be identified, taking into consideration tripartite social dialogue experiences both during and since the crisis period – irrespective of whether there was discontinuity or not (see table 1.1 below). First, in some countries there is continuity in the post-crisis period relative to trends during the crisis. This may be attributed to there being a lack of social dialogue in both periods – first scenario (i) – or to the fact that it was maintained throughout – second scenario (ii). The third scenario (iii) consists of a revitalization of social dialogue in the post-crisis period, following a situation of discontinuity during the crisis. Finally, a fourth scenario (iv) consists of discontinuity in the post-crisis period, following continuity during the crisis itself.

These scenarios constitute a simplification of a much more complex reality, as the actual paths observed are usually not so clear-cut. Furthermore, more recent developments in some countries seem to suggest movements in the opposite direction to that indicated in the table. In addition, even in countries with similar overall patterns, there can be significant differences in other dimensions of social dialogue, such as the issues negotiated, its tripartite or bipartite character, or the role of the State in relaunching it. In a number of countries, social dialogue was discontinued for some but not all issues – while in others, tripartite dialogue stopped whereas bipartite dialogue continued. As discussed in section 2 (“Methodology and concepts”), the notions of “continuity” and

“discontinuity” should be treated with caution, and are used here merely as a means to map and simplify the wide variety of national situations described in this volume.

Table 1.1 Post-crisis scenarios of social dialogue

		Post-crisis (2013-15)	
		<i>Continuity of social dialogue</i>	<i>Discontinuity of social dialogue</i>
Crisis (2008-12)	<i>Continuity of social dialogue</i>	(ii) France (*), Germany, the Netherlands, Slovakia, Sweden	(iv) Finland
	<i>Discontinuity of social dialogue</i>	(iii) Belgium, Lithuania, Slovenia	(i) Ireland, Spain

Source: Authors' own analysis based on country reports.

(*) This was the position in France up to the end of 2015. In the first quarter of 2016, there was a breakdown in social dialogue linked to proposed labour law reforms, as explained in the post-script to chapter 4 of this volume.

Using these categories, a first group of countries is those in which a discontinuity in social dialogue under adjustment policies persisted in the post-crisis period (scenario (i)). Among the countries analysed, two have exhibited this path to the fullest extent: Ireland and Spain. Interestingly, it was precisely these two countries that had enjoyed strong social dialogue processes during the pre-crisis years, which produced several pacts and agreements (European Commission, 2009). In the case of Ireland, following the abandonment of formal social partnership, the only space left for social dialogue between the Government and trade unions is now in the public sector, in a sort of exclusive bipartite process. There are no expectations in the short-term of a return to the formal tripartite social partnership model. However, it is important to acknowledge the way in which the Irish partnership logic, when applied to public sector reform, contributed towards minimizing social unrest during the adjustment. In the case of Spain, tripartite social dialogue ceased in 2011, and although some agreements have since been signed on specific issues, the dialogue has remained very limited in scope. By contrast, bipartite social dialogue between unions and employers has proved more resilient; two pacts have been signed establishing general guidelines for collective bargaining. Despite the fact that Ireland and Spain have exhibited relatively high growth rates since 2014, this has not led to a re-launch of tripartite social dialogue, due in part to political instability. In fact, in the case of Ireland, there is even a shared perception among policy-makers that social partnership was partly responsible for the crisis. Other countries whose social dialogue experience comes close to this scenario (not included in this volume), include Italy, Portugal and, to a lesser extent, Greece. In Greece and Portugal, some agreements on specific labour market issues have been signed recently, opening the door (as happened in Spain) to a gradual revitalization of social dialogue in the short term.

There is a second group of countries in which social dialogue has proved resilient – and has even strengthened during the post-crisis period (scenario (ii)). This includes France, Germany, the Netherlands, Slovakia and Sweden. A first point to note is the very different institutional settings in these countries, which have nonetheless contributed

to keeping social dialogue alive in all cases. Germany has neither a formalized process of tripartite social dialogue nor a federal-level tripartite social dialogue institution. And yet, when compared to other countries (e.g., Spain), this absence of formal institutions has not been a weakness but rather a strength, by guaranteeing the involvement of the social partners in policy-making through so-called crisis summits. In Sweden, strong bipartite institutions have played an important role at sectoral and company levels in sustaining social dialogue and the involvement of the social partners in the policy-making process. In France, tripartite institutions were instrumental in sustaining social dialogue during both the crisis and post-crisis periods. As in Germany, the creation of ad hoc institutions has also played a key role in underpinning social dialogue (see box 1). Nonetheless, tensions have recently arisen in the context of labour market reforms. The Slovakian case is characterized by a strong institutionalization of social dialogue, which largely explains its continuity. Despite some serious disagreements between the social partners and the Government and the fact that no bipartite or tripartite pacts have been signed since 2010, tripartite social dialogue institutions have continued to function. In the case of the Czech Republic, social dialogue was restored in 2014 (Eurofound, 2014a). Finally, the Netherlands has exhibited resilience in social dialogue notwithstanding some tensions experienced between October 2010 and April 2012; these did not relate directly to the crisis, but to longer-term trends of decreasing unionization and the increasing flexibilization of labour markets. Despite these tensions, the “Polder” model has continued to deliver agreements on a number of important issues, including some with a strong redistributive character such as pensions.

In a third group of countries, social dialogue somewhat weakened during the crisis, as indicated by an increase in unilateral government regulations; but it nonetheless delivered policy outcomes and has been maintained or even revived in the post-crisis period (scenario (iii)). This is the case for Belgium, Lithuania and Slovenia. Among these countries, Belgium and Slovenia stand slightly apart, as they have experienced a further deterioration since 2014 and 2015, respectively. In the case of Belgium, the tensions recently experienced in the social dialogue process have not modified the embedded neo-corporatist structures. In Slovenia, employers withdrew from the 2015-16 social agreement shortly after it was signed, showing how there is still little trust between the social partners. Within this group of countries, Lithuania experienced a discontinuity in social dialogue in the early years of the crisis when the Government adopted a unilateral approach to policy-making. In the post-crisis period, there has been some evidence of a recovery in social dialogue – with the conclusion of a number of agreements, including on the implementation of the Youth Guarantee and the minimum wage. However, the Government’s adoption of a labour market reform without genuine consultation with the social partners has contributed to an atmosphere of distrust, thereby posing an important obstacle for consolidating a revival of social dialogue. One of the EU-28 countries not included in the study, but which falls into this category, is Portugal. The newly elected Socialist Party committed to reviving social dialogue in areas relating to collective bargaining, a return to a 35-hour working week, and an increase in the minimum wage.

Finland belongs to a fourth group of countries, in which continuity of social dialogue during the crisis was followed by discontinuity in its aftermath (scenario (iv)). Here, tripartite social dialogue remained alive until 2015 when it was abandoned, coinciding with a deterioration in the economic context and a change of Government.

Box 1.1 Social summits and social conferences sustaining social dialogue in France

Tripartite social dialogue throughout the crisis and post-crisis periods in France has taken place mostly in bodies without a legal foundation: 'social summits' and 'social conferences'. These are accordingly temporary and ad hoc forms of social dialogue.

At the outbreak of the crisis, a number of social summits were convened under Nicolas Sarkozy's Presidency (2007-12), albeit not at regular intervals. Social summits saw the participation of the President of the Republic, together with the general secretaries of employers' and workers' organizations. The summits had two functions: first, to present the Government's plans for social policy and to solicit feedback from employers' and workers' organizations; and second, in some cases, to invite these organizations to open negotiations on issues proposed by the Government, in the framework of a procedure created by the 2007 Act on the modernization of social dialogue.

In 2012, President François Hollande announced the organization of an annual social conference. These conferences were expected to play a pivotal role in relations between the Government and the social partners. The agenda of social conferences is broader than that of the social summits, requiring preparatory bilateral or tripartite meetings to establish working methods and issues for discussion. At the end of the conference, the Government makes public a 'social roadmap' setting out the conclusions drawn from the discussions, as well as the agenda for the forthcoming year.

The main advantage of this formula is that it allows for an exchange on social policy at the highest level. The procedure not only enables the Government to demonstrate its commitment to social dialogue but also allows the employers' and workers' organizations to assert their legitimacy as influential actors in the social policy domain.

While there is thus considerable diversity in national trends in the crisis and post-crisis periods, there are also certain commonalities that deserve to be highlighted.

First, a trend towards a more prominent role for bipartite social dialogue may be observed in many countries, including Belgium, France, Ireland, Slovakia, Slovenia and Spain. In most cases (except Ireland), bipartite social dialogue takes the form of union-employer peak-level or inter-sectoral negotiations. This is clearly illustrated in three countries: in Spain, with its peak bipartite inter-sectoral agreements on the coordination of collective bargaining signed in 2012 and 2015; in Belgium, with its so-called '104 national collective agreements' on company-level employment plants signed in 2012; and in France, with its 2015 social dialogue agenda. In Ireland, bipartite social dialogue refers to union-government bargaining in the public sector. A number of explanations may be advanced for the increasing importance of bipartite social dialogue, whether in the absence of tripartite social dialogue (as in the case of Spain) or alongside it (as in the cases of Belgium, France, Slovakia and Slovenia). This development might be interpreted as the social partners' response to an erosion of trust in governments, following the latter's unilateral adoption of policies during the crisis years. Furthermore, strengthened bipartism might bring about the restoration of some degree of coordination of collective bargaining and industrial relations in the post-crisis period. In so doing, employers' and workers' organizations seek to enhance their legitimacy and autonomy in industrial relations. Sweden provides an example of this, where a

strong and well-articulated collective bargaining system has traditionally provided the basis for stable and strong social dialogue (Kjellberg, 1998).

Box 1.2 The resilience of bipartite social dialogue in Spain through peak inter-sectoral agreements

In a context of weak tripartite social dialogue, interviewees unanimously highlighted the resilience of peak bipartite social dialogue as a good practice in the crisis and post-crisis periods in Spain. This was certainly not a new development; already in the 1990s, when tripartite social dialogue was experiencing some discontinuities, peak union-employer agreements had offered an important mechanism for coordination in collective bargaining. The social partners interviewed considered that signing these agreements in a very difficult economic and political context represented a significant step towards re-launching social dialogue.

Bipartite social dialogue between trade unions and employers maintained its vitality and, in July 2015, the social partners signed the III Inter-confederal Agreement on Employment and Collective Bargaining 2015-2016-2017. Although the negotiations took longer than expected, due to a disagreement about wage increases, trade unions and employers finally agreed on guidelines for collective bargaining in the forthcoming three-year period. Bipartite social dialogue has accordingly shown greater resilience than tripartite dialogue, consolidating a trend initiated in the 1990s (Molina and Rhodes, 2011). Interviews with both employers' and workers' organizations confirmed their strong commitment to the governance of collective bargaining through peak bipartite agreements.

More recently, and prior to the political uncertainty arising from the December 2015 elections, the social partners created a working committee responsible for elaborating proposals for negotiation with the future coalition Government. By so doing, they sought to demonstrate their readiness to negotiate with any Government and to contribute to consensus-building. This shows the significance of bipartite social dialogue, – not only as a governance mechanism for industrial relations but also as a leverage point for re-launching tripartite dialogue.

Another interesting development is the greater focus placed on the process of social dialogue. Under this approach, social dialogue does not have the sole objective of signing a social pact or an agreement; instead, emphasis is placed on the actual process by which the social partners and the government share information and views, and contribute to the design of more socially sustainable policies. This facilitates the building of trust between the actors involved. When social dialogue is only revitalized in order to sign an agreement, a failure in negotiations can lead to mutual blame and distrust among the actors involved. By contrast, a greater emphasis on the process itself minimizes these risks – whilst gradually facilitating consensus building on a range of issues. This approach can be observed in several countries, and in particular those in which social dialogue has proved more resilient, including France, Germany and Slovakia. In the case of Germany, the crisis and post-crisis periods have shown how ad hoc, non-formalized social dialogue can be very effective in providing responses to the challenges posed by the economic context (see box 1.3).

In order to restore trust between the social partners and government when tripartite social dialogue has been discontinued, a number of countries have signed fairly narrow agreements around specific issues. This was the case in Spain, where an agreement aiming to protect and redeploy the long-term unemployed was signed in the post-crisis period. Similarly in Greece, a pact on undeclared work was signed following a period in which social dialogue had been severely curtailed under the adjustment caused by the sovereign-debt crisis (Eurofound, 2015a). Narrow pacts thus played a particularly important role in countries where fiscal consolidation and adjustment were accompanied by unilateral implementation (Avdagić, Rhodes and Visser, 2011). In such cases, finding common ground on less controversial issues can put in place the foundations for building a broader consensus on policies with a larger distributional impact.

Box 1.3 Crisis summits and new regional NSDIs in Germany

The involvement of the social partners in policy-making at federal level during the crisis and post-crisis periods took the form of crisis summits attended by all relevant actors, as well as bipartite meetings between representatives of the Government and either the trade unions or the employers. These less formalized structures were effective in dealing with the crisis, mobilizing all actors and facilitating consultation on the measures to be taken.

These informal ad hoc mechanisms allowed for greater flexibility in the relationship between the social partners and the Government and responded to particular junctures at which the social partners' input to a specific policy problem was deemed especially valuable. Two aspects are worth highlighting in this approach. First, it underlines the social partners' capacity to provide robust problem diagnosis and propose policy measures. Second, it focuses on both the process of social dialogue and its policy outcomes.

The strong sectoral- and company-level industrial relations institutions in Germany support and render effective the non-institutionalized mechanisms for consultation and social dialogue at peak level. They not only require the social partners' commitment to the successful implementation of a particular policy but also legitimize their involvement.

There were also important developments at regional level in the area of social dialogue. In 2011, the State of Brandenburg in eastern Germany introduced a standing social dialogue committee. It thus raised the issue of the on-going role that the social partners might play in a stable economic climate and not only during times of crisis. The committee brings together the heads of the German Federation of Trade Unions (DGB), the regional employers' organization for Brandenburg-Berlin (UVB), and the collective bargaining partners from five sectors: metalworking and electrical, chemicals, hotel and catering, construction and retail.

The committee's main objective is to strengthen industrial relations institutions and, in particular, to extend collective bargaining coverage. Financial incentives are provided to help achieve this goal. Projects are supported at the sectoral level with funding from the European Social Fund (ESF), under Brandenburg's social partnership guidelines. To be eligible, projects must contribute to improved work organization in Brandenburg's companies and to an effective social partnership either at the company level (co-determination) or sectoral level (pioneering collective agreements).

Finally, certain innovative good practices in social dialogue can be highlighted. In some countries, new social dialogue institutions were created to deal with the challenges posed by the crisis. This was the case in Slovakia, where new tripartite and bipartite bodies were established (see box 1.4). In this country, and also in Lithuania, the ESF was used in order to improve the social partners' technical capacities so as to enhance their role in social dialogue. The case of Brandenburg, Germany, provides an example of social dialogue institutionalization at the regional level, in response to the State's previous lack of institutionalized structures for dialogue and its low collective bargaining coverage. This experience stands in contrast to the trend towards the suppression or dismantling of (regional) social dialogue institutions in other EU countries. Meanwhile, Poland witnessed the replacement of employment councils by tripartite labour market councils, and the tripartite commission on social and economic affairs by a social dialogue council (Eurofound, 2015h).

Box 1.4 New tripartite and bipartite bodies in Slovakia

In Slovakia, some new bodies were created during the crisis and post-crisis periods in order to strengthen social dialogue. The Council for Solidarity and Development (RSR) was set up in 2012. It is an informal consultative body of the Government, bringing together officials from peak employers' and workers' organizations. Although the RSR has a purely consultative role, the social partners expressed a shared perception in interviews of the importance of these consultations for Government decision-making on particular issues. On average, about four meetings of the RSR are held each year.

Moreover, in the period 2010-14, the National Centre of Social Dialogue was created with support from the ESF. Project activities included assistance to tripartite consultations at the national and sectoral levels, and to bipartite social dialogue at sectoral and company levels. Senior representatives of the social partners in industry and construction signed the Contract on Cooperation on 31 January 2013, and established the Industry Bipartite, a body for consultation and coordination of their activities (although not for collective bargaining).

Other countries, rather than creating new institutions, reactivated existing dormant institutions and other mechanisms for consultation. This was the case in France where, although social summits had been organized before the crisis, they were held only rarely – and under exceptional circumstances. Another example is Greece, where the tripartite Supreme Labour Council (ASE) was reactivated in the area of collective dismissal (Countouris et al., 2016). Finally, in Belgium, the Flemish Economic and Social Council was strengthened.

It is worth noting that a number of national social dialogue institutions have celebrated anniversaries in recent years, including the National Tripartite Cooperation Council (NTCC) in Latvia in 2014, and the Tripartite Council in Lithuania and the Social and Economic Council of the Netherlands (SER) in 2015. On these occasions, constituents reviewed their achievements and challenges in the area of social dialogue, and renewed their commitment to the principles of tripartism and social dialogue as tools for consensus building in shaping social and economic outcomes.

4.2.2 The role of National Social Dialogue Institutions⁷

The ILO promotes the institutionalization of social dialogue in order to sustain tripartism in member States. The ILO Declaration on Social Justice for a Fair Globalization (adopted in 2008) recognizes the Convention on Tripartite Consultation (International Labour Standards), 1976 (No. 144) as being of particular significance for labour market governance (ILO, 2011). The European region has to date recorded, among all world regions, the highest number of ratifications of Convention No. 144, which in most cases has resulted in the strengthening of National Social Dialogue Institutions (NSDIs).

NSDIs are institutions for formalized social dialogue that, depending on the country, play distinct roles -whether as fora for the exchange of information, for consultation (where the social partners give their opinions, which are then given government consideration), or for negotiations in which the social partners may become key players in the formulation of socio-economic policy and where mutual trust is key. Yet, NSDIs per se are neither unambiguously necessary nor sufficient to ensure effective social dialogue. Under certain circumstances – for example, where strong and autonomous social partners exist – social dialogue can be self-sustaining, even in the absence of institutional backing.

Wide discrepancies exist across Europe in the composition, regulation, mission, mandate and gender equality credentials (see box 1.5) of NSDIs (see ILO, 2013). According to data collected by the ILO on the EU-28 plus Norway (see table 1.8 of the appendix), NSDIs can take four different configurations. First, “bipartite bodies” are institutions in which labour unions and employers’ organizations appoint members who act as representatives of their organizations. Second, “bipartite-plus bodies” additionally include representatives of other organized interest groups, such as consumers, cooperatives or even independent experts. Third, “tripartite institutions” include representatives of the government, of employers and of workers; and, fourth, “tripartite-plus bodies” also include other organized civil society interest groups. Table 1.2 shows how the configuration of NSDIs in the eleven countries studied evolved over the pre- to post-crisis period.

Box 1.5 Gender equality in NSDIs

As regards gender equality in social dialogue, some positive trends can be observed in Europe. The participation of women and men on an equal footing in decision-making processes remains a priority for national authorities, the EU and the ILO. The French bipartite-plus Economic, Social and Environmental Council (CESE) is one of the EU’s and world’s leaders, with 46 per cent of women among its 233 members. Several NSDIs have improved their level of female participation (e.g. Belgium, Czech Republic, Finland and Slovenia). However, further efforts are needed as the proportion of women members remains below 20 per cent in nearly half of the EU Member States. Attention to this issue should be raised at the level of NSDIs – and of the organizations participating in these bodies (Muller and Doyle, 2013).

⁷ This section draws heavily on information provided by the ILO Social Dialogue and Tripartism Unit, on the characteristics of NSDIs, as presented in table 1.8 of the appendix.

The country reports also document a wide variation with respect to the effectiveness of NSDIs during and after the recession of 2008-09. The success of these institutions in sustaining or revitalizing social dialogue in the post-crisis period differed markedly across the countries studied. The relationship between the continuity in social dialogue (as discussed in section 4.2.1) and the strength of the NSDIs in any given country is complex and non-linear. In particular, other socio-economic and political factors come into play, such as the severity of the crisis or weakness of the executive – over which the government and the social partners may have limited or no control.

Table 1.2 NSDIs before and after the crisis

	Before the crisis	After the crisis
Belgium	5BP • 1BP+ • 1TP	5BP • 1BP+ • 1TP • 1TP+
Finland	2TP+	2TP+
France	1BP+ • 6TP • 1TP+	1BP+ • 7TP • 1TP+ • (1TP)
Germany	–	1TP • 1TP+ • (1TP)
Ireland	1TP+	2BP+ • 1TP+
Lithuania	1TP	1TP
Netherlands	1BP • 1BP+	1BP • 1BP+
Slovakia	1TP	1BP • 1TP • (2TP+)
Slovenia	1TP	1TP
Spain	1BP+	1BP+
Sweden	–	–

BP – Bipartite; BP+ – Bipartite-Plus; TP – Tripartite; TP+ – Tripartite-Plus. The table shows the number of permanent NSDIs, with ad hoc NSDIs given in parentheses.

Testifying to this complexity is the fact that, among the six countries that experienced discontinuity in social dialogue at some point (namely Belgium, Finland, Ireland, Lithuania, Slovenia and Spain), two (Slovenia and Finland) had quite strong and functional NSDIs that had previously sustained tripartite social dialogue. Consequently, despite the fact that these two countries were among the worst hit in the Eurozone, their tripartite and tripartite-plus NSDIs coped, relatively speaking, rather well. In Slovenia, the tripartite Economic and Social Council was endowed with quasi-legislative functions, which maximized the autonomy of the social partners in the formulation of labour market policy, and helped revive social dialogue after it broke down. In Finland, the tripartite-plus Economic Council sustained social dialogue more or less continuously until very late in the period under examination, before being challenged in 2015.

Countries with weaker NSDIs have, in general, fared less well. Although in some countries (including Belgium, where NSDIs have been challenged, and Lithuania, where they were overridden by governmental unilateral action), social dialogue more or less

reverted to normal after the crisis, the same cannot be said of others. In the latter group, the discontinuity in social dialogue went hand-in-hand with either a curtailment of the functions of the NSDIs (such as in Ireland and Spain) or a fundamental restructuring of them (as in Hungary and Romania). In neither case did social dialogue return to normality in the post-crisis period.

As for those countries with a stronger tradition of social dialogue, the existence of NSDIs was not a pre-condition for keeping social dialogue alive, as the cases of Germany and Sweden neatly show. However, where NSDIs were present, they were conducive to the maintenance of social dialogue when there was the political will to do so.

Examples of good practices abound:

- In several countries, despite the strained economic and political situation, the NSDIs continued to play a significant role in devising social pacts and policy solutions (e.g. in France, the Netherlands and Portugal).
- A number of NSDIs in Central and Eastern Europe agreed on effective anti-crisis measures at the onset of the recession (e.g. in Bulgaria, Poland, Slovenia).
- Some Member States established new formal bodies precisely to cope with the crisis or with longer-term trends (e.g. France, Germany and Slovakia).

To sum up, there is only an imperfect correspondence between the developments in national social dialogue and the existence of NSDIs. If the existence of a NSDI is not in itself a sufficient condition for continuing social dialogue, experience shows that it does play a positive role when this process needs to be resuscitated. And, when a functioning NSDI is abolished or weakened, it is more likely that social dialogue will also stall, and that its subsequent revival will be problematic. The Great Recession has reopened the debate on the importance of NSDIs for social dialogue, and one of the major objectives of this debate should be to demonstrate more convincingly how closely and strongly the two are indeed linked in practice. NSDIs should become key institutions upon which effective social dialogue is able to rely at all times. As far as the NSDIs in the countries covered by the research are concerned, we shall now analyse them in more detail.

Before the crisis, only three EU Member States lacked a national tripartite social dialogue institution: Germany, where the Government often consults the social partners on an ad hoc basis; Sweden, which relies almost entirely on bipartism; and the United Kingdom, where industrial relations institutions are fragmented (there is, however, a bipartite-plus Low Pay Commission). In Sweden, regular tripartite consultations at all levels supplement bipartite action, and the crisis had no tangible impact on the conduct of industrial relations, while German institutions underwent some changes during the recession (for details, see chapters by Anxo and Lesch and Vogel in this volume). Ad hoc bipartite– but especially tripartite – meetings in Germany were used to formulate responses to the crisis (e.g. the economic crisis summits at the Federal Chancellery or at ministerial levels); but although the experience was deemed to have been useful, it was not considered necessary to set up a permanent NSDI. Nonetheless – as mentioned in section 4.2.1 – the State of Brandenburg established a standing tripartite social dialogue council in 2011, which is also endowed with negotiation functions. Berlin is currently working towards its own version of this approach, and other States may follow suit. A tripartite-plus minimum wage commission has also been operating since the introduction of the Federal minimum wage in 2014.

The number of EU Member States without a permanent or functioning NSDI has increased slightly since the crisis. In Estonia, social dialogue has been weak since independence in terms of its contribution to policy outcomes, and the National Tripartite Commission was suppressed in 2009 at the time of strong protests against the Government's unilateral reform of labour market regulations.

In Ireland, the initially prominent tripartite-plus National Economic and Social Council (NESC), where the social partners used to negotiate and conclude agreements, has since played a lesser role in government policy-making. Employers and the Government expressed the opinion that it often substituted for Parliament as the locus of policy-making. Since 2009, some of its policy-making functions have been reduced (see Regan, this volume), meaning that there is no longer a fully functioning national tripartite social dialogue institution in Ireland. Two bipartite-plus fora have de facto replaced the tripartite-plus institution. The National Economic Dialogue (NED) is one of these, and in 2015 it focused on the national budget, but has largely consultative functions. In Italy, the Government proposed in 2015 to abolish the constitutionally mandated bipartite-plus National Economic and Labour Council (CNEL) as part of a broader institutional reform.⁸ This proposed reform, however, had little to do with the suspension of social dialogue during the crisis, which was due mainly to tensions between the various Governments and the unions (Culpepper and Regan, 2014).

Even though bipartite or bipartite-plus NSDIs are relatively widespread in the EU-28 (outside our sample, Austria, Greece – before 2014 – and Luxembourg relied exclusively on them, while Bulgaria and Denmark had tripartite institutions as well), only four countries in this study had them in place before the crisis; and Ireland and Slovakia established them only recently. Spain is among those countries that have traditionally worked with bipartite-plus NSDIs. Belgium, France and the Netherlands have different mixtures of bipartite (or bipartite-plus) and tripartite (or tripartite-plus) institutions. Several Central and Eastern European Member States, as well as Cyprus, Finland, Malta and Portugal, rely mainly on tripartite and tripartite-plus bodies.

Belgium, Finland and Spain are among those countries where social partnership came under strain and recovered to only a limited extent during the crisis. The Spanish Economic and Social Council has a narrow advisory role and thus its influence is limited. The frequent use of urgent procedures for passing laws, as well as the suppression of regional Economic and Social Councils in several Autonomous Communities, further contributed to weakening the role of social dialogue in Spain (see Molina and Miguelez, this volume). Concerns remain that a reform of the NSDI is still needed in order to enhance its functions, to include new societal actors where appropriate – and perhaps also to strengthen its focus on reporting on socio-economic issues, a function that proved influential during the crisis years.

Some Belgian NSDIs were also challenged – but in a context where, especially at the regional level, strong social partnership served to mitigate some of the tensions. The bipartite-plus Central Economic Council's (CRB-CCE) main task is to draft technical reports for wage negotiations. However, not only has the drafting of these reports become a matter of contention between the social partners, but also the Council has addressed other non-core issues, such as mobility, energy etc., thus drifting from its

⁸ The proposed reform was rejected in a public referendum held in December 2016.

core expertise. The National Labour Council (NAR-CNT) is a bipartite forum for the conclusion of national cross-industry collective agreements and it delivers opinions on matters of social concern. But tensions between the social partners have reduced the applicability of its recommendations to actual regulations. Despite this, negotiations have continued relatively unabated at the regional level and produced several agreements. In Finland, where it is not yet possible to talk of a post-crisis period, negotiations at the tripartite-plus Economic Council have functioned more or less efficiently in the crisis years. Nonetheless, relations between the social partners significantly worsened in 2015, when employers withdrew from collective bargaining. As a result of the stalemate, the Government made the unprecedented declaration that it might take unilateral action, possibly so as to urge the social partners to draft a pact (this happened in early 2016).

In the Netherlands and France, NSDIs have not been challenged; on the contrary, they have maintained their profile and role. In the Netherlands, tripartite agreements are still concluded in the bipartite-plus Economic and Social Council (SER), while the bipartite Dutch Labour Foundation discusses labour and industrial relations issues and provides advice to the Government, including for the preparation of annual reports on the social partners' contributions to the goals of the Europe 2020 strategy. France also presents a story of relative success. The most fruitful tripartite negotiations and consultations took place in informal, ad hoc social summits or social conferences, which allowed for an exchange of views and practice on social and labour policy at the highest levels (see box 1.1). With respect to the several bipartite-plus, tripartite and tripartite-plus bodies, these mainly had a consultative role during the crisis. The Economic, Social and Environment Council (CESE) and other councils seek to build a broad consensus among the social partners on relatively uncontroversial issues; despite the quality of their reports, their political impact is uncertain. More specialized fora such as the Employment Advisory Council (a tripartite-plus body created in 2005 to analyse structural changes in the labour market) do not, for their part, have to achieve consensus among their members, and are therefore in a position to produce reports which are subject to widespread debate.

Outside the countries studied for this report, tripartite social dialogue in Portugal was challenged during the crisis but the tripartite institutions played an important role in revitalizing it afterwards. Two tripartite agreements were negotiated in the Standing Committee for Social Concertation (CPCS), which played a role in implementing, monitoring and evaluating several measures contained in the January 2012 pact entitled 'Commitment for growth, competitiveness and employment' (European Commission, 2015b).⁹

Central and Eastern European (CEE) countries had mainly tripartite institutions in place before the crisis, with the exception of Bulgaria, which also had a bipartite-plus institution. These bodies were created in the early 1990s for three main reasons: as a countermeasure to the strikes that occurred during the transformational recession; as a way of sharing responsibility between governments and the social partners for privatization and social reforms; and as an alternative mechanism for labour market regulation given the weakness of collective agreements (Mailand and Due, 2004).

⁹ During the Tripartite Knowledge Sharing Conference (Paris, 20 May 2016), a representative of the General Confederation of Portuguese Workers (CGTP-IN) noted that, although the CPCS continued to meet during the economic crisis, it served to provide, for the most part, a platform for disagreement between the tripartite constituents.

Their role in decision-making is subject to debate. Ost (2000) talks of ‘illusory corporatism’, under which political elites implement tripartism so as to comply with EU norms and share responsibility with a marginalized labour movement. Other authors depict a more positive picture: Vaughan-Whitehead (2000) argues that the social partners were usefully involved in the EU accession process, while Rychly (2009) claims that social dialogue eased the worst impacts of the transition.

In most CEE countries, NSDIs had only an advisory role – and the number of successfully concluded social agreements was therefore relatively low. In Hungary, in early 2012, the Government replaced the tripartite National Interest Reconciliation Council, which had been vital throughout the transition. The new bipartite-plus institution, the National Economic and Social Council, includes social and scientific civil society organizations and Hungary’s historical churches, but excludes state representatives, who are only observers to the Council’s plenary sessions. Most of its wage-setting and co-determination prerogatives have been repealed. Similarly, the tripartite Economic and Social Council in Romania has been recast as a public institution of national interest, whose membership has been widely extended and the Government representatives replaced by members of civil society (Bernaciak, 2015). At the same time, however, the Government created a national tripartite council for social dialogue, tasked with hosting discussions between the Government and the social partners on labour market issues (Chivu et al., 2013). As regards the other CEE countries, there was an intensification of tripartism during the early years of the crisis. This worked well for developing short-term anti-crisis measures to protect jobs, but broke down during the tougher negotiations on fiscal consolidation and structural reform measures. Despite these ups and downs, tripartite institutions in post-socialist countries seem broadly to have maintained an unchanged role; indeed, even certain positive developments have occurred.

Among the cases analysed, Slovenia endowed its tripartite Economic and Social Council (ESS) with quasi-legislative functions. Between 1994 and 2009, it produced eight social pacts, which dealt not only with incomes policy and minimum wages but with all kinds of socio-economic issues (Stanojević and Krašovec, 2011). During the crisis, the ESS did not undergo any significant changes, but its activities ground to a halt in 2010-11, when both employers and workers boycotted its meetings in opposition to (different) policies implemented by the Government. The ESS resumed its normal functioning around 2014-15, but relations between the social partners remain strained, as evidenced by the withdrawal of employers from the newly signed Social Agreement of 2015-16.

In Slovakia, the social partners claim that the operations of the Economic and Social Council (HSR) have been strengthened and regularized. During the crisis, two ad hoc tripartite-plus consultative bodies were created: the Council for the Economic Crisis (RHK), which operated between 2009 and 2010, and the Council for Solidarity and Development (RSR), an informal body chaired by the Premier. The social partners established the Industry Bipartite in 2013, a cross-sectoral body for consultation and the coordination of employers’ and unions’ activities. In Lithuania, the social partners were critical of the Government’s alleged failure to strengthen the capacity of the Tripartite Council and to take their opinions into account, and its tendency to override social dialogue by taking unilateral action, in particular concerning labour market reforms.

The wide diversity of forms that NSDIs take throughout Europe – and this applies to the periods before, during and after the crisis – demonstrates that there is no ideal

model, or ‘one-size-fits-all’, when it comes to national institutions; rather, these reflect the particular history, traditions and economic, political and social conditions of the country concerned. Moreover, they must be dynamic and flexible enough to adapt to change over time.

4.2.3 *The role of the European Semester*¹⁰

The European Semester has become an important mechanism for economic policy coordination across EU Member States and is part of the so-called ‘silent revolution’ announced by the European Commission’s President Barroso when he introduced the ‘six-pack’ on European economic governance in 2011.¹¹ Within the policy cycle, each Member State submits every year its National Reform Programme (NRP) which outlines the main measures it will take to implement the Broad Economic Policy Guidelines (BEPG) and includes information on economic and employment policies, in parallel with the Stability Programme or Convergence Programme. The European Council examines the implementation of the Member States’ employment policies, based on the NRP and the opinions of the Employment Committee (EMCO). Member States also have an opportunity within the EMCO of reviewing each other’s performance. The Council and the Commission then prepare a joint annual report, presented at the same time as the Annual Growth Survey (AGS), which is later accompanied by country-specific recommendations (CSRs).

The contribution of social dialogue to the European Semester is regarded as particularly important for the achievement of a socially sustainable recovery. Therefore, the European Commission urged the Member States to step up the involvement of the social partners (European Commission, 2013; 2014) at both EU and national levels. The establishment of European Semester Officers (ESOs) in 2012 was an important step in this regard. ESOs are economic policy experts who are based in the EC Representations in Member States. In several cases, the ESOs have proved conducive to a positive development of relations between EC officials, the government and the social partners. At the EU level, the social partners are now consulted prior to the publication of the AGS. Since 2015, Country Reports are published three months earlier than was previously the case, in order to allow for a more informed debate among the actors concerned. The social partners at the European level have welcomed both the dialogue with EMCO and the Social Protection Committee (SPC), as well as the preparatory committees for the Employment, Social Policy, Health and Consumer Affairs Council (EPSCO). At the national level, it has been recommended that governments consult the social partners during the drafting of the NRPs and also that the social partners be involved in the work of the ESOs, in line with the new Employment Guidelines.

Assessments of the process to date have been mixed, especially with respect to the social partners’ capacity to engage with it. Some studies depict the European Semester as a mechanism for supranational surveillance over economic policies, while social policies and social dialogue play a marginal role (Costamanga, 2013; Schulten and Müller,

¹⁰ This section was drafted mainly by Christian Welz and Ricardo Rodriguez Contreras of Eurofound, and Pablo Sanz of Notus. It draws on Eurofound, 2016a.

¹¹ The ‘six-pack’ refers to six EU laws that came into force on 23 November 2011, under which Eurozone countries that do not comply with the revised Stability and Growth Pact, or are found to be in a position of ‘excessive macroeconomic imbalance’ would be automatically sanctioned by specified fines.

2012). Erne (2015) posits that without doubt “the new regime’s league tables, CSRs, corrective action plans, and potential fines for non-compliance are effectively eroding the bargaining autonomy of the social partners.” This is further exacerbated when even national parliaments have no say in the face of governmental rule by decree. Other scholars highlight certain positive aspects such as the creative adaptation to the new conditions of the European Semester, which have strengthened the role of social and employment actors, such as EMCO and the SPC (Zeitlin and Vanhercke, 2015). Moreover, Bekker (2014) argues that the evolutionary nature of the European Semester opens up new opportunities for a ‘social Europe’, as evidenced by the fact that the CSRs reflect a good balance between the economic and social goals of employment and social policies. Erne (2015), however, disputes such an interpretation and warns that: “not all CSRs that deal with social and employment issues ‘can be considered socially oriented’”.

We espouse a rather agnostic view on the European Semester. First, it is still too early to appreciate the longer-term impact of the European Semester on national social dialogue. The Juncker Commission pledged in 2014-15 to step up the involvement of the social partners with an aim to make this common practice in the coming years, and also to streamline the CSRs addressed to Member States by reducing their number and detail; the full effects of these changes remain to be felt. Second, the nature of recommendations varies between policy fields and over time. For example, although certain employment-related recommendations might not seem to be socially oriented (e.g. because they advocate a reduction in employment protection legislation), this may well change at a later stage, while recommendations in other fields may have a more explicit social orientation. As Clauwert (2015) and Guardiancich and Guidi (2016) show, the number of recommendations regarding the fiscal sustainability of pensions reduced in recent CSRs while the coherence and comprehensiveness of Country Reports increased. Additionally, some institutional actors have shifted positions, advocating that greater attention be paid to benefit adequacy measures. Third, this volume is concerned more with the process whereby the social partners are integrated into European policy-making (at national and, partly, supranational levels) than with the policy outcomes which result from it (which have both domestic and transnational consequences). In this final respect, the country studies portray a mixed picture regarding the involvement of the social partners. Such a portrayal may, however, be due in part to the different perspectives of the authors: while some authors focused on the more procedural aspects of the Semester, others paid greater attention to issues such as social partner autonomy.

Eurofound’s survey (2016a) for 2011-14, which focuses on the procedural side of the social partners’ involvement in the European Semester, is more upbeat in its assessment. Employers’ and workers’ organizations contributed to the formulation and/or implementation of NRPs in 22 countries. The forms of their involvement are summarized in table 1.3. A total of 19 Member States held tripartite meetings, whether within already-established NSDIs (in the Netherlands, Slovakia, Slovenia and, outside our studies, in the Czech Republic, Luxembourg and Malta), within tripartite ad hoc committees (in Italy, Spain and the United Kingdom) or within specific bodies created in the context of the Europe 2020 Strategy (Bulgaria and Denmark) or the European Employment Strategy (France). In Estonia, Germany and Luxembourg, separate meetings were held regularly with trade unions and employers, whereas in Italy they were scheduled only when negative reactions from the social partners were foreseeable. In

Lithuania and Spain only written consultations were held at first, but tripartite meetings are now held on an ad hoc basis (Spain) or within the Tripartite Council (Lithuania) (see chapters by Molina and Miguelez, and by Petrylaitė in this volume).

Table 1.3 Forms of social partner involvement in National Reform Programmes¹²

Tripartite meetings			Other forms of involvement	
Standard tripartite body	Specific ‘European committee’	Tripartite ad hoc committees/ meetings	Separate meetings with TU and EO	Only written consultation
CZ, LU, MT, NL, SI, SK	BG, DK, FI, FR, PL, SE	AT, BE, CY, ES (since 2014), IT, LV, UK	DE, EE, IT, LU	ES (up to 2014), LT

Source: Eurofound (2016a). TU = Trade unions; EO = Employers’ organizations. (n=22)

The degree of institutionalization of the social partners’ involvement in NRP can be assessed according to three criteria: the frequency and regularity of involvement, the adequacy of the time allocated to information-sharing and consultation, and whether or not there is balanced consultation with employers’ and workers’ organizations respectively (see table 1.4).

Table 1.4 Involvement of the social partners in National Reform Programmes

Frequency of consultation		Time allotted to information-sharing and consultation (I&C) and number of meetings				Balance in consultation with TU and EO (n=21)	
Regular and predictable	Irregular/ ad hoc	Enough time for I&C	Insufficient time for I&C	Only one meeting	More than one meeting	On an equal footing	Unbalanced
AT, BE, BG, DE, DK, EE, FR, LT, LV, MT, NL, PL, SE (since 2013), SI and SK	CY, CZ, ES, FI, IT, LU, UK	AT, BE, CY, CZ, DE (EO), DK, EE, FI, LT, MT, NL, PL SE, SK, UK	BG, DE (TU), ES, FR, IT, LU, LV, SI,	BG, DE, ES, FI, FR, LU, LV, MT, NL, SI, UK	AT, BE, CY, CZ, DK, EE, IT, LT, PL, SE, SK	AT, BE, CZ, DE, DK, EE, ES, FI, FR, IT, LT, LU, LV, MT, NL, PL, SE, SI, SK, UK	BG, CY

Source: Eurofound (2016a). (n=22)

In Austria, Belgium, Denmark, Estonia, Lithuania, Malta, the Netherlands, Poland, Slovakia and Sweden, the involvement of the social partners is high, as they do well on all three criteria. Seven countries – Czech Republic, Germany, Finland, France, Latvia, Slovenia and the United Kingdom – do well on two of the three variables. The social

¹² AT (Austria), BE (Belgium), BG (Bulgaria), CY (Cyprus), CZ (Czech Republic), DE (Germany), DK (Denmark), EE (Estonia), EL (Greece), ES (Spain) FR (France), FI (Finland), HR (Croatia), HU (Hungary), IE (Ireland), IT (Italy), LT (Lithuania), LU (Luxembourg), LV (Latvia), MT (Malta), NL (Netherlands), PL (Poland), PT (Portugal), RO (Romania), SE (Sweden), SI (Slovenia) SK (Slovakia), UK (United Kingdom).

partners' involvement is least institutionalized in Bulgaria, Cyprus, Italy, Luxembourg and Spain, which score positively on one or none of the criteria considered.

The views of the social partners on the NRP are taken into consideration to only a limited extent across the EU. According to the country studies on Belgium and the Netherlands under this project, the social partners' views were integrated into the NRP, although in Belgium, they claim insufficient involvement at the drafting stage (see Van Gyes, Terlinden and Vandekerckhove, this volume). In Sweden, the social partners' comments on the NRP, the CSR and the Europe 2020 strategy were taken into consideration and annexed to the NRP (see Anxo, this volume). In Finland and Malta, the social partners reportedly also significantly shaped the process, and in Austria, Poland and Spain their views were annexed to the NRP. Elsewhere, the influence of the social partners was circumscribed to specific topics or was otherwise limited.

Eurofound (2016a) suggest that substantial institutionalization is almost a prerequisite for the social partners to be able to contribute to the NRP design and implementation. The only exception appears to be Finland where, despite their quite irregular and unpredictable involvement, the social partners seem to have had a tangible impact on the NRP (see Jokinen, this volume). At the same time, institutionalization alone is not sufficient: in some highly institutionalized countries, such as Austria, Denmark, Estonia and Poland, the social partners lament their limited impact on the NRPs. In Lithuania, they reportedly failed to produce constructive proposals despite the Government urging them to do so (see Petrylaite, this volume). Medium and low institutionalization tends to correlate with limited or no influence of the social partners on the NRPs. In Bulgaria, Cyprus and Spain, either or both the employers and/or workers feel excluded from the NRP process. But in only three countries (Croatia, Hungary and Romania) were the social partners largely absent from both the formulation and the implementation of the NRPs (Eurofound, 2016a).

Two main lessons may be drawn. First, while the existence of formal structures for the involvement of the social partners does not in itself guarantee the institutionalization of social dialogue, most such structures enshrine sound procedures to ensure the regularity and predictability of consultations within the European Semester. Second, even when social dialogue is institutionalized, this does not necessarily imply that the social partners' views will always be taken into serious consideration while drafting the NRP. In sum, despite some undeniable progress, as documented in the country studies, the EU institutions and the European social partners agree that a stronger involvement of employers' and workers' organizations is needed in both European and national processes of the European Semester.

5. Industrial relations and collective bargaining in the post-crisis period (2013-15)

5.1 Overview of the impact of the crisis on industrial relations and collective bargaining

The impact of the crisis on industrial relations and collective bargaining has been analysed in several reports and studies (European Commission, 2015b, Eurofound, 2013; 2015, Welz and Broughton, 2014). All of them agree, first, on the existence of

significant differences across EU countries. In some countries, the crisis triggered an intensification of long-term trends in industrial relations and collective bargaining, but without bringing any structural change to existing practices and institutions in its wake. By contrast, in other countries (including those facing large macroeconomic imbalances and challenges), changes and reforms introduced during the crisis have been far-reaching and entail a significant departure from existing practices. This is the case in Greece, Ireland, Portugal and Spain. Second, these studies demonstrate an acceleration in the reform path of industrial relations. In this respect, also, the differences between countries are remarkable, with some exhibiting very little change, while others experienced a number of changes in industrial relations in a short period of time.

There has been no particular intensification of the decline in trade union membership as a consequence of the crisis (European Commission, 2015). In the decades preceding it, a steady increase in employment – combined with stable to slightly declining trade union membership – resulted in a downward trend in density rates (i.e. the share of employees who are trade union members). However, when the crisis hit, this trend was mitigated but not halted as job losses were concentrated, at least in the initial stages, in low-skilled services and among young workers, where unionization rates are generally low. Moreover, economic adjustment and fiscal consolidation led to a reduction in public sector employment, where unionization rates are typically the highest in the EU. Overall, then, the decline in trade union membership continued as part of a long-term trend across the EU. Nonetheless, in the case of trade unions, the crisis has contributed to an intensified pressure for mergers, in an attempt to increase their strength and efficiency, and to compensate for their declining income from membership fees.

On the employers' side, no significant impact of the crisis was reported, either in terms of membership or in organization (Bechter and Brandl, 2015). If anything, the crisis triggered increased intra-organizational tensions in some countries, between federations representing different interest groups, i.e. large versus small firms.

With respect to collective bargaining, the crisis has led to an intensification of trends towards de-centralization (Marginson and Welz, 2015). Two mechanisms can explain this development. First is the extension of opt-out clauses that allow company-level agreements not to incorporate terms and conditions negotiated at higher levels. Second is the reversal of the favourability principle. According to this principle, there is a hierarchy in the application of collective agreements whereby those establishing less favourable conditions for workers cannot prevail over those establishing more favourable ones. This principle had been introduced in many countries in order to stop the use of company-level agreements to erode working conditions negotiated at sectoral level.

The decline in collective bargaining coverage also accelerated during the crisis (Visser, Hayter and Gammarano, 2015). In some countries, reforms were introduced to limit the (automatic) extension of collective agreements as well as their extension upon expiry. This triggered an increase in the number of workers not covered by agreements. Even though collective bargaining coverage remains relatively high – thanks largely to extension mechanisms (Schulten, Eldring and Naumann, 2015) – its generalized decline in the private sector can be linked to an observed increase in income inequality (Bosch, 2015). Other analysts, however, contend the opposite – that in countries where

extension mechanisms lead to high collective bargaining coverage in excess of union density, the resulting higher unemployment rates lead to increased inequality (Jaumotte and Osorio-Buitron, 2015).

Finally, regarding collective bargaining coordination, the most important change brought about by the crisis was an increase in government intervention in some countries, particularly in wage-setting in either the private or public sectors. This process has nonetheless manifested itself in very different ways. In some countries, governments unilaterally instigated reforms in industrial relations and collective bargaining; in others, they became actively involved in the negotiation of wage agreements or collective bargaining reforms with the social partners.

5.2 Post-crisis developments in industrial relations

In a post-crisis context of economic recovery, with significant differences in speed and intensity across countries, some of the tensions affecting industrial relations and collective bargaining might be expected to relax once a more favourable economic climate sets in, widening the margins and time for compromise to be reached. This would certainly be the case for wage setting (particularly in the public sector), but also for extension mechanisms in collective bargaining, working time and employment clauses. Given the importance of industrial relations and collective bargaining – especially for the reduction of inequalities – particular attention should be paid to their recent evolution in the post-crisis period. It should be asked whether there has been a slowdown or even a reversal of the trends observed during the crisis. Are any of the changes introduced during the crisis now being consolidated? We will look first at developments concerning workers' and employers' organizations and the State, respectively, and attention will then be directed to collective bargaining (see table 1.9 in the appendix).

5.2.1 *Trade unions try to revitalize and attract new members, mergers continue*

In the post-crisis period, we are witnessing some attempts to revitalize the trade unions' role in the political and industrial relations spheres. In addition to the unions' declining membership in some countries, coupled with their diminished capacity to influence industrial relations developments, the crisis added new challenges. The most important was a generalized erosion in the public perception of trade unions in some countries, including Ireland, Italy and Spain (Culpepper and Regan, 2014). However, there are some exceptions such as the Czech Republic, where a recent survey showed that public perceptions had improved (Eurofound, 2015b).

The evidence from the country studies suggests that the intensity of the decline in public perceptions has moderated in the post-crisis period. This is due partly to the improvement in economic conditions, but also to the fact that, in some countries, trade unions are developing new strategies to revitalize their role in the industrial relations and political spheres. In Finland, for example, notwithstanding a very high density rate, trade unions organized a media campaign in 2014 to reverse the membership decline and encourage new affiliations to trade unions. In some other countries, policies implemented in the post-crisis period may positively impact union membership. Examples include Sweden, where an increase in unemployment benefit introduced by a reform in 2014, may serve to bring to a halt or even reverse trade union membership decline. In

Lithuania, an amendment to the law in 2013 provided new rules for representation and workers' rights at company level. In the Netherlands, where declining density is challenging the legitimacy of trade unions and collective bargaining more generally, trade unions are making special efforts to reach out to groups that are poorly represented and unionized, such as immigrants and the self-employed.

The trend towards an internal reorganization of trade unions, initiated during the crisis years in response to financial pressures, is continuing in the post-crisis period. Membership losses, together with reduced public subsidies in some countries, have forced trade unions to intensify merger processes. Such processes are particularly evident in four countries: Finland, Lithuania, Slovakia and Spain. In some countries, mergers have occurred between sectoral federations within confederations (Lithuania, Slovakia and Spain), while in others there have been mergers between different trade unions (Finland). But the opposite trend may be observed in other countries, such as Slovenia, where a higher fragmentation of unions is reported (see Guardiancich, this volume).

5.2.2 Employers' organizations' membership remains stable

For employers' organizations, the evidence suggests stability in membership in the post-crisis period. Some countries experienced membership losses even before the crisis, a trend that intensified in a number of cases during it. In some countries, these membership losses have contributed to the decline in collective bargaining coverage, particularly in those where automatic extension mechanisms are not in place. This is the case in Slovenia, for example. Moreover, in the case of France, a law has been approved to change the representativeness rules for employers' organizations. It has the twofold objective of establishing more transparent criteria to negotiate collective agreements and reducing fragmentation on the employers' side. One of the reasons why membership is sometimes unattractive is because companies that adhere are bound by sectoral collective agreements, hence reducing the flexibility allowed by decentralized wage bargaining. By way of example of a strategy to counter this constraint, employers' organizations in Germany introduced OT membership (OT stands for *ohne Tarifbindung*), allowing companies to join the employers' organization without binding them to sectoral level wage agreements (Silvia and Schroeder, 2007). Moreover, in order to enhance their representativeness, employers' organizations are engaging in organizational change and the delivery of new services (Brandl and Lehr, 2016).

Another significant development concerns the relationships between different employers' organizations. Company size constitutes a first source of difference between these entities. Differences reported during the crisis between those employers' organizations representing small companies and those representing large companies persist in some countries (Nonell and Medina, 2015). Such differences have been detected even in the Nordic countries, where long-term trends in industrial relations have made collective action increasingly challenging for employers, and changed their perceptions of the advantages of coordinated collective bargaining (Ibsen, Andersen and Dølvik, 2016). By contrast, in some countries, the opposite trend is observed; in Lithuania, for example, unity of action between the main employers' confederations was agreed in December 2013.

Some employers' organizations have challenged the role and efficacy of centralized social dialogue in a crisis context. In the Netherlands, a new employers' organization (ONL) was created in response to discontent over slow decision-making under the 'Polder' system. Similarly, in Spain, the Employers' Council for Competitiveness (CEC), was created by some of the country's largest companies to perform a lobbying role, alongside social dialogue as a mechanism to advance employers' interests. In Finland, the Confederation of Finnish Industries (EK) experienced internal tensions in 2012 when the export-oriented employers' federations criticized centralized wage-setting.

5.2.3 State intervention remains high

The State is continuing to play an important role in industrial relations and collective bargaining in many countries in the post-crisis period. According to Howell (2016), this stronger role of States in regulating employment relations follows a long-term trend observed in many EU countries of weakening industrial relations institutions. This State intervention, however, varies greatly across countries in its intensity, focus and in the mechanisms used (Molina, 2014). For instance, the unilateral State regulation of industrial relations continues in some countries in the post-crisis period – particularly those with a Statist tradition, such as France; indeed, when the social partners failed to reach an agreement in that country, a law was passed in August 2015 introducing changes in consultation bodies and collective bargaining at company level. Moreover, the State has announced a new reform in 2016 that will change the rules on sector-level collective bargaining. In Belgium, the Government taking office in October 2014 enacted a temporary suspension of the wage indexation mechanism. Finally, in Finland, the Government taking office in 2015 announced its intention to pass statutory legislation in some areas that were previously regulated through autonomous collective bargaining, hence limiting the issues that could be negotiated by the social partners.

The public sector has been particularly affected by this trend, with a generalized shift towards State unilateralism in public sector industrial relations (Bach and Bordogna, 2013). In the post-crisis period, certain Governments have nonetheless repealed some of the unilateral decisions taken with respect to public sector employees during the crisis (e.g. Spain, Ireland and Italy). Moreover, in the case of Greece, collective bargaining for civil servants was restored in 2015. Alongside this, however, there are some countries in which State unilateralism persists. In Portugal, for example, the Government maintained a blockage on around 500 local-level Government collective agreements (Eurofound, 2015c). In Croatia too, a unilateral wage freeze on public sector employees imposed in 2014 was extended until March 2015.

In some countries, State intervention aimed to enhance the autonomy of the social partners. This was the case in countries with a tradition of autonomous collective bargaining, such as Germany, where a new Act on Strengthening the Autonomy of Collective Bargaining was passed in 2015. On the one hand, the law sanctioned Germany's shift towards a hybrid collective bargaining system by the introduction of a statutory minimum wage (Bosch, 2015). On the other hand, it aimed to increase coverage of collective agreements by simplifying the mechanisms for the extension of sectoral minimum wage agreements.

5.2.4 Tensions in wage-setting

The wage-setting context in most EU countries is still characterized by moderate nominal collectively negotiated wage increases. However, in a context of low inflation, limited real wage increases are now being reported in many countries (Eurofound, 2015). From an ILO perspective, wage rises that are in line with increased productivity are both sustainable and stimulate further economic growth by increasing households' purchasing power (ILO, 2013a). For the EC as well, it remains important that real wages continue to move in line with productivity over the medium term (European Commission, 2016b).

Nonetheless, trade unions in some countries have pointed to the need to allow for moderate, but higher, real wage increases in order to sustain the economic recovery by boosting demand. Trade unions have criticized the maintenance of an internal devaluation strategy (Müller et al., 2015), whilst some analysts argue for greater wage moderation in the medium term in order to increase employment and avoid a return to large current account deficits (Decressin et al., 2015). As a consequence, some tensions have arisen in those countries with centralized wage-setting coordination mechanisms. This has been the case in Spain, for example, where disagreement between unions and employers on wage increases delayed the signing of the most recent peak inter-sectoral agreement. In Austria, employers' organizations in the metalworking sector proposed using the average EU inflation rate, rather than the Austrian rate, as a benchmark for negotiating wage increases (Eurofound, 2015e). Similarly, in the case of Belgium, the Socialist trade union ABVV/FGTB rejected the agreement for moderate wage increases in 2015 and 2016. Finally, in Finland, under pressure from the new Government in 2015, trade unions and employers disagreed over policies to enhance economic competitiveness.

5.2.5 Decentralization continues, but without major reforms

The structure of collective bargaining has not experienced major changes in the post-crisis period. During the crisis years, many countries introduced mechanisms to strengthen the role of company-level agreements in collective bargaining, in order to increase wage-setting flexibility and make collective bargaining more responsive to firms' needs. There was accordingly an intensification of decentralization (Marginson, 2015). In the post-crisis period, no major reforms have occurred to change the relationship between different bargaining levels. The trend towards decentralization continues, particularly in those countries lacking a tradition of coordinated collective bargaining and strong social partners, such as in some countries in Central and Eastern Europe (Bernaciak, 2015a). In Austria, a debate was opened in 2015 regarding the introduction of opt-out clauses (Eurofound, 2015d). In Germany, the Collective Agreement Unity Act was passed in 2015 and stipulates that, when two collective agreements exist in a single company, only the one signed by the trade union with the highest number of affiliates will apply.

In a number of countries, changes have taken place in workplace collective representation structures, including works councils. In the Netherlands, for example, a bill was presented in 2015 to enhance the rights of works councils with regard to equal pay for women and men; a separate bill concerned works councils' influence on the terms of pension agreements and to their right to be informed on changes to pension fund policy (Eurofound, 2016b).

5.2.6 Attempts to enhance the sectoral coordination of collective bargaining

One result of the intensification in decentralization of collective bargaining over the crisis period was a weakening of governance capacity, in particular of sector-based coordination (Keune, 2015). In the post-crisis period, some attempts have been made to enhance the coordination of collective bargaining. Decentralization continues, but often under the umbrella of sectoral agreements. This is the case in France and Sweden, where legislation is envisaged to reduce the number of sectoral agreements whilst maintaining the full autonomy of company-level bargaining, so as to reduce fragmentation and increase coordination. In Greece, a bill agreed between the social partners and the Government to restore the pre-crisis framework for collective bargaining, including the minimum wage, included measures to enhance the role of sector-level collective bargaining. However, this bill did not pass into law (Eurofound, 2015f).

In other countries, centralized inter-sectoral agreements still play an important role in coordinating collective bargaining, and wage-setting in particular. This is the case in Finland and Spain. In Finland, the Government urged the social partners to sign a new centralized agreement in order to contribute to wage stability in 2013.

5.2.7 Stabilization of collective bargaining coverage

Collective bargaining coverage, which declined significantly during the crisis, has stabilized in the post-crisis period and has even increased in some countries. This is the case in Slovakia, for example, where in 2014 the Government allowed extensions without employer consent, thereby increasing the number of employees covered by collective agreements. In France, the reform of 2016 is expected to allow for the expansion of collective bargaining to small firms. Some other countries seem also to see a recovery in coverage, including Croatia where a recent report forecast a return in collective bargaining coverage to its pre-crisis level (Eurofound, 2015g). Particularly interesting is the recent reform in Romania, where a sharp decline in collective bargaining coverage was recorded during the crisis. An amendment to the Social Dialogue Law, introduced in December 2015, allows the representative federations at sectoral level to conclude collective agreements in establishments which lack a representative company-level trade union, thus contributing to reverse the downward trend in coverage (Eurofound, 2016).

By contrast, in other countries, the rules allowing for the extension of collective agreements continue to be questioned. This is the case, for instance, in Finland, where the employers' federation challenged the general applicability principle of collective bargaining – under which collective agreements are extended to non-unionized workers – in 2014. In Portugal, coverage remains low due to a decline in collective agreement extensions during the crisis; however, there is some evidence of a recent increase in coverage (European Commission, 2016a).

6. Concluding remarks

If social dialogue is to contribute fully to the achievement of a sustainable and inclusive recovery, both political commitment and the institutions necessary for the meaningful involvement of the social partners must be maintained in the post-crisis period. Even

in countries where social dialogue has proved most resilient, long-term trends and crisis-related factors have both contributed to putting it under strain. In those countries where social dialogue was discontinued, rebuilding trust between the actors is taking time. This analysis has demonstrated that social dialogue is not, in many cases, self-sustaining, but requires active policy intervention and institutional support to revitalize its role. At the same time, in order to make social dialogue effective, the social partners need to enhance their own technical and operational capacities. Indeed, the tripartite partners must renew and reinforce their commitment to tripartism and social dialogue as a tool to deal with the future challenges of a very rapidly evolving world of work. Given the depth of the adjustments required in some countries to exit the crisis, social dialogue will be key for minimizing social and political instability – which could result in costly delays to policy implementation – and for ensuring effective outcomes (e.g., by alerting policy-makers to emerging issues and keeping employment as a policy focus) (ILO, 2013).

This analysis has highlighted the diversity of mechanisms and policy options for the revitalization of social dialogue in the post-crisis period. In some countries, non-institutionalized ad hoc social dialogue has provided an effective mechanism for the involvement of the social partners in policy-making. In others, National Social Dialogue Institutions have facilitated negotiations with the social partners. There is no “one-size-fits-all” policy prescription to revitalize social dialogue. Country-specific factors, including the political and socio-economic context, the characteristics of the social partners and the legal framework for industrial relations, all need to be taken into account when determining what would be the most effective path to follow. The guidance provided by ILO instruments, including the Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144), which has been ratified by most EU countries, the Declaration on Social Justice for a Fair Globalization, and the Global Jobs Pact, can help to enhance the role and impact of social dialogue and tripartism as tools for promoting a sustainable economic and labour market recovery in Europe.

The European Semester provides an opportunity for the social partners to be more intensively involved in policy-making, but the evidence to date shows that the full potential of their engagement is still to be realized. The diversity in mechanisms, as well as in the degree and outcomes of social partner involvement in the European Semester, mirrors to a large extent the diversity found in other aspects of social dialogue across the countries studied. The crisis has made clear the multi-level character of social dialogue, whereby supra-national processes increasingly affect the dynamics at national level. Actors at both national and supra-national levels have to deploy adequate resources, financial, human and institutional, with a view to enabling social dialogue to remain viable and recover its key role in decision-making processes. The nature and magnitude of the economic and social challenges ahead render the active involvement of the social partners, the incorporation of their views, and the use of their institutional resources, indispensable for successful policy design and implementation.

Industrial relations dynamics in the post-crisis period are similarly characterized by diversity, and actors and institutions are facing many challenges. In the countries where important reforms of industrial relations and collective bargaining occurred during the crisis period, no reversal has since been observed. In other countries, the industrial relations landscape is generally characterized by stability, with only a few countries

having partially modified their institutional frameworks in the post-crisis period. During the crisis, the role of the State as both regulator and mediator in industrial relations increased in many countries, and it is now important to restore a certain degree of autonomy to the social partners. Having effective dispute resolution mechanisms in place is particularly important in this respect. Despite the intensification of decentralization, multi-employer bargaining remains a dominant feature in most EU countries, but the erosion of sectoral collective agreements may present an obstacle to achieving greater coordination. It will therefore be important to ensure compatibility between the flexibility accorded by decentralization and the maintenance of sector-level coordination of collective bargaining. A form of coordinated decentralization, in which sector-level agreements provide the framework for company-level bargaining, would facilitate the achievement of an appropriate balance between competitiveness and equity. For this to happen, strong and effective organizations on both the employers' and workers' sides, possessing the technical capacity to implement sectoral guidelines, are essential.

Finally, this study suggests several fruitful avenues for further research. First, to better equip NSDIs to face the emerging challenges in the world of work, there is a need for a comprehensive assessment of their capacity to represent the interests of a changing workforce. Second, more research is required on social dialogue at the enterprise level in different EU Member States. Finally, the fundamental changes underway in the very nature of labour relations point to an urgent need for a careful analysis of the relationship between economic competitiveness and social dialogue at national, sectoral and company levels.

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Appendix

Table 1.5 Crisis-related changes in Governments

	No. of Governments (2008-15)	Circumstances of the crisis-related change in the Government
Belgium	6	Leterme I – Resignation after the BNP Paribas Fortis affair
Finland	5	Katainen – Intra-coalition crisis after VAS (Left Alliance) left in 2014 due to dispute over spending cuts
France	6	Valls I – Resignation after declarations by Minister of Economy against austerity measures
Germany	3	
Ireland	3	Cowen – Intra-coalition crisis leading to the Green Party's withdrawal and the Government's fall
Lithuania	3	
The Netherlands	3	Rutte I – Withdrawal of external support by the Freedom Party (PVV)
Slovakia	3	Radicová – No confidence vote over the parliamentary support to the European Financial Stability Facility (EFSF)
Slovenia	5	Pahor – Intra-coalition crisis, following the referendum on social and labour market reforms
Spain	3	Zapatero II – Did not stand for re-election in relation to handling of the economic crisis
Sweden	3	

Source: Authors' own assessment based on country studies of ILO/EC research project.

Table 1.6 Continuity / discontinuity of social dialogue during the crisis (2008-12)

Country	Continuity / Discontinuity	Predominant form of social dialogue: Tripartite / bipartite	Cumulative GDP change at constant prices (2008-12) (%)	Unemployment rate (2011) (%)	Successive Governments (2008-15)
France	Continuity	Tripartite	1.2	9.2	Fillon II – Union for a Popular Movement (UMP)(2007-2010) Fillon III – UMP (2010-12) Ayrault I – Socialist Party (2012) Ayrault II – Socialist Party (2012-14) Valls I – Socialist Party (2014) Valls II – Socialist Party (2014-)



Country	Continuity / Discontinuity	Predominant form of social dialogue: Tripartite / bipartite	Cumulative GDP change at constant prices (2008-12) (%)	Unemployment rate (2011) (%)	Successive Governments (2008-15)
Slovenia	Discontinuity (Boycott of Economic and Social Council (ESC) in 2010-11. Referendum that brought Pahor's Government down followed unilateral Government interventions.)	Tripartite	-8.6	8.2	Janša I – Slovenian Democratic Party (2004-08) Pahor – Social Democrats (2008-12) Janša II – Slovenian Democratic Party (2012-13) Bratušek – Positive Slovenia (2013-14) Cerar – Moderate Centre Party (2014-)
Spain	Discontinuity (Unilateral interventions since 2011)	Tripartite and bipartite	-7.0	21.4	Zapatero I – Spanish Socialist Workers' Party (2004-08) Zapatero II – Spanish Socialist Workers' Party (2008-11) Rajoy – People's Party (2011-15)
Finland	Continuity (discontinued in the post-crisis period)	Tripartite	-4.5	7.8	Vanhanen II – Centre Party (2007-10) – Majority Kiviniemi – Centre Party (2010-11) – Majority Katainen – National Coalition Party (2011-14) – Majority Stubb – National Coalition Party (2014-15) – Majority Sipilä – Centre Party (2015-) – Majority
The Netherlands	Continuity	Tripartite	-1.8	5.0	Balkenende IV – Christian Democratic Appeal (2007-10) Rutte I – People's Party for Freedom and Democracy (2010-12) Rutte II – People's Party for Freedom and Democracy (2012-)
Germany	Continuity	Bipartite	2.2	5.8	Merkel I – Christian Democratic Union (2005-09) Merkel II – Christian Democratic Union (2009-13) Merkel III – Christian Democratic Union (2013-)



Country	Continuity / Discontinuity	Predominant form of social dialogue: Tripartite / bipartite	Cumulative GDP change at constant prices (2008-12) (%)	Unemployment rate (2011) (%)	Successive Governments (2008-15)
Belgium	Continuity (erosion in the post-crisis period)	Tripartite and bipartite	2.3	7.2	Verhofstadt III – Open Flemish Liberals and Democrats (2007-08) Leterme I – Christian Democrat and Flemish (2008) Van Rompuy – Christian Democrat and Flemish (2008-09) Leterme II – Christian Democrat and Flemish (2009-11) Di Rupo – Socialist Party (2011-14) Michel – Reformist Movement (2014-)
Ireland	Discontinuity (in private sector, but continuity in public sector) 2009-15 (private sector)	Tripartite	-2.7	14.7	Ahern III – Fianna Fáil (2007-08) Cowen – Fianna Fáil (2008-11) Kenny – Fine Gael (2011-)
Sweden	Continuity	Bipartite	2.9	7.8	Reinfeldt I – Moderate Party (2006-10) Reinfeldt II – Moderate Party (2010-14) Löfven – Social Democrats (2014-)
Lithuania	Discontinuity (Unilateral Government intervention (no consultation of the Tripartite Council) led to protests in 2009)	Tripartite	-4.7	15.4	Kirkilas – Social Democratic Party (2006-08) Kubilius II – Homeland Union – Lithuanian Christian Democrats (2008-12) Butkevicius – Social Democratic Party (2012-)
Slovakia	Continuity	Tripartite and bipartite	3.7	13.7	Fico I – Direction – Social Democracy (2006-10) Radičová – Slovak Democratic and Christian Union – Democratic Party (2010-12) Fico II – Direction – Social Democracy (2012-)

Source: Authors' own assessment based on country studies of ILO/EC research project.

Table 1.7 Social dialogue in the post-crisis period (2013-16)

Country	Continuity / revitalization / discontinuity	Predominant form of social dialogue: Tripartite / bipartite	Role of NSDIs in social dialogue in the post-crisis period	Role of European Semester in social dialogue in the post-crisis period
France	Continuity	Both tripartite and bipartite, but tripartite dominant	Important	Not very important. Limited to communication of each actor's diagnosis and/or proposals.
Slovenia	Continuity, but trust remains at low level among actors	Tripartite, with increasing role for bipartism	Very important; the Social Agreement 2015-16 first signed but later rescinded by employers	Raising awareness among the social partners; gradually increased role in formulation of the National Reform Programme (NRP).
Spain	Discontinuity remains in tripartite social dialogue	Tripartism role very weak; bipartism showed resilience	Not important	Not very important. Social partners critical of the time for and limited role of social dialogue.
Finland	Discontinuity	Tripartite	Not very important	There is some form of institutionalization, but the impact of social partners in the NRP is judged to be limited.
The Netherlands	Continuity	Tripartite	Very important	Social dialogue affects the NRP, but outside the context of the European Semester. Involvement of social partners.
Germany	Continuity within an ad hoc setting for tripartite Social Dialogue	Bipartite is dominant, but tripartite social dialogue alive within an informal setting	Not important. However, formal NSDIs at regional level have been created recently	Strong involvement of the social partners in the European Semester.
Belgium	Continuity, but some tensions between social partners and government appearing in 2014-15	Bipartite and tripartite	Traditionally very important, both for bipartite and tripartite social dialogue, but struggling in recent years	Not very important. Social partners critical of the time for and limited role of social dialogue.
Ireland	Discontinuity	Bipartite (Public Sector Unions – Government)	Traditionally important, but its role is increasingly limited	Social partners have not been involved
Sweden	Continuity	Bipartite	Not important	The social partners contribute to the NRP and are invited to consultations about CSRs.



Country	Continuity / revitalization / discontinuity	Predominant form of social dialogue: Tripartite / bipartite	Role of NSDIs in social dialogue in the post-crisis period	Role of European Semester in social dialogue in the post-crisis period
Lithuania	Continuity	Mostly tripartite	Tripartite Council very weak; new tripartite plus bodies created (NEST) with unclear functions; tripartite social pact and bipartite collective agreements signed with little substantial effects.	Not very important, but signs of greater involvement of the social partners in recent years.
Slovakia	Continuity	Tripartite, with increasing role for bipartism	Important. However, various additional tripartite fora have been established to tackle the crisis.	The social partners lack professional means. They participate in the preparation of the NRP, but CSRs are not consulted on at the tripartite Economic and Social Council.

Source: Authors' own assessment based on country studies of ILO/EC research project.

Table 1.8 National social dialogue institutions in European Union countries¹³

Country ¹⁴	National Social Dialogue Institution (title in the original language, date of creation)	Structure ¹⁵	Nature (permanent / ad hoc)	Membership / % women ¹⁶	Comments (functions ¹⁷ and scope; membership of AICESIS ¹⁸)
Austria*	Parity Commission (Paritätische Kommission)	Bipartite	Permanent		Four subcommittees: Advisory Council for Economic and Social Affairs (Beirat für Wirtschafts- und Sozialfragen); Subcommittee on International Issues (Unterausschuss für Internationale Fragen); Subcommittee on Wages (Lohnunterausschuss); and Subcommittee on Competition and Prices (Wettbewerbs- und Preisunterausschuss).
	Advisory Council for Economic and Social Affairs (Beirat für Wirtschafts- und Sozialfragen) (1963)	Bipartite-plus	Permanent	21 members 9% women	
Belgium	Labour National Council (Conseil national du travail / National Arbeids Raad) (1952)	Bipartite	Permanent	26 members 30% women	National collective agreements Mandatory consultation on draft labour law Member of AICESIS
	Central Economic Council (Conseil central de l'économie / Centrale Raad voor het bedrijfsleven) (1948)	Bipartite-plus	Permanent	48 members 35% women	Concertation on economic policies Preparation of technical reports for wage negotiations Member of AICESIS

¹³ The table presents data on the main National Social Dialogue Institutions (NSDIs) (some regional structures are also listed). Most countries also have several permanent and ad hoc expert commissions and panels, often appointed by the Government, which are included only if their purpose is of particular relevance to the ILO-EC research project on post-crisis social dialogue.

¹⁴ Countries marked with “*” are not included in the ILO-EC research project on post-crisis social dialogue in the European Union. The table provides data for 28 European Union (EU) Member States, Norway and the European Economic and Social Committee (EESC).

¹⁵ The following terminology is used to describe the composition of the national institutions: bipartite – organizations of workers (W) and employers (E); bipartite-plus – (W), (E) and “others” (civil society organizations and independent experts); tripartite – Government (G), (W) and (E); tripartite-plus – (G), (W), (E) and “others”.

¹⁶ The composition by gender is constantly changing depending on nominations by the participating organizations. The figures provided are for 2015-16.

¹⁷ As all the institutions have general policy advisory/consultative functions, only specialized features are mentioned.

¹⁸ The International Association of Economic and Social Councils and Similar Institutions (AICESIS) collaborates with the ILO, including on a joint database on NSDIs, which may be accessed at: <http://aicesis.org/database/>

Country ¹⁴	National Social Dialogue Institution (title in the original language, date of creation)	Structure ¹⁵	Nature (permanent / ad hoc)	Membership / % women ¹⁶	Comments (functions ¹⁷ and scope; membership of AICESIS ¹⁸)
Belgium	“Group of Ten” (Interprofessional Agreements – IPA) (2007)	Bipartite	Permanent	11 members 18% women	Informal negotiating group of the employers and trade union confederations for centralized collective bargaining
	High Council for Prevention and Protection at Work (Conseil supérieur pour la prévention et la protection au travail / Hoge Raad voor Preventie en Bescherming op het Werk)	Tripartite-plus	Permanent	47 members 40% women	Mandatory consultation on health and safety regulations
	National Pension Committee (2015)	Tripartite	Permanent	25 members 37% women	Discussion on pension reform
	Flemish Social and Economic Council (Sociaal Economische Raad van Vlaanderen – SERV)	Bipartite	Permanent	20 members 30% women	Consultation on employment and industrial policies
	Walloon Social and Economic Council (Conseil économique et social de Wallonie – CESW)	Bipartite	Permanent	50 members 33% women	Consultation on employment and industrial policies
	Brussels area Social and Economic Council (Conseil économique et social de Bruxelles-capitale / Economische and Sociale Raad voor het Brussels Hoofdstedelijk Gewest) (1995)	Bipartite	Permanent	50 members 33% women	http://www.ces.irisnet.be/fr
Bulgaria*	Economic and Social Council (Икономическият и социален съвет) (2001)	Bipartite-plus	Permanent	36 members 29% women	Member of AICESIS
	National Council for Tripartite Cooperation (Национален съвет за тристранно сътрудничество) (1993)	Tripartite		9 members, 0% women	12 branch (bi-partite) Councils for Social Cooperation Agreement in 2010 on 59 anti-crisis measures http://www.saveti.government.bg/web/cc_13/1
	National Council for Employment Promotion	Tripartite	Permanent		
	National Council on Gender Equality	Tripartite	Permanent		

Country ¹⁴	National Social Dialogue Institution (title in the original language, date of creation)	Structure ¹⁵	Nature (permanent / ad hoc)	Membership / % women ¹⁶	Comments (functions ¹⁷ and scope; membership of AICESIS ¹⁸)
Croatia*	Economic and Social Council (Gospodarsko-socijalnog vijeće – GSV) (2002)	Tripartite	Permanent	14 members 13% women	There are five committees with tripartite representation on: (i) wage policy, tax system and living standards; (ii) social policy, (iii) employment, education and labour market; (iv) legislation, collective bargaining and rights' protection; and (v) sustainable development, economy, energy and climate change. In addition, there are sectoral committees for road transport, railways, tourism, construction, textile-clothing-leather and forestry and timber. They have tripartite composition with different gender balance. There are 21 ESCs at the county level.
Cyprus*	Labour Advisory Board (2006)	Tripartite	Permanent	14 members 7% women	
Czech Republic*	Council of Economic and Social Agreement (Rada hospodářské a sociální dohody – RHSD) (1990)	Tripartite	Permanent	21 members 25% women	In 2014, new procedural rules strengthened the role of social partners for preparing legislation and statutory rules. Member of AICESIS There are Regional Councils of Economic and Social Agreement (Krajské Rady hospodářské a sociální dohody).
Denmark*	Danish Economic Council (Det økonomiske råd)(1962)	Tripartite-plus	Permanent	25 members 8% women	Advisory body
	Danish Employment Council (Danmarks Beskæftigelsesråd)	Tripartite	Permanent		Employment policies Regional and local employment councils (Regionale og lokale beskæftigelsesråd)



Country ¹⁴	National Social Dialogue Institution (title in the original language, date of creation)	Structure ¹⁵	Nature (permanent / ad hoc)	Membership / % women ¹⁶	Comments (functions ¹⁷ and scope; membership of AICESIS ¹⁸)
	National Cooperation Council (Samarbejdsnævnet)	Bipartite	Permanent		Cooperation council administrating the Cooperation Agreement (2006) between LO (Danish Confederation of Trade Unions) and DA (Confederation of Danish Employers – Dansk Arbejdsgiverforening)
Estonia*					In Estonia, there is no social dialogue institution of general competency. The National Tripartite Commission was suppressed in 2009
	Estonian ILO Tripartite Council (1991)	Tripartite	Permanent	12 members 92% women	Issues of collaboration with the ILO
Finland	Economic Council (Talousneuvosto) (1966)	Tripartite-plus	Permanent	19 members 21% women	Information/consultation on economic and monetary policy Member of AICESIS
	Information Committee on Cost and Income Developments (TUKUSETO)	Tripartite	Permanent		
France	Economic, Social and Environmental Council (Conseil économique, social et environnemental – CESE) (1958)	Bipartite-plus	Permanent	233 members 46% women	The Economic Council was created in 1924 and mentioned in the Constitution of 1946. It became the Economic and Social Council in 1958 and the CESE in 2008. www.lecese.fr – Member of AICESIS
	Employment Policy Council (Conseil d'orientation pour l'emploi) (2005)	Tripartite-plus	Permanent	48 membres, 27% women	Preparation of diagnosis on trends in employment and of proposals on employment policies
	Social Dialogue Committee for International and European Issues (Comité du dialogue social pour les questions internationales et européennes – CDSEI) (1998)	Tripartite	Permanent	16 social partners (8+8) + ministries concerned by the agenda	Information and consultation with social partners

Country ¹⁴	National Social Dialogue Institution (title in the original language, date of creation)	Structure ¹⁵	Nature (permanent / ad hoc)	Membership / % women ¹⁶	Comments (functions ¹⁷ and scope; membership of AICESIS ¹⁸)
France	Consultative bodies	Tripartite	Permanent		National Collective Bargaining Commission (Commission nationale de la négociation collective – CNCC); National Employment Committee (Conseil national de l'emploi, CNE); Pensions Advisory Committee (le Conseil d'orientation des retraites); the National Committee for Employment, Training and Vocational Guidance (le Conseil national de l'emploi, de la formation et de l'orientation professionnelle (CNEFOP); Committee on Working Conditions (le Conseil d'orientation sur les conditions de travail (COCT); the National Council on Labour Relations (le Haut conseil du dialogue social (2008)); the National Council for Lifelong Vocational Training (Conseil national de la formation professionnelle tout au long de la vie, CNFPTLV).
	Social Summits (up to 2011), Social Conferences (since 2012)	Tripartite	Ad hoc	Variable	Chaired by the President of France, 2010-15
Germany					No NSDI
	Economic Crisis Summits (2008-2010), informal consultations	Tripartite	Ad hoc		
	Minimum Wage Commission (Mindestlohnkommission) (2014)	Tripartite-plus	Permanent	9 members	
	Tripartite Social Dialogue Council of the State of Brandenburg (2011)	Tripartite	Permanent	14 members 21% women	The Berlin Dialogue was set up in 2013



Country ¹⁴	National Social Dialogue Institution (title in the original language, date of creation)	Structure ¹⁵	Nature (permanent / ad hoc)	Membership / % women ¹⁶	Comments (functions ¹⁷ and scope; membership of AICESIS ¹⁸)
Greece*	Economic and Social Council (Μήνυμα του Προέδρου της – ΟΚΕ) (1994)	Bipartite-plus	Permanent	62 members 8% women	Member of AICESIS
	Supreme Labour Council (ASE)	Tripartite	Permanent		6 Sections (Section on Gender Equality established in 1984) In charge of requests, inter alia, on collective redundancies (since 2014) and the extension of collective agreements
	Government Council for Employment (2014)	Tripartite	Permanent		Convened by the Prime Minister at his/her convenience (one meeting since 2014)
	National Social Protection Committee	Tripartite-plus	Permanent		
	National Committee for the Equality of Men and Women	Tripartite-plus	Permanent		
Hungary*	National Economic and Social Council (Nemzeti Gazdasági és Társadalmi Tanács – NGTT) (2011)	Bipartite-plus	Permanent	32 members 0% women	Member of AICESIS Consultative body
	Permanent Consultative Forum of the Industry and the Government (Versenyszféra és a Kormány Érdekegyeztető Fóruma – VKF)				Negotiation on minimum wage; consultation on labour-law related issues
Ireland	National Economic and Social Council (NESC) (1973)	Tripartite-plus	Permanent	34 members 29% women	Advisory role to the Prime Minister's Office Member of AICESIS
	National Economic Dialogue (2015)	Bipartite-plus	Permanent		Expression of views on the State budget
	Low Pay Commission (2015)	Bipartite-plus	9 members		

Country ¹⁴	National Social Dialogue Institution (title in the original language, date of creation)	Structure ¹⁵	Nature (permanent / ad hoc)	Membership / % women ¹⁶	Comments (functions ¹⁷ and scope; membership of AICESIS ¹⁸)
Italy*					No national social dialogue institution The National Economic and Labour Council (Consiglio Nazionale per l'Economia e il Lavoro – CNEL, 1957, bipartite-plus, consultative body for Parliament and the government), member of AICESIS, was suppressed in 2015 (64 members, 9% women) However, it is still partially functioning in 2016 (it keeps the national database on collective bargaining, continues to do some monitoring of the labour market and integration of migrants)
Latvia*	National Tripartite Cooperation Council (1996)	Tripartite	Permanent	21 members 33% women	
Lithuania	Tripartite Council of the Republic of Lithuania (Lietuvos Respublikos trišalė taryba – LRTT) (1995)	Tripartite	Permanent	21 members 30% women	Tripartite councils also exist at municipal level
	Tripartite Council (Social-economic Council) of the Republic of Lithuania (Lietuvos Respublikos trišalė taryba (socialine-ekonomine taryba) (2010)	Tripartite	Permanent		
Luxembourg*	Economic and Social Council (Conseil économique et social) (1966)	Bipartite-plus	Permanent	39 members 10% women	Member of AICESIS http://www.ces.public.lu/fr/index.html
	Tripartite Co-ordination Committee (Comité de coordination tripartite) (1977)	Tripartite	Permanent		
	Permanent Committee of Labour and Employment (Comité Permanent du Travail et de l'Emploi – CPTE)	Tripartite	Permanent		Employment, working condition, occupational safety and health



Country ¹⁴	National Social Dialogue Institution (title in the original language, date of creation)	Structure ¹⁵	Nature (permanent / ad hoc)	Membership / % women ¹⁶	Comments (functions ¹⁷ and scope; membership of AICESIS ¹⁸)
Luxembourg*	Economic Committee (Comité de conjoncture)	Tripartite	Permanent		Monitoring of the situation of companies forced to resort to short-time working arrangements and to propose, if needed, compensatory payments to companies resorting to short-time work.
	Women's Labour Committee (Comité du travail féminin)	Tripartite	Permanent		
Malta*	Malta Council for Economic and Social Development (MCESD) (2001)	Tripartite-plus	Permanent	17 members 9% women	Member of AICESIS Issues of economic and social relevance including cost of living adjustments, skills, working time, unemployment, utility prices, budget proposals, etc.
	Employment Relations Board				Wages, working time and other issues involving employment conditions, including relevant legislation.
The Netherlands	Economic and Social Council (Sociaal Economische Raad – SER) (1950)	Bipartite-plus	Permanent	33 members 24% women	Member of AICESIS
	Labour Foundation (Stichting van de Arbeid – STAR) (1945)	Bipartite	Permanent		National consultative body incorporating Dutch employers' federations and trade union confederations http://www.stvda.nl/
Norway*	Contact Committee (Kontaktutvalget)	Tripartite	Permanent	12 members 58% women	Economic policy; Leader: Prime Minister
	Employment and Pension Policy Council (Arbeidslivs- og pensjonspolitisk råd) (created in 2004)	Tripartite	Permanent	10 members 60% women	Leader: Minister of Labour and Social Affairs
	Technical Calculation Committee for Wage Settlements (1967)	Tripartite	Permanent	14 members 42% women	https://www.regjeringen.no/en/topics/labour/lonn-og-inntekt/innsikt/inntektspolitikk-og-lonnsooppgjor/tbu/id439434/

Country ¹⁴	National Social Dialogue Institution (title in the original language, date of creation)	Structure ¹⁵	Nature (permanent / ad hoc)	Membership / % women ¹⁶	Comments (functions ¹⁷ and scope; membership of AICESIS ¹⁸)
Poland*	Social Dialogue Council (Rada Dialogu Społecznego) (2015)	Tripartite	Permanent	59 members 18% women	Replaced the Tripartite Commission for Social and Economic Affairs (Trójstronna Komisja ds. Społeczno Gospodarczych – TK) (1994), (tripartite-plus; 62 members, 11% women); member of AICESIS There are vivodeship (regional) social dialogue councils http://www.dialog.gov.pl/en/
	Tripartite Commission Team for Cooperation with the ILO	Tripartite	Permanent		Established, inter alia, for the purposes of the ILO Tripartite Consultation (International Labour Standards) Convention, 1978 (No. 144).
	Centre for Social Partnership (Centrum Partnerstwa Społecznego)				State-controlled institution responsible for promoting social dialogue (through instigating and maintaining public debate, research and publishing activities) http://www.cpsdialog.pl/
Portugal*	Economic and Social Council (Conselho Económico e Social -CES) (1991)	Tripartite-plus	Permanent	66 members 21% women	Member of AICESIS www.ces.pt/5
	Standing Committee for Social Concertation (Comissão Permanente de Concertação Social – CPCS) (1984)	Tripartite	Permanent	13 members 8% women	CPCS is a sub-committee of the CES for the promotion of social dialogue and conclusion of agreements www.ces.pt/9
	Labour Relations Centre (Centro de Relações Laborais – CRL) (2012)	Tripartite	Permanent	12 members (24 in total with deputies) 33% women	Consultation and advice on social dialogue and collective bargaining (e.g. employment, vocational training) www.crlaborais.pt

Country ¹⁴	National Social Dialogue Institution (title in the original language, date of creation)	Structure ¹⁵	Nature (permanent / ad hoc)	Membership / % women ¹⁶	Comments (functions ¹⁷ and scope; membership of AICESIS ¹⁸)
Romania*	Social and Economic Council (Coniliul Economic si Social – CES) (1997)	Bipartite-plus	Permanent	45 members 11% women	Labour relations, fiscal and financial policies, public health policies, social protection policies, education www.ces.ro Member of AICESIS
	National Tripartite Council for Social Dialogue (Consiliul Național Tripartit pentru Dialog Social – CNTDS) (2011)	Tripartite	Permanent		Minimum wage, labour relations, labour disputes
	Advisory board of the National Agency for Employment (Agenția Națională pentru Ocuparea Forței de Muncă – ANOFM)	Tripartite	Permanent		
Slovakia	Economic and Social Committee (Hospodárska a sociálna rada Slovenskej republiky – HSR SR) (2006)	Tripartite	Permanent	79 members 8% women	A national tripartite social dialogue exists, under diverse names, since the establishment of the Economic and Social Concertation Council (Rada hospodárskej a sociálnej dohody – RHSD) in 1991 in the-then Czechoslovakia
	Council for the Economic Crisis (Rada pre hospodársku krízu – RHK) (2009)	Tripartite-plus	Ad hoc		Consultative body of the Government Abolished in 2010
	Council of Solidarity and Development (Rada solidarity a rozvoja – RSR) (2012)	Tripartite-plus	Ad hoc		Informal consultative body chaired by the Prime Minister (about four annual meetings)
	Industry Bipartite (2013)	Bipartite	Permanent	8 members (five employers' associations and three trade unions)	Consultations and coordination of members' activities, including participation in tripartite HSR SR

Country ¹⁴	National Social Dialogue Institution (title in the original language, date of creation)	Structure ¹⁵	Nature (permanent / ad hoc)	Membership / % women ¹⁶	Comments (functions ¹⁷ and scope; membership of AICESIS ¹⁸)
Slovenia	Economic and Social Council (Ekonomsko-socialni svet – ESS) (1994)	Tripartite	Permanent	26 members 27% women	Consultative function, a quasi-bargaining function (though not collective bargaining in its proper sense), which means that ‘social agreements’, pay policy agreements and other tripartite accords are negotiated within its framework. Member of AICESIS
Spain	Economic and Social Council (Consejo Económico y Social) (1991)	Bipartite-plus	Permanent	61 members 23% women	Member of AICESIS Several ESCs were suppressed in regions (Autonomous Communities) by 2012-14
Sweden					No national tripartite social dialogue institution The industrial relations system is essentially bipartite but with regular tripartite consultations. The social partners are represented on parliamentary and governmental committees responsible for drawing up employment and social policies
United Kingdom*					No national social dialogue institution
	Low Pay Commission (LPC)	Bipartite-plus	Permanent	9 members 33% women	
European Union*	European Economic and Social Committee (Comité économique et social européen)	Bipartite-plus	Permanent	350 members 28% women	www.eesc.europa.eu

Sources: National institutions; country studies of ILO/EC research project 2015-16; AICESIS-ILO joint database; EurWORK (the European Observatory of Working Life – Eurofound).

Table 1.9 Industrial relations and collective bargaining in the post-crisis period (2013-15)

Country	Role of the State in regulating industrial relations and trend in the post-crisis period	Collective bargaining structure and trend in the post-crisis period	Wage bargaining coordination	Collective bargaining coverage and trend in the post-crisis period
France	High, stable	Sector-company, stable	Medium, sectoral	High, stable
Slovenia	Medium, declining	Cross-industry and sectoral, decentralization	High, cross-Industry and sectoral	High, declining
Spain	High, stable	Sector-company, decentralization	Medium-high, cross-Industry and sectoral	Medium-high, declining
Finland	Low, increasing	Cross-industry and sectoral, stable	High, cross-industry	High, stable
Ireland	Low, stable	Company, decentralization	Low, company	Low, declining
The Netherlands	Medium, stable	Sector-company, stable	High, cross-industry and sectoral	High, increasing
Germany	Low, increasing	Sector-company, stable	High, sectoral and cross-industry through pattern-setting	Medium-high, declining
Belgium	Medium, increasing	Cross-industry and sectoral, stable	High, cross-industry	High, stable
Sweden	Low, stable	Sector-company, stable	High, cross-Industry	High, declining
Lithuania	Low, increasing	Company, stable	Low, no coordination above company level	Low, declining
Slovakia	High, stable	Company-sector, stable	Low-medium, sectoral	Low-medium, declining

Source: Authors' own assessment based on country studies of ILO/EC research project.

2. Belgian social dialogue since the crisis: The ups and downs of an organized system of industrial relations

GUY VAN GYES, LAURIANNE TERLINDEN AND SEM VANDEKERCKHOVE

1. Introduction

Belgium is traditionally cited as a model of democratic corporatism in international comparisons (Woldendorp, 1997), insofar as socio-economic policy is developed through a centralized, national system of social dialogue, in which employers' and workers' organizations take part in consensus negotiations on the formulation and implementation of government policy. Although there can be a high level of polarization at times, and dialogue does not always lead to compromise, the institutional apparatus tends to remain intact within a situation of relative social peace. A coordinated bargaining system and policy concertation are important institutional pillars. But how have these key features of Belgian social dialogue fared since the crisis? Have there been any important changes and innovations?

This chapter focuses on the period 2012-15 – during which a second economic dip, linked to the Eurozone crisis, resulted in a period of economic stagnation, rising unemployment and continued fiscal problems. Having finally resolved a four-year ethno-linguistic dispute and spurred by European recommendations, Belgian policy-makers embarked upon ambitious reform trajectories, targeting fiscal austerity and international cost competitiveness. Between 2011 and 2014 the country was governed by a broad multi-party coalition of Socialists, Christian Democrats and Liberals, led by the Prime Minister Elio Di Rupo. Since autumn 2014, Charles Michel has been leading a centre-right government of Liberals, Christian Democrats and the New Flemish Alliance (N-VA) – a Flemish nationalist right-wing party that entered government for the first time. Although institutional continuity prevails, the reforms ushered in new constellations, approaches and innovations, which constituted a challenge for social dialogue. Much changed, especially for the trade unions, which still enjoy large-scale support among the workforce – with a union density rate exceeding 50 per cent. The unions launched political strikes and protests against the government(s), struggled to participate within a changed framework of social dialogue, and were on the receiving end of radical criticism by both politicians and the media.

For this study, the authors made extensive use of the monitoring work that the HIVA Institute for Work and Society – together with the Institute for Labour Studies (IST) of the University of Louvain (UCLouvain) – conducts for the EurWork Observatory of Eurofound, and referred to existing literature (especially from the Centre for socio-political

research and information – CRISP). The authors also conducted four interviews with seven key players in Belgian social dialogue (see appendix for list).

Table 2.1 Main actors in Belgian social dialogue at national level

Trade unions:	
Confederation of Christian Trade Unions (CSC/ACV)	1.7 million members
General Labour Federation of Belgium (FGTB/ABVV)	1.5 million members
General Confederation of Liberal Trade Unions of Belgium (CGSLB/ACLVB)	290,000 members
Employers' organizations:	
Belgian Federation of Employers (FEB/VBO); Union of Independent Entrepreneurs (UNIZO); Union of Middle Classes (UCM); Federation of Belgian Farmers (BB); Confederation of Social Profit Enterprises (UNISOC).	

2. The economic and political context

2.1 Period of economic stagnation

Belgium is an open economy, strongly integrated in the European Union (EU) and Euro-zone, and with a large share of company capital in foreign hands or invested abroad. It enjoys high living standards based on high productivity, while a welfare state provides broad coverage for many of its citizens. It combines high public debt with high taxes (on labour). The economy has been moving progressively towards a service-based economy over recent decades.

In general, Belgium is recognized as one of the European countries that dealt relatively well with the economic and financial crisis in a first period. The 2008–09 banking crisis was nevertheless a major blow. The Government managed the situation by bailouts, selling off or nationalizing banks, providing bank guarantees and extending the deposit insurance. After a first period of economic recession in 2008 and 2009, employment started to expand again between 2009 and 2011. This period of economic recovery was followed by a second dip in the second half of 2011 (Bulté and Struyven, 2013), when Belgium entered a period of stagnation and started to suffer the same economic problems as other Eurozone countries. Unemployment reached a ten-year record high of 8.5 per cent in 2014. However, also in 2014, the Belgian economy took a slow turn for the better. Growth reached 1 per cent in 2014 with company investments and net external trade as drivers. The country has entered, according to the European Commission (EC), a period of slow-moving recovery with growth considerably lower than pre-crisis levels.

Internal private demand, stimulated by continued (nominal) wage growth, played an important role as an economic stabilizer throughout the crisis – but this wage growth also resulted in a further deterioration of external cost competitiveness. Inflation floated in 2012-2013 around 0 per cent. High public debt has been a constant characteristic of the country for many years. The crisis pushed public debt even further into the red. In 2009, the deficit reached a high of 5.5 per cent of GDP, and consecutive governments are still struggling to get it (clearly) below the 3 per cent marker of the EU Stability and Growth Pact. Consolidated public debt reached 106.5 per cent of GDP at the end of 2014.

Table 2.2 Main economic indicators, 2007-14

	2007-11	2012	2013	2014
GDP growth rate (%)	1.1	0.1	0.3	1.3
Current account balance (% of GDP)	0.1	-0.1	-0.2	-0.2
Domestic demand (annual % change)	1.3	-0.2	-0.7	0.6
Unemployment rate (% of labour force)	7.6	7.6	8.4	8.5
Public deficit (borrowing as % of GDP)	-2.9	-4.1	-2.9	-3.2
Gross debt (% of GDP)	95.9	103.8	104.4	106.5
Nominal unit labour costs (2010 = 100)	102.7	106.2	108.5	108.5
Gross wages and salaries (hourly average) (Euros)	37.8	38.1	38.1	37.9
Harmonized index of consumer prices (HICP)	2.4	2.6	1.2	0.5
Labour productivity (Euros per hour worked)	45.8	45.7	45.9	n.a.

Source: European Commission (2015) Spring Economic Forecast, and Eurostat.

The Belgian labour market has a rather low employment rate, especially of older workers (HRW, 2013 and 2015). Vulnerable groups such as low-skilled people and migrants often find it difficult to obtain a job. Women are increasingly participating in the labour market and they have been hit less by the employment crisis. Part-time work had risen to 25 per cent of all jobs by 2013. Temporary unemployment was high in the first crisis period, peaked again in 2013, but decreased thereafter. There has been no increase in temporary contracts (8 per cent) and atypical working hours. Poverty indicators have remained relatively stable at an aggregate level since 2008. Nonetheless, this overall stability is a result of slightly decreased poverty risks for the elderly – whereas poverty risks have increased for some vulnerable groups in the labour market, namely the low skilled or persons living in households with very low work intensity. The indicators thus point to an increased social divide among the population of working age (Federal Public Service-Social Security, 2015).

2.2 Slowly leaving political instability behind

Belgium is a complicated country from a political point of view (Deschouwer, 2012). Over the past few decades, fundamental constitutional state reforms have created a federal structure based on the recognition of three Communities and three Regions. The Communities enjoy autonomy in cultural and educational policy fields, and the Regions have competence over policy matters like industrial and employment policy. Belgian management of the economic crisis was from the start hampered by political instability linked to ethno-linguistic tensions and State reform. During half of the period 2007-11, the country had either no Federal government or only a departing one. The dispute culminated in a constitutional and linguistic discussion about the splitting of

the electoral district Brussels-Halle-Vilvoorde ('BHV' case). Successive governments continued to struggle with the issue. Elections in 2010 resulted in a clear win for the non-traditional Flemish nationalist and conservative New Flemish Alliance (N-VA). It took 541 days before a new coalition agreement could be reached at the Federal level. In December 2011, the Di Rupo Government was finally sworn in, composed of the six traditional parties (the Flemish and Walloon Socialists, Christian Democrats and Liberals). It was followed in 2014 by a centre-right Government (Michel), which left the Social Democrats out of the coalition for the first time since 1988 and had no majority in the French-speaking part of the country; but it now included the largest party – the N-VA.

3. Role of social dialogue in national policy-making

3.1 Tradition of policy concertation

Organized social dialogue has an established position in the Belgian political system of “consociationalism”. This can be defined as a form of democracy in which harmony in segmented societies is maintained through the distinctive role of elites and the autonomy of organized interests (Deschouwer, 2012). Social partners are frequently consulted by policy-makers on important issues, not only in the fields of social and employment policy. According to a number of authors (Kuipers, 2006; Hemerijck and Visser, 1999), key bodies at the national level in this neo-corporatism are:

- The National Labour Council (NAR-CNT): composed of the “most representative” employers’ and workers’ organizations. It is a forum for the conclusion of national cross-industry collective agreements. Furthermore, it has general competence to give its opinion on “matters of social concern” (Van den Broeck, 2010).
- The Central Economic Council (CRB-CCE): responsible for submitting opinions or proposals relating to the national economy. It has been granted a key task under the 1996 Law on Competitiveness and Employment. Each year, the Council Secretariat has to draft a technical report monitoring the various aspects covered in the Law, in particular wage and labour costs developments in Belgium and neighbouring countries (Palsterman, 2010).

Numerous other concertation bodies exist at national, sector and regional levels. The regional bodies – for example, the Social and Economic Council of Flanders (SERV) – have been growing in importance (Installé, Ongena and Verlinden, 2010). The social partners are directly involved in policy implementation as they govern the national social security agencies, vocational training funds and employment agencies. One of the most concrete examples of this dialogue is that the Government is authorized to reach agreement with the social partners, on a biannual basis, on the increase in social benefits within a specific budgetary envelope (correlation of benefit increase with the welfare in the country) (Hemerijck and Marx, 2010).

3.2 A three-phase deterioration in policy concertation

3.2.1 Phase 1: Anti-crisis management in partnership (2008-11)

As already stated, the Belgian economy certainly fared relatively well in the first years of the crisis. Various explanations are cited. In addition to the linkage with the German economy, which also responded quite positively, automatic stabilizers contributed

significantly to the situation. Belgium has one of the highest rates of these social protective types of automatic stabilizers (Dolls et al., 2012). Indeed, a number of factors undeniably played a key role in securing the income of households and hence in stabilizing demand and output. These included: the wage indexation mechanism, the centralized wage formation, the generous social protection (in particular the unemployment benefit of unlimited duration) and the progressive tax system. These existing instruments were complemented by specific additional anti-crisis measures. The shortening of working time, by having recourse to and extending the existing temporary unemployment system, was a central feature of these measures.

In December 2008, the Government announced a stimulus plan to revive the economy: VAT-reductions in construction, new infrastructure projects and a reduction of electricity costs. The development of the plan coincided with the social partners' negotiations of their biannual cross-sectoral agreement that secured purchasing power (see section 4 for details). The Government also decided, in follow-up to the talks with the social partners, to minimize the consequences of the forecast employment crisis by improving the temporary unemployment system for blue-collar workers – which was achieved by increasing the rate of the temporary benefit. It was further agreed to adopt an additional scheme to reduce working hours for white-collar workers. In this first crisis period, collaboration between the social partners and the Government to tackle the crisis was thus high. This partnership was, however, still hampered by the enduring political crisis.

3.2.2 Phase 2: Moderate austerity and the Di Rupo Government (2012-14)

In December 2011, more than 500 days after the 2010 elections, the Di Rupo Government was finally sworn in. In that year, the Belgian economy had encountered unforeseen difficulties: growth was stagnating and the economy moved into recession. The Eurozone crisis was growing and the international rating agencies were downgrading the loan credibility of the Belgian State. The new Government quickly embarked upon an ambitious reform and austerity programme, in the hope of keeping the country out of the Eurozone debt crisis and preventing it from direct international intervention. The new Government also quickly agreed on important constitutional reforms, devolving more responsibilities to the Regions.

Box 2.1 National Collective Agreement 104 on company-level employment plans

The Di Rupo Administration, aspiring to complement the reduction of early retirement policies by positive incentives to keep more employees in the 55-65 age category at work, asked the social partners to develop a framework agreement for company-level employment plans. This National Collective Agreement 104 (agreed in June 2012) suggested a non-exhaustive list of initiatives that employers could use in drawing up an annual 'company employment plan for recruiting and/or retaining 45+ year-old employees'. Initiatives included: recruiting new 45+ staff, training and developing competencies, introducing career guidance, carrying out internal transfers, adapting working hours and conditions to meet the needs of older employees, preventing and ameliorating physical barriers, and recognizing acquired competencies. A condition was that the employer must negotiate the plan with the union representatives.

The first social and labour market reforms were introduced in Parliament before Christmas 2011 – reforms in the early retirement system being the most important among these. Although the pensionable age remained at 65 years, the general goal of the reforms was that everybody would work at least two years longer. The measures raised the minimum age for the country's popular early retirement option from 60 to 62 years and made it harder to stop working earlier. The swift and unilateral introduction of these reforms sparked a direct reaction from the trade unions. A 24-hour general strike was organized on January 30, 2012. Nevertheless, tripartite talks resumed after the strike and resulted in a series of measures that 'smoothed' the transition to the new early retirement system. Transition measures and continued exemptions for long careers or arduous work were integrated.

A tense climate of economic restructuring and EU budgetary monitoring placed extra pressure on Di Rupo's Government. Since 2009, Belgium had been placed in the corrective arm of the Stability and Growth Pact (SGP), requiring severe budget cuts to decrease its deficit. In November 2012, the Government reached agreement on a budget that followed European guidelines and focused on economic recovery. It stated that it would also tackle the labour cost gap and strengthen competitiveness. The budget included measures to contain wage growth. Although the automatic wage index was retained, the composition of the index basket was altered in order to temper its effect. Moreover, the budget imposed a wage freeze for 2013–14 other than the automatic index-linked increase. The aim was to reduce the labour cost gap with neighbouring countries by 1.6 per cent, reinforcing Belgian competitiveness and stimulating employment. It was the first time since the crisis that the Belgian Government had intervened openly and before negotiations had started in the biannual wage bargaining round. Unions reacted quickly and said that continuing talks on a national cross-sector agreement for 2013–14 made no sense.

Members of the Government, meanwhile, stated that while they understood the concerns of the unions, they stood by their policy. In order to keep social dialogue ongoing, the Government asked the social partners to discuss a number of other topics – some of which were defined as 'partial agreements'. These covered the technical implementation of the wage freeze and the reduction of labour costs reduction by tax redemptions, as well as the recurring decision to adapt social allowances to cost-of-living changes, improve the minimum wage, and abolish the age-discriminatory youth minimum wage. A consensus was reached at the last moment. In addition, the social partners reached agreement on a proposal to make working time calculations more flexible ('annualisation' and 'counting overtime'). In addition, in July 2013, an agreement was reached between the social partners about the (partial) harmonization of the two main employment statutes, namely the statutes of blue- and white-collar workers. With a deadline of the Constitutional Court acting as a 'sword of Damocles', a compromise was struck: a single dismissal procedure for all employees, both white- and blue-collar.

3.2.3 Phase 3: Strong austerity under the Michel Government (2014-15)

After the elections of May 2014, a centre-right government was formed. Headed by the Walloon liberal Michel, it became operational in the autumn and embarked upon an ambitious reform plan, focusing on austerity measures and reforms to increase cost competitiveness. Although the previous Government had managed to stabilize the

public debt ratio, unemployment had reached a record high of 8.4 per cent. Drawing upon EU recommendations – inter alia – for inspiration, the Government defined new priorities and adopted a series of measures in 2015 (see table 2.3).

Table 2.3 Reform priorities and measures of the Michel Government, 2015

Priority	Measures taken in 2015
Structural balance of State budget by 2018	• 0.7 per cent per year structural savings; a total of 8 billion Euros in cuts; 2.5 billion in 2015
Tax shift	• 7.2 billion Euros tax shift, transferring part of the tax burden from labour to consumption, pollution and capital gains – with a view to reducing employers' social security contributions from 33 to 25 per cent
Dissolution of the labour cost gap	• On April 22, 2015, the Federal Parliament approved the index jump, a temporary freeze on the automatic wage indexation, skipping the next 2 per cent increase. See also tax shift.
Activation as employment policy	• Age of early retirement increased from 60 to 62 years, with certain transitional arrangements. • The specific end of career credit (private sector), which allows for a decrease of working hours until retirement, was limited. The time credit between 50 and 54 years was abolished, and the limit of new applications was raised from 55 to 60 years (with exceptions); • Integration programme to reintegrate those suffering from long-term illness; • Increased degressivity of unemployment benefit; • Temporary unemployment made less attractive (e.g. back to pre-crisis rules); • Stricter rules for integration allowance (young people entering the labour market); • Creation of flexi-jobs in hotel and restaurant sector (second job with social tax reduction).
Pension reform	• Increase in the state pension age: 65 remains the legal pension age until 2024; in 2025, it will increase to 66, and in 2030 to 67 years. It will also become easier for retired citizens to be professionally active; • Establishment of the National Pension Committee and the Roundtable on Sustainable Work.

The measures introduced by the Michel Government represented an important change of direction for the country and sparked discussions, protests and power struggles, not the least between the social partners. Trade unions raised serious concerns about the quality of social dialogue in Belgium and the limited bargaining room left by the new measures. A 'hot' autumn of trade union protest followed, with a mass demonstration (comprised of 120,000 people) in Brussels, regional strikes and a general strike on 15 December 2014, immediately after the inauguration of the government. The key issues of the protest were: the announced 'index jump'; the increase in the retirement age; a general feeling of 'unfair' or 'unequal' savings; and a plea for a big tax shift to

capital. The employers' associations urged the trade unions to come back to the negotiating table.

Social dialogue then entered into a period of uncertainty throughout 2015, during which tensions between right-wing politicians and the trade unions fluctuated considerably. As the President of the largest trade union ACV-CSC stated: "We have as unions less impact than ever". Trade unions continued to rally against the Government, and participated in a broader coalition of protest movements. After the summer, and to 'commemorate' one year of the Michel Government, the unions organized another large-scale protest march of 100,000 demonstrators in Brussels. Parties within the Government reacted with suggestions to revise the right to strike, questioning trade union involvement in unemployment benefit administration and proposing a minimal service in the event of railway strikes.

Yet, at the same time, bipartite and tripartite social dialogue at the national level resumed. A national wage agreement was struck (see section 4). Agreements were reached on some transitional measures in relation to the increasing age of (early) retirement, although not without difficulties. Other important agreements related to the minimal guarantees of occupational pension schemes and night work in e-commerce. Discussions are still ongoing on a possible revision of the 1996 Law regarding employment and competitiveness (the "Wage Norm Law") and on the implementation of the pension reform. The Federal Government also established an advisory National Pension Committee, comprising representatives of the various governments (Federal and regional) and the social partners. In addition, a roundtable was set up by the Minister of Employment to discuss new plans on sustainable work.

3.2.4 Difficult policy concertation on major reforms

Overall, a mixed picture of social dialogue in the labour market and social policy reforms emerges. Agreements between the social partners did play the major role in some of the reforms pertaining to labour market flexibility and social benefits – but in others they did not. Furthermore, we may observe that in the key social reform of the period 2012-15, namely the pension and retirement age changes, social dialogue played only a minor role, and this was limited to implementation technicalities and transition measures.

Table 2.4 Involvement of the social partners in main labour market and social reforms 2012-15

	Main role (national agreement)	Social dialogue impact on implementation	No role
Labour market flexibility			
Working time (2012)	X		
Temporary agency work (2013)	X		
Flexi-jobs in Horeca (2015)			X
Night work e-commerce (2015)	X		

	Main role (national agreement)	Social dialogue impact on implementation	No role
Activation policies			
Restrictions unemployment benefit (2012/15)			X
Career leave system (time credit) (2012/2015)		X	
Reform early retirement (2012/15)		X	
Sustainable work (2012-13)	X		
Pension reform (2014-15)		X	

However, the increased rallying of trade unions against government policies through strikes and demonstrations mirrors this reduced role of social concertation (see table 2.5).

Table 2.5 Overview of main union protests 2012-15

During Di Rupo Government	During Michel Government
15/11/11 Union militants concentration in Brussels, 6,000 participants	06/11/2014 Mass demonstration, 120,000 participants
02/12/11 Demonstration, 60,000 participants	November – December 2014 3 Regional strike days
22/12/11 Strike in the public services	15/12/2014 General strike
30/01/12 General strike	31/03/2015 March ‘Heart over austerity’, 17,000 participants
21/02/2013 Demonstration, 35,000 participants	April 2015 Provincial strike action days ABVV-FGTB
14/03/2013 Protest meeting union militants	07/10/2015 Mass demonstration, 100,000 participants
April-May 2013 Regional demonstrations ABVV-FGTB	

3.3. Role of social dialogue in the European Semester

3.3.1 Pre-crisis period: the Lisbon Agenda as an inspiring guideline

As a founding EU Member State, Belgium’s membership has never been called into question, and this Europeanism has always been shared by the social partners (Plessers, 2007). These beliefs and traditions led to a kind of genuine ‘technocratic’ participation – by the social partners – in the adoption/transposition of European social policy into the Belgian context. Indeed, the Belgian social partners were

involved, during the pre-crisis period, in the implementation of the European Employment Strategy (EES) and in drafting the National Reform Programme, as part of the revised Lisbon Agenda. The consultations were organized within the two main national representative bodies in Belgium, namely the Central Economic Council (CRB-CCE) and the National Labour Council (NAR-CNT). Social partners' delegates have regular contacts and discussions with the Belgian participants in European policy committees.

3.3.2 Belgium under supervision in the new governance

Much has changed since the introduction of the new Semester approach. In 2009, Belgium was directly placed in the corrective arm of the SGP procedure of fiscal consolidation and had to commit to bringing the deficit below 3 per cent and to pursuing corrections of the structural deficit by at least 0.75 per cent of GDP. Although targets have been changed and postponed, it took until 2014 for Belgium to escape the threat of sanctions. The new Government in 2011, and the next one, embarked upon a range of austerity measures to reach agreement with the European Commission (EC) on the path to fiscal consolidation and to avoid tighter controls. Confronted with EC evaluations of 'some' or 'limited' progress, difficult and not always transparent negotiations were repeatedly held between Belgium and the European authorities (Vanden Bosch, 2014; Perin, 2015).

Although the EC recommendations for structural reforms evolved over time, they repeatedly concerned the same key areas and increasingly focused on issues in which there is a clear tradition of social dialogue in Belgium. These included the long-term sustainability of State finances; the (cost) competitiveness of the economy; and the need for labour market reforms and for shifting taxes from labour to other incomes. Long-term financial stability was strongly linked to the financing of the pension system and thus the need to reform the retirement rules. The recommendations related to cost competitiveness concerned the core business of Belgian social dialogue, the wage-setting mechanism. Since the start, the EC has advised Belgium to reform its wage-setting system, including wage indexation and the Law of 1996; and in its most recent country-specific recommendations, it made additional references to the issue of productivity and the role innovation has to play.

3.3.3 Belgian social dialogue in the Semester process

The involvement of the social partners has changed drastically since the introduction of the new Semester approach. Information and consultation have been transformed into an informal process, in which time and space for serious social dialogue are missing. The CRB-CCE and NAR-CNT still try to organize information exchange. The Belgian social partners regularly meet members of the Employment Committee (EMCO) and exchange views with experts of the Belgian Desk of the European Commission. The information network of the pre-crisis period is thus still intact, but is no longer followed by a formal, explicit and extensive consultation process.

Consultation takes the form of informal meetings of representatives of the social partners and the Prime Minister's Cabinet – and their frequency varies. There are at least two meetings per Semester. The first allows the parties to have a first exchange of

views about how the Government should draft the National Reform Programme (NRP). Once the NRP has been drafted and discussed with the regional governments, another meeting is held to allow the social partners to react – but their comments are not formally annexed to the NRP.

Interviewees for this study particularly expressed regret about the lack of social dialogue in the final stage of negotiations. The process works as follows: Belgium comes up with a plan, the EC formulates recommendations, and agreement is reached upon a set of policy measures. These measures often involve issues in which the social partners have a long tradition of involvement. According to the union side: “It is the Government that usually delivers the reform programme, which does not require approval by the social partners. There is only limited space for social dialogue and input from social partners”. The employers’ side adds: “Social partners would like to be consulted when the agreement is concluded, in order to discuss how it will be concretized in Belgium”.

A key example is the increase in the retirement age from 65 to 67 years. Although this measure was certainly ‘popping-up’ in discussions on Belgian pension reform, it was not part of the electoral programme of any party that joined the Government in 2014. In the eyes of the social partners, especially the trade unions, the measure was introduced as a *‘fait accompli’* with reference to Europe (Struyven and Pollet, 2015).

3.4 Struggling concertation bodies

In these difficult times for policy concertation, the main bodies involved in dialogue have struggled to maintain their role and function.

Since the 1990s, one of the main duties of the Central Economic Council (CRB-CEE) had been to prepare the technical report that was used as a starting point for the biannual discussion on the wage norm. In the crisis period, the drafting of this report became more and more difficult as each side questioned different aspects of the wage gap calculation. The report became increasingly part of the political compromise needed to reach a wage agreement, rather than an objective analysis. After unilateral action taken by the Government in 2013, the functioning of the 1996 Law has become even more questionable. A possible revision is on the current Government’s agenda. The General Secretary of the Council described the situation as follows: “There are different indications that something doesn’t work. In 1996, the Secretariat had a certain autonomy regarding the technical reports. Nowadays, the social partners themselves set the agenda. This leads to changes regarding the timing, but also the content of the report. (...) Moreover, the advice of the CRB-CCE concerns fewer issues of a political nature, and is more in relation to socio-economic matters, such as policies on mobility, energy, etc.”.

As many labour cost/competitiveness discussions have remained locked in stalemate, there has been greater recourse to expert panels for policy guidance – indeed, this has been a general trend during the post-crisis period. These expert commissions are either ad-hoc or permanent, but they are almost always appointed directly by the Government, including, for example, the Pension Experts Commission and the expert group on ‘Labour costs, wage subsidies, labour productivity and training efforts of enterprises’.

The story for the National Labour Council (NAR-CNT) runs somewhat differently. In recent years, it has provided more advice than in the past (Cox, 2013). This may be attributed to the Government's heightened social and labour policy reform activity since 2011, as well as to its multi-party coalition structure. Policy-makers look to the advice (especially joint advice) from the Council for support for new initiatives to help them cope with the political wheels of power. But the role of the Council as driver or instigator of new regulations is very restricted – partly due to the fact that the political side wants to take the lead, and partly due to rising tensions between the employers' and workers' side on the core issues of macroeconomic governance (e.g. the focus on competitiveness and austerity). As a result, the Council's activities, and especially national collective agreements, have become more technical than before, as there is a complex, multi-level set of regulations on each issue.

Box 2.2 New national agreement on temporary agency work

On 16 July 2013, at the National Labour Council (CNT-NAR), the social partners concluded Collective Agreement 108 on temporary work and temporary agency work. The following changes were introduced:

- Daily work contracts are now permitted for the 'flexibility needs' of the 'customer-user'. There has to be proof that the flexibility is needed. 'Customer-user' employers must consult their works council or a trade union delegation, explaining why such contracts are necessary.
- A new condition allows the hiring of temporary agency workers for the 'reason of insertion'. Temporary agency workers can now fill vacant posts for a maximum of six months. After this 'trial period', a permanent contract can be offered but it is not compulsory.
- New procedures oblige 'customer-user' employers and temporary work agencies to notify trade unions when temporary agency workers are employed.

The regional concertation bodies seem to have fared better. Tripartite agreements have continued to be concluded, especially in Flanders. Examples are the Career Agreement in 2012 and the Jobs Pact of 2015 in Flanders. In Wallonia, concertation focused on the consecutive Marshall plans of the Walloon government to revitalize the economy. Nevertheless, an ongoing discussion has emerged about the role of the social partners as a result of the sixth State reform devolving certain powers to the Regions, in which social partners were traditionally involved in the governance; an example is the child-care benefit system. Finally, at the regional level, tripartite social dialogue initiatives were undertaken in the case of restructuring and plant closures that hit a particular local province hard; for example, a Strategic Action Plan for the Limburg region was drafted, following the closure of a major plant of the car manufacturer Ford.

4. Wage-setting and collective bargaining

Collective bargaining and especially wage bargaining in Belgium is known for a high degree of coordination. A sector-dominated structure is framed by two-year cross-

sectoral bargaining, automatic wage indexation, a central wage norm and a legal minimum wage (Vandekerckhove and Van Gyes, 2012; Dumka, 2015). During the crisis, no major institutional changes were made in these wage-setting mechanisms (Vermandere and Van Gyes, 2014; Dumka, 2015). However, some key trends can be detected: a) a ‘controlled’ decentralization as a result of innovative measures; and b) wage freezes and cuts by increased State intervention.

4.1 Institutional continuity

4.1.1 *Traditional sector-based structure*

The basic law on collective bargaining has not been revised in recent years. Each company and employee is assigned to a sectoral joint committee (Rombouts, 2003). More than 150 joint (sub) committees decide on such matters as pay levels, classification schemes, working time arrangements, training and occupational welfare benefits. In some sectors, a tradition of company agreements as the dominant form has always existed. These are mainly sectors containing large companies, in which wage costs represent only a small part of total costs, but the workforce has a high operational value (for example, the steel industry). When all parties sign the sectoral agreement, its legal extension by Royal Decree is rather straightforward and nearly always applied. Opening clauses are very rare and only exceptionally adopted.

This sectoral level of collective bargaining has stayed intact since the crisis. Although exact figures are lacking, the practice of sectoral bargaining is still pervasive throughout the private sector; coverage rates are around 85 to 90 per cent and have not diminished.

4.1.2 *Centralized instruments of coordination*

This sector-dominated structure is framed in a set of centralized instruments for wage bargaining coordination. The instruments that organize the coordinated floor in the wage bargaining are biannual cross-sectoral programming, a minimum wage, and automatic wage indexation. The minimum wage system has been maintained since the crisis and even strengthened, as a national agreement was adopted in March 2013 with a view to gradually abolishing the lower minimum wage for young workers. The automatic wage indexation is discussed in section 4.3, together with the State-imposed wage norm system. In this section, we shall briefly discuss the evolution in biannual cross-sectoral wage bargaining, a system that has been maintained – although not without difficulty, particularly when the Government started to intervene more directly in the period 2012-15.

Since the 1960s, with some interruptions, national negotiations in the private sector have taken place every two years outside the official social dialogue structures (CRB-CCE and CNT-NAR). These result in national cross-sectoral agreements, which cover all companies in the private sector (Cox, 2012). The (informal) bargaining group, called the Group of Ten, consists of key representatives of the national social partners. These ‘social-programming’ agreements constitute political and moral commitments and need not be legally binding, although the Government may still enforce them. Regarding wages, the two-yearly sectoral and company bargaining has been coordinated through a wage norm since the mid-1990s (see section 4.3). In the first crisis period, the “interprofessional” agreement (IPA) 2009-10 played an important role in

Table 2.6 National cross-sectoral ‘programming’ by the Group of Ten, 2009-16

Period of agreement (or not)	Main content	Support and implementation
2009-10 Agreement ‘exceptional’ crisis character.	• Wage premiums (above indexation) of 125 Euros in 2009 and 250 Euros in 2010, without increasing costs for employers; • Eco-cheques: pay check is a voucher, granted with social tax exemptions, focusing on buying ecological or ‘green’ consumer goods; • Temporary unemployed higher benefit; employers’ new social tax reductions to recruit long-term unemployed.	Full support; implementation by collective agreements.
2011-12 Difficult, joint proposal rejected.	• A postponement of discussion on whether or not to maintain automatic wage indexation system; • A very limited wage rise of 0.3% above inflation rate; • A roadmap for harmonizing blue-collar and white-collar statutes into one uniform statute.	Two unions reject proposal; implemented by the Government.
2013-14 Despite high hopes, talks collapsed after wage freeze by the Government.	• Not relevant.	
2015-16 In tense climate, agreement reached because some wage increase possible, ‘look-alike’ IPA.	• Wage norm set at 0.5 for the total wage bill, creating the possibility to increase the gross wage by 0.37%. Additional envelope of 0.3% made available to accord in other, less taxed types of pay, thus less costly for employers. • In recurrent negotiations about ‘welfare adaptation’ of social benefits, agreement stipulated that all minima (for pensions, unemployment and disability compensation) be increased by 2%, but with differences for particular groups.	ABVV-FGTB withdrew from negotiations; only agreement by a Group of Eight and mainly implemented by the Government.

tackling the economic recession, whereas in later years it became increasingly difficult to strike an agreement; on the unions’ side, full support has not always been secured.

In the period 2013-14, this technique played no role at all. In the 2011-12 and 2015-16 periods, the main parts of the proposals were implemented by the Government whereas, in the 2009-10 period, the social partners implemented them by collective agreements (see table 2.6).

4.2 Decentralized innovations ‘framed’ by sector approaches

There have recently been a number of new topics in collective bargaining. These have included: the development of occupational pension schemes, in addition to the rather low legal pension scheme in the private sector; experimentation with ‘innovation-agreements’; and the opening up of funds for ‘sustainable work’ (see box 2.4).

Box 2.3 Innovations in sectoral bargaining: the chemical industry

As part of the strategy that Di Rupo launched at the end of 2013, a new law stated that, at the sectoral level, an agreement had to be concluded on innovation during the first year after the signing of a new IPA. It should include a report on the innovation performance and commitment to improve innovation, and would be based on a ‘scoreboard’. The national social partners broadened the approach to sectoral ‘structural challenges’. By the end of 2014, about 22 joint committees had already made an agreement on the necessary scoreboard. Some included improvement issues. This policy initiative thus got off to a slow start, but also brought about some interesting innovations.

An example is the agreement reached in the chemical industry (18 February 2015). On the basis of this agreement, the sector plans joint talks on seven specific points related to competitiveness, innovation, and sustainable work. In a press statement, the social director of the employers’ organization Essencia concluded: “We want the unions to engage in a broad debate on both the product and process innovations, as well as on innovations in work organization. This agreement provides an opportunity for all social partners to optimally connect the competitiveness of the Belgian chemical and life sciences industry to employment. This collective agreement provides us with the opportunity to engage in an innovative social dialogue.” In the new sectoral agreement for 2015-16, the sector also introduced a Demography Fund. As indicated by the legal wage norm, the maximum room for wage increases could be complemented in 2016 by an additional 0.3 per cent increase of average labour costs. The social partners in the chemical industry decided to reserve this 0.3 per cent for the occupational pension scheme (0.15 per cent) and for the financing of a Demography Fund (0.15 per cent). The Fund aims to develop projects and allocate budgets in order to keep workers at work longer, in a motivated and feasible way.

These new initiatives, but also the wage freezes, have contributed to a growing but ‘controlled’ number of company agreements, in addition to – and not instead of – sectoral or national initiatives. The continued wage moderation has consolidated an ongoing trend of granting additional wage benefits at company level in stronger sectors and larger companies. A key instrument has been the framework developed by the national Collective Agreement No. 90 of 20 December 2007 concerning non-recurrent result-related bonuses. A Belgian employer may grant a benefit to his/her employees in the form of a non-recurrent performance-related collective bonus, but only when a

predetermined objective has been achieved. A plan determining this objective is confirmed either by a company collective agreement or by an act of accession approved by the sectoral joint committee. In a collective agreement, the target must be clearly defined, the objective concretely formulated, the monitoring methodology and target period stipulated, and the payment date agreed upon. There can be multiple objectives in a single plan. Examples of objectives include: achieving a specific sales or revenue growth; realizing a specific project; obtaining an official quality standard certificate; and reducing absenteeism. Up to a certain amount, such bonuses are exempt from income tax and carry a reduced social tax. The number of employees receiving a bonus increased from 150,000 in 2008 to 600,000 in 2014 (figures from the Federal Public Service Employment, Labour and Social Dialogue – FODWASO). This represented 1,688 company agreements and 4,698 accession acts in 2014 (Central Economic Council, 2015, p. 63).

4.3 Increased State intervention since 2012: freezes and index jump

In the 1990s, the requirements to qualify for the Economic and Monetary Union (EMU) became the central issue of a political exchange of wage moderation for a host of active labour market policies and negotiated changes in the welfare state (entitlements and benefits) (Hassel, 2006). Rationalizing public finances and embracing the mantra of competitiveness led to increased pressure on the organized system of wage bargaining in Belgium. As in other Eurozone countries, a kind of ‘competitive corporatism’ developed, which preserved the sector-dominated bargaining structure, while also involving an increased role for the State and politics. The key instrument was a Law to promote employment and preserve external competitiveness, adopted in 1996. While the existing apparatus was geared towards minimum floors and maintaining workers’ incomes, the new Law focused on wage moderation and upper limits to preserve competitiveness. Wage bargaining is monitored and a forecast weighted growth in average foreign hourly labour costs (in France, Germany and the Netherlands) acts as an upper limit (termed the ‘wage norm’). The monitoring and forecasting is conducted by the secretariat of the CRB-CCE and, based on their reports, the Group of Ten decides on an indicative wage norm. When agreement cannot be reached, the Government can impose the norm by law. The revised Law of 1996 is not simply about wages, but also involves discussion on issues of employment, investment, social expenses and innovation.

Since the crisis, the back-up procedure of State intervention has become much more important. Negotiations on the IPA 2011-12 failed; and the proposed agreement was rejected by two union confederations. The Government subsequently imposed the draft-IPA and, as a result, the norm was no longer indicative but imperative. The first Government implementing austerity measures went even further and imposed a wage freeze (above automatic indexation) as the norm, before discussions between the social partners had even started. For 2015-16, this arrangement was reversed and the Michel Government imposed a planned ‘index jump’ of 2 per cent of the automatic wage indexation and a limited space of 0.5 per cent for sectoral bargaining. Since austerity measures were introduced, Belgian governments have thus gone even further than the intervention possibilities foreseen in the Law of 1996.

These interventions happened amidst continued discussions and differences of opinion about the automatic wage indexation and possible revision of the 1996 Law

– stimulated also from 2012 onwards by European Semester recommendations. Belgium is one of the few countries in Western Europe that still practices nearly universal automatic index linking for setting wages (NBB, 2012; Eurofound, 2010). Pay and social security benefits are linked to a consumer price index in order to prevent the erosion of purchasing power by inflation. Often misunderstood by critics, this system is not centrally organized, but rather a patchwork of sectoral level mechanisms freely agreed upon by sectoral joint committees. They differ in their timing, indexation system, calculation of the moving average of the index, rounding rules, target groups and other details. The only restriction imposed by law is the mandatory use of the ‘health index’, which is the normal consumer price index excluding cigarettes, alcohol and car fuel. At the end of 2015, the indexation was only temporarily suspended, and no attempts are being made to abolish the system. Political discussions to revise the 1996 Law are being conducted.

5. Conclusions

5.1 Overview

On the one hand, the Belgian system of social dialogue during the period 2012-15 has demonstrated institutional continuity and resilience. Embedded neo-corporatist structures have not been changed. Due to the new State devolution process, some minor adjustments are ongoing. But workplace social dialogue – the process of tens of thousands of employee representatives being informed and consulted by management in more than 5,000 workplaces on a monthly basis – is still alive and well in place in the country. Sectoral joint committees and bodies continue to deliver new agreements on wages and other labour conditions, covering (almost) the whole economy; automatic wage indexation, although suspended in 2015, has not been abolished; the minimum wage has been strengthened.

On the other hand, centralized wage coordination has come under the direct supervision of the Government since 2013 (this happened before in the 1980s and 1990s). Tripartite policy concertation has run into serious trouble – especially since 2014, when the conservative Michel government came into power. The evolving case of pension and retirement reform is a telling example of how policy concertation can be reduced instead to social dialogue about issues of policy implementation alone.

So alongside a ‘minimal’ continuity of a very organized and developed system of industrial relations and social dialogue, there is a threat to the traditional ‘maximum’ role of this dialogue, which is being challenged by increased State intervention in wage bargaining and a struggling policy concertation process.

5.2 Drivers

It is of course difficult to determine the drivers of these trends, or to label them as ‘structural’, because events are still evolving.

In relation to the ‘troubling’ policy concertation environment, the changing relationship between politics and social dialogue emerges from the interviews as a key ‘intermediating’ factor. Political considerations are assuming a greater role in the reform process. This trend started even before the crisis, but has been strengthened since.

The interviewees advanced several reasons for this changing relationship, which are listed below (in no special order):

- The socio-economic consensus between employers and trade unions in Belgium has been weakened, and the Government therefore has to be involved to 'fix' things. As one of the interviewees stated: "Institutionalizing tripartism is something else than 'doing' tripartism. 'Institutionalizing' tripartism implies a discussion and agreement on the political economy through existing bodies or in an informal way."
- The current composition of the Government plays a significant role. Homogenous governments experience fewer internal struggles and therefore need to rely less on the social partners, or have greater power to 'overrule' or 'steer' social dialogue. The current Government is less of a multi-party coalition than usual in Belgium. The coalition includes no centre-left parties with close links and responsibilities to a trade union audience.
- New political parties (especially the New Flemish Alliance (N-VA) as the largest party) have come to the forefront, and they have a different vision of the social partners than the more traditional parties.
- Politics and parties now have to fight much more than before for legitimacy and electoral support. This increased competition for votes leaves less space for neo-corporatist, consensual politics. Refusing social dialogue can be a way to attract voters.

Institutional path dependence can explain the 'minimal' continuity; all the existing bodies, structures and actors are still looking to perform and deliver. Continued union strength (in mobilization and membership) is another important factor. As stated by one interviewee: "The Government wants to guarantee social peace and raise the importance of social dialogue in this matter". Finally, the complexity of and demand for customized solutions creates a need for the expert involvement of (sectoral) social partners. In this regard, the employers' side maintains a certain scepticism towards politics being capable of delivering the kind of quality policies and regulations they require.

5.3 Impact of Europe

It is also difficult to determine the impact and influence of European governance in these trends. It is certainly true that the new European Semester approach has changed the environment for socio-economic policy-making in the country. Politicians seem to be looking less in recent years towards the social partners for these strategic exercises, but are increasingly required to bargain with the European Commission over their policy choices. As such, we can see clearly that:

- a) The EU recommendations undeniably acted as a trigger to initiate discussion on some more extreme measures (e.g. increase in the retirement age, revision of the 1996 Law).
- b) The potential for social dialogue to impact on the agreed reforms is very small within the Semester approach. An important part of the agenda setting is now done through direct interaction between the EC and the Member State, where the social dialogue actors are far less present.

However, a note of warning is necessary here. The impact was mostly felt when Belgium was in the final stages of the corrective SGP procedure and the national Government became a coalition – which more strongly supported the course of austerity and structural reform proposed by the EC. Furthermore, even before this new kind of European crisis management took hold, the trends of ‘politics first’ and ‘cost competitiveness as top objective’ were already gathering pace.

5.4 Innovation

If we are looking for important innovations in the Belgian social dialogue of recent years, we have to turn – maybe paradoxically – to the decentralized levels, where new instruments have been developed to breathe new life into the traditional, coordinated approach of a productivity coalition. On the one hand, innovation matters are being increasingly discussed at sectoral level, and collective performance improvements are more and more linked to rewards (CLA 90). On the other hand, instruments and experiments have been broadened to implement dialogue on ‘sustainable work’ at the workplace level. Companies must, for example, discuss employment plans for older workers with the employee representation. As a result, new ways to organize work have become more mainstream in the discourse of the social partners. But it remains to be seen how this kind of new social dialogue on ‘working smarter’ and ‘sustainable work’ will develop in the years to come (Van Gyes and De Spiegelaere, 2015).

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Appendix

List of persons interviewed for the study

Government

Guy Cox, Director-General, General Directorate of Collective Labour Relations, Federal Public Service of Employment, Labour and Social Dialogue

Employers' Organizations

Bart Buysse, General Manager, and Gianni Duvillier, First Counselor, Federation of Belgian Enterprises (VBO-FEB)

Workers' Organizations

Marc Leemans, President, and Marie-Hélène Ska, General Secretary, Confederation of Christian Trade Unions (ACV-CSC)

Others

Luc Denayer, General Secretary, Central Economic Council (CRB-CCE)

Paul Windey, President of the National Labour Council (NAR-CNT)

3. Coping with the crisis in Finland: Challenging times for social dialogue

ESA JOKINEN

1. Introduction

The market system in Finland has traditionally been based on social dialogue, with a relatively high level of social public spending, and of centralized bargaining (BCG and CIETT, 2012). The basic elements in the system are stable and embedded in the structure of society and power relations at multiple levels. In Finnish tripartism, which is based on a social corporatist model, the key actors are: the Government, three central trade union confederations, one central private employers' organization, two public employers' organizations and the Church.¹⁹

There is a relatively high trade union density (65 per cent) and employers' organization density (71 per cent); collective bargaining coverage is also high at 85–90 per cent. National agreements therefore tend to be very effective, but their negotiation may be very time-consuming and demanding. This is one of the reasons why the Confederation of Finnish Industries (EK) now favours bargaining at the sectoral and local levels – another being that the centralized agreements are generally insensitive to sectoral – and company-level needs. There is a continuous central-level negotiation system in place, in which the social partners take the lead. Once the national agreement has been adopted, the sectoral level then negotiates the details and it is implemented at the enterprise level. Workplace implementation takes place in collaboration with workplace representatives, mainly trade union members (shop stewards); work councils as such do not exist in Finland. Traditionally, Finnish industrial relations have been smooth and consensus-based, and centralized labour market settlements have been important.

The economic crisis hit Finland hard in 2008–09 in terms of its GDP, but the country quickly recovered. However, a more persistent period of economic downturn set in 2011, which is still continuing into 2016. No “post-crisis” period has yet been reached and the prospects for overall recovery remain uncertain.

¹⁹ The three main trade union confederations are: the Central Organization of Finnish Trade Unions (Suomen Ammattiliittojen Keskusjärjestö, SAK); the Finnish Confederation of Salaried Employees (Toimihenkilökeskusjärjestö, STTK); and the Confederation of Unions for Academic Professionals in Finland (Akateemisten Toimihenkilöiden Keskusjärjestö, AKAVA). The Confederation of Finnish Industries (Elinkeinoelämän keskusliitto, EK) represents the employers; it was created in 2005 after a merger of the Confederation of Finnish Industry and Employers (Teollisuuden ja Työnantajain Keskusliitto, TT) and the Employers' Federation of Service Industries in Finland (Palvelutyönantajat, PT).

It is very difficult to make a clear assessment of the changes in tripartite relations and social dialogue during the present economic crisis, and it is too early to draw any firm conclusions. The perceptions of different stakeholders differ widely concerning the status and benefits of social dialogue during the 2008-15 period. The positions taken by the social partners and the Government sometimes seem to be contradictory, and the present study reflects this essential feature of social dialogue.

This study set out to give a broad view of “innovative practice”, taking into consideration both the interaction between different actors and their learning aspect. The idea of the EU “open coordination” approach is that, by identifying good practices – whether in national policies, reforms or, for example, the implementation of European Structural and Investment Funds (ESIF) – companies, organizations, management and government would be in a position to make more informed decisions. This reflects at least in some respects the ideal of evidence-based development of policies and practices (Arnkil, 2008).

The desk research covered a wide range of news articles; government documents; available analyses on Finnish industrial relations and collective bargaining; descriptions of the system in both domestic and European Union (EU) – level databases; statistical information on the economy and employment; as well as information on the various reforms, evaluations and econometric studies. The websites of labour organizations and different national agencies were of help in charting the recent trends, debates and reforms.

The list of key informants interviewed is presented in the appendix.

Only the key reforms and legislative changes are addressed in this chapter. It goes without saying that a great deal more is going on, within parliamentary processes and working committees, that impacts on industrial relations.

2. The macroeconomic and political context

2.1 The 1990s recession

Finland has faced repeated economic shocks since the early 1990s, with recovery periods in between. The country suffered not only from cyclical downturns but also from severe structural problems in terms of the sustainability of the welfare state. Tripartite national social dialogue has been a key element in surviving these crises, and many reforms have taken place.

However, since the late 1990s, the role of the social partners seems to have been gradually eroded, and there have been frequent deviations from tripartism. The welfare state suffered hard blows during the 1990s – and again in the 2010s; and there was a growing trend, during the 2000s, to question the power and role of labour organizations. During the most recent crisis (since 2008), less attention has been paid to the qualitative and developmental aspects of working life and the labour market, and many efforts to address these challenges have been overshadowed by large-scale structural reforms in local government, the Public Employment Service (PES), and the pension system.

Major changes (cuts) in the social security system already took place in the 1990s, when unemployment increased to 18 per cent due to the collapse of the Soviet Union and the related problems in exports and the banking sector. Structural unemployment has remained high ever since.

No other country in the EU or the Organisation for Economic Co-operation and Development (OECD) faced such a decline in GDP and increase in unemployment as did Finland between 1991 and 1994. Real GDP declined by 13 per cent between 1990 and 1993; and unemployment increased from 3.1 per cent in 1990 to 16.7 per cent in 1994. In many regions, unemployment exceeded 25 per cent. Just as exceptional, though, was Finland's recovery during the years from 1994 to 2000, when annual GDP growth averaged 4.5 per cent, far exceeding the EU average.

The causes of Finland's problems were many and are still subject to debate; they included poor policy decisions relating to the currency, a very rapid deregulation of financial markets and the collapse of trade with the Soviet Union (Uusitalo, 1996). There was also major industrial restructuring – particularly in the paper industries, which had been a traditional backbone of the Finnish economy.

There is evidence that social dialogue during the 1990s was one of the main factors contributing to Finland's recovery from the recession. Achievements of social dialogue included social pacts and government cooperation with the social partners, which resulted in wage restraint and the settlement of various labour market issues in order to maintain competitiveness and stability (Uusitalo, 1996). The aim of these agreements was to promote job creation. Overall, the policy succeeded in keeping the average growth of real labour costs below that of labour productivity.

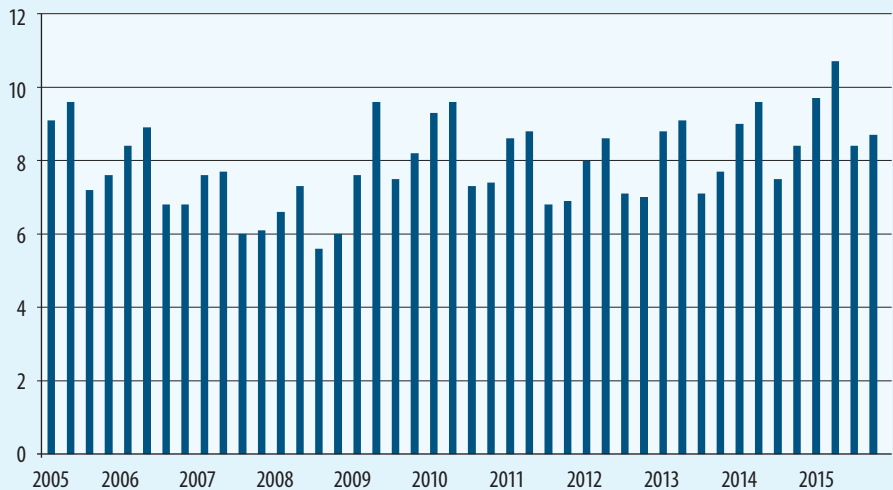
2.2 Ongoing crisis 2008–15

Economic decline was steep from 2008 to 2009, followed by a recovery period from 2010 to 2012 – but after that a more profound economic slowdown and increase in unemployment set in (figure 3.1).²⁰ At present, Finland is going through its most serious economic downturn since the 1990s. In the short term, the situation is worsened by the improving outlook elsewhere in Europe, meaning that Finns face the risk of rising interest rates in the Eurozone at the same time as low domestic demand, high unemployment and high household debt (Danske Bank, 2015).

The situation was compounded by the fall of Finland's industrial flagship company, Nokia, problems in the information and communications technology (ICT) sector as a whole, and accumulating problems in the European economic area (Ministry of Finance, 2015a). A number of other problems emerged as well, such as those relating to the paper and metal industries and overall exports to the Russian Federation and other countries, leading to major restructuring in many regions. In 2008, the Russian Federation was the most important export destination for Finland, accounting for 11.6 per cent of total exports; but in 2009 the share dropped to 8.9 per cent (see figure 3.3). The escalation of tensions between the Russian Federation and the EU in 2014 resulted in a tumbling of the rouble, which further decreased not only Finland's export business but also tourism from Russia.

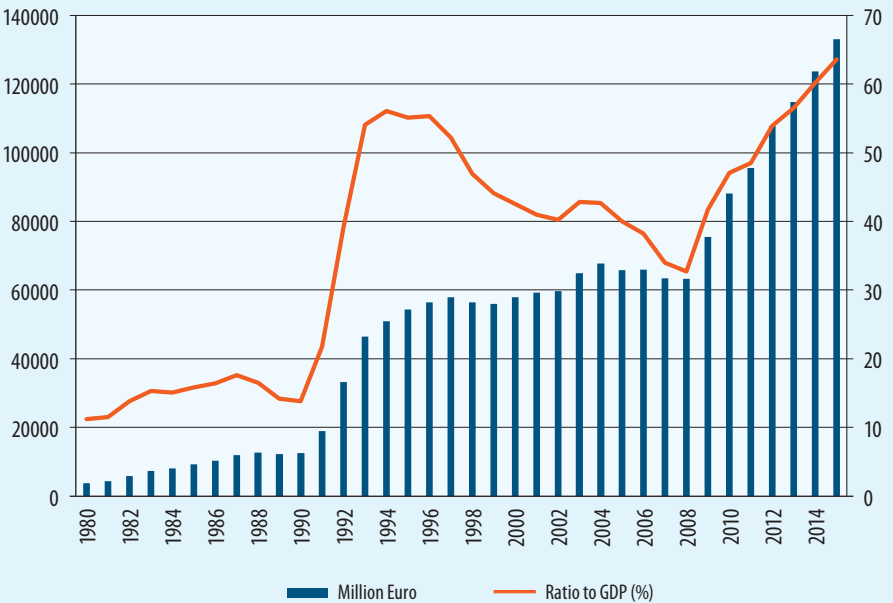
²⁰ Official statistics do not take into account hidden unemployment or those who are participating in active labour market policy (ALMP) measures.

Figure 3.1 Finland's unemployment rate (%) by quarter, 2005 – 15



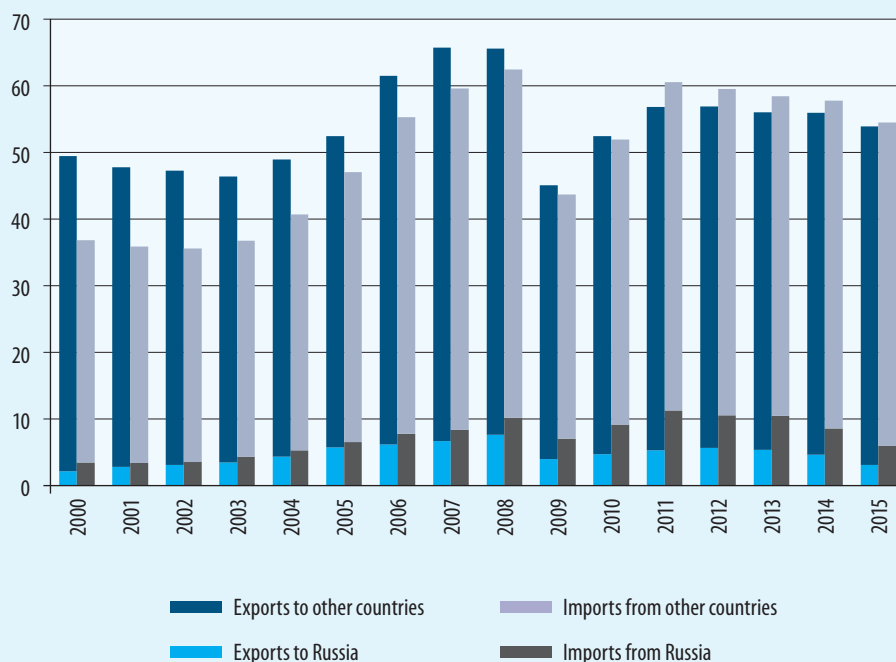
Source: Statistics Finland (2016a).

Figure 3.2 Finland's national debt, 1980–2014



Source: Statistics Finland (2016b).

Figure 3.3 Finland's trade with the Russian Federation and other countries, 2000-15 (in billion Euros)

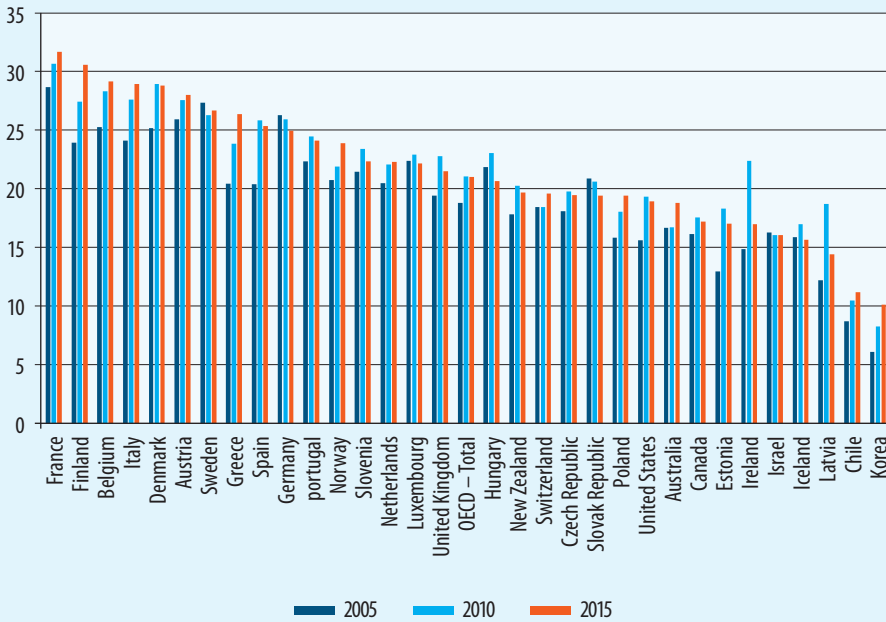


Source: Finnish Customs (2015).

Constraints on economic recovery included: high wages, high social subsidies, complex regulations and high taxes, an ageing population and limited labour force, persistent unemployment and growing globalization (Singula and Kumar, 2012); nonetheless, Finland seemed to fare better than most Eurozone countries and managed to keep its 'triple A' credit rating (*ibid.*). However, in Finland too, one factor that might have contributed to the continuation of the crisis was the slowness of politicians to react to the crisis (Pihlanto, 2012).

These issues have been the main focus of the EC Country-Specific Recommendations (Council of the European Union, 2015). Although Finland did well in international competitiveness comparisons in 2015, even these showed a striking drop in just a couple of years (World Economic Forum, 2015). Public social expenditure has been very high in Finland compared to many other countries (figure 3.4) and the economy faces serious sustainability problems. The significant use of budgetary automatic stabilizers in Finland helps explain the rapid increase in the share of public expenditure, due to income transfers during periods of a downturn in production. At the same time, the reliance on these stabilizers may also help to explain the lack of radical political adjustment measures during the crisis.

Figure 3.4 Public social expenditure as % of GDP



Source: OECD (2016).

One of the main recent debates relates to (labour) cost competitiveness. According to the Research Institute of the Finnish Economy, the cost competitiveness of the business sector and of the main industries has worsened significantly since the early 2000s, as measured through real unit labour costs. One half of the decline in the competitiveness can be attributed to slow productivity growth and the other half to the rapid increase in labour costs (Maliranta, 2014).

Another controversial issue is the size of the public sector. It was claimed by the new Prime Minister that Finland's public expenditure had risen to 58 per cent of total GDP, and this was linked to the over-sized public sector work force (530,000 in 2014). This, however, is disputed, as official statistics indicate a significant decrease in the number of central government personnel between 2000 and 2014, although there has been a smaller increase in local government employees over the same period (Ministry of Finance, 2015b; Municipal Employers, 2015). In order to assist recovery from the 1990s recession, the long-term Finnish Workplace Development Programme (TYKE) was implemented in the context of tripartite arrangements and coordinated by the Ministry of Employment. This programme continued under the auspices of the Finnish Funding Agency for Innovation (TEKES) from 2008 onwards, but with no more programme-based funding of projects. An evaluation study in 2010 concluded that there were risks associated with the loss of the strengths of the programmatic approach under the new TEKES coordination, and also that there was a lack of representation on the part of the social partners.

The Committee on Social Policy Reform (SATA Committee) was an example of a tripartite working group with heavy responsibilities. It dealt with the interrelations between taxation, basic income, unemployment benefits and working life development. In 2009, the central trade unions SAK and AKAVA withdrew from the Committee due to their mistrust of the Government. Many of the reforms were considered to have been unsuccessful – and even the Government shared this view. Despite these upheavals, there was still a certain degree of consensus regarding the financial goals of the reforms.

2.3 The political context

Various government coalitions have tackled the financial crisis, which hit Finland later than most other countries – from 2008 to 2015. The Governments’ attention has focused mostly on public expenditure and national debt, which increased greatly due to the use of automatic stabilizers to sustain the level of welfare.

There have been four different coalitions and five different Prime Ministers over the crisis period, as shown in table 3.1.

Table 3.1. Government coalitions during the crisis

Years	Coalition	Parties in the coalition
2015	Three-party centre-right coalition	The Centre Party – Prime Minister Juha Sipilä, the Finns Party and the National Coalition Party
2014–15	Five-party mixed coalition	The National Coalition Party – Prime Minister Cai-Göran Stubb, The Social Democratic Party, Swedish People’s Party, Green Party and Christian Democrats
2011–14	Six-party mixed coalition	The National Coalition Party – Prime Minister Jyrki Katainen, The Social Democratic Party, Swedish People’s Party, Green Party, Christian Democrats and Left Alliance
2010–11	Four-party centre-right coalition	The Centre Party – Prime Minister Mari Kiviniemi, The National Coalition Party, Swedish People’s Party, Green Party
2007–10	Four-party centre-right coalition	The Centre Party – Prime Minister Matti Vanhanen, The National Coalition Party, Swedish People’s Party, Green Party

Source: Author’s own elaboration.

The political temperature had already begun to rise before the banking crisis, when centre-right Governments and Prime Ministers took the helm. The decline in social dialogue reflected the diminishing support for and power of the Social Democratic Party, which had traditionally been more reliant on the contribution of labour organizations to labour market policies.

The second Government of Matti Vanhanen (2007–10) consisted of a four-party centre-right coalition. Alexander (Cai-Göran) Stubb (later to become Prime Minister between 2014 and 2015) was appointed as Minister for Foreign Affairs, without being a Member of Parliament. In 2007, the Confederation of Finnish Industries (EK) refused central-level bargaining, and sectoral-level negotiations took place instead. The Government at that time gave only limited information to the public, and there were

some controversies relating to foreign policy – as well as to alleged election financing irregularities in which labour organizations were involved. The transparency of the Prime Minister and his Government was called into question, but without any significant consequences. For his part, Alexander Stubb questioned Finland's traditional domestic policies, such as appointment practices, as well as foreign policies, and he introduced the active use of social media in communications. He also consulted a variety of experts – bringing in the business world to advise on Finland's "brand" (2008); Finland's ambassadors to advise on foreign policies (2008); and Swedish experts to advise on Finland's competitiveness (2014).

3. The role of social dialogue in national policy-making in the post-crisis period

From interviews held with the trade unions, it would seem that – since the severe recession in the 1990s – there has been a gradual erosion of the long tradition of active labour organizations contributing to the building of the welfare state. Their role has become increasingly limited and consultative, while the Government has taken more control while seeking compromises to improve the economic outlook. This was visible, for example, in relation to the pension reform in 2013 – and again in 2015, during negotiations on a social agreement related to the Government's fiscal consolidation programme.

On the other hand, the EK and its organizational predecessors expressed ambivalence towards social dialogue; despite their departures from and criticism of central level bargaining, they always returned to the tripartite negotiating table.

After the recession – and despite the economic recovery achieved – changes in the labour relations system started to take place by the end of the 1990s; as a result, the so-called TUPO (the national income policy agreement) tradition began to weaken. This reflected the erosion of the social corporatist model. The role of the Government's social security package to support bipartite agreements diminished, and sectoral-level negotiations started taking on greater importance. At the outbreak of the 2008 crisis, the era of centralized incomes policy agreements seemed to be coming to an end in Finland. The EK announced that sectoral, enterprise and even individual-level bargaining would be the negotiation models of the future.

This became manifest in 2007, when the EK withdrew from central-level collective bargaining altogether and sectoral-level negotiations took place during the 2009–10 period. These industry-level negotiations, however, led to significant pay rises – at least in the construction and health care sectors – which prompted the employers once again to return to the national agreements, partly in order to achieve more modest pay rises and wage coordination. The new national level agreements were no longer called "TUPOs" (national income agreements) but rather "framework agreements". The employers continued to maintain that the time of centralized agreements was over but, partly on account of political pressure, they once again became engaged in framework agreements in 2011 (Marttila and Pursiainen, 2015). It should be added that after the pacts agreed in 2011 and 2013, the EK declared on 25 November 2015 that the current year's tripartite agreement would be the last for them, causing severe criticism from the workers' side. But this did not yet represent a complete collapse of the tripartite tradition.

The 2011 agreement was called the “framework agreement 2011–13 to secure Finland’s competitiveness and employment”; among other things, it included modest wage rises (2.4 per cent and 1.9 per cent in the second year).

The agreement elicited mainly a positive reaction from the social partners. The crucial issue was the raising of the general retirement age, which was turned into a wider agenda. The workers’ side saw that well-being at work, rather than the retirement age per se, was key to extending careers. The successful agreement was considered significant proof of the value of tripartite social dialogue and paved the way for the incoming Government in 2011 (Jokivuori, 2010). It had not only symbolic but also practical value for both companies and employees.

In 2013, the agreement at national level continued under the tripartite tradition, using the term “pact for employment and growth”.²¹ The two main themes were pension reform, and the decision to begin developing the bargaining system itself and the Act on Mediation in Labour Disputes. The latter gave rise to industrial peace negotiations, which broke down in 2015. The difficulties reflected underlying tensions on the eve of the new “crisis government” of 2015.

The new Government of 2015 consisted of a three-party centre-right coalition: the Centre Party – Prime Minister Juha Sipilä, the Finns Party and the National Coalition Party. The Government proposed a “social agreement” on employment and competitiveness for labour market parties, which would have included, inter alia, an agreement to extend annual working time in order to reduce unit labour costs by at least 5 per cent. In August 2015, SAK rejected the agreement for the first time (it subsequently rejected it four times).

The absence of the Social Democratic Party in government since the elections in 2015 marked another major shift in the role of the social partners and social dialogue in Finland. The major reforms concerning local government, the pension system, the organization of social and health care and the social security system, were all criticized for their slow progress under previous governments, and almost all of them remain still to be implemented in full. Nonetheless, these reforms were launched through tripartite negotiations held prior to the economic crisis.

The pension reform agreed in 2014 continued to make progress towards implementation, despite AKAWA’s opposition. In May 2015, the many details that had earlier been left open concerning the private sector were agreed upon, under the aegis of the Ministry of Social Affairs and Health. The Government proposal²² was taken to the Parliament on 3 September 2015 and will be effective from 1 January 2017.

From the point of view of social dialogue, the pension reform was implemented with a heavy hand from the Government. The labour organizations were tasked to produce a common proposal, with the Government threatening to take action in the event that they did not succeed.

The pension reform will raise the retirement age gradually (by three months per age cohort) for those born in 1955 or after, towards a statutory pension age of 65 (now 63).

²¹ See in English: http://www.akava.fi/files/10395/Pact_for_Employment_and_Growth.pdf.

²² Government proposal (16/2015) on changing occupational pension scheme, available at: https://www.eduskunta.fi/FI/vaski/HallituksenEsitys/Sivut/HE_16+2015.aspx (18 September 2015).

Those born in 1962 and after will thus have a retirement age of 65. The pension age will be tied to life expectancy, so that the pension age will probably rise by two months per year for those born in 1965 or later. The present age-related pension accruals will be abandoned – with the exception of those currently aged between 53 and 62 years. The calculation base will be a little higher (Ministry of Social Affairs and Health, 2015). The new pension system also intends to encourage part-time jobs for pensioners.

Four separate public sector pension systems will be integrated into one Pension Act under the auspices of KEVA (Local Government Pensions Institution). Personal pension ages will not be raised, while professional pension ages will be raised for those born in 1955 or later.

Overall, the reform will raise the expected average retirement age from 60.9 in 2013 to 62.4 by 2027. The number of employees is estimated to increase by 24,000 persons (1 per cent) by 2027. In the long-term, pensions will be significantly lower in relation to salaries. The reform has been assessed as quite promising (Kautto and Risku, 2015).

The new Government programme was severely criticized²³ for its impact on women's employment, traditionally one of the backbones of high employment in Finland. The Government's intention to cut overtime, shift work and Sunday compensation was deemed to hit particularly hard the health and service sectors, traditionally dominated by women. However, plans concerning cuts in overtime pay and Sunday compensation were later replaced by cuts in holiday pay.

During the national level social dialogue process, quite exceptionally, Finland's Prime Minister Juha Sipilä gave a televised speech²⁴ on 17 September 2015, which dealt with the ongoing economic crisis. He urged labour unions to agree with the Government's framework. The following day, there was a planned strike by wage earners and 30,000 people collected in the centre of Helsinki to protest against the Government cuts. The Prime Minister gave the workers' associations one more chance to formulate their proposals on how to reach the competitiveness targets by the end of September.²⁵ The employees' side had a list of several reforms that the Government rejected.²⁶ The social partners complained that they should have been consulted over recent cuts to the earnings-related unemployment benefits (Eurofound, 2015). After several attempts, the national level negotiations (on a Social Agreement) were again interrupted at the end of November 2015.

Local bargaining was one major theme in the Government's programme. The main aim was to make hiring easier for employers, by allowing local deviations from the collective agreements. In return, the Government introduced the possibility of improving social security in the case of employees who were made redundant. One of the changes envisaged was to give laid-off workers the opportunity to participate in employment-related training. In late 2015, there was an ongoing discussion about forming a tripartite working group to address questions relating to local bargaining, following the suspension of national agreement negotiations. The idea of strengthening local bargaining

²³ <http://www.hs.fi/kotimaa/a1433910187625> (21 September 2015).

²⁴ http://yle.fi/uutiset/katso_ja_lue_sipilan_puhe_tasta_kokonaisuudessaan/8311098 (21 September 2015).

²⁵ <https://twitter.com/juhasipila> (21 September 2015).

²⁶ <http://www.kansanuutiset.fi/uutiset/kotimaa/3431398/ei-kelvannut-neuvottelupöytäan-palkansaajilla-oli-pitkailista-työelämän-uudistuksia> (21 September 2015).

seems to be largely accepted by all stakeholder groups – although some interviewees saw the public sector as a problem in this model.

To sum up, the early years of the crisis were characterized by the continuation of major reforms and initiatives that had been launched before, accompanied by revitalization measures. There were several tripartite working committees addressing different issues. For a long time, the direction that the structural reform policies took was generally regarded as justified, and the social partners were traditionally strongly involved. In the light of this history, the Government acknowledged the importance of social dialogue and did not suggest major changes to the overall system, even given the interruptions to the national level negotiations during the period 2007–10. However, internal political wrangling partly overshadowed economic realities and the evolving global crisis, which included the taking of somewhat new positions in industrial relations: for example, part of the National Coalition Party's political campaign in 2007 was to push for wage increases for nurses. It seems that Finland was caught up in the middle of a structural modernization process, a changing political balance of power (towards the right), and a redefining of industrial relations, as well as increasing international tensions. All of these factors resulted in the erosion of trust between the social partners and the Government.

The social dialogue system in Finland is now at a crossroads. The economic and social policies adopted during the crisis reflected fundamental changes in the global and domestic spheres, in political power relations and in the competitive environment. The main trend, which had already started before the current crisis, has been towards downplaying the role of labour organizations and central-level bargaining. But this has been countered by the Government using new methods to utilize the potential of labour organizations to create commitment to the planned reforms. The results of this new practice are ambiguous – and difficult to determine as yet.

The role of the traditional media, social media and other forms of public communication in relation to social dialogue has increased during the crisis. One outcome of this change has been that the achievements and potential of social dialogue are being interpreted in new ways by the younger generation, and the fundamentals of traditional social dialogue seem to be increasingly called into question by the Government and the employers.

Despite the conclusion of a new Social Agreement and the fact that the basic elements and institutions of Finnish social dialogue remain, there will undoubtedly be major changes in labour legislation and social dialogue in the future, as a consequence of economic pressures and of the employers' demands for local bargaining and labour market flexibility. One example is the likely possibility of creating a low-wage sector, which does not currently exist in Finland.

The role of the Economic Council is important in the Finnish context, although it does not override tripartite agreements. The Council is led by the Prime Minister and consists of representatives of the main workers' and employers' organizations, as well as of ministries and some expert institutes ("tripartite plus"). It meets once a month and its purpose is to create a common awareness of economic factors and developments among stakeholders. It commissions studies on important topics and hears different experts in the sphere of economics. The Council also monitors international data, European Commission (EC) initiatives and OECD trends.

The role of the Economic Council, especially in the crisis period, is not easy to describe. The trade union representatives considered that the “income and cost development Secretariat”, under the Ministry of Finance, was an important cooperation forum between labour organizations, economic experts and Government officials, and that it was more relevant than the Economic Council, which only has an advisory and consultative capacity – although it has clearly helped in building consensus among stakeholders on economic trends.²⁷ This has supported the major structural reform process. There were no significant changes in the Council’s functioning during the economic crisis – although possibly the subject of short-term economic problems was more prominent in its meetings during the early years of the crisis. At present, the main issue is the long-term solution to problems.²⁸

On the basis of the review of memoranda (State Council, 2015), the role of the Government’s Economic Council is rather moderate and consensus-oriented. However, there is also the longstanding Information Committee on Cost and Incomes Development (TUKUSETO), which is a tripartite body under the auspices of the Ministry of Finance. This body monitors the implementation of labour market policies, and it has challenged the Government’s statistical comparisons of industrial productivity and economic outlook with other countries (TUKUSETO, 2014). One of its criticisms concerned the validity of drawing comparisons with countries having different kinds of industrial structures.

The EU Semester, launched in 2010, implements EU steering policy, according to which each Member State produces annual National Reform Programmes (NRPs) on economic policies and Stability Programmes, on the basis of the Commission’s Annual Growth Surveys, analytical country reports, country-specific recommendations and other EC guidelines.²⁹ In 2015, Finland was not included in the EC’s Excessive Deficit Procedure, but still had imbalances requiring monitoring and policy action.

In Finland, European Semester Officers were appointed somewhat later than in other countries, and not long before this study was undertaken. The procedures were not yet fully established. Although the EU Semester process is recognized as an important opportunity to monitor and compare Finland’s economic progress with other EU countries, it is not yet serving as a vehicle for domestic dialogue. The country reports seem to have been mostly prepared by Government ministries, without wider dialogue with stakeholders.

A number of issues were identified that seem to confirm the strengthening of the EU Semester process. First, reports and Finnish policies both seem to reflect EC recommendations and other guidelines more today than they did at the start of the financial crisis. Second, the EU Semester Officers have clearly become more active, and both formal and informal discussions are ongoing. Third, there have been high-level discussions concerning the possibility of opening up the Semester process to parliamentary debate, and even civil dialogue, to correct its lack of democratic participation at national level.

²⁷ Interview with AKAVA.

²⁸ Interview with the Economic Council representative.

²⁹ Based on interviews with EU Semester Officer and Member of Parliament, and own observations.

4. Industrial relations and collective bargaining in the post-crisis period

4.1 Impact of the crisis on collective bargaining

This section will provide a deeper analysis of the “Social Agreements” that were signed during the economic crisis, as discussed in the previous section. Before the onset of the crisis in 2007, the Finnish tradition of centralized agreements that had begun in 1968 came to a halt when the private sector employers’ association, the EK, declined to negotiate a new national agreement – on the grounds that they wanted greater flexibility in negotiations in order to better accommodate the individual needs of different industries and companies. As a result, industry-level bargaining predominated during the period 2009-10, although the employers’ central union retained a coordinating role. However, in 2011, in response to the worsening economic climate, the social partners agreed on the aforementioned tripartite framework for a new centralized national agreement on wages and working conditions. This agreement, while covering a range of non-pay issues, mainly set guidelines for negotiations at industry-level – but in contrast to the previous general incomes policy settlements, under which all workers were covered, the “2011 framework agreement only applied to industries having existing collective agreements” (ETUI, 2016).

The second centralized agreement was signed in October 2013, entitled “the Pact for Employment and Growth”. This provided for small pay increments over a two-year period and also covered non-pay issues, such as changes in social insurance contributions and unemployment benefit rules. Despite this development, the views of the employers’ and workers’ central organizations differed with respect to the significance of these agreements: first, because they were called “framework agreements” in 2011 and 2013 rather than “national incomes agreements”; and second, due to their apparently more restricted coverage.

During the crisis, no amendments were made to the legislation concerning collective bargaining. But the new Government that assumed office in May 2015 introduced a number of changes to be agreed with the social partners, aimed at revitalizing the economy and increasing competitiveness, in particular by cutting labour costs and social security, and promoting local-level bargaining. Nonetheless, major disagreements have emerged over the past year regarding the measures necessary to address the crisis. These concern, inter alia, the Government’s proposals to boost competitiveness through new legislation to set limits on what may be collectively agreed with regard to annual leave and holiday bonuses. The social partners fear that such mandatory legislation would significantly limit their freedom to negotiate. Furthermore, the strategic programme set out by the new Government stated that if the social partners did not conclude a ‘Social Agreement’ (or a ‘competitiveness pact’) on measures to improve Finland’s competitiveness, fiscal consolidation measures of 1.5 billion Euros would follow (Tönnes Lönroos, 2015).

In March 2016, the Government approved the labour market organizations’ proposal for a social contract. The proposition included measures such as extending working time by one day per year and increasing employees’ social contributions. However, the proposal allegedly only results in about one third of the total increase in competitiveness needed, and thus the Government will have to adopt additional measures in any

event. Different scenarios may lie ahead, depending upon whether the central labour organizations are able to build sufficient internal consensus by June 2016 (SAKb, 2016). The situation therefore remains open at the time of writing.

Thus although no structural changes have been made to the collective bargaining system, it is expected that the State will have a strengthened role – particularly in proposing and demanding solutions from labour organizations to economic problems such as pension reform.

Despite these differences, a number of agreements were signed by the social partners during the various stages of the crisis, as may be seen in table 3.2.

Table 3.2 Collective bargaining and other agreements in Finland, 2007–16

Bipartite/tripartite agreement	Main points of the agreement	Role of the State
2007–10 sectoral agreements.	Employers' Confederation refused to sign the central tripartite agreement. This led to considerable pay increases and reduced competitiveness through industry-level negotiations.	State not active.
Framework agreement 2011–13 to secure Finland's competitiveness and maintain employment.	Much lower wage rises than previously (2.4 per cent and 1.9 per cent in the second year).	- Government strongly signalled the importance of strengthened cooperation between the social partners. The main aim was the pension reform. - State participates in the financing of unemployment insurance in 2012.
Employment and growth agreement in August 2013 (covering 90 per cent of workers).	Modest wage increase of 20 Euros per month + 0.4 per cent after one year. Increase in pension contributions. Pension reform details decided upon. Launch of negotiations on holidays and system of bargaining.	Decrease in unemployment insurance payments. Some incentives for unemployed.
Employment and growth agreement extended in June 2015 (until 1 November 2016).	- This national wage agreement (covering 90% or all workers) provided for a flat rate increase of 16 Euros per month for salaries below 3,720 Euros and a percentage increase of 0.43 per cent per month for those above it. - Employment insurance fee for both employers and employees raised by 0.50 percentage points (to 1.00 and 1.15 per cent of salary respectively).	Short new government period 2014–15 after Prime Minister Katainen's resignation. No major initiatives.

Bipartite/tripartite agreement	Main points of the agreement	Role of the State
Social Agreement (also known as Competitiveness Pact) in February 2016	The negotiations were interrupted four times before agreement was reached. The terms include the cutting of public sector holiday pay by 30 per cent, an annual working-time extension without additional compensation, and increases to employees' and decreases to employers' social security contributions (SAK, 2016a). It also contained a preliminary proposal for the 'Finnish model'.	Strong intervention by the State in order to encourage the social partners to sign the 'Social Agreement'.

Source: Author's own elaboration, on the basis of, inter alia, Jokivuori (2013).

The 'Finnish model' that was primarily agreed upon in the 2016 Social Agreement establishes a framework to enable export industries, and other sectors sensitive to international competition, to set limits on wage increases. It is based on the 'Swedish wage model'. In addition, the agreement gave rise to a new round of sectoral-level collective bargaining. The Government is scheduled to review these new collective agreements in the coming months and, if satisfied with the outcomes, will most likely – at least partially – abandon the 1.5 billion Euros proposed fiscal consolidation measures.³⁰

While the crisis is far from over in Finland, the status of the employees' and employers' central organizations is clearly diminishing, despite the conclusion of some partial central agreements. The way that labour organizations are being challenged by forceful Government law making bears witness to this. The most difficult problem still relates to the limited outcomes and benefits of the ongoing negotiations. For its part, the EK has declared its intention of abandoning the central-level agreements, which has given rise to several objections from the workers' side. Some critics have suggested terminating the Confederation's existence sooner or later (Marttila and Pursiainen, 2015). There have been no consequences as yet in relation to the reorganizations/mergers or the role of the central social partners. Discussions concerning a major merger of SAK and STTK, as well as some member unions from AKAVA, into a new peak-level trade union, have not yet come to fruition. The preliminary steps towards this operation began in November 2014, but the difficult negotiation of the new Social Agreement has undermined the process by highlighting the opposing views of each organization's members (Marttila and Pursiainen, 2015).

In short, this return to a centralized system of collective bargaining may not have happened without the crisis. Some support may have come from the joint round table on productivity, attended by representatives from all the labour market organizations in 2007–12. It preceded the joint Working Life 2020 Strategy (2012) by focusing on productivity and working life issues, launching research and development projects, and rewarding organizations.

³⁰ <https://www.eurofound.europa.eu/observatories/eurwork/articles/working-conditions-labour-market-industrial-relations-law-and-regulation/finland-developments-in-working-life-q1-2016> (21 September 2015).

Although collective bargaining in Finland has become increasingly decentralized, the unionization rate among wage earners (figure 3.5), as well as the number of collective agreements and workers covered by them, remains relatively high. While no official statistics are available on the number of collective agreements signed in Finland, a communication by the Ministry of Social Affairs and Health suggests that the number of (binding) sectoral collective agreements in place rose from 140 in 2002 to 165 in 2015.³¹ Thus no radical changes can be reported as yet, but these may occur in the future. It is difficult to understand or predict future changes in industrial relations in the Finnish context merely by looking at labour market statistics, changes in legislation or the content of collective agreements. This is because the rather dramatic central-level contradictions may lead to an increased social and ideological polarization of the population, especially given the fierce internal confrontations of the past and the poor current economic conditions.

Figure 3.5 Unionization rate of wage earners (men and women) (%), 2009 and 2013



Source: Ahtiainen, 2015.

The number of labour disputes has varied considerably between years. However, during the economic crisis, the number of disputes, as well as the number of working days lost, has increased overall (table 3.3). These include the major strikes opposing the Government's plans to impose cuts in 2015.

³¹ Communication by the Ministry of Social Affairs and Health, 3 December 2015.

Table 3.3 Labour disputes, 2006-15

Year	Disputes	Participants	Working days lost
2006	97	48 276	85 075
2007	91	89 729	94 579
2008	92	15 992	16 352
2009	139	50 485	91 899
2010	191	137 526	314 667
2011	163	59 164	127 758
2012	86	14 984	17 254
2013	121	19 567	25 999
2014	128	69 248	40 526
2015	163	134 427	108 911

Source: Statistics Finland (2016).

5. Conclusions

In this study, observations have been made concerning the changing characteristics of Finnish social dialogue in terms of 1) economic developments; 2) tripartite bargaining with the Government involved; 3) consultation with the social partners, including the activities of the consultative committees and the official consultations; and 4) joint actions by the social partners (see table 3.4).

Table 3.4 Summary of the observations

	2008-10	2010-14	2015
Issues	“Decentralization”	“Crisis Escalates”	“Crisis Government”
Economy	Moderate increase in unemployment, high increase in Government debt.	Short recovery period and then worsened economy.	Finland exceeded the EU average unemployment rate of 9.5 per cent and funding of welfare became threatened.
Tripartite bargaining	Decentralization 2007–10; The Government and employers take charge.	Centralized framework agreements in 2011 and 2013; wage moderation.	Government takes action -> “Social Agreement” proposal and four deadlines; threat of “forceful legislation” to improve Competitiveness Agreement in February 2016.

	2008-10	2010-14	2015
Consultation	Government stimulus packages in 2009 and 2010; extending careers and related working groups; struggling with pension reform; social security reform (SATA) in trouble; the Government took the lead, EK was more passive.	Tripartite pension reform 2014; negotiation system and labour disputes law reforms in trouble; successful Career Agreement 2012.	Pension reform continued; sectoral union AKT and EK withdraw from negotiations; the Government promotes local bargaining and introduces cuts, e.g. to unemployment benefits; workers dissatisfied.
Joint actions	Workplace Development programme (TYKE) changes.	Working life 2020 programme.	EU Semester process strengthened.
Other developments	Governmental tensions; new approaches to unemployment (new Ministry); flexicurity models; privatization debate; local government reform; university reform; Labour Force Service Centres (LAFOS); public expenditure.	Credit rating dropped to AA+; some adjustments in social security; structural political development programme (2013-15) with meagre results; lightening of company taxes and obligations with limited results; PES reform.	Political power changes; major consolidation measures and cuttings in public expenditure; social and health care reform; criticism of the government plans; increase in labour disputes; lack of mutual trust.

Source: Author's own elaboration.

No major changes have taken place in the industrial relations landscape or labour organizations after the partial return to centralized agreements in 2010. However, the Government and the employers have the strong intention to increase sectoral- and company-level negotiations. The role of the State has become stronger with the latest Government – elected in 2015 – with unforeseen consequences for the industrial relations and overall national economy.

One aim of this study was to clarify the “learning” aspect of good practices in the context of social dialogue. While the employers insist on the need for adaptation to the global turmoil, the workers emphasize the need for innovation, education and new strategies. The Government’s programme, as well as the interpretation of the EU Semester policies, broadly covers both views but prioritizes the adaptation goal.

To conclude, major reforms are underway (in 2015) to tackle emerging challenges. Finland is in the midst of major restructuring and demographic changes. Indeed, it would be in a challenging position even without slowing global economic growth and its heavy EU-related financial and political obligations. Finland has distanced itself from its tradition of neutral foreign policy – and a strong political power struggle is taking place

between the various parties. These seem to be bound up with the issue of social dialogue and with the Government's efforts at reform. It is evident that focusing solely on the national social dialogue system is somewhat contrary to the wider EU policy interest, which undoubtedly calls for an integrated transnational perspective on this matter.

The issues at stake are not only the functioning of the labour market but also the ideological basis of the economic model, and negotiating different values among the Finnish population. At the moment, there seems to be a considerable risk that politics may alienate people more than ever before, if the "Social Agreements" fail to deliver. This fear has been reflected in the way that the Government has made great efforts to engage with the social partners. It remains very unclear, however, whether there is sufficient solidarity behind the Government's reform programme for it to succeed.

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Appendix

List of persons interviewed for the study

Government

Riitta Myller, Member of Parliament

Pekka Sinko, Secretary General of the Economic Council

Employers' Organizations

Leila Kurki, Finnish Confederation of Salaried Employees (STTK)

Eugen Koev, Confederation of Unions for Academic Professionals in Finland (AKAVA)

Minna Etu-Seppälä, Confederation of Finnish Industries (EK)

Workers' Organizations

Erkki Laukkanen, Central Organization of Finnish Trade Unions (SAK)

Raili Perimäki, Central Organization of Finnish Trade Unions (SAK)

Others

Ismo Grönroos-Saikkala, EU Semester Officer, Finland

Seppo Koskinen, Professor, University of Turku

4. Social dialogue in the shadow of the State in France

JACQUES FREYSSINET

1. Introduction

The approach applied in this study, for international comparative purposes, raises two major problems in the case of France

First, to try and avoid a purely descriptive approach, the terms of reference for the country studies in this volume utilize a typology of national systems. In most comparative research, France is considered as belonging to the “continental model”, on account of its *welfare state* features or the existence of “coordinated capitalism”. However, as far as its system of industrial relations is concerned, France is more akin to the southern European than to the continental model. A number of recent studies have analysed the diversity of relationships between national forms of economic and social regulation in response to the crisis; they highlight the fact that France demonstrates characteristics of both the continental and Mediterranean model (Amable, 2016; Gautié, 2011 and 2015; Jany-Catrice and Lallement, 2015; Pernot, 2013; Schulze-Marmeling, 2013). This particularity of France must be taken into account throughout the analysis that follows.

Second, the terms of reference make a distinction between a period of economic crisis (2008-12) and a post-crisis period (2013-15). In France, after a period of recession in 2009, there was a brief economic recovery in 2010 and 2011 – but this was followed by a continuing period of very weak growth up to 2015, with no particular change occurring between 2012 and 2013 (see section 2.1). The dramatic change in spring of 2012 was instead of a political nature, namely the transfer of power from a right- to a left-leaning Government (see section 2.3). This did not give rise to a significant change in economic policy, mainly because of the restrictive commitments that France had already entered into vis-à-vis the European Union. However, the new President did place great emphasis on reviving social dialogue. The French case is thus characterized by a sudden change in the political situation in 2012; it was this, rather than France’s entry into a “*post-crisis*” phase, that had a significant impact on social dialogue in the country.

This study is based on official publications and academic research covering the period 2008-15, and the most important sources are listed in the Bibliography. They include official bodies (in particular, the Ministry of Labour and bipartite or tripartite

institutions), employers' organizations and workers' organizations. Interviews were conducted with senior civil servants, the leaders of employers' and workers' organizations, and a European Commission representative (see appendix for details). The author also drew upon his personal experiences of social dialogue, both as a member of the *Haut Conseil du financement de la protection sociale* (High Council for the Financing of Social Protection), and from having given expert input to bodies such as the *Conseil économique, social et environnemental* (Economic, Social and Environmental Council) and the *Conseil d'orientation pour l'emploi* (Employment Policy Council).

2. The macroeconomic and political context

Developments in the labour market are directly linked to the changing macroeconomic context. It is, however, difficult to establish any causal relationship between the crisis and the 2012 change in the political environment.

2.1 The macroeconomic context

France's 2009 recession was less severe than the EU national average, but its economic recovery was weaker and of shorter duration (see table 4.1). Since 2012, the situation has been close to stagnant.

Table 4.1 Macroeconomic indicators

Year	GDP*	Trade balance**	Public deficit**	Public debt**	Unemployment rate***
2007	2,4	-1,3	2,7	63,9	7,7
2008	0,2	-1,8	3,3	68,2	7,1
2009	-2,9	-1,4	7,5	79,2	8,7
2010	2,0	-1,9	7,0	82,7	8,9
2011	2,1	-2,6	5,1	85,2	8,8
2012	0,2	-2,2	4,8	89,6	9,4
2013	0,7	-1,9	4,1	92,3	9,9
2014	0,2	-1,8	4,0	95,0	9,9
2015	1,2	-1,3	3,5	95,8	10,0

Notes: *annual growth rate in percentage; **as percentage of GDP; ***as percentage of the labour force (annual average in metropolitan France).

Source: National Institute of Statistics and Economics (INSEE).

During the recession, the trade balance deteriorated and has improved only slightly since. This situation has had repercussions on social dialogue. Insofar as the loss of

competitiveness is attributed to high production costs, and in particular the high cost of labour, priority should be given to exerting a downward pressure on wages and on employers' social security contributions. But if, on the other hand, the loss of competitiveness is due to an ill-advised specialization in the international division of labour, priority should rather be given to research, new technologies, investments in modernization, and to product quality. Employers' and workers' organizations disagree about the relative importance of these two elements of competitiveness. Employers often argue that the only effective response in the short term is to reduce production costs.

The main argument put forward since 2010 to justify the pressure exerted on the budgets of the State and Social Security systems has been that there is a need to reduce the public budget deficit and to stem an increase in the public debt. This situation is a direct cause of the deterioration of social dialogue.

As shown in table 4.1, after the 2009 recession and limited recovery in 2010 and 2011, growth slowed significantly in 2012 and stagnation set in – and there have been no developments since then to justify labelling 2013-15 as a *post-crisis* period.

2.2 The labour market context

Labour market developments are determined by macroeconomic trends. Nonetheless, given the time lag for the effects of adjustment and labour market policies to be felt, these developments have been slower and less drastic in nature.

The unemployment rate jumped sharply by almost two percentage points in 2009, and has been rising more slowly since 2011 (table 4.1). An examination of the composition of the unemployed reveals some significant developments (see table 4.2).

- Although the unemployment rate for women had traditionally been higher than that for men, the economic crisis has reversed this pattern. This is because jobs in industry have been cut while they continue to be created in the service sector.
- While the unemployment rate for older persons had traditionally been low because of the prevalence of pre-retirement mechanisms, it has increased more than for other age groups. This may be attributed to the almost complete elimination of early retirement, and to a pushing back of the retirement age through pension reforms (see section 3.2.4). These developments began before the crisis and have continued since.
- The unemployment rate for young people has remained well above the average, but has risen slower than for other age groups. But it is important to note that the unemployment rate (calculated as a proportion of the total working age population) has little meaning for a segment of the population of which the majority are in school or higher education. For example, the official unemployment rate for young people aged between 15 and 24 years was 23.4 per cent in 2014 – whereas only 8.9 per cent were actually unemployed that year (i.e. excluding those in education).
- Finally, the disparities in unemployment rate by level of qualification are widening, to the detriment of the least qualified. Less qualified people are the main victims of job cuts and of the increasingly stringent recruitment criteria applied in a period of massive unemployment.

Table 4.2 Unemployment rate by sex, age and professional category, 2008 and 2014 (as % of economically active population)

	2008	2014
Overall unemployment rate	7.1	9.9
By sex		
Women	7.4	9.6
Men	6.7	10.2
By age group and sex		
Both sexes		
15-24	18.3	23.4
25-49	6.3	9.3
50-64	4.3	6.7
Women		
15-24	18.1	22.2
25-49	7.0	9.2
50-64	4.3	6.6
Men		
15-24	18.5	24.4
25-49	5.6	9.4
50-64	4.3	6.8
By professional category		
– Executives	2.8	4.4
– Intermediate professions	3.8	5.6
– Employees	7.0	10.1
– Skilled workers	7.0	15.1
– Unskilled workers	14.7	19.9

Source: National Institute of Statistics and Economic Studies (INSEE): *Employment Survey*.

The composition of employment remained remarkably stable across the different categories of employment and by gender between 2008 and 2014 (see table 4.3). The crisis does not appear to have accelerated the trend towards increasing job insecurity, which began in the 1980s. This conclusion might hold true when observing only the average proportion of workers within each category – but when taking a closer look at new recruitment, there is a sharp increase in fixed-term contracts over this period. In fact, between the first trimesters of 2008 and 2015, hiring on a fixed-term basis increased from 70 to 85 per cent of all (new) recruitment of salaried workers.

Within the category of fixed-term contracts, the proportion of very short-term hiring has also grown: while in the first quarter of 2008 some 60.7 per cent of fixed-term recruitment involved jobs of less than one month's duration, by the third quarter of 2015 this proportion had reached 69.5 per cent. Job mobility is on the increase and concentrated among a small fraction of the overall labour force. It accentuates a long-term trend towards labour market segmentation. Since 2008, this issue has appeared on the

agenda of social dialogue on several occasions and in different ways – unemployment benefits, life-long vocational training, social protection, and so on (see sections 3.1 and 3.2).

Table 4.3 Composition of employment, 2008 and 2014 (% of total employment)

	2008	2014
Non-salaried workers	10.6	11.5
Employees	89.4	88.5
– Permanent contracts	77.6	76.4
– Apprentices	1.3	1.4
– Temporary contracts	2.1	2.1
– Fixed-term contracts	8.4	8.6
Part-time work		
Both sexes	17.0	18.9
– Women	29.5	30.8
– Men	5.7	7.8

Source: INSEE: *Employment Survey*.

Part-time work remains heavily dominated by women. There was a small increase in part-time work during the crisis, which was slightly more marked among men than women. The proportion of individuals working part-time and stating that they wished to work more hours rose from 31.0 per cent to 37.5 per cent between 2008 and 2014.

As with macroeconomic indicators, an examination of annual data on the composition of employment and unemployment³² suggests that there was no particular break in trends in the period 2012-13.

2.3 The political context

With regards to the political situation, the period in question can be split into two phases:

- Up to May 2012, the President (Nicolas Sarkozy, elected in May 2007), the Government (with François Fillon as Prime Minister) and the parliamentary majority were all right wing.
- From May 2012 to the present, François Hollande, a socialist, has been President; both Prime Ministers have been socialists (Jean-Marc Eyraud until March 2014, followed by Manuel Valls), along with a socialist parliamentary majority.

As we shall see in sections 3.1 and 3.2, the change in the parliamentary majority has certainly had an impact on the process of social dialogue, but it has not caused a significant change in macroeconomic policy. Upon taking up office, the socialist leaders have had to manage levels of budget deficit and public debt that make them subject

³² The data series are accessible at: www.insee.fr

to constraints imposed by the European Union. Unable to find sufficient support for a coordinated European economic recovery policy, they have focused instead on difficult negotiations to reschedule the reduction of the national budget deficit. In this position of weakness, any deviation from the economic policy choices made at the European level becomes impossible.

The failure by both parliamentary majorities to kick-start economic growth and reverse growing unemployment has been one of the main reasons behind a loss of public confidence in traditional political parties and leaders in France. This has become most evident through a steady increase in electoral support for the far-right *Front National* (National Front).

3. The role of social dialogue in the implementation of national policies

There are two main forms of tripartite social dialogue in France. The first is purely consultative (see section 3.1), while the second involves the joint production of rules governing employment relationships (see section 3.2). European social dialogue has had only a minor impact on national social dialogue (see section 3.3). The same holds true for the very many consultative institutions, whose operations are often routine – with the exception of some specialized institutions, which have focused specifically on the impact of the crisis (see section 3.4).

3.1 The role of social dialogue in consultative processes

Tripartite discussions, for the most part, take place in bodies that have no legal basis: first, at “social summits” and later at “social conferences.”

3.1.1 Social summits

At the outbreak of the crisis, a number of social summits were organized under Nicolas Sarkozy’s presidency, albeit not at regular intervals. Sarkozy presided over them, and the leaders of the employers’ and workers’ organizations participated. The summits served two purposes: first, to present the Government’s plans in the area of social policy and to obtain the viewpoints of employers’ and workers’ organizations; second (in some cases), to invite these organizations to initiate negotiations on subjects put forward by the Government, in accordance with the procedure established in 2007 by the Act on the modernization of social dialogue (see section 3.2).

The context for these summits was determined by the thrust of economic policy. One of the first summits on 18 February 2009 was devoted to the presentation of social measures to accompany the newly adopted economic recovery plan. Since 2010, the social summits have taken place in the context of a fiscal consolidation policy that leaves scant resources available for social policy concerns. At these summits, trade unions have expressed their increasing dissatisfaction.

3.1.2 Social conferences

After his success in the presidential elections, François Hollande announced that one social conference would be organized each year. These would become the vehicle for

building new relationships with social partners. In relation to the social summits, several changes were made:

- The yearly interval would allow stakeholders to ensure coherence across social policy. Hence the agenda was broader than for the social summits.
- Preparations for the conferences were made through bilateral and tripartite meetings, to jointly draw up the methods of work and agenda.
- At the end of the social conference, the Government would make public a “social policy road map”, summing up the conclusions of the debates and setting the agenda for the following year.

Three social conferences were organized based on these principles, in July 2012, June 2013 and July 2014. Initially well received by all participants, they subsequently suffered the consequences of an economic policy that gave priority to restoring enterprise competitiveness in a context of increasing budgetary austerity. Two of the five representative trade unions present, the General Confederation of Labour (CGT) and the General Confederation of Labour – Force Ouvrière (CGT-FO), expressed their discontent by walking out of the third conference.

In consequence, the Government decided not to organize a social conference with a comprehensive agenda in 2015. Rather, the fourth social conference, of October 2015, focused on three relatively non-contentious issues,³³ namely the creation of a personal activity account, the energy transition and the digital transition. During this conference, the Government also announced its intention to draft a bill on the reform of collective bargaining (see section 4.1.2).

The experience of the social summits and social conferences gives rise to the following observations:

- It would be incorrect to characterize these meetings as embodying “informal tripartism.” They were organized with some degree of formality; the President of France was present, and the participants included the heads of the most representative employers’ and workers’ organizations. The conclusions from the meetings had an influence on both public policy and cross-sectoral negotiations. But given the absence of a legal basis for their operation, it was the State that decided whether or not they should take place. Hence the “social conferences,” an originally ambitious innovation that could have been continued as an example of “good practice”, were replaced by more modest gatherings in 2015.
- The advantage of the social summits and social conferences was their ability to make dialogue on social policy possible at the highest level. The process enabled the Government to demonstrate its commitment to social democracy. It also allowed the employers’ and workers’ organizations to assert their legitimacy as influential social actors in the social policy arena. However, the social summits and conferences did not allow for their involvement in determining economic policy.
- It is difficult to claim a causal link between these events and the onset of the crisis. Social summits had been organized previously, although only rarely, and under exceptional economic conditions. The novel element here was primarily

³³ Only the CGT refused to attend the conference.

the frequency with which the meetings were held, and their focus on the social impact of the crisis.

- In some respects, these meetings were a facet of the Government's communications policy and allowed some participants to use them to attract media attention. The debates were so short that it was rarely possible to go beyond the re-statement of positions already known to everyone present. The real issue was the level of seriousness with which the preparatory meetings were organized: did the bipartite meetings enable participants to influence the positions taken by the Government at the conference? Different organizations may voice different opinions on this matter, perhaps because they do not all enjoy the same degree of access to the Government. However, they all agree that there has been a deterioration over time; while the 2012 conference was important because it proposed a method and outlined prospects for the next five years, by contrast, the 2015 conference was postponed and the agenda limited to issues where confrontation could be avoided.

3.2 The role of social dialogue in the joint production of rules governing employment relationships

A second mechanism made it possible to coordinate action by the State and the social partners. It was based on the combination of a national cross-sectoral collective agreement and a binding act by the State (a law, decree or order) that totally or partially validates this agreement. Although it already existed before the crisis, this mechanism was used more frequently after 2008.

3.2.1 *Coordination processes*

The main coordination process is that of incorporation into law. The Act of 31 January 2007 on the modernization of social dialogue codified a practice that had been used informally since the 1960s. There are now three distinct stages:

- The Government informs employers' and workers' organizations about planned initiatives in the field of employment relationships, employment and vocational training. It provides them with background documents on these issues.
- If the issue is one that is normally subject to a cross-sectoral agreement, these organizations may inform the Government that they wish to negotiate.
- If agreement is reached, the Government drafts a bill, in order to transpose the provisions of the agreement into a revised Labour Code. Parliament remains sovereign, and is not obliged to respect all the terms of the agreement.³⁴

A second form of coordination is the approval or extension by the State of a cross-sectoral agreement. Employers' and workers' organizations have created joint and equally managed bipartite bodies that offer benefits to employees. Compulsory contributions must be made to finance these bodies or schemes and, in order to have the force of law, the agreements must either be approved by the Minister, or be the subject of an extension.

³⁴ This is significantly different from European Union practice: when a European Directive incorporates an agreement, it must adopt the exact wording of that agreement.

3.2.2 Robust activity during the crisis

More than 25 agreements were signed between 2008 and 2015, excluding those on matters of procedure or the timing of meetings; the main ones are listed in table 4.4.

Table 4.4 Significant national cross-sectoral collective agreements (ANI) (2008-15)

Date	Topic	CGT	CFDT	CGT-FO	CFTC	CFE-CGC
Management of employment by companies and the operation of the labour market						
11/01/2008	Modernization of the labour market		X	X	X	X
11/01/2013	Enterprise competitiveness and providing employment security		X		X	X
14/11/2008	Planned management of employment and skills		X			X
07/01/2009	Lifelong vocational training	X	X	X	X	X
14/12/2013	Lifelong vocational training		X	X	X	X
Joint bodies						
23/12/2008	Unemployment insurance		X			
25/03/2011	Unemployment insurance		X	X	X	X
23/03/2014	Unemployment insurance		X	X	X	
18/03/2011	Supplementary pensions		X	X	X	
13/03/2013	Supplementary pensions		X	X	X	
30/10/2015	Supplementary pensions		X		X	X
12/07/2011	Employment of managers	X	X	X	X	X
17/02/2012	Modernization of the system of joint management		X	X	X	
Labour policy instruments						
15/12/2008	Compensation for partial unemployment		X	X	X	X
02/10/2009	Compensation for partial unemployment	X	X	X	X	X
13/01/2012	Compensation for partial unemployment		X	X	X	X
06/02/2012	Long-term part-time work		X	X	X	X
23/12/2008	Conventions on personal re-classification	X	X	X	X	

Date	Topic	CGT	CFDT	CGT-FO	CFTC	CFE-CGC
31/05/2011	Contracts for employment security	X	X	X	X	X
08/12/2014	Contracts for employment security	X	X	X	X	X
07/04/2011	Youth employment		X	X	X	X
29/04/2011	- Assistance to find work		X	X	X	X
07/06/2011	- Access to housing		X		X	X
11/07/2011	- Workplace training and internships		X	X	X	X
18/04/2012	- Job retention		X	X	X	X
18/04/2012	Access to housing	X	X	X	X	X
19/10/2012	Inter-generational contracts ³⁵	X	X	X	X	X
Working conditions						
02/07/2008	Stress at work	X	X	X	X	X
19/06/2013	Quality of life at work		X		X	X

Note: X indicates that the trade union has signed an agreement. All agreements have been signed by the three employers' organizations, with the exception of the ANI of 2013 on vocational training, which has not been signed by the CGPME.

Source: Annual assessments of collective bargaining.

The agreements can be divided into three main categories (Freyssinet, 2011; Pernot, 2013; Schulze-Marmeling, 2013).

i) Enterprise-level management of employment and labour market functioning

Two multidimensional, medium-term agreements have aimed to change the rules governing the functioning of the labour market.

The first was the agreement of 11 January 2008 on the “modernization of the labour market,” which was not signed by the CGT. It combined mechanisms intended to improve employees’ mobility and to make career paths more secure (Fabre et al., 2008; Freyssinet, 2007). Parliament transposed the agreement without making significant changes. Although the agreement was reached just before the crisis started, it was implemented and completed in the early crisis period, in particular by means of two agreements, namely those of December 2008 on unemployment benefits, and of January 2009 on life-long vocational training.

The second was signed five years later. In light of the crisis and persistent high unemployment, the first agreement was supplemented and expanded by that of 11 January 2013 on “the competitiveness of enterprises and employment security.” So as to balance the concessions made on either side, juxtaposed measures were implemented in several areas (Béthoux and Jobert, 2013; Freyssinet, 2013; *Revue de droit du travail*, 2013; Turlan and Cette, 2013). In short, new individual and collective employees’ rights were recognized in exchange for extended freedoms for employers in the realm of employment management. The agreement was severely criticized by two trade unions,

³⁵ Under a law adopted on 12 December 2012, the “inter-generational contract” aims to encourage the hiring of young people on permanent contracts to work alongside an older person until the latter’s retirement. The Government provides some assistance to employers with less than 300 salaried workers. As well as increasing employment, this arrangement encourages skills and knowledge transfer between the different generations.

the CGT and the CGT-FO. During discussion of the bill, the most left-wing branch of Parliament exerted considerable pressure, in some cases successfully, for the introduction of amendments to strengthen workers' rights or restrict the extension of freedoms to employers (Act of 14 June 2013). As a result, employers' organizations criticized Parliament for not respecting the terms of an agreement negotiated by the social partners.

As in 2008, the State, employers' and workers' organizations respected the terms of the 2007 Act that defined their respective roles, but the final result was somewhat less satisfying from a social dialogue perspective. The agreement was rejected by two workers' organizations representing almost half of all employees, and its incorporation into law was criticized by the employers' organizations.

A complementary agreement on vocational training was signed on 14 December 2013 by all employers' organizations except for the General Confederation of Small- and Medium-Sized Enterprises (CGPME), and all trade unions except the CGT.

ii) The financing and functioning of jointly managed bodies

Agreements are regularly signed with the aim of assuring the sound management of several joint bodies and schemes created by employers' and workers' organizations. Such bodies exist in the area of vocational training; the rules governing their financing and functioning are established in the above agreements.

As a consequence of the economic crisis, the supplementary pension's scheme was subject to difficult negotiations in 2011, 2013 and 2015. Compromises were reached by combining a slight increase in contributions, a considerable reduction in entitlement to benefits, and drawdowns from the pension scheme's reserves (Besnard, 2011).

The joint scheme hardest hit by the crisis was unemployment insurance, suffering a simultaneous dwindling of resources and an increase in costs. Agreements on unemployment insurance are re-negotiated every two or three years. However, conflict often arises between trade unions demanding an increase in contributions so as to improve or at least maintain existing benefits, and employers demanding a reduction in expenses and refusing any increase in their contributions. In 2014, a compromise was reached – mainly by accepting an increase in the scheme's debt.

Acknowledging the heterogeneity in the organizational forms of their joint institutions and the criticisms levelled about their management, the employers' and the workers' organizations signed an agreement on 17 February 2012 on “modernizing joint management,” which defined procedures for ensuring transparency in management and for evaluating results.

iii) Employment policy instruments

Some agreements create or broaden the mechanisms used for coping with the crisis. They cover, in particular, compensation for partial unemployment, “contracts for increasing employment security” for employees who are made redundant, and measures aimed at helping young people find jobs. Because their purpose is to help those groups who are directly affected by the crisis, the content of these agreements is less controversial than that of other agreements. The five trade union organizations usually sign them; in the few cases where trade unions have refused to sign, it is usually

because they found the proposed measures insufficient, rather than questioning the underlying principle.

3.2.3. An asymmetric and ambiguous tripartite system

The coordination of Government action with collective bargaining has often been used to cope with the crisis. It would, however, be a mistake to view this as a manifestation of tripartite consensus. As the Government understands that it is in its own interest to use collective agreements to legitimize its actions, it does not just stand back and validate the results of negotiations. It proposes topics for negotiation, produces background documents, sets negotiation deadlines and is ready to take legislative action if negotiations fail.

In some areas, such as the tendency towards flexible work schedules, it has used the force of law, outside collective agreements or even in contradiction to them, to take measures that have the support of employers, but are opposed by trade unions. This was the case, for example, with the organization of working time (2008) and with evening or Sunday working (2009 and 2015).

While employers' organizations do not publicly disagree amongst themselves, save in exceptional cases, workers' organizations do so, unequivocally and frequently. The two main Confederations differ markedly in this regard (see table 4.4). The CFDT has signed all agreements, while the CGT has signed only a handful. The other three trade unions considered representative at the cross-sectoral level have signed most of the agreements.³⁶

Hence, what is special in the French case is the close interconnection between cross-sectoral bargaining and public policy. On the one hand, the crisis widened certain differences between the social partners but, on the other, it increased the need for them to work together. Although no tripartite agreements were signed, this did not undermine the continuation of tripartite processes characterized by both conflict and cooperation, which led to various partial results in different legal forms.

3.2.4. The case of pension reform

The 2007 Act on the modernization of social dialogue only covers matters that come under the Labour Code; it does not cover social protection. The pension reform gave rise to severe social conflict in 2010 (Palier, 2010; Freyssinet, 2012), but this was not the case when a new reform was introduced in 2014.

The divisive reform process of 2010

Private sector employees have access to a scheme with clearly defined benefits. Pensions are contingent upon previous earnings and the number of years of contributory

³⁶ The conditions under which a national cross-sectoral agreement (ANI) is valid have changed since 2013.

- Up to 2013, an ANI was considered valid from the moment it was signed by at least one representative trade union, provided that a majority of the representative trade unions (that is, three out of the five) did not oppose it. Only one minor national cross-sectoral agreement has been invalidated as a result of this procedure.
- Since 2013, an ANI is considered valid only if the trade unions that are signatories to it have received at least 30 per cent of votes in representativeness elections, and if trade unions receiving at least 50 per cent of the votes have not opposed it. To date, no national cross-sectoral agreements have been invalidated for this reason.

payments. The onset of the crisis reduced the likelihood of future financial equilibrium, at least in the event that its impact would be long lasting. The process of reform began in April 2010, following its announcement in June 2009; and the Act was promulgated on 9 November 2010. While previous reforms gave priority to extending the period over which contributions had to be made for entitlement to a full pension, the 2010 reform raised the legal retirement age:

- The minimum age to qualify for a retirement pension was to go up in stages from 60 to 62, between 2011 and 2018.
- The age for entitlement to a “full pension” (with no reduction in the amount) was to increase progressively from 65 to 67, between 2016 and 2023.

This reform was driven by the desire for a rapid effect on the level of spending and had non-egalitarian consequences. The lengthening of the minimum contributory period barely affected those who started work very young (i.e. workers with few years of schooling), but particularly hit hard those who had gone on to higher education. By contrast, raising the retirement age has exactly the opposite effect, as workers with few qualifications have longer working lives and shorter life expectancy upon retirement.

The Minister of Labour organized bilateral consultations with employers’ and workers’ organizations. However, he refused to bring the social partners together, claiming that there was a risk of “trade unions overstepping the mark.” The trade unions unanimously opposed the reform, denouncing the “sham agreement” and the non-egalitarian reform, for which employees would bear 85 per cent of the cost. Between May and November 2010, they organized a series of large-scale demonstrations, but managed to obtain only minor amendments to the initial plan.

The Government was probably satisfied with having demonstrated to international institutions and financial markets its willingness and ability to reduce the deficit, despite the level of social discontent that this generated.

The “limited reform” of 2014

Upon his election, François Hollande was faced with an uncomfortable fact: the 2010 reform had not been enough to re-establish a long-term financial equilibrium. Learning from the previous experience, he opted for a process that would provide sufficient time for extensive social dialogue. After hard efforts to reach a compromise solution, in 2014 a new reform was adopted, more limited in scope than that of 2010. Although neither of the social partners was completely satisfied, it did not lead to any hostile demonstrations.

Unlike the 2010 reform that envisaged raising the retirement age, the 2014 reform reverted to the approach of earlier reforms: the length of time over which contributions were required in order to receive a full pension would rise progressively from 41 years and 9 months to 43 years by 2035.

The most significant innovation was the creation of a “personal account for the prevention of arduous conditions.” This took into account workers’ exposure, over the course of their working lives, to various factors contributing to arduous conditions. On this basis, each employee gained rights that he or she could use in three ways: to contribute towards the cost of vocational training, to compensate for a period of part-time work and to finance early retirement.

3.3 The role of social dialogue in the European Semester

The relationship between social dialogue at the European and the national level is paradoxical (Pernot, 2014). European bodies are taking an increasingly forceful position on issues that are key to social dialogue in France – but national social dialogue does not make explicit reference to European recommendations. The national social partners only see links between the two levels in terms of information exchange and comparative analysis of problems and solutions.

3.3.1. *European recommendations on issues central to national social dialogue*

Institutional mechanisms established in response to the crisis resulted in direct interventions by the European Council and the European Commission regarding national economic and social policy choices in France. The recommendations are particularly restrictive for countries, which, like France, are subject to measures concerning their high public deficit. The deadlines set by the European bodies to reduce the deficit are determined by national commitments to carry out “structural reforms.”

The recommendations adopted by the Council in this area focus principally on five issues: wage levels, social protection, labour legislation, active employment policy and life-long training. Although these issues are central to national social dialogue, there is very little interaction between national processes and the European Semester, where the Government negotiates its reform programme.

3.3.2 *Weak “top down” coordination*

The European Commission, through its European Semester Officer (ESO), communicates actively with the French social partners to keep them informed about European reports and recommendations. In so doing, it aims both to engender buy-in and to ensure commitment. The Commission acknowledges the limits of the process: there is no shared diagnosis. The trade unions believe that the macroeconomic policy recommendations of the European Union are prolonging the crisis. While some of the trade unions may be ready to discuss the “structural reforms”, they will do so only in the context of a broader active economic recovery policy. They will not allow the reforms to substitute for such a policy. From the trade union perspective, most of the European recommendations are aligned with employers’ demands while, for their part, the employers maintain either that the recommendations are too limited in scope or are implemented too slowly.

The discussions during the Tripartite Social Summits and the Committee on Social Dialogue certainly have an indirect impact, insofar as they help shape the analyses of the social partners. It is, however, difficult to see any evidence of this in national social dialogue processes.

3.3.3 *Weak “bottom up” involvement*

In 1998, a new consultative body was created in France, the Committee on Social Dialogue on European and International Issues (CDSEI). It brought together employers’ and workers’ organizations and the representatives of relevant ministries, with the Minister of Labour as its chairperson. The social partners welcomed it as a useful source

of information and venue for them to express their views through an open dialogue. But they do not believe that the discussions within the CDSEI can influence the positions taken by the French Government in the European bodies.

In short, there is a clear link between the European authorities' recommendations for France and the reforms introduced by successive French Governments. Nonetheless, in the context of national social dialogue, the Government appears to judge it as counterproductive to justify its positions by reference to European recommendations; it has no wish to be seen as submitting to injunctions of the European authorities.

3.4 The role and impact of national social dialogue institutions

Many consultative institutions have been created since the Second World War in response to varied needs, but they are lacking an overall coherence.

The most significant of these, the Economic, Social and Environmental Council, has undertaken analysis of the impact of the crisis in many areas. It has traditionally sought to build broad consensus on uncontroversial issues and, to achieve this, its opinions are very carefully worded. Even though the quality of the Council's reports is universally acknowledged, its opinions do not appear to have significant political impact.

Various consultative bodies have expertise that could allow them to play an important role in social dialogue. Such is the case, for example, for the National Commission on Collective Bargaining, the National Council on Employment, Vocational Training and Orientation and the Advisory Council on Working Conditions. But, because there are so many of them and they tend to be somewhat routine in their operations, these institutions have had only a minor influence on discussions around the crisis.

There have nonetheless been exceptions: several bodies have undertaken multi-stakeholder analyses of the impacts of the crisis. One such case is the Employment Advisory Council, created in 2005, which brings together representatives of the State (Parliament and the Government), local authorities, organizations of employers and workers as well as experts. Since 2008, it has been analyzing structural changes in employment linked to the crisis, taking into account international comparative experience. Its reports are not submitted to Council members for their explicit approval; nor do they commit the organizations or institutions they represent. However, the Council's permanent members do their utmost to ensure that their reports' content will not give rise to significant objections by participants. Two other bodies that work along the same lines in specific areas are the Advisory Council on Retirement and the Senior Council on the Financing of Social Protection.

These are examples of good practice. They allow the development of diagnoses and scenarios upon which all concerned parties agree to a great extent, and can serve as a shared point of reference during different discussions, particularly at the social conferences and in inter-sectoral collective bargaining.

4. Industrial relations and collective bargaining during the crisis

The development of collective bargaining during the crisis can only be properly understood by recognizing the critical role played by the State (see section 4.1). Due in part

to pressure from the State, collective bargaining increased greatly (see section 4.2). Employers' and workers' organizations did not change significantly over the period (see section 4.3).

4.1 The decisive role of the state in industrial relations

France has a tradition of strong State intervention in industrial relations. We have already addressed the State's role in setting the agenda and schedule for cross-sectoral collective bargaining (see section 3.2, above). At the sectoral level, the State intervenes in two ways.

First, as is the tradition, the State extends collective agreements to cover all enterprises in the sector concerned. Less often, in those sectors not covered by collective bargaining, the State extends to them collective agreements signed in similar sectors.

Second, since 1982, bargaining has been made compulsory in several areas, such as wages (negotiations must take place every year), vocational training and apprenticeships (every three years), and professional classifications (every five years). The obligation to bargain collectively does not imply that an agreement must be reached, but it does create, perhaps somewhat artificially, a "bargaining dynamic".

These mechanisms help explain the fact that over 90 per cent of employees in France are covered by sectoral agreements, and this rate did not drop during the crisis years.

4.1.1. *Enterprise-level bargaining: incentives, obligations and sanctions*

The trend towards the decentralization of bargaining to the enterprise level during the past few years cannot be directly attributed to the crisis (Pignoni and Raynaud, 2013). It is clear, however, that the massive and persistent imbalance in the labour market has been used to support the argument that the decentralization of bargaining is good for job creation. As a rule, company-level bargaining is initiated by employers who want to adjust the employment terms and conditions to local production and competition conditions. What is special about the French case is the way in which the State has encouraged this development through a combination of mechanisms (Naboulet, 2011 and 2013; Jobert, 2013):

- The law makes it mandatory to open enterprise-level bargaining on certain issues.³⁷ If negotiations fail, the enterprise may be required to present a plan of action on the issue in question. The agreement or plan is usually subject to certain requirements in terms of its content. If these are not met, the enterprise faces financial penalties.
- The State offers financial incentives (public assistance or exemption from social contributions) for agreements expected to have a positive effect on employment (for example, agreements on shorter working hours).
- Derogations from the law are allowed in certain fields and within certain limits (regarding the organization of working time, for example), provided that they have been the subject of a collective agreement.

³⁷ As a rule, collective bargaining is compulsory only in enterprises with more than 50 employees and those with a trade union delegate. If a sector-level agreement on the same issue exists, this may in some cases exempt the enterprise from collective bargaining.

Since 2008, the first mechanism has been applied in various areas such as the employment of older workers, workplace equality between men and women, arduous working conditions and inter-generational contracts. The third mechanism was employed notably by the Act of 14 June 2013, deriving from the cross-sectoral agreement of 11 January 2013, under which:

- Agreements on job retention make it possible, when an enterprise faces serious financial difficulties, to negotiate company-level agreements in which reduced salary and working time are accepted in exchange for employer commitments not to lay off staff for economic reasons.
- Agreements on internal mobility broaden the scope for geographical and professional mobility within the company, as decided by the employer.
- Agreements on collective redundancies make it possible to derogate from various legal provisions regarding procedures for managing redundancies and measures to support laid-off workers.

Somewhat paradoxically, the law has become an instrument through which the State promotes decentralized bargaining. It serves to combat resistance on two fronts: by employers who do not wish to initiate collective bargaining in their enterprise, and by trade unions who are wedded to national level collective bargaining. The application of these methods has had a clear impact on the number of company-level agreements (see section 4.2) but entails two risks: first, the negotiation of repeated temporary agreements in order to access financial support, and second, the adoption of formal agreements aimed solely to avoid the imposition of fines.

4.1.2. A wide-ranging reform process

Following the fourth social conference and initial consultations with employers' and workers' organizations, the Government presented its plans and schedule for a reform of collective bargaining on 4 November 2015 (Prime Minister's Press Release, 2015):

- The Labour Code will be redrafted within a two-year period, based on a distinction between, first, the fundamental rights enshrined in the Code, which determine the "public social order" (i.e. provisions from which collective agreements cannot derogate); second, the areas covered by collective bargaining; and third, supplementary provisions which apply in the absence of a collective agreement.
- Regarding collective bargaining, the number of branches must be reduced in stages from 700 to about 100. The regroupings will be determined voluntarily or, if this is not possible, decided by the State.
- Branch-level agreements will establish a "public professional order" (i.e. provisions from which enterprise-level agreements cannot derogate). As long as these provisions are respected, enterprise-level bargaining will be completely autonomous.
- There will be increased recourse to workers mandated by representative trade unions in the branch concerned to enable collective bargaining in small enterprises that do not have trade union delegates

4.2 A fragile development of collective bargaining

Statistical data on collective bargaining provides information on the number of agreements signed and the topics they cover (Ministry of Labour, 2008-15). They give no insights into the impact of the crisis on the content of these agreements.

As indicated above (section 3.2.2), the number of cross-sectoral agreements has remained high. During the first decade of the twenty-first century, the annual number of sectoral agreements concluded reached more than 1,300 between 2009 and 2012; it then decreased to about 1,000 per year in 2013 and 2014. The number of company-level agreements increased from 27,000 in 2008 to 39,000 in 2013, before declining slightly to 37,000 in 2014 (provisional estimate).

4.3 The stability of the representational structures

The crisis did not bring about any significant changes in the structures for representation.

The representativeness of employers' organizations will be measured for the first time in 2017, on the basis of the number of member enterprises. In the interim, the available data are not reliable because enterprises are frequently members of several organizations. The Movement of French Enterprises (MEDEF) is dominant among the cross-sectoral organizations; it heads the employers' delegation at cross-sectoral negotiations. The CGPME and Union of Professional Artisans (UPA) represent the interests of small- and medium-sized enterprises and of artisans, respectively. While the crisis may have widened certain divergences of interest between these different enterprise categories, it has strengthened their shared priority of securing an increase in labour market flexibility and a reduction of wage costs.

Trade union density, which was more than 30 per cent just after the Second World War, has been declining ever since, albeit not consistently. Over the past ten years, it has remained stable at around 11 per cent. The rate in the public sector (of about 20 per cent) is twice as high as that in the private sector (about 9 per cent). In 2013, for the first time, elections to measure the representativeness of trade unions covered all employees.³⁸ Three trade union confederations remained dominant, gaining 69 per cent of all votes outside the civil service and 61 per cent of votes within the civil service (27 per cent and 23 per cent respectively for the CGT; 26 per cent and 19 per cent respectively for the French Democratic Federation of Labour (CFDT); and 16 per cent and 19 per cent respectively for the CGT-FO). Opinion polls indicate that there has been a slight drop in workers' confidence in trade unions since the start of the crisis.³⁹

One possible factor affecting these organizations is the growing influence of the views of the National Front on a small minority of members. Its nationalist and xenophobic discourse has a greater impact on the social groups who are victims of the crisis or feel threatened by globalization, intensified competition, open national borders and European economic integration. Faced with this threat, social dialogue should clearly demonstrate the capacity of political, economic and social actors to devise a plan to ensure that economic performance goes hand-in-hand with social inclusion.

³⁸ Results for the civil service relate to 2014.

³⁹ In October 2015, 51 per cent of workers reported that they trusted trade unions to defend their interests, whereas the equivalent figure for May 2008 was 58 per cent (TNS Sofres Survey).

5. Conclusions

Inspired by the reflections made by Christian Welz and David Foden on the pre-conditions for a revival of European social dialogue (Welz and Foden, 2015), some lessons may be drawn from the French experience.

The economic crisis and the content of social dialogue

While it is difficult to establish any causal link between the onset of the crisis and developments in social dialogue since 2008, it is nonetheless possible to highlight some commonalities between these two processes.

Between 2008 and 2015, there was an intensification of tripartite and bipartite social dialogue, as illustrated by the increased frequency of social summits and social conferences, the growing number of national cross-sectoral agreements and the conclusion of enterprise-level agreements on new topics. Opinions differ, however, as to the quality of this dialogue and its outcomes. In the eyes of some, the depth of the crisis provided a favorable environment for the emergence of innovative solutions regarding both the methods of negotiation and the content of agreements. The State supported these developments. A new generation of “win-win” agreements articulated the twin objectives of re-establishing competitiveness and job security. Others consider that, after a brief period in which consensus was reached on an economic recovery policy, governments began giving priority to budgetary austerity, while employers prioritized lower payroll costs; together, these developments deprived social dialogue of the elements necessary to reach balanced agreements. Social dialogue came to focus on how to manage the sacrifices demanded in the name of the economic crisis. Persistently high unemployment and the absence of a robust economic recovery did not create the conditions for building consensus about future objectives and forms of action.

On the other hand, the seriousness of the problems caused by the crisis stimulated the activity of tripartite bodies whose main role was to produce shared diagnoses and develop alternative scenarios. At these venues, dialogue was facilitated because the State was not represented by politicians but by senior civil servants whose competence and ethics were known and respected by everyone present. The purpose of these bodies is not to negotiate or develop proposals based on the opinion of the majority, but rather to build a broadly shared framework, on the basis of which each party can then elaborate its specific position.

The autonomy of the social partners

A number of European countries have drawn a clear and stable boundary between, on the one hand, tripartite social dialogue in which the State organizes the consultation and concertation process and, on the other, bipartite social dialogue in which the social partners conduct autonomous negotiations. In France, this boundary is not so marked and can shift over time. We describe this as asymmetric and ambiguous tripartism. This is apparent as much in the drafting of laws, with frequent prior recourse to cross-sectoral agreements, as in collective bargaining, with its multiple forms of State intervention – whether based on incentives or restrictions.

During the crisis, the degree of overlap between bipartite and tripartite processes increased, leading to heightened dissatisfaction among employers' and workers' organizations that wanted their autonomy. However, the crisis also raised tensions between the social partners. True to their tradition, either one or the other was tempted to turn to the State whenever they thought it was in their best interests to do so. Overall, the crisis reduced the autonomy of the social partner's vis-à-vis the State, contrary to their declared intentions. Yet, at the same time, it rendered the State increasingly dependent on the legitimacy it derived from basing its policy decisions on cross-sectoral collective agreements.

The representativeness and legitimacy of the social partners

Trade union density in France is extremely low; trade union representativeness is therefore measured by the results of their elections, which have changed very little since 2008. Trade union legitimacy is harder to gauge. Opinion polls among workers show that union legitimacy declined somewhat during the crisis years. Trade unions believe that their legitimacy can also be measured by their capacity to mobilize and/or to secure concrete benefits for workers. In the context of the crisis, their approach has been largely defensive. In this respect, although very few workers sign up to join trade unions, the majority still believe that unions are necessary for worker protection.

The situation for employers' organizations is unclear. Despite having a large membership, employers join mainly to access the benefits offered by these organizations. Numerous studies show that member enterprises are often indifferent to, or even oblivious of, the positions taken by their organizations on various issues. But there is no indication that their representativeness is being called into question.

Under these conditions, national social dialogue, whether tripartite or bipartite, has represented a way for employers' and workers' organizations to demonstrate their capacity to take the initiative and exert an influence on social policy in a time of crisis.

The European Semester and social dialogue

The relationship between social dialogue at the European and the national level is somewhat paradoxical. France receives stringent recommendations from the European Council on issues that are central to social dialogue, such as wages, the labour market and social protection; and these recommendations have without doubt influenced public policy in the past few years. Yet, there is no explicit link with the national social dialogue agenda. None of the actors concerned wishes to draw attention to what might be seen as a loss of autonomy for national social dialogue.

Post-script

Important developments have occurred in France since the finalization of the country chapter. This post-script provides a brief update on developments up to September 2016.

On 17 February 2016, a bill to overhaul France's labour laws was made public; it received the backing of the two main employers' organizations but was unanimously rejected by the trade unions. Following bilateral consultations, the Government adopted

a significantly modified bill on 24 March. The three employers' organizations criticized the "pull-backs" by the Government, which aimed, in their eyes, to appease the trade unions. Two of the trade unions (CGT and CGT-FO) continued to demand the total withdrawal of the text and organized numerous country-wide protests and demonstrations against it, involving also various student organizations. The three other trade unions (CFDT, the French Confederation of Christian Workers (CFTC) and the French Confederation of Managerial Staff – General Confederation of Managers (CFE-CGC), although supporting the revisions introduced by the Government, continued to demand other amendments that they sought to have adopted during the parliamentary debate in the spring of 2016. The parliamentary examination of the bill thus took place against a backdrop of profound disagreements between the social partners and conflicting criticisms of the legal text. Various new amendments were introduced; but the CFE-CGC did not consider these adequate, and thereafter joined the opponents of the law.

The law that was finally promulgated on 9 August 2016 ("Law on work, modernization of social dialogue and security of workers' career paths") was extremely complex, covering many issues beyond collective bargaining. In so doing, the Government no doubt hoped to offer each side gains in certain areas that would lead them to accept losses in other areas. But in fact, it gave rise to multiple complaints from the employers' side as well as from the majority of trade unions.

To demonstrate their dissatisfaction, the employers' organizations refused to grant any concessions during negotiations on the renewal of the unemployment insurance agreement, which were ongoing at the time of the parliamentary debate on the bill. In consequence, these negotiations failed, leading to unanimous protests by the trade unions. The Government was obliged to extend the validity of the 2014 agreement (see section 3.2.4) until negotiations could be re-launched and a new agreement reached.

It is still too early to assess the lasting impact of this breakdown in tripartite and bipartite social dialogue. The situation is unlikely to change before the presidential and parliamentary elections in the spring of 2017. It will be a matter for the new political majority to define its strategy regarding a possible revival of social dialogue in the future.

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Appendix

List of persons interviewed for the study

Government

Marie-Claire Carrère-Gee, Chairperson of the Employment Policy Council, former Social Councillor and then Deputy Secretary-General of the French Presidency

Jean-Denis Combrexelle, Chair of the Social Section of the State Council, former Director-General of Labour from 2006 to 2014 (Ministry of Labour)

Yves Struillou, Director General of Labour (Ministry of Labour) since 2014

Employers' Organizations

Pierre Burban, Secretary General of the UPA

Jean-François Pilliard, Vice President of MEDEF in charge of social affairs

Jean-Michel Potier, Vice President of the CGPME, member of the Economic, Social and Environmental Council

Workers' Organizations

Maryse Dumas, Confederate Councillor of the CGT, member of the Economic, Social and Environmental Council

Marylise Léon, National Secretary of the CFDT, in charge of social dialogue

Jean-Claude Mailly, Secretary General of the CGT-FO

Others

Guillaume Roty, Economic Attaché, EC Representation (European Semester Officer)

5. Working together: Germany's response to the global economic and financial crisis

HAGEN LESCH AND SANDRA VOGEL

1. Introduction

The German labour market emerged relatively unscathed from the crisis triggered by the collapse of the American investment bank Lehmann Brothers in the summer of 2008. As early as October 2010, Ms Ursula von der Leyen (Christian Democratic Union, CDU), then Federal Minister for Labour and Social Affairs, announced that unemployment had fallen below three million from a high of nearly five million in 2005. The news magazine *Spiegel Online* referred to a German “jobs miracle” (*Spiegel Online*, 2010).

During the early years of the new millennium, after years of sluggish growth and high unemployment, the German Federal Government implemented a series of controversial labour market reforms. What became known as ‘Agenda 2010’, introduced by the then Chancellor Gerhard Schröder (Social Democratic Party, SPD) in March 2003, comprised several reform packages that were meant to free the German labour market from its rigidities and stimulate economic growth and employment (Goecke et al., 2013). In addition, employers and unions started to modernize the collective bargaining system to allow for greater flexibility. The economy was thriving when the global financial crisis hit Germany in 2008.

Whilst no national tripartite social dialogue institution exists in Germany, the social partners were nonetheless involved in 2008 and 2009 in debating the immediate crisis measures and policy responses. Germany has a long tradition of free collective bargaining and strong social partner organizations. Apart from the national minimum wage, wage setting in Germany is usually bipartite, especially when it comes to negotiating collective (wage) agreements. The State grants collective bargaining autonomy to both sides of industry. In addition, formal and informal channels exist to involve the social partners, for example in times of severe economic crisis. After the bankruptcy of Lehmann Brothers, German GDP growth slowed dramatically. Ad hoc meetings, whether the so-called ‘crisis summits’ at the Federal Chancellery or bipartite or tripartite discussions with the relevant federal ministries, were used to present and discuss the social partners’ views on appropriate crisis responses. Such meetings had already taken place before the crisis and have continued since.

This ad hoc dialogue during the crisis was efficient, suggesting that such an approach not only worked at that particular juncture, but also represents a basis for an equally

successful response to any future crisis. The social partners' and Government representatives who were interviewed for this study do not consider that new institutional forms, such as a national social dialogue institution, are necessary. However, formal social dialogue structures on a regional basis have been established. Brandenburg was the first state to introduce such a structure in 2011, although the idea was born much earlier. Sector-level dialogue structures focusing on economic issues also exist.

This chapter is organized as follows. Section 2 provides the macroeconomic and political context of the crisis. Against this background, section 3 describes the role of the State and the social partners in managing the crisis. Section 4 continues with a short overview of the development of industrial relations and wage bargaining and highlights the new role of the Government, due to two major reforms of the collective bargaining framework. The chapter ends with some main conclusions.

2. The macroeconomic and political context

2.1 Macroeconomic context

When the global financial crisis hit, the German economy was in good shape. In 2008, the German deficit was moderate, GDP growth was positive and the trade balance showed a surplus of 153.1 billion Euros. By 2009-10, economic performance had worsened: GDP declined by 5.6 per cent in 2009, and the annual deficit increased dramatically to 108.9 billion Euros in 2010. The trade balance decreased by nearly 32 billion between 2008 and 2009, while gross debt climbed substantially between 2008 and 2012.

Table 5.1 Germany's annual Government budget deficit/surplus, GDP growth, trade balance, and gross debt

Year	Government deficit (–) or surplus (+) in billion Euros	Annual GDP growth in %	Trade surplus in billion Euros	Gross debt in billion Euros
2008	-4.5	0.8	153.1	1,666.2
2009	-79.6	-5.6	121.5	1,783.7
2010	-108.9	3.9	134.1	2,090.0
2011	-25.9	3.7	132.1	2,118.5
2012	-2.4	0.6	167.7	2,195.8
2013	-3.1	0.4	169.4	2,181.9
2014	8.9	1.6	196.4	2,184.3
2015	16.4	1.7	236.9	2,158.5

2015: preliminary figures

Sources: Destatis (2016); European Commission (2016).

Nonetheless, the rapid and effective consolidation measures taken helped minimize the negative impact of the crisis – and they had already started to reverse its effects

by the 2010-11 period. GDP at first recovered well, then stagnated in 2012 and 2013, and picked up again in 2014. The foreign trade surplus started to grow again in 2010, reaching 236.9 billion Euros by 2015, much higher than its pre-crisis level. From 2012 onwards, the annual deficit decreased rapidly and moved into surplus in 2014. German gross debt remains significantly higher than its pre-crisis levels, but has been relatively stable since 2010.

Overall, Germany was hit hard by the financial crisis, but was able to stabilize its economic performance quickly due to sound policy choices and consolidation measures. Indeed, Germany was characterized by wage moderation at that time, which was often criticized as “beggar-thy-neighbour-policy”. However, wage moderation helped to stabilize employment levels – and thereby purchasing power. In this way, the demand for goods and services from abroad was maintained.

2.2 Labour market context

Despite the crisis, Germany’s labour market remained stable. Between 2008 and 2015 the harmonized unemployment rate in Germany decreased by 2.9 percentage points (see table 5.2) and, overall, the reduction was greater for women than for men. Even at the height of the crisis in 2009, the labour market suffered only a minimal negative impact, with total unemployment rising by 0.2 points from 7.6 per cent in 2008 to 7.8 per cent in 2009. In 2010, the trend was reversed and unemployment started to decline again. In 2015, overall unemployment was 4.7 per cent, while the rates for men and women were 5.1 per cent and 4.3 per cent, respectively. At 7.2 per cent, youth unemployment is clearly higher than in the other age groups.

At present, Germany is enjoying the lowest unemployment rates since its reunification in 1990.

Table 5.2 Unemployment rates by sex and age in Germany (%)

2008				
	Total	Youth (15-24)	Prime age (25-54)	Older population (55-64)
Total	7.6	10.4	7.0	8.5
Male	7.5	10.7	6.9	8.1
Female	7.7	10.0	7.2	8.9

2015				
	Total	Youth (15-24)	Prime Age (25-54)	Older population (55-64)
Total	4.7	7.2	4.4	4.7
Male	5.1	7.9	4.7	5.2
Female	4.3	6.5	4.0	4.1

Source: OECD (2010; 2015a).

The financial crisis had no effect on the collectively agreed weekly working time in Germany (37.7 working hours per week). The slight decrease registered in effective working hours between 2008 and 2014 (from 29.9 to 29.5 hours per week) was due to an increase in part-time work. Effective full-time working hours have remained a constant 38 or so hours per week.

2.3 Political context

From the turn of the millennium, the German Federal Government started working through a set of controversial labour market reforms. The 1990s had been characterized by sluggish growth and high unemployment. Chancellor Gerhard Schröder (SPD), who had been leading a coalition Government comprising the SPD and the Green Party since 1998, introduced a set of reforms known as the ‘Agenda 2010’ – which aimed at freeing the labour market from its rigidities and stimulating economic growth and employment (Goecke et al., 2013).

The reforms deregulated temporary agency work, revised marginal employment regulations and raised the earnings thresholds up to which the so-called “mini-jobbers” and their employers paid reduced social security contributions (Goecke et al., 2013). The statutory pension age was raised from 65 to 67 years.

Statutory unemployment and welfare systems were restructured. Unemployment and social assistance were merged and renamed Unemployment Benefit II (UB II), for which beneficiaries were means-tested. Stricter rules requiring both UB I (statutory unemployment insurance) and UB II recipients to take up work and cooperate with the local employment agency, along with other measures, caused a series of protests and demonstrations in 2004 (Dribbusch, 2004; Vogel, 2012). Among others, Busch and Hirschel (2011) have criticized these reforms and the induced wage restriction for distorting price-competition in the Eurozone. They claim that these reforms led to a rise in current account surpluses in Germany and high current account deficits in other European countries.

In November 2005, the first of three consecutive Merkel administrations came to power. The first was a coalition of the SPD, the CDU and the Bavarian CSU; the second, in 2009, a coalition of the CDU and the Liberal Party (FDP); and the third, in 2013, once again the grand coalition of the CDU/CSU and SPD.

Thus, by autumn 2008, the German labour market and social welfare systems had already undergone major reforms. When the crisis hit, the Federal Chancellery invited unions, employers and other actors to participate in ‘crisis summits’ and other meetings throughout the autumn and winter of 2008-09, to analyse the situation and develop a crisis strategy. As noted by one expert, these meetings were characterized by constructive cooperation. There were neither recriminations nor demands. Rather, it was agreed that the crisis was not “homemade” and that an effective response required a structured approach and mutual effort. This approach was key to winning the trust of the population as well as of the social partners.

3. The role of social dialogue in policy-making

3.1 Industrial relations and social partnership in Germany

National tripartite social dialogue is not institutionalized in Germany; industrial relations and social partnership are mainly bipartite. The Basic Law stipulates freedom of association, from which the constitution of employers' and workers' organizations is derived. The Collective Bargaining Act provides the legal framework for collective agreements. A specific feature of the industrial relations system is that it is not rooted in legislation but laid down in contracts and mutual agreements between the main actors: employers' associations, trade unions and works councils (Dustmann, et al. 2014).

The Works Constitution Act regulates the interaction between management and employee representatives at the enterprise level. Works councils can be set up in all establishments with at least five employees. Their members do not need to be union members, although this is often the case in practice (Stettes, 2015).

Works councils have co-determination rights, e.g. concerning working time and the merging or splitting of organizational units, as well as further information and consultation rights. Management and works councils can conclude voluntary works agreements at the enterprise level on all issues that are not covered by collective bargaining (unless the collective agreement opens up the bargaining option for works councils). Unions negotiate either with management at the enterprise level or with sectoral employers' organizations, mostly at the regional level, to conclude single- or multi-employer collective agreements. Most often, trade unions and employers' associations conclude sector-based collective agreements, which may apply across several regions or differ slightly from region to region.

Nonetheless, tripartite mechanisms are not unknown.⁴⁰ The interaction of the Federal Government and the social partners in 2008 and 2009 represents one of Germany's most successful instances of tripartite coordination and crisis management.

3.2 Crisis management: An invitation from the Chancellor (2008-10)

The Federal Government created several rescue and other packages to limit the negative impact of the crisis. Immediate action was necessary, and it required the concerted efforts of all concerned. Measures to fight the crisis were coordinated at the Federal Chancellery.⁴¹ The Chancellor's Office set the overall guidelines and coordinated the federal ministries, while each minister was responsible for his or her own policy area. Policy responses were mainly drafted under the leadership of the Federal Ministry for Economic Affairs (BMWi) and the Federal Ministry of Finance.

⁴⁰ The governing boards of Germany's statutory social security insurance funds include representatives of the Government as well as of both sides of industry. There are a number of other examples in Germany's post-war history. The so-called Concerted Action (Konzertierte Aktion) was set up in 1967 to coordinate public, employers' and unions' interests in a joint wage policy and with respect to other macroeconomic issues. This failed as the agreements were informal and non-binding, and the unions were largely unable to convince their members of the benefits of a non-inflationary wage policy. The "Alliance for Jobs" (Bündnis für Arbeit) was initiated in 1998 to deal with high unemployment; this initiative also failed at the national level due to the inability of the social partners to reach agreement on fundamental structural questions. An Alliance for Vocational Training and Further Training became tripartite in late 2014, when the German Confederation of Trade Unions (DGB) joined a pre-existing alliance of employers' associations, Government and other civil society representatives.

⁴¹ Interview with Ms Rose Langer on 3 September 2015 (currently at the Federal Ministry of Labour and Social Affairs (BMAS), Ms Langer formerly worked at the Federal Chancellery).

Apart from immediate crisis measures to rescue the banking sector, it was recognized that additional measures were required (BMW, 2008). The Federal Chancellery organized the first economic crisis summit on 14 December 2008. Twenty-six representatives from federal ministries, employers' organizations, unions, companies and financial institutions took part (Wirtschaftswoche, 2008). The summit debated possible measures to boost the economy and private consumption, and to safeguard employment. It paved the way for decisions taken in January 2009, when the ruling coalition parties met to determine the second rescue package. Informal bipartite or tripartite meetings were also held at the operational level of the federal ministries throughout the autumn and winter of 2008-09.

The first rescue package, agreed in November 2008, was entitled "Securing jobs by enhancing growth." Amongst other measures, it included an extension of the regular entitlement period for the short-time working allowance granted for economic reasons from 12 to 18 months. Tax reliefs and additional investments were introduced to stimulate private consumption and economic growth (Zagelmeyer, 2010). The second rescue package, the "Pact for employment and stability" (January 2009), further extended the entitlement period for the working allowance to 24 months. Employers were reimbursed for half the social security contributions they paid for their short-time workers, or a full refund if the workers received training during non-working hours. A "wrecking premium" was introduced to raise demand for private cars.⁴² The 'Germany Business Fund' (Wirtschaftsfonds Deutschland), was set up with 115 billion Euros to be used for loans or loan guarantees in 2009 and 2010. Other measures included investment in public facilities, active labour market instruments, research and development, and simplified public procurement procedures. Germany thus hoped to stimulate growth through the rescue packages, with the long-term aim of consolidating its public finances.

The Federal Government and its ministries agreed at an early stage that all measures must be administered in a fiscally responsible way (BMW, 2008). New rules on public debt were introduced in 2009: under section 109 of the Basic Law, national and state governments had to balance their budgets with a strict limit on new debt.⁴³

3.3 Interlinking the sectoral with the federal level

The metalworking and electrical industry illustrates to what extent the sectoral level is linked to federal crisis management measures. Social dialogue and collective bargaining in this sector are usually bipartite. The Federation of German Employers' Associations in the Metal and Electrical Engineering Industries (Gesamtmetall) is the umbrella employers' organization, while the German Metalworkers' Union (IG Metall) and its regional branches represent employees.

In the autumn of 2008, two parallel developments emerged: the first was the upcoming wage bargaining round, and the second was the spreading symptoms of the crisis. In September, IG Metall tabled a wage claim of 8 per cent for twelve months – and it was

⁴² A premium of 2,500 Euros was paid when a car nine years old or older was scrapped and a new environment-friendly car bought and registered by the end of 2009.

⁴³ The rule is that from 2016 onwards, new debt at the federal level – and from 2020 onwards, new debt at the state level – may not exceed 0.35 per cent of Germany's annual GDP. An exception to the new rule is made for emergency cases, such as a deep economic recession or a natural catastrophe. The National Government and the Federal States can adopt special rules for such situations.

prepared to go on strike to enforce this demand. Employers considered this exceptionally high. However, once the crisis broke, both sides rapidly understood its potential impact and switched from “confrontational” to “problem-solving” mode. The sector suffered a decline in orders of up to 80 per cent; but Gesamtmetall and IG Metall rapidly agreed that this drop was of a cyclical nature, and that the industry was in good shape and did not need restructuring. They agreed that safeguarding employment, at affordable costs for companies, was the paramount task ahead. Retaining skilled labour was key to remaining competitive and profiting from an improved order situation in due course.

The social partners took only two months to negotiate a new agreement, with a significantly lower wage rise than the union had initially demanded. At first, the union members criticized the agreement – but as the extent of the crisis became obvious, they stopped their complaints. In December 2008, IG Metall adopted a seven-point programme to safeguard employment, which included the use of short-time work, although they insisted that it should be combined with training measures and be affordable for small and medium-sized enterprises. The proposals were coordinated with the employers in early 2009, and once a common position was reached, discussions were held with the Federal Government. In particular, they requested earmarked subsidies to reduce companies’ residual costs for short-time work.

The next collective bargaining round in February 2010 was influenced even more by the crisis. The social partners agreed to exploit all the options available, which included opening clauses, a reduction of credits on working time accounts, and an overtime ban. The main strategy was to reduce working time and wage costs, as was made possible by a collective agreement on safeguarding employment adopted in 1994. Gesamtmetall pointed out that, under the statutory version of the “short-time working allowances due to economic reasons”, the entitlement period was too short and employers were still liable to pay wages and social security contributions for hours worked.

In conclusion, tripartite consultations such as the crisis summits were held to facilitate adaptation of the legal framework. The social partners then concluded collective agreements on short-time work, training and employment in Baden-Württemberg, and the ‘Future in Work’ agreement for all other bargaining regions. A new voluntary option on short-time work was also introduced, which made longer entitlement periods possible and stipulated certain rules and safeguards (Kraemer, 2010).

The steps taken by IG Metall and Gesamtmetall illustrate well the inner workings of the social partnership. At first, each side developed its own analysis and then, in a second step, the employers and the union worked out a mutual strategy and cooperated with the Government to build a common approach to the crisis. The interviews held with IG Metall and Gesamtmetall representatives (see appendix) made it clear that mutual trust, the ability to work through conflicts as well as to cooperate and find common ground, are all essential to successful social partnership.

3.4 Post-crisis developments

Germany did not set up a national social dialogue forum after the crisis years of 2008-10; neither were the meetings in the Federal Chancellery institutionalized – although informal meetings still take place. Stakeholders continue to express full trust in the German institutions of co-determination; bipartite arrangements between the social partners that

can be extended to include the Federal Government; and informal tripartite meetings that may be convened according to need. According to the Federal Government's representatives, the social partners are closely involved in the European Semester through a regular exchange of views and positions. As Eurofound research shows, the formal involvement of German social partners in the European Semester is a given, 'with consultation taking place in a regular, predictable and balanced way' (Eurofound, 2016).

However, while employers such as the German Confederation of Employers' Associations (BDA) are more favourable to the European Semester, as a mechanism to monitor macroeconomic indicators and imbalances (BDA, 2014), the German Confederation of Trade Unions (DGB) is much more critical of it (DGB, 2013). The DGB claims that the procedure promotes too much austerity at the expense of other goals such as social cohesion or poverty reduction. As Eurofound's research indicates, the DGB criticizes the fact that there was not enough time to debate the National Reform Programmes (NRP) internally and to formulate responses; neither do they feel that their views would have had any impact on the NRP (Eurofound, 2016). Finally, the BDA and DGB agree that the European level should not interfere with the national right to collective bargaining autonomy, especially with regard to wage setting.

Apart from the European Semester, new developments with regard to social partnership have occurred at the state level. In 2011, the State of Brandenburg in eastern Germany introduced a standing social dialogue committee, the first of its kind in the country. Although the 2008-09 crisis was only one of the factors leading to the formation of tripartite dialogue, it did raise the question as to the role the social partners might play in a stable economic climate – and not only during a crisis. Since German reunification, the number of companies in eastern Germany that do not want to be covered by collective agreements has grown, with the result that collective bargaining coverage in Brandenburg today is low in comparison to western German states. This has contributed to lower wage levels. Demographic transition, the increasingly urgent need to secure skilled labour, and a wish to enhance the image of Brandenburg as a place to live and work, have all provided a stimulus for the initiation of social dialogue. Since 2011, the dialogue has been held twice a year (box 5.1).

A number of financial incentives are available, using ESF funds to support relevant projects at either the company (co-determination) or the sectoral (pioneering collective agreements) level. The State Government embedded the dialogue in its coalition agreement of 2014.

Social dialogue in Brandenburg is limited to the regional level, but it still has strong links to the capital. These ties have been strengthened by several joint activities. Other states are interested in replicating the Brandenburg model because of its formal structure, its resources and its active programme.

4. Industrial relations and collective bargaining in the post-crisis period

4.1 Impact of the crisis on collective bargaining and post-crisis developments

In Germany, the Government and the social partners identified the economic crisis as being cyclical rather than structural; as a consequence, no structural

Box 5.1 Social dialogue in the Federal State of Brandenburg

In 2011, Brandenburg established Germany's first formal social partner dialogue at state level. Employer and employee representatives signed the "Declaration on Strengthening Social Partnership" jointly with Brandenburg's Ministry of Labour (MASGF). The Brandenburg State Government embedded the dialogue in its coalition agreement in 2014.

The 2008/09 experience had raised the question as to the role the social partners might play in a stable economic climate, and not only during times of crisis. Brandenburg had already suffered a profound crisis after German reunification in 1991, when Communist East Germany's centrally-planned economy gave way to the social market economy and its institutions (Collective Bargaining Act, Works Constitution Act, Freedom of Association Act, etc.).

From the 1990s onwards, the number of companies in eastern Germany withdrawing from collective agreements increased, meaning that collective bargaining coverage in Brandenburg was low compared to states in western Germany. By 2011, the awareness of social partnership and collective bargaining coverage was limited. Demographic transition and the need to secure skilled labour – alongside the wish to enhance the attractiveness of Brandenburg as a place to live and work – were factors that encouraged the Ministry of Labour to work systematically on the issue of social partnership; it found both employers and unions very interested in this approach.

Since 2011, the Brandenburg social partner dialogue has been held twice a year, bringing together the heads of the DGB, the regional employers' organization for Brandenburg-Berlin (UVB), and the collective bargaining partners for the metalworking and electrical, chemicals, hotel and catering, construction and retail sectors. While the Ministry of Labour moderates the dialogue, all participants are equally entitled to propose topics for discussion. These have included the reconciliation of family and working life, an age-appropriate working environment, and vocational training and pay. In addition, works council conferences, workshops and symposiums have been organized. Social partnership has also gained in importance as a result of the cooperation between the Ministry of Labour and the Ministry for Economic Affairs.

Financial incentives are also available. Projects are supported at the sectoral level with funding from the European Social Fund (ESF), as part of Brandenburg's unique social partnership guidelines. To be eligible, projects must contribute to improved work organization and to an effective social partnership either at the company or the sectoral level.

The dialogue has resulted in a constructive and trusting atmosphere for talks between the Government and the social partners in Brandenburg. An example of its impact has been the changing perceptions of the Minister of Labour's ability to declare regional collective agreements generally binding and to extend them to a whole sector. Employers long held a dim view of this option but, according to the Ministry, they now acknowledge more openly that it has prevented unfair competition – and that collective agreements offer a reliable and secure framework for future planning. Enacted in 2014, the Act to Strengthen the Autonomy of Collecting Bargaining has revised the legal basis for extending the coverage of collective agreement; Brandenburg first wants to take a closer look at how the newly designed instrument can be used, in consultation with the social partners.

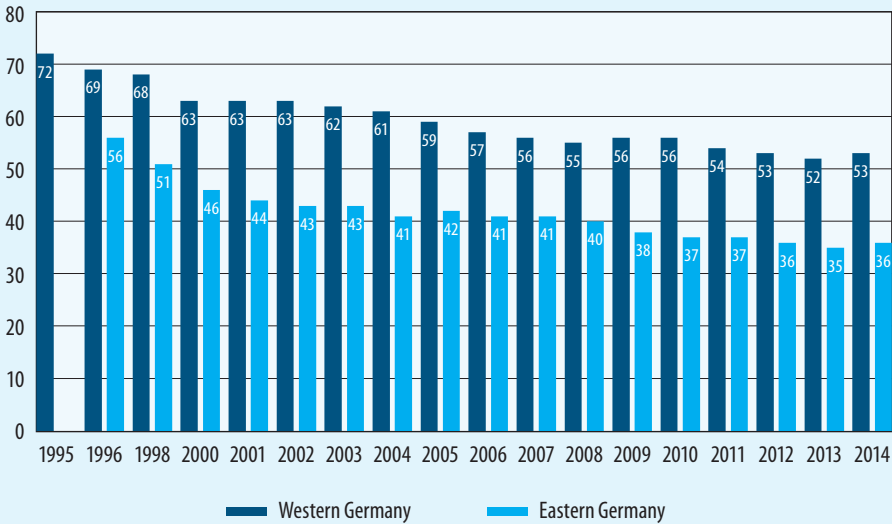
Source: Interview with Mrs Friederike Haase (Head of Department, Ministry of Labour, Brandenburg) on 21 August 2015.

reforms were implemented. Labour market reforms had already been undertaken before the crisis started.

Following the 1992-93 recession, it was widely acknowledged that the wage bargaining system needed to become more flexible. In essence, the debate was about the introduction of the opening clauses and reform of the “favourability principle” laid down in the Collective Agreements Act.⁴⁴ When many trade unions tried to prevent opt-outs, employers reacted by replacing sectoral collective agreements by individual agreements. As a result, collective bargaining coverage declined over the last two decades (figure 5.1). Current coverage of industry-wide agreements stands at 53 per cent of employees in western Germany and 36 per cent in eastern Germany. The share of employees working in establishments governed by firm-level agreements has remained more or less stable at a rather low level – currently 7 per cent in western and 11 per cent in eastern Germany. By 2014, the proportion of establishments bound by a collective agreement, at either sector or company level, had fallen to 33 per cent and 20 per cent in western and eastern Germany, respectively.

The crisis does not appear to have had an impact on trends in collective bargaining in either the eastern or western parts of the country. It was not the crisis that induced the erosion of collective bargaining coverage; this had started for other reasons some years earlier.

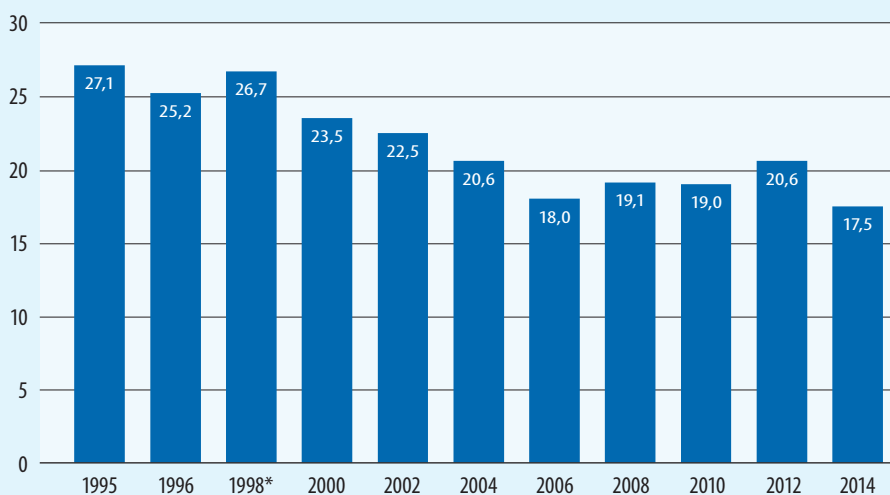
Figure 5.1 Collective bargaining coverage in Germany (%), 1995-2014



Source: IAB (2015b).

⁴⁴ According to this principle, deviations from sector-level collective agreements are permitted only if they are in favour of the employee, or are legalized by a collectively-agreed opening clause.

Figure 5.2 Trade union density rate in Germany (%), 1995-2014



* Different basis for calculation in 1998.

Sources: ALLBUS (2015); authors' own calculations.

After German reunification, there was a sharp decrease in the net density rate in eastern Germany; thereafter, the downward trend continued with the rate falling from 27.1 per cent in 1994 to 17.5 per cent in 2014 (Biebeler and Lesch, 2015). In consequence, trade unions have little power to enforce collective agreements, especially in some service sectors.

One strategy adopted by the unions to stop the erosion of collective bargaining coverage was concession bargaining. Through so-called company-level “alliances for jobs”, the union side accepted certain concessions on condition that redundancies would be avoided or kept to a minimum. When the crisis set in, the social partners used all kinds of opening clauses, especially those enabling a reduction in the weekly working time. Flexible labour arrangements made it possible to reduce positive balances on working time accounts. These and other measures – such as a heavy use of short-time work – enabled firms to retain much more of their workforce.

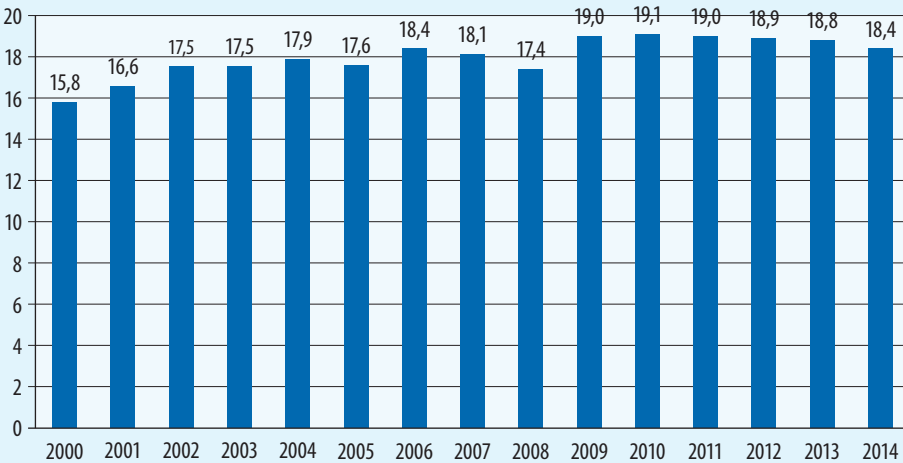
Since the crisis, the focus of collective bargaining has changed. While in 2010 the unions aimed to prevent mass layoffs, they have subsequently reverted to higher wage demands. This wage expansion has influenced unit labour costs; having been largely constant between 2000 and 2007, nominal real unit labour costs have increased by 17 per cent thereafter. The phase of employment-oriented wage policy, which began in the mid-1990s, effectively ended along with the end of the crisis.

Since 2010, employees' real purchasing power has increased significantly. Critics argue that not all workers have benefited from this real wage increase since the low-paid sector has grown. As figure 5.3 shows, between 2000 and 2006 the share of

low paid workers increased from 15.8 per cent to 18.4 per cent. Since 2007, we can see no clear trend. The share of low paid workers reached a peak in 2010, at 19.1% – before dropping to pre-crisis levels in 2014.

Figure 5.3 Incidence of low pay

Share of workers earning less than two-thirds of median earnings (%)



Sources: OECD (2015b).

Together with the expansion in employment, the increase of nominal and real wages stimulated private aggregate demand in Germany. A rising aggregate demand could help to balance current account deficits by stimulating demand for German imports. In addition, the new national minimum wage reduces the share of low-paid workers and strengthens low wage earners' demand for goods and services.

4.2 Changes in trade unions and employers' organizations

As already noted in section 4.1, the German wage bargaining system has remained largely stable in recent years. However, the trade union density rate – as well as the collective bargaining coverage rate – is still declining, and neither the unions nor the employers' organizations have been able to stop this development (see figures 5.1 and 5.2). The gradual erosion of the collective bargaining system is incontrovertible. The main current issue is how free collective bargaining will be influenced by the Act on Strengthening the Autonomy of Collective Bargaining, which creates new opportunities for government intervention. It is currently unclear whether the Government will succeed in stabilizing or increasing the coverage of collective agreements by greater use of the extension mechanism. Irrespective of this, all the partners have agreed to make efforts to stabilize collective bargaining coverage – and they are doing so to a great

extent in an informal way. Formal initiatives, such as the regional Brandenburg social partner dialogue, have so far been exceptions. Nonetheless, there is some sectoral dialogue focusing on industry-specific issues.

A major issue in recent political debate has been the increased competition between trade unions and the erosion of industrial peace in Germany. For many years, including during the crisis, industrial peace was an important factor that attracted investment and production facilities to Germany (Lesch, 2015). However, official statistics show the number of working days lost to industrial action creeping up since 2010 (BA, 2015). Germany nonetheless still enjoys very favourable comparisons to other countries. When comparing industrial disputes internationally, Germany joins the United States, Japan and Switzerland in a group of peaceful countries, with an average of less than 20 days lost per 1,000 employees per year (Lesch, 2015). Germany lost only four days. Other economies, such as France and the United Kingdom, were less peaceful. There were 124 days lost in France and 26 in the United Kingdom. If industrial unrest continues to grow, there is a risk that Germany might lose an important economic advantage. The new law to restore the principle of ‘one company, one collective agreement’ (Tarifeinheitsgesetz) aims to restore peace to labour relations by creating more incentives for competing unions to cooperate with each other.

4.3 New legislative developments

Since the crisis, the Federal Government has introduced two major labour laws related to collective bargaining, but these laws are not a direct result of the crisis itself. They were either already under discussion before, as in the case of the statutory minimum wage, or – as regards the principle that only one collective agreement can apply in one company – they were implemented at the request of the social partners.

4.3.1 *Act to Strengthen the Autonomy of Collective Bargaining*

The Act provides for the setting of a minimum wage across the German economy; as of 1 January 2015, a national minimum wage of 8.50 Euros per hour has been applied. A transition period allows deviation from the national minimum until the end of 2016, after which it will apply to all sectors. However, the deviation is restricted to sectors that are covered by the Posted Workers Act. A new bipartite commission of employers’ and union representatives will fix future minimum wage levels, and a first review was scheduled for June 2016.

While the minimum wage applies, in principle, to all adult employees, an exemption exists for the previously long-term unemployed during their first six months in a job. The Government estimated that 3.7 million employees would immediately be affected by the statutory minimum wage, the biggest government intervention in free collective bargaining since the Second World War.

The law also introduced new rules for declaring sectoral collective agreements generally binding. This gives the Government (at federal and state levels) greater flexibility to extend an agreement to other companies in the sector (Schulten and Bispinck, 2014). Agreements can now be extended to cover the whole sector when the ‘general interest’ calls for such a step; employers and unions need only prove that a majority of workers are covered, or that an extension protects “collectively agreed standards

against negative economic developments.” Despite this, as of July 2015, only 502 – or less than 1 per cent – of the approximately 70,000 registered collective agreements had been declared generally binding. In addition, the Act also creates the possibility of setting sector-specific minimum wages in all sectors, on the basis of the Posted Workers Act.

4.3.2. Collective Agreement Unity Act

This Act, adopted in July 2015, restores the principle that only one collective agreement can apply in a given enterprise. Its basic premise is that, in the event of a conflict between different collective agreements, the agreement of the union with the most members in the company will prevail. The legislation was passed to forestall a further fragmentation of the wage bargaining system and to increase the incentive for competing unions to cooperate with each other (Lesch and Hellmich, 2014).

The origin of the law goes back to a joint initiative by the social partners in 2010 in response to a ruling by the Federal Labour Court, which, after more than 60 years of practical application, rejected the rule that ‘only one collective agreement can be in effect in any one company’. The Court found that, if there were two or more collective agreements, the provisions of each collective agreement applied to all members of the collective contracting party. This decision led to intense competition among trade unions, which jeopardized the functioning of free collective bargaining. The new law restores the old practice, which was a cornerstone of the German wage bargaining system.

It should be noted that the two new laws reinforce the role of the Government in the wage bargaining process – and in industrial relations in general. The State can now not only prescribe a wage floor in the form of a statutory minimum wage but also extend the scope of collective agreements to a greater extent than hitherto. It thus becomes a substitute for collective bargaining. Opponents of the Act to Strengthen the Autonomy of Collective Bargaining criticize the Government for restricting the trade unions’ right to strike.

5. Conclusions

When the financial and economic crisis hit Germany in 2008, the Federal Government’s immediate response was to stabilize the banking sector. As the crisis started to affect the real economy, it used stimulus packages and other measures to support companies, safeguard employment and bolster private consumption. As a consequence, the German labour market remained stable during the crisis. This was mainly due to the fact that prior labour market reforms had already introduced more flexible forms of employment and modified the social welfare systems. Over the same period, collective bargaining had also become more flexible.

Although there is no national tripartite social dialogue institution in Germany, the social partners were involved – in 2008 and 2009 – in debating the crisis and policy responses. These less formal processes were effective in dealing with the crisis, mobilizing all actors and facilitating consensus on the measures to be taken.

The ad-hoc dialogue structure was complemented by an industrial relations system built upon the principle of free collective bargaining between employers' organizations and unions. Major collective agreements (such as in the metalworking and electrical industry) illustrate how this arrangement contributed to successful crisis management. Given that the employers and the trade unions shared the objective of preventing mass worker layoffs, they were able to reach consensus on using short-time work and opening clauses to cope with the crisis.

Even before the crisis hit, the social partners had agreed to reforms to make the collective bargaining system more flexible. In addition to modernizing the general agreements in certain industries, opt-out clauses in sectoral collective bargaining and new options for employer organization membership provided companies with more leeway. The financial crisis appears to have had no effect on collective bargaining coverage.

Two important new laws have been enacted since the crisis, both in 2015. This legislation has clearly increased the Government's potential influence on the collective bargaining process; how far it will use these powers in practice remains to be seen.

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Appendix

List of persons interviewed for the study

Government

Dr. Friederike Haase, Head of Department, Labour Ministry of Brandenburg

Dr. Rose Langer, Deputy Director (Unterabteilungsleiter), Federal Ministry of Labour and Social Affairs (BMAS), formerly working at the Federal Chancellery

Employers' Organizations

Carsten Tacke, CEO Collective Bargaining, Federation of German Employers' Associations in the Metal and Electrical Engineering Industries (Gesamtmetail)

Workers' Organizations

Kay Ohl, retired, former Head of Collective Bargaining Section, German Metalworkers' Union (IG Metall)

6. Post-crisis social dialogue and economic governance in Ireland

AIDAN REGAN

1. Introduction

The core argument of this chapter is that despite the collapse of social partnership in Ireland, the institutional memory of previous negotiations has facilitated the emergence of three important public sector industrial relations agreements: Croke Park, Haddington Road and Lansdowne Road. These public sector agreements have facilitated the implementation of the Government's fiscal adjustment programme and have promoted industrial peace. In this regard, centralized collective bargaining in the public sector has enabled rather than disabled the Government's ability to adjust to new Eurozone constraints. Without these public sector agreements, it is highly questionable whether the Government could have implemented fiscal adjustment policies whilst retaining social peace.

However, whilst collective bargaining has been recentralized in the public sector, it has been decentralized to the enterprise level in most of the private sector. In most of the non-unionized sectors, the adjustment has occurred via a reduction in jobs and employment, rather than wages and working hours. In the competitive traded sectors of the economy, particularly in the internationally traded business services (computer and information services), there has been wage and employment growth. These non-unionized, US foreign direct investment (FDI) – led sectors have been relatively immune from the internal adjustment that has occurred within the public sector.

There have been no “supply-side structural reforms” or liberalization of the labour market. On the contrary, there has been increased State regulation of labour relations. In response to weak employment protection in the low-paid sectors of the economy, the 2011-16 centre-right Fine Gael/Labour Party coalition introduced new regulatory policies that included: the reestablishment of wage-setting councils for the security and contract cleaning sectors; the establishment of a low-pay and minimum wage commission; an increase in the minimum wage; and the introduction of new industrial relations legislation aimed at strengthening collective bargaining. The social partners have been involved bilaterally, but the main actor responsible for these changes was the minority Labour party in government.

In terms of social dialogue, the only remaining forum where this takes place is the National Economic and Social Council (NESC) – which has not been involved in any of the crisis or post-crisis economic reforms. The NESC meets monthly but there has

been a qualitative shift in domestic politics, in such a way that public policy formation is increasingly perceived to be the preserve of Parliament and not that of organized interest groups. The NESI is considered to be part of the “old” social partnership regime, therefore lacking both the legitimacy and capacity to engage in policy-making. In 2015, the outgoing Fine Gael-Labour Government created a new consultative forum for “National Economic Dialogue” (NED). This did not take the form of traditional tripartite negotiations. Rather it was designed as a consultation forum to listen to the views of societal stakeholders as part of the European Semester.

2. The economic and political context

Prior to 2008 Ireland experienced a twenty-five year economic boom. Successive Irish Governments used this economic growth to both cut income taxes and increase public spending. This *quid pro quo* underpinned the national tax-based income policies of seven centralized wage agreements, which were negotiated directly between the Irish Congress of Trade Unions (ICTU), the Irish Business and Employers’ Confederation (IBEC) and senior civil servants in the Prime Minister’s Office (Regan, 2016; Bach and Stroleny, 2013; Geary, 2016). This ‘social partnership’ regime was widely considered a causal factor behind Ireland’s ‘Celtic Tiger’ economy from 1987. But it also meant that it was held responsible for the collapse of the Irish economy in 2008.

In a period of strong growth, low inflation and relative wage restraint, income tax cuts became the main mechanism to increase the disposable income of workers. The path dependent effect of this social bargain shaped public policy during the 1990s and it continued after Ireland joined the single currency, with the exception of public sector wage restraint. During the 2000s, the cheap credit and low interest rate environment of the Economic and Monetary Union (EMU), combined with a domestic (and politically inspired) pro-cyclical fiscal regime, fuelled a boom in domestic demand, particularly in housing. Exports declined, imports increased and the non-traded sectors of the economy grew in importance. By 2007, construction accounted for approximately 13.3 per cent of employment, the highest in the Organisation for Economic Co-operation and Development (OECD).

In 2007, the Irish debt to GDP ratio was less than 25 per cent, the budget was in surplus, and Ireland had a sovereign wealth fund that equalled 20 per cent of GDP – or 6,200 Euros per person (Whelan, 2014). All of this suggested that if there was a slowdown in the economy, the public finances had sufficient capacity to absorb losses. But when the Irish property and banking sector collapsed in 2008, the fragility of the public finance regime was quickly revealed. Between 2008 and 2009 real GDP declined by 16 per cent, from 190 to 160 billion Euros. Public revenues, which had become hugely dependent on taxing property transactions, collapsed by over 30 per cent, whilst the Government guaranteed bank debt drove the debt to GDP ratio to above 120 cent.

2.1 The collapse of social partnership and fiscal adjustment (2008-12)

The collapse in government revenue created a crisis of social partnership. The social partnership model was built around a centralized wage agreement that provided a non-binding framework for pay bargaining. When the crisis hit, the political actors

that were party to this regime – the Irish Congress of Trade Unions (ICTU), the Irish Business and Employers' Confederation (IBEC) and a centrist Fianna Fáil Government – received a lot of critical media attention (Roche, 2010). Public opinion towards the tripartite model of social partnership changed, leading to a crisis of legitimacy for the institutions (Culpepper and Regan, 2014).

In this context, as the banking crisis unfolded, and under increased pressure from external markets and the European Central Bank (ECB), the fiscal policy choices facing the Government narrowed. In 2009, given the new Eurostat rules (where the bank bailout scheme of the Government was included as a public expenditure), the budget deficit momentarily increased to a staggering 32 per cent. The Government had little room for negotiation with the social partners, unless public sector union leaders could ballot their members to vote for direct pay cuts.

This type of concessionary bargaining proved impossible for the Fianna Fáil Government, elected in 2007, one year prior to the economic crash. In this election, the Fianna Fáil had won 77 seats in Parliament. After the 2011 election, the party held only 19 seats, reflecting their worst election in history. In 2008, Bertie Ahern, the Fianna Fáil leader and then Irish Taoiseach (Prime Minister), stepped down, and was replaced by Brian Cowen. This was an important change that would influence the trajectory of social partnership during the crisis period. Bernie Ahern, and the Fianna Fáil party more broadly, were closely associated with the public sector unions, and directly negotiated all but one of the partnership agreements.

Shortly after this change in leadership, the Government implemented a unilateral adjustment programme, from 2008-09, that equalled 18 per cent of GDP – or 28.8 billion Euros – in pay/welfare cuts and tax increases. According to the International Monetary Fund (IMF), this is one of the largest fiscal adjustments ever recorded in the contemporary economic world (Whelan, 2014). The adjustment included a wage cut in the public sector, which averaged 14 per cent, and required the adoption of new legislation: the *Financial Emergency in the Public Interest Act (2009)* (hereafter referred to as FEMPI). It also required passing specific legislation aimed at implementing a public sector tax (a pension levy), referred to as *Public Service Pension Legislation Acts*.⁴⁵

This legislation marked the beginning of a series of Government emergency reforms, coordinated by the Department of Finance, and later the Department of Expenditure and Reform, which were aimed at stabilizing the public finances.

After a unilateral adjustment of 28.8 billion Euros, which included direct public sector pay cuts, the Department of Finance suggested that there would be no return to the social partnership model. In 2010, however, the Fianna Fáil Government and the leadership of the civil and public sector trade unions negotiated a bilateral collective bargaining agreement for the public sector called *The Croke Park Agreement*. From 2010-14, this Agreement facilitated an additional saving of 7.8 billion Euros, and it marked an early attempt by the Government to revitalize social dialogue in the public sector, following the cancellation of the social partnership agreement. It was accepted by a majority of public sector union members – and whilst there was some opposition,

⁴⁵ For more details, see the legislation at: <http://www.per.gov.ie/en/public-service-pension-legislation-including-financial-emergency-in-the-public-interest-fempi-acts-2009-and-2010/>

it was implemented in its entirety over the course of two Governments, without any industrial action.

The Croke Park Agreement was a milestone, in that it was the first time since the foundation of the Irish State that a concessionary collective bargaining arrangement had been negotiated in the public sector. The negotiated exchange was based around a *quid pro quo* that the Government would not unilaterally cut pay – in return for flexibilization and a guaranteed no-strike clause. Whilst it was a public sector agreement, the no-strike clause provided a broader climate of political stability for the Government's export strategy.

2.2 The shift toward bipartite collective bargaining in the public sector (2013-15)

The Croke Park Agreement created some intra-union conflict, but for the most part it provided unprecedented stability for the Government to implement its fiscal adjustment. This fiscal adjustment, however, failed to satisfy the financial markets (primarily because of the cost of the bank bailout). In 2010 the interest rate charged on ten-year Government bonds exceeded 8 per cent, spurring a sovereign debt crisis. Ireland was cajoled into accepting a non-market financial loan from the ECB, the IMF, and the European Commission (EC). The loan totalled 85 billion Euros with a blended 5.8 per cent interest rate. Fifty billion Euros were provided to run the State (public sector pay and social welfare transfers), and 35 billion Euros to recapitalize the banks (plus an additional 17.5 billion Euros from the sovereign wealth fund).

The agreements between the Government and the EU/IMF⁴⁶ committed the former to introducing two additional fiscal reforms to its adjustment, which would prove to be politically costly: a new property tax and a new flat rate *water charge*. Minimal focus was placed on bank reform. The water charge was introduced by the newly elected Fine Gael/Labour coalition Government in 2011, and was one of the policy reforms that would lead to its collapse in 2016. The EU/IMF programme also committed the outgoing Fianna Fáil /Green coalition Government to increasing VAT to 23 per cent, cutting the hourly minimum wage to 7.65 Euros, reducing public service pensions by 4 per cent, and cutting social welfare expenditure by an additional 2.4 billion Euros. The programme also guaranteed that all new entrants to the public sector would face an additional 10 per cent pay cut.⁴⁷

As noted above, Fianna Fáil experienced its worst ever electoral result in the 2011 election, losing over 50 seats in Parliament. The Green Party lost all its seats. The Fianna Fáil/Green coalition was replaced by a centrist Fine Gael/Labour coalition, which secured 113 seats, giving the coalition the largest government majority in the history of the Irish State. In particular, the Labour party experienced its best ever electoral result, winning 37 seats in Parliament, whereas Fine Gael won 76 seats. This massive majority of 113 seats, in addition to the Croke Park Agreement, provided the Government with unprecedented political stability.

⁴⁶ EU/IMF in this context refers to the European Commission (EC), the European Central Bank (ECB) – both of them acting on behalf of the Eurozone Member States – and the International Monetary Fund (IMF). It is largely an inter-governmental arrangement to address the fiscal crisis in Europe, namely in those Eurozone Members under an Economic Adjustment Programme.

⁴⁷ See all Memoranda of Understanding (MoUs) at: <http://www.finance.gov.ie/what-we-do/eu-international/ireland%E2%80%99s-programme-eu-imf-programme/memorandums-understanding>

The Fine Gael /Labour Government was elected on a platform to renegotiate the EU/IMF agreement. This never occurred. The agreement was continued in its entirety by the newly elected Government, successfully implemented from 2011-14, with one major exception. The Government reversed the national minimum wage cut. It also managed to reduce the interest rate charged on non-market financial loans, in addition to reforming industrial relations. But for the most part, its fiscal policies continued with structural adjustment in its totality.

2.3 The political consequences of fiscal consolidation

In 2016, the electorate voted the Fine Gael/Labour coalition Government out of office. The coalition went from 113 to 56 seats, well below the 86 seats required to secure a parliamentary majority. Fine Gael fell from 76 to 49 seats, whilst the Labour party experienced a massive defeat, going from 37 to seven seats. Although Fianna Fáil experienced the second worst ever election in its history, it increased its parliamentary seats from 21 to 44. The left-nationalist party, Sinn Féin, won 23 seats. The remaining seats in Parliament were split across a broad spectrum of independents and various left-leaning parties, with the implication that no party was in a position to form a government.

However, the role played by the public sector unions in facilitating the Government's adjustment and promoting industrial stability is – from a social dialogue and industrial relations standpoint – the most important observation from the post-crisis period. When the Fine Gael/Labour Government was elected in 2011, it established a new Ministry (separate from the Department of Finance) called the *Department of Public Expenditure and Reform* (hereafter referred to as DPER). DPER became the new human resources manager of the public sector, dealing directly with the leadership of public service unions in implementing the agreement.

There was limited dialogue in national policy-making with the social partners under both the Fianna Fáil /Green and Fine Gael/Labour coalition Governments. Given the crisis conditions, economic policy was highly centralized during the Fine Gael/Labour Government, and decisions were taken within a newly-formed *Economic Management Council*. This centralized Council consisted of the Prime Minister (Fine Gael), the Deputy Prime Minister (Labour), the Minister of Finance (Fine Gael) and the Minister of Public Expenditure and Reform (Labour). It was this Council that decided all economic policies, as opposed to the Government, Parliament, or tripartism.

The Fine Gael/Labour coalition renegotiated the Croke Park Agreement in 2013, which was rejected by Ireland's largest trade union, the Services Industrial Professional Technical Union (SIPTU). In response, the Fine Gael-led Government introduced new emergency legislation – the FEMPI, which introduced measures to cut public sector pay unilaterally. However, in order to avoid such a move, the Workplace Relations Commission intervened and brokered a new collective bargaining agreement called the *The Haddington Road Agreement*, which passed.

The Haddington Road Agreement, negotiated between the DPER and the leadership of the public service committee of the ICTU, contained one important concession. Public service unions received a commitment from the Government that the “*pay cuts were temporary rather than permanent*”. This meant that as the economic recovery began to

stabilize in 2015-16, public sector unions could seek a reversal of the crisis pay cuts. Further, it sent a signal that in a period of economic growth, trade unions would give up their “non-opposition” to government and advance a new battle for pay claims. This is precisely what is occurring at the time of writing. In the first quarter of 2016, Ireland experienced more days lost to industrial unrest than during the entire period of austerity, 2009-15.

2.4 Diminishing role of the social partners

In the absence of structured tripartite national social dialogue, the ICTU and IBEC no longer have a direct point of access in the Government to solve industrial disputes, or to discuss emergent labour relations problems before they get politicized in the media. Senior civil servants in the Taoiseach’s Office previously acted as the focal point. But all relations are now built on a *bipartite* basis with individual ministers and government departments.

The shift away from tripartism was reflected in the Fine Gael/Labour Government’s approach to labour market policy. From 2011-16, labour market and employment policy was coordinated by the Department of Jobs, Enterprise and Innovation, and captured in the initiative *Action Plan for Jobs* (hereafter APJ).⁴⁸ This plan was coordinated by the Minister of Jobs but had the authoritative backing of the Taoiseach’s Office (much like previous social partnership agreements). However, unlike social partnership, neither the ICTU nor the IBEC was directly involved in the implementation of the APJ, which was mainly centralized within the Government – which set a target of creating 100,000 new jobs under this plan from 2012-16 (largely delivered).

The expansion of the United States FDI – led sectors provides an important context for understanding the changed politics of social dialogue. New employer lobby groups, such as the American Chamber of Commerce (AMCHAM), have become increasingly influential within Irish policy-making, given that they represent those firms that are shaping the economic recovery. Ireland’s post-2012 recovery has been largely driven by FDI (Regan and Brazys, 2016), particularly tech firms in the information and computer services sector. These United States (and predominately non-unionized) firms generally do not resort to collective bargaining, social dialogue or industrial relations institutions. This structural shift in the labour market is also reflected within the internal structures of the IBEC, which is now competing for influence with AMCHAM.

3. The role of social dialogue in national policy-making

From the standpoint of the ICTU and its affiliates (particularly the SIPTU and the IBEC), the absence of social partnership has created an “institutional deficit” (Sheehan, 2015). This deficit is predominantly caused by the absence of a single point of contact within the Government, to discuss policies that cut across individual departments such as vocational training, higher education, social insurance, the apprenticeship system, pensions and infrastructural investment. Previously, senior officials in the Prime Minister’s Office took on this coordinating role, both within government and within the social

⁴⁸ See: <http://www.actionplanforjobs.ie/> and <https://www.djei.ie/en/Publications/Publication-files/Action-Plan-for-Jobs-2016.pdf>

partnership process, thereby linking civil society to public policy-making (Hardiman and Scott, 2012; Regan, 2016,).

But from the Government's perspective, there is little inclination to return to a structured system of social dialogue in national policy-making, particularly one that is directly coordinated via the Taoiseach's Office. Therefore, policy-makers tend to disagree with those trade unions that favour a return to structured tripartite social dialogue. Hence, since the collapse of social partnership, the ICTU has had a reduced role to play in national policy-making and industrial relations. The presence of the minority Labour party in government compensated for this, as will be detailed in sections 4 and 5.

The 2011-16 Prime Minister, Enda Kenny, expressed his views against returning to a system of national social dialogue in a number of parliamentary speeches. The following quotes illustrate the point:

"We are not going back to social partnership in the way that it was... the primary point of contact for interaction between representative groups and the Government is with the relevant Ministers who have functional responsibility in a policy area".⁴⁹

"The social partnership model practised by previous Governments had become a closed shop, where decisions with national consequences were made behind closed doors by a chosen few, accountable to nobody".⁵⁰

The preference of parties in government since 2008 has been to strengthen the policy-making capacity of Parliament. It is argued that the relationship between the social partners and government departments should occur on an informal *bilateral* basis, and that policy responsibility lies with individual ministers. This reflects a growing view among Irish parliamentarians that the formal processes of tripartism are not inclusive enough.

The national institutions of social partnership were able to withstand critique during the 1990s and 2000s because they were associated with positive economic and employment performance. This is no longer the case. Further, from an institutional perspective, the coordinating role previously provided by senior government officials in the Taoiseach's Office ensured that the tripartite social partnership agreements had *authority* within the Government. Since the crisis, all of these officials have either been moved or retired, with the implication that the institutional memory of social dialogue is in decline.

3.1 National Economic and Social Council

The only remaining *statutory* tripartite body is the National Economic and Social Council (NESC), which is an independent government agency affiliated with the Taoiseach's Office. The NESC was founded in 1973 and mandated to advise the Prime Minister on those strategic policies pertaining to socio-economic development. In 1973, the rationale for establishing the NESC came from the Labour party in government, who wanted to create a

⁴⁹ see <http://www.parliamentary-questions.com/question/45695-12/same/>

⁵⁰ http://www.taoiseach.gov.ie/eng/News/Taoiseach's_Speeches/Speech_by_the_Taoiseach_Enda_Kenny_T_D_Opening_of_the_National_Economic_Dialogue_Dublin_Castle_Thursday_16_July_2015.html

strategic planning agency with autonomy from the Department of Finance (O’Riain, 2014; Regan, 2016).

The Secretariat of the NESC is permanent, whereas the Prime Minister appoints the thirty-three members of the Council for three-year terms. These include: representatives from the business and employers’ community; trade unions; farming and environmental groups; community, voluntary and religious charitable organizations; representatives from government departments; and independent academic experts. The Council meets on a monthly basis – but the overall policy agenda is set by the Secretariat, according to the preference of the Government of the day.

From the standpoint of the NESC Secretariat, the Council’s role has evolved from servicing the process of national social partnership to writing technical policy reports for individual ministries. These include topics such as environmental protection and social housing. From the standpoint of the trade unions and employers, the Council has evolved into a “campaigning forum” for a diffuse set of community and voluntary interest groups, thereby disabling a more focused strategic approach to labour market issues.

Hence, in the absence of national tripartite social partnership, the role of the NESC has been reduced. It used to provide a problem-solving forum for the leadership of unions and employers to engage in dialogue, and it was not obliged to represent the immediate concerns of its members. This enabled the leadership of various organizations to reach a ‘shared understanding’ on certain policy priorities. Previously, this ‘shared understanding’ among the social partners was considered beneficial, but today it is perceived as leading to ‘a *phony consensus*’. In light of this, unions and employers have a preference for a return to a more narrow ‘*labour-employer conference*’ that would not include all of civil society. This is where social dialogue and the European Semester may play a future role.

3.2 National Economic Dialogue

As mentioned earlier in the text, the Fine Gael/Labour Government set up a *National Economic Dialogue* (NED)⁵¹ in 2015, despite political resistance to the reintroduction of a structured process of tripartism. This forum consulted civil society groups before the 2015-16 National Budget. In 2015, these consultations took place over a period of two days and involved all the major organized interest groups in Irish society, including the ICTU and the IBEC, and various independent experts. It was structured around a major plenary session, led by the Department of Finance. The plenary session then broke up into smaller groups, organized around a set of specific policy themes (such as education/skills) with individual ministers.

The NED differs fundamentally from social partnership and the NESC. When it met in 2015, it differed from the Council in three ways. First, it was an open consultation where the media could observe and record. Second, it was not a negotiation whereby different interests bargained independently via a political exchange aimed at a *quid pro quo*. Third, the Department of Finance laid out the fiscal and macroeconomic policies to be discussed. Indeed, the process is more a mere exchange of information rather than effective social dialogue.

⁵¹ See: <http://www.budget.gov.ie/Budgets/2015/BreakoutSession.aspx>

However, it was the first time since the collapse of social partnership that the IBEC and the ICTU had sat down at the same table to discuss public policy. It was clear that they both agreed on two issues: better public services and a public capital investment programme. But disagreements arose as to who should cover the financial costs – i.e. taxation. This tension has shaped public debate since the crisis: a preference for more expenditure *and* lower taxes. It is perhaps in this area – the core fiscal problem – that the most social dialogue is required.

The aim of the NED in 2015 was to enable the Fine Gael/Labour Government to facilitate consultation aimed at social dialogue, which has been specified as an important indicator in the new European Semester, as outlined by the EC. But the European Semester officers were not invited to the NED, as the political parties in the Government considered that the presence of any external monitoring would complicate, rather than contribute towards, the revitalization of social dialogue. It is for this reason that all discussions on social dialogue refer to domestic economic problems – but not to the European Semester.

4. Public sector industrial relations and collective bargaining

Despite the collapse of social partnership, the Government – as the largest employer in the State – did not opt for a unilateral approach to its own industrial relations or collective bargaining processes. On the contrary, industrial relations and collective bargaining in the public sector have become even more *centralized* during the crisis and post-crisis period. It is in the public sector where the collective bargaining institutions (and unions) are the strongest, implying that the term ‘industrial relations’ is now used as shorthand for the State sectors.

This stems from the voluntarist nature of Irish industrial relations. Labour law is minimal and built around the tradition of common rather than civil law. The implication is that collective bargaining institutions are dependent upon the relative ‘strength’ of unions (measured in terms of density and bargaining coverage) rather than legal-formal institutions and labour laws. This voluntarist system benefits unions where they are strong (public sector and manufacturing), but puts them at a disadvantage where they are weak (in the non-traded and internationally traded services sector). Simultaneously, from the perspective of the Government and employers, it facilitates flexibility in the labour market.

4.1 Public sector industrial relations

During the crisis and post-crisis period most employment changes have occurred in those sectors where trade unions are weak. Overall trade union density declined from 35 per cent in 2007 to 27 per cent in 2015, reflecting an all-time historic low (Walsh, 2015). In the public sector, it declined from 69 per cent in 2007 to 63 per cent in 2014, whilst in the private sector it fell from 24 to 16 per cent during the same time period.

The result of these trends is that collective bargaining coverage has become increasingly concentrated in the public sector (Roche and Teague, 2014).

Nonetheless, as noted earlier in the text, centralized industrial relations and collective bargaining in the State sectors have proven to be effective in implementing economic

adjustment. The presence of these industrial relations institutions meant that the Government could engage in a direct political negotiation, via the DPER, with the leaders of the main public sector service unions – via the public service executive committee of the ICTU. In this regard, centralized bargaining provided the necessary coordinating capacity for the largest employer in the State to implement cost saving reforms.

It is difficult, however, to equate the bipartite public sector agreements with national tripartite social dialogue. These bipartite collective agreements did not include any public policies pertaining to jobs, employment, taxation, housing and infrastructure; neither did they include any involvement from the wider membership of the ICTU and IBEC. They are sectoral agreements between the specific interests of the public sector unions and the Government – as employer.

There are three public sector agreements that shaped national policy-making during the crisis (2008-12) and post-crisis (2013-15) periods:

- Croke Park Agreement
- Haddington Road Agreement
- Lansdowne Road Agreement

4.2 The Croke Park Agreement

The *Croke Park Agreement 2010-14* was brokered by the Chief Executive of the Workplace Relations Commission (WRC), Kieran Mulvey, and signed by the centrist Fianna Fáil/Green Government and the Public Service Committee (PSC) of the ICTU in June 2010. The Agreement also included the signatories of non-unionized professional associations in the public sector – such as those representing the Irish police force. Whilst there was some resistance from the teacher unions on the PSC of the ICTU, it was overwhelmingly supported. Those unions who opted to vote against the Agreement went along with the majority vote of the PSC and supported its implementation.

The Croke Park Agreement was one of the first attempts to re-establish public sector dialogue following the end of the social partnership agreement in 2009. In addition, it had three major policy-making objectives:⁵²

- (i) To reduce costs in the public sector pay bill through a voluntary reduction in the number of people working in the public sector.
- (ii) To increase the flexibility of the public sector through the redeployment of workers.
- (iii) To increase productivity across the public sector through facilitating an increase in the use of shared and online services.

The Agreement was the Government's score strategy to consolidate its fiscal adjustment from 2010-14 (Higgins and Sheehan, 2010). As long as the unions guaranteed to not engage in industrial action, the Government committed to not unilaterally cutting pay any further. Crucially, the Agreement provided for the establishment of an implementation body to measure the progress of reforms in each of the following sectors: health, education, security, public administration and local government. This implementation

⁵² For more detail see: <http://www.per.gov.ie/en/croke-park-agreement/>

body not only monitored the implementation of the Agreement, but also was responsible for the costing of reforms, which became particularly important under the auspices of the EU/IMF reviews.

4.3 The Haddington Road Agreement

In 2013 the Government attempted to renegotiate the Croke Park Agreement before it expired. This was aimed at cutting an additional 300 million Euros from the public service pay bill before the end of 2013, and then making an additional billion Euros in savings before the end of 2015. The outcome was a new collective agreement entitled 'Croke Park II', which was supported by the leaders of all the major trade unions, but rejected by the public sector membership, by 54 to 47 per cent.

In response, the FEMPI was passed in 2013, which would have enabled the Government to implement a unilateral 7 per cent pay cut. The Government argued that with or without union support, it had to achieve its fiscal targets – as set out in the MoU with the EU/IMF. In the aftermath of the rejection, the SIPTU leader, Jack O'Connor, called on the Government to avoid using unilateral pay cuts to achieve its fiscal targets, if it wanted to avoid mass strike action.

By the end of June 2013 a new industrial relations agreement was negotiated under the auspices of the WRC. The new *Public Services Stability Agreement: 2013-16* was renamed *The Haddington Road Agreement*⁵³ (HRA) and included very specific sector-based reforms aimed at reducing the public service pay bill, in order to achieve an additional one billion Euros saving before the end of 2015.⁵³ Some of the industrial relations reforms included:

- A freeze in automatic increments for different pay grades.
- Additional temporary pay cuts for those earning over 65,000 Euros per annum.
- A cut in the pension for retired public sector workers.
- New flexible workplace practices, including an extension of the working week for all public sector employees.
- Increased flexitime for civil servants.

4.4 The Lansdowne Road Agreement

What is perhaps most remarkable from a public policy perspective is that the fiscal adjustment was achieved without any trade union industrial action. There was certainly disagreement by smaller unions – but, in general, this was minimal. This is reflected in the third public industrial relations stability agreement: the *Lansdowne Road Agreement*, negotiated in May 2015, which extends the HRA until 2018. The new Agreement sets out a plan to reverse some of the pay and pension cuts implemented since 2008.

The *Lansdowne Road Agreement* has gradually turned the tide on the period of concession bargaining in the public sector. In a period of growth, more conflict is likely to emerge. Some of the industrial relations proposals include:

- Most public servants to receive an average pay increase of 2,000 Euros achieved over three stages from January 2016 to September 2018.

⁵³ For a detailed list of reforms in the agreement see: <http://www.per.gov.ie/en/haddington-road-agreement/>

- A partial reversal of pay cuts and a gradual removal of the public service pension levy to allow for this increase.
- Those earning over 100,000 Euros who had pay cuts implemented under the HRA will have these restored by 2017.

The cumulative cost of these restorations to public service pay will amount to approximately 840 million Euros (Sheehan, 2015a). From the Government's standpoint, the Agreement guarantees three more years of political stability. It will extend into the next electoral cycle – with the implication that regardless of what government is elected (or not elected), there will be wage stability for at least 24 months.

All unions on the public service committee of the ICTU have accepted the Agreement, with the exception of the two secondary school teacher unions: the Teachers' Union of Ireland (TUI) and the Association of Secondary Teachers of Ireland (ASTI). Whilst their rejection is not sufficient to block the PSC Committee of the ICTU from ratifying the Agreement, they have taken the unusual step of declaring that they will *"not be bound"* by the PSC's majority decision. This suggests that in a period of economic recovery, some trade unions will be willing to use their relative power to challenge the Government.

The core inference to be drawn from all of this is that there has been a recentralization of collective bargaining in the public sector, which has made it easier for the Government to implement its fiscal adjustment – whilst ensuring industrial stability in the public sector. These Agreements have been a defining characteristic of national policy-making in the post-crisis period of adjustment. Without these collective bargaining institutions, it is highly unlikely that the Government could have implemented economic adjustment. But it is important to note that these collective agreements are qualitatively distinct from the tripartite arrangements of social partnership.

5. Private sector industrial relations and collective bargaining in the post-crisis period

5.1 The minimum wage

Ireland has the highest gross market income inequality in the OECD (measured at a market income Gini coefficient of 0.58). After State intervention and social transfers, this is then reduced to the OECD average (measured at a Gini coefficient of 0.31) (OECD, 2015). The reduction in market income inequality shows both the distributive effect of the social State and the importance of the tax and transfer system in mitigating household inequality (and from a macroeconomic perspective, maintaining a floor below which domestic consumption will fall). But this State role in mitigating market inequality also illustrates the constraining effect of high levels of structural unemployment on fiscal resources.

The weakness of labour earnings at the bottom of the income distribution is in those jobs where collective bargaining is weak. This is what prompted the 2011-15 minority Labour party in government to introduce a series of legislative changes to improve the incomes of the low paid. The first step was to reverse the minimum wage cut. In 2010, as part of the EU/IMF programme, the Government had been required to cut the national minimum wage, which fell from 8.65 to 7.65 Euros. In 2011 the Fine Gael/

Labour Government restored the rate to 8.65 Euros, and in 2015 it decided to increase it to 9.15 Euros – a change that would commence from 1 January 2016, despite IBEC opposition.

5.2 Low pay commission

From a trade union standpoint, legislative increases to the minimum wage are necessary to compensate for weak collective bargaining institutions. Previously, private sector trade unions had been reluctant to support increased State intervention in the market as it might potentially undermine the voluntarist nature of Irish collective bargaining. But in a context where trade union density in the private sector is only 16 per cent, trade unions are increasingly looking to the Government to provide social protection measures. Up until 2008, the national minimum wage was negotiated in the tripartite social partnership agreements. When this collapsed, there was no forum for social dialogue on the question of low pay. As a response, trade unions, particularly the SIPTU, turned to the Labour party in government to push for stronger collective bargaining rights.

In 2015, the Government established a new low pay commission. This was a direct outcome of the appointment of a new ‘Super Junior Minister’ (Labour) within the Department of Jobs, Enterprise and Innovation, which was designed as a concession to the Labour party in government. The unions actively supported the creation of this post given the absence of social partnership. The new Super Minister, Ged Nash, was specifically tasked with delivering two core objectives of the Labour party in the Government (and of the trade union movement): strengthening collective bargaining legislation and protecting the low paid.

The creation of this new low pay commission marked the first time that a new statutory body – with explicit representation from employers and unions – had been created since the collapse of social partnership. However, it was not technically a tripartite institution as it contained eight ‘commissioners’ from across the business, academic, trade union and civic society sphere (Prendergast, 2015). Representatives were selected on the basis of their ‘expertise’ rather than for whom they ‘represented’. The IBEC chose not to participate and disputed the extent to which the body was a ‘technocratic’ agency.

5.3 Sectoral employment orders

The second major State intervention to tackle the problem of low pay was to re-establish the sectoral wage-setting agreements (*Sectoral Employment Orders*, SEOs), which were declared unconstitutional by the High Court in 2013. The new SEOs were designed to replace the previous *Registered Employment Agreements* (REAs), negotiated by employers and unions; they covered several thousand workers in the electrical and construction sectors. An additional 190,000 workers in the cleaning, security, hotel and retail sectors had their pay set by *Registered Employment Orders*, negotiated via *Joint Labour Committees* (JLCs) and registered at the Labour Court. The EU/IMF challenged the effectiveness of these wage-setting institutions and publicly called for their liberalization. But when the High Court declared them unconstitutional in 2013, employers simply abandoned them.

The re-establishment of SEOs was introduced as part of the *Industrial Relations Amendment Act* (2015). Under the new 2015 Act, unions and employers can no longer autonomously negotiate an agreement and seek to have it registered at the Labour Court. Rather, they can request the Labour Court to examine the pay and conditions of employment in a given sector and then ask the Court to make a recommendation. For this to occur, the union requesting an employment review must be “substantially representative” of the sector. If this is the case, and if the union and employer in question represent a sufficiently large number of employees in the sector, then the Labour Court (a voluntarist body) will invite public representations.

Unlike in the past, however, the Labour Court must take into consideration additional economic criteria when making its judgement (Higgins, 2015). These include:

- The potential impact on employment and unemployment
- The terms and conditions of existing national wage agreements
- The impact on the firm’s competitiveness
- The existing rates of pay of a class of similar workers who are employed in the same sector.

The new legislation also attempts to streamline the number of SEOs in existence, whilst restricting the number of additional pay rates that can be added to the minimum rate agreed. It allows for ‘two’ additional rates, which must be justified on the basis of skill and productivity. Employers can also seek exemptions for three to 24 months on the basis of an inability to pay clause. Furthermore, all registered agreements must now be published online to ensure transparency in the process.

The first legally binding orders were signed in 2015 and covered the security and contract cleaning sectors. Employers in these sectors, as well as in the electronics and construction sectors, were not hostile to the re-establishment of the sectoral wage-setting system, as SEOs provide them with *certainty* on pay rates. But this does not apply to employers in the restaurant and hotelier sector, who have refused to recognize the new system. Their argument is that unions only represent 4,000 workers in their sector, whereas overall employment in the sector is above 50,000. On this basis, they argue that trade unions are not representative, and therefore employers should not have to engage with them.

5.4 Collective bargaining legislation

One of the most important features of the industrial relations regime in Ireland is the absence of a legal right to collective bargaining. In 2011, Fine Gael and the Labour party negotiated a Programme for Government, which was committed to changing this. The right to engage in collective bargaining has been a core objective of the trade union movement, particularly since 2007, when the Supreme Court found in favour of Ryanair against the Irish Municipal, Public and Civil Trade Union (IMPACT). The Supreme Court argued that the ‘employee’ association set up by Ryanair constituted a collective body for employees, and therefore equalled collective bargaining. IMPACT argued that it was a kangaroo association and not autonomous from the employer.

In June 2015, the minority Labour party in government introduced new collective bargaining legislation to rectify this situation. The new legislation specified that where it can be demonstrated that collective bargaining does not exist, a group of workers

have a right to be heard at the Labour Court by a trade union. The union can argue, on their behalf, for better pay and conditions vis-à-vis the conditions in similar firms. If the Labour Court finds in the workers' favour, the agreement becomes legally binding on the employer (Sheehan and Prendergast, 2015). It does not require employers to actually *recognize* trade unions for the purpose of collective bargaining.

What the legislation does provide, however, is a mechanism for workers to have their voices heard collectively in the Labour Court (through a trade union). But the trade unions must demonstrate that the pay and conditions of the workers in question are out of sync with the pay and conditions of similar workers in a similar sector. To do this, they must base their claim on strong empirical evidence, and therefore the strength of the claim will be fundamentally contingent upon the quality of information presented in front of the Labour Court (Sheehan and Prendergast, 2015).

It is important to note that the Government's legislation emerged more from the electoral process than from tripartite social dialogue – and from a commitment contained within the Programme for Government. From the State's standpoint, it is now complying with the European Court of Human Rights; and from that of the employers, there is still no legal requirement to recognize trade unions or to engage in collective bargaining. From the perspective of large private sector unions, such as the SIPTU, the legislation is only as strong as the evidence they are able to present in Court.

5.5 Workplace Relations Commission

To recap, the Government has – during the period of economic recovery, and in response to weak collective bargaining for the low paid – actively intervened in industrial relations by creating a new Super Junior Minister dedicated to labour affairs; establishing a new low pay commission; increasing the minimum wage; re-establishing sectoral wage-setting mechanisms for low paid workers; and introducing new collective bargaining legislation. In addition to this, the Government has implemented a new piece of legislation entitled *the Workplace Relations Act 2015*, which is aimed at simplifying and streamlining all the dispute resolution procedures in employment law.

The legislation integrates all the conflict resolution bodies under one State body: the Workplace Relations Commission (WRC). Previously, and depending on the employment dispute in question, workers could take their complaint to the Employment Appeals Tribunal (EAT), the Equality Tribunal, the Labour Relations Commission (LRC) and/or the National Employment Rights Authority (NERA). In turn, if there was an appeal, it went either to the Circuit Court or to the Labour Court. Institutions had been layered on top of each other via successive social partnership agreements (Killalea, 2015).

Under the new system all workplace-related disputes, regardless of what the conflict is about, will be referred directly to an 'adjudication' officer in the newly established WRC. The overriding objective will be to resolve the conflict voluntarily, through mediation, and without recourse to the Courts. If a dispute cannot be settled, or an appeal is made, it will go directly to the Labour Court (which, since the foundation of the State, has been a voluntarist institution – i.e., non-legally binding). However, employers can no longer opt out in the first instance when a private adjudication is sought.

All the social partners have welcomed these new reforms, as they retain the voluntarist nature of Irish industrial relations, whilst reducing legal creep into the collective bargaining process. While some commentators may conclude that these changes reflect a new labour-friendly variant of social partnership, others claim differently – mainly because many of the changes can be traced back to the minority Labour party in government and not to tripartite social dialogue. Further, the changes directly pertain to the low-paid sectors of the economy (where unions are weak) and not to the competitive traded sectors – where, in Ireland, the high-tech United States FDI – led sectors remain largely union free.

6. Conclusions

The major conclusion from this study is that throughout the post-crisis period of adjustment there has been a qualitative shift away from national tripartite social dialogue toward bipartite public sector agreements. Collective bargaining has been recentralized in the public sector and decentralized to the firm level in most of the private sector. This recentralization of industrial relations has enabled the Government to internalize the constraints of the EMU, and to implement its fiscal adjustment. Hence, contrary to the assumptions of the EU/IMF programme, centralized collective bargaining institutions have enabled rather than disabled attempts to restore labour market competitiveness. Moreover, these collective agreements have provided unprecedented political stability for the Government, whilst maintaining open channels of social dialogue between the public service executive committee of the ICTU and senior civil servants of the State.

There have been no supply-side structural reforms of the labour market. On the contrary, there has been an increase in State regulation of the labour market – in response to weak collective bargaining in the low-paid sectors of the economy. This regulation has included: increasing the minimum wage; establishing a low pay commission; re-establishing sectoral wage-setting mechanisms; and introducing new collective bargaining and industrial relations legislation. This legislation is designed to make it easier for trade unions to represent employees in the Labour Court, when an employer refuses to engage in collective bargaining. These reforms were largely achieved through the partisan effect of the minority Labour party in government, and less so through national tripartite social dialogue.

In 2016, the Fine Gael/Labour coalition Government was voted out of office. The Labour party, in particular, lost popularity following the years of austerity – despite introducing labour-friendly industrial relations reforms. For trade unions, particularly the SIPTU, the presence of the Labour party in government meant that they were less willing to revert to strike action and to create political instability. But in a period of economic growth, and with no Labour party in government and/or no structured national forum for social dialogue, trade unions may be more inclined to advance wage and pay claims through more traditional methods: strike action. It is just this threat of instability that may lead to a formal resurrection of national social dialogue.

Hence, in the absence of a formal process of social dialogue in national policy-making, there is an institutional deficit. There is no longer a structured mechanism for the actors to engage in a dialogue on those labour market policies that cut across government departments: employment, taxation, social insurance, education, capital investment

and vocational training. What is more, there is no national wage coordination, with the implication that unions are free to bargain independently of any guidance from the ICTU. The Government's present viewpoint is that national social partnership, as it previously existed, is unlikely to be resurrected. But if political and labour market instability becomes an issue, policy-makers, and union leaders, may be compelled to respond with a new framework to address the new economic realities.

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Appendix

List of persons interviewed for the study

Government

Secretary General, Department of Expenditure and Reform

Minister for Jobs, Innovation and Enterprise

Minister for Labour Affairs

Principal Officer, Department of Jobs, Innovation and Enterprise

Director, National Economic and Social Council (NESC)

Employers' Organizations

Head of IR/HR, Irish Business and Employers' Confederation (IBEC)

Workers' Organizations

General Secretary, Irish Municipal, Public and Civil Trade Union (IMPACT)

General Secretary, Services, Industrial, Professional and Technical Union (SIPTU)

Policy advisor, Irish Congress of Trade Unions (ICTU)

Note: Several interviewees have asked not to be listed.

7. Post-crisis social dialogue in Lithuania: The contentious path of social policy reform

DAIVA PETRYLAITĖ

1. Introduction

The first steps towards social dialogue in Lithuania were taken in 1991, through the enactment of the Act on Trade Unions. The Constitution, which came into force in 1992, guaranteed the right of citizens to form and join associations freely and laid down the fundamental provisions for trade union activity. The principles of social partnership were further strengthened through the ratification of the ILO Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144) in 1994, and the signature, on 5 May 1995, of an agreement on tripartite partnership by the Government and national organizations representing employers and trade unions – which provided for the establishment of the Tripartite Council of the Republic of Lithuania. On 13 June 2005, representatives of the Government, trade unions and employers signed a new, considerably expanded agreement on tripartite cooperation, setting out their priorities and defining the way they would be implemented. It also underscored the importance of engaging broader segments of society in social dialogue. The signing of these various agreements is an indication of the progressive development of tripartite relations in Lithuania. Although the country has well-developed tripartite institutions at both national and local levels – namely, the central Tripartite Council and municipal tripartite councils – social partnership at the branch and sectoral levels is less well established.

Even at the national level, social partnership has demonstrated some limitations. This was particularly evident during the early stages of the economic crisis, when only few consultations took place between the Government and the social partners. Lithuania was exposed to the challenges of the crisis without being sufficiently prepared in terms of social dialogue; its trade union membership was low and the system of tripartite social partnership was underdeveloped. In the later stages of the crisis, the Government reopened channels of communication by resuming its practice of submitting questions to the Tripartite Council and consulting the social partners before taking social policy decisions. A significant outcome of this was the signing of a National Agreement, the ‘social compromise’, in late 2009. This paved the way for the Social Partnership Agreement, which was concluded between Lithuanian political parties and business organizations in October 2012.

Other changes emerged later, between 2012 and 2014, as a result of the investment of European Union Structural Funds aimed at strengthening the process of social dialogue in Lithuania. Resources were allocated to consolidate the capacity of the social partners, especially at sectoral and local levels.

The research for this study drew upon a variety of sources: review of literature (including legal documents), practical materials such as collective agreements and tripartite agreements, and academic studies (articles, monographs) by national and international experts. Statistical data were obtained from *Lithuanian Statistics*. Interviews were also conducted with the relevant actors (social partners, Government representatives and academics).

2. The macroeconomic and political context

2.1 The macroeconomic context

Together with the other Baltic States, Lithuania enjoyed high economic growth rates following its accession to the European Union in 2004. Annual GDP growth reached its peak in 2007. However, the economy suffered a deep recession in 2009, when GDP fell significantly. Positive GDP growth resumed in 2010 and has continued since, albeit at a lower rate than before the crisis (see table 7.1).

Table 7.1 GDP growth (% change on previous year)

2007	2008	2009	2010	2011	2012	2013	2014	2015
9.8	2.9	-14.8	1.6	6.0	3.7	3.4	2.9	1.9

Source: Lithuanian Statistics (Lietuvos statistikos departamentas, STD).

Between 2000 and 2008, Lithuanian GDP grew by 77 per cent, making it one of the fastest growing economies in the world during that period. Nonetheless, GDP plunged by 15.7 per cent in the first nine months of 2009. The impressive rebalancing of the Lithuanian economy after the deep recession in 2009 was achieved through an “internal devaluation” process, i.e. a combination of massive real wage cuts and sharp fiscal tightening.

Gross public debt rose from just 15.5 per cent of GDP in 2008 to 40.7 per cent in 2014, and is forecast to edge up further to around 44 per cent during the next two years (see table 7.2).

Table 7.2 The public debt (% of GDP)

2007	2008	2009	2010	2011	2012	2013	2014	2015
16.8	15.5	29.4	37.8	38.3	40.5	39.4	40.7	42.7

Source: Lithuanian Statistics (Lietuvos statistikos departamentas, STD).

The economic recession lasted only one year in Lithuania. The Government managed to carry out its fiscal adjustment without calling upon the International Monetary Fund

(IMF) for support. Lithuania's currency escaped devaluation and its economy remained competitive through an increase in industry efficiency and an expansion of exports. The IMF had predicted "strong deflation", but this never materialized. The highest public sector salaries were cut by more than 20 per cent, with a smaller reduction in lower salaries; average gross wages declined by 12.4 per cent from their pre-crisis peak to their lowest level. While the total tax burden increased only marginally, the structure of the tax system changed considerably. Social benefit expenditures had risen by 44 per cent in real terms between 2006 and 2008. The Government had no choice but to trim benefits, but often did so in a progressive fashion so as to safeguard the most vulnerable. Eligibility requirements were tightened. The Government also enacted a pension reform. In June 2011 the Parliament legislated a gradual increase of the retirement age to 65 years for both men and women by 2026 in order to ensure the financial sustainability of the public pension system. Lithuania managed to avoid the devaluation of its national currency, overcome the consequences of the crisis, and join the Eurozone on 1 January 2015.

2.2 Labour market context

Following a huge blow to the labour market at the start of the crisis – whereby unemployment peaked at 17.8 per cent in 2010 (almost twice the EU-28 average of 9.7 per cent) – there were signs of recovery in 2011. This recovery benefited all age groups, but did not impact the long-term unemployed until later (table 7.3).

Table 7.3 Employment and unemployment in Lithuania, 2007-15

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Employment, thousand persons	1,422	1,397	1,290	1,224	1,226	1,244	1,264	1,288	1,301
Employment rate, %	65.0	64.4	59.9	57.6	60.2	62.0	63.7	65.7	67.2
Unemployed, thousand persons	64	88	211	270	228	197	172	158	134
Unemployment rate, % of active population	4.3	5.8	13.8	17.8	15.4	13.4	11.8	10.7	9.1
Share of long-term unemployment, %	32.4	21.6	23.7	41.7	52.1	49.2	42.9	44.7	42.9
Youth unemployment rate, %	8.4	13.3	29.6	35.7	32.6	26.7	21.9	19.3	16.3

Source: Eurostat.

The number of employed has been steadily decreasing in Lithuania since the beginning of the crisis, mainly due to the mass emigration of people of working age (table 7.4). This trend began in 2004 after Lithuania's accession to the EU. The population of working age (15-64 years) decreased by 13 per cent between 2004 and 2012, with a particularly rapid decrease during the years 2009 and 2010.

Table 7.4 Emigration, 2005-15

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
57 885	32 390	30 383	25 750	38 500	83 157	53 863	41 100	38 818	36 621	44 533

Source: Lithuanian Statistics (Lietuvos statistikos departamentas, STD).

The mass emigration can, in part at least, be attributed to low wages. The average income in Lithuania is among the lowest in the EU; in 2014, the average gross monthly wage was 677.4 Euros (table 7.5). The minimum gross wage was increased to 350 Euros per month on 1 January 2016.

Table 7.5 Gross monthly wage, 2007-15

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total, Euros	522.0	623.2	595.5	575.8	592.5	615.1	646.3	677.4	712.1
Men, Euros	nd	691.4	638.6	623.0	637.0	661.2	697.6	733.6	756.9
Women, Euros	nd	558.5	557.2	534.0	551.2	571.6	597.7	623.7	584.8
Gender pay gap, %	nd	19.2	12.7	14.3	13.5	13.6	14.3	15.0	22.7

Source: Lithuanian Statistics (Lietuvos statistikos departamentas, STD). nd no data available.

Such low earnings make the Lithuanian labour market unattractive to local workers. Given the country's traditionally low levels of immigration, it is likely to become increasingly difficult for Lithuanian businesses to find workers with the right skills. Another specificity of the labour market is the mismatch between labour supply and demand in terms of both geographical distribution and skills, which became more pronounced during the economic downturn. There is a lack of skilled labour in areas outside the major cities (i.e., managers, project managers, engineers, doctors and finance professionals). Most current concerns and debates revolve around ways to increase employment and remuneration, reduce emigration and attract inward investment. To address these issues, a National Employment Strategy 2014–2020 has been developed. Its priorities include increased labour market flexibility and security; a better matching of labour market demands and skills; and more attractive work incentives.

2.3 Political context

Lithuania held parliamentary elections in October 2008 at the height of the economic crisis. The Homeland Union – Lithuanian Christian Democrats – won the most votes and was the major party in the coalition (see table 7.6 for a list of Lithuanian Governments in the pre-crisis, crisis and post-crisis periods). On 28 November 2008, Andrius Kubilius was appointed as Prime Minister. The centre-right coalition faced a difficult financial and economic situation when it came to power. After almost half a decade of rapid economic growth and social development, the deficit in the State budget and the social insurance fund had started to deteriorate rapidly. The coalition set out to improve the situation through a reduction in social expenditure and an increase in labour market efficiency. The new Government therefore immediately initiated a programme of

action, in December 2008, which included a number of measures to combat slowing economic growth, and to address fundamental challenges in the public and social spheres. The programme also introduced an “anti-crisis plan” to ease the worsening economic and financial climate. The Government advised that failure to implement this plan, and its accompanying measures, would result in a severe financial crisis, deeply affecting the more vulnerable members of society, including low-income persons, pensioners and the unemployed. It undertook a strong commitment to prevent this from happening.

In an attempt to rescue the public finances, the Government initiated an ambitious package of legal reforms, in the framework of the anti-crisis plan, which focused on public spending cuts and tax increases. These measures gave rise to protests organized by the social partners, most notably the demonstrations of 16 January 2009, which brought together more than 7,000 demonstrators in front of the Parliament to challenge the planned fiscal consolidation measures. The Government softened its position in response to the social unrest – and two amendments to the Labour Code were subsequently adopted over a period of four years, following their discussion in the Tripartite Council. The Government, when proposing its reforms, referred both to the ranking of Lithuania’s economic competitiveness (an example being the World Bank’s *Doing Business 2008 Lithuania*, which pointed to certain restrictions on establishing start-ups) and to criticisms of the country’s labour market inflexibility, a view shared by the Lithuanian employers.

Table 7.6 Governments of the Republic of Lithuania, 2004-16

Thirteenth Government	2004-06	Coalition Government: Social-Democrats and Social-Liberals	Prime Minister: Algirdas Mykolas Brazauskas (Social-Democrat)
Fourteenth Government	2006-08	Coalition Government: Social-Democrats and Social-Liberals	Prime Minister: Gediminas Kirkilas (Social-Democrat)
Fifteenth Government	2008-12	Coalition Government: Conservative Party and Liberal Party	Prime Minister: Andrius Kubilius (Conservative Party)
Sixteenth Government	2012-16	Coalition Government: Social-Democrats, Social-Liberals ('Labour Party') and Liberal-Democrats ('Order and Justice'),	Prime Minister: Algirdas Butkevicius (Social-Democrat)

Source: Author’s own elaboration.

As mentioned in the Introduction, the 2009 National Agreement paved the way – following a round of lengthy negotiations – for the Social Partnership Agreement 2012-16, concluded between the Lithuanian political parties and business organizations. However, opinion remains divided on this Agreement and its outcomes in the context of social partnership; some commentators maintain that it was a political agreement, which had little in common with social dialogue, particularly as the workers were not represented. In its official programme, the Government declared its intention to improve social dialogue, support trade unions and promote collective bargaining. But there is

some feeling that this declared commitment to social dialogue was not fully borne out in practice.⁵⁴

3. The role of social dialogue in national policy-making in the crisis and post-crisis period

During the early stages of the Government's response strategy to the crisis, tax reforms were at the forefront of the national agenda. Broadly speaking, the measures implemented under this reform negatively impacted social rights and guarantees (through increased taxes and decreased social benefits such as unemployment benefit, pensions and social assistance). Social insurance contributions were also levied on earnings from new economic activities. In terms of common trends and the situation of social compromise, it was clear that due to the severity of the crisis, the Government was unable to engage in effective social dialogue or fulfil the objectives set out in its programme. The political decision was adopted without consultations at the Tripartite Council and presented to society as a *'fait accompli'*. Such a situation – perhaps for the first time since Lithuania's independence – provoked the massive demonstrations, referred to in section 2.3, on 16 January 2009. The protest led the Government to engage effectively in dialogue with the social partners – and it was this that ultimately led to the 2009 National Agreement.

Nonetheless, many of the social partners and other groups (which included organizations representing different members of society) refused to sign the Agreement at the time, due to a lack of consensus on the issues at hand. Some authors have expressed the opinion that the national tripartite social dialogue mechanism that was in place at the end of 2008 was ignored so as not to delay urgent decisions being taken (Kallaste and Woolfson, 2013). This contributed to a loss of trust in the Government – and perhaps also led to the failure of the social reforms implemented during the crisis years.

Social partnership was again encouraged during the crisis and post-crisis periods in Lithuania. Particularly significant was the adoption of a Programme on Strengthening Social Dialogue in Lithuania for 2007-2011, approved by the Government under resolution No. 729 on 11 July 2007 (hereinafter – the Programme).⁵⁵ The main arguments for introducing the Programme were as follows: (i) trade union organizations in Lithuania are still too weak to function as a counterbalance for employers' organizations, and to initiate social dialogue; (ii) sectoral collective agreements – as the basis for social dialogue – are still at an embryonic stage; (iii) an advanced and consistent bipartite social dialogue structure is not in place to promote social and economic progress; (iv) the social partners lack the capabilities to become involved in social dialogue in the regions; (v) Lithuania has an extremely low number of company-level collective agreements in place; (vi) the trade unions are often criticized for engaging in industrial action and are in need of more highly skilled professionals to participate in the activities of various councils and commissions; and (vii) the employers' organizations are also under-represented, and their activities are insufficiently organized. The aim of the Programme was to develop and strengthen social dialogue in the regions; promote social

⁵⁴ The Ministry of Social Security and Labour challenged this statement, maintaining that meetings of the Tripartite Council take place every month, thereby signifying a clear commitment to social dialogue.

⁵⁵ *Official Gazette*, 2007. No. 80-3246.

partnership, at both bipartite and tripartite levels; provide training to the members of bipartite and tripartite councils; improve activities of employers' and workers' organizations; carry out inspections of employment relationships and health and safety at work; and disseminate good trade union practices.

The implementation of the Programme was expected to bring the following results: (i) reinforced social dialogue in counties and municipalities; (ii) the establishment of new tripartite and bipartite councils and commissions in regions; (iii) the signing of territorial, sectoral or company-level collective agreements, or the commencement of bargaining for such agreements; (iv) the establishment of committees for occupational health and safety in the workplace; (v) the setting up of social dialogue coordination centres in regions; (vi) strengthened cooperation between the Government, employers' and workers' organizations; (vii) training, seminars and meetings for at least 5,000 workers' representatives, staff of enterprises, employers' organizations, and representatives of State and municipal institutions; (viii) improved capacities of the social partners to participate in social dialogue; (ix) availability of regular information for the public on achievements in the area of social partnership and employee-relevant decisions taken in Lithuania; (x) improved activity and civic-mindedness of employees, as well as a growing number of trade unions; (xi) a healthier microclimate at the workplace; and (xii) a reduction of social tension and collective disputes.

On 21 February 2012, the Ministry of Social Security and Labour and the European Social Fund agreed, with the social partners, to implement a programme entitled "The promotion of social dialogue". The programme which began in March 2012, came under the Operational Programme for the Development of Human Resources 2007-2013 measure 'Strengthening of social dialogue'. (Eurofound, 2012). EU resources were allocated to promote social dialogue and strengthen the capacity of the social partners, especially at sectoral and territorial levels. Under this measure, it was planned to conclude 289 enterprise-level agreements and 12 sectoral-level agreements. It was also envisaged to establish 46 tripartite and bilateral territorial councils and committees of the social partners, as well as 155 safety and health committees in enterprises. Following the implementation of this measure, 263 company-level agreements were concluded, 12 sectoral level and 21 territorial agreements were signed, and 44 tripartite and bilateral territorial councils and committees of the social partners were established – in addition to 151 health and safety committees in enterprises.

In line with the principles of workplace cooperation, a new procedure for the settlement of individual labour disputes came into force in Lithuania in January 2013. The main objective of this reform was to change labour dispute resolution at the pre-litigation stage by replacing labour dispute commissions in enterprises that were remnant of the Soviet era with tripartite labour dispute commissions functioning at territorial level. The new labour dispute commissions were set up under the regional sub-divisions of the State Labour Inspectorate and function on a tripartite basis. They include the labour inspector (who chairs the commission) and two members delegated from the national employers' and workers' organizations. At present, there are 13 such labour dispute commissions. Research into the activities of these commissions has proven the reform to be effective. It should be noted that labour dispute commissions now settle about 5,000 labour disputes per year, a much higher figure than before the reform. This suggests that employees now feel more encouraged to initiate

labour dispute proceedings in order to protect their employment rights. In addition, it is clearly indicative of the trust in labour dispute commissions themselves. This trust may be attributed to the fact that the dispute resolution procedures are straightforward and free-of-charge (they are funded by the State budget). Another advantage is the efficiency of the procedure: on average, these commissions take 27 days to settle a dispute – compared to six months in judicial proceedings. An average of 33 per cent of labour disputes end in a peaceful settlement. There is a mediation institute to try and help the parties to reach a peaceful solution to their case, without escalating and/or delaying the process. The preventive aspect is also important in this context. Precedents developed in particular cases are “taken over” by the social partners and adapted in their organizations to identify and neutralize social tensions. The social partners learn the art of negotiation and are actively engaged in the settlement of labour cases.

It must be added that at the beginning of 2016, the Ministry of Social Security and Labour approved the Action Plan for the Promotion of Corporate Social Responsibility for 2016-2020 with a view to encouraging companies to apply the principles of social responsibility; they also approved the 2016-2020 Action Plan for Strengthening Social Dialogue.

3.1 The ‘Social Model’

With a view to modernizing the legal regulations pertaining to the labour market, the Government initiated a project entitled “Creation of the Lithuanian social model to increase employment, improve the regulation of labour relations and social insurance sustainability” in 2013. The project aimed at improving the legislation regulating labour, employment and social security, in order to increase employment, improve labour relations and promote investment. The objectives were set within the framework of labour legislation to pave the way for a more flexible regulation of labour relations and to ensure job security. One of the expected results of this project was a new draft of the Labour Code. New bills were prepared, which were intended to encompass amendments to minimum wage setting, employment protection legislation (hiring and firing regulations), the formulation of new employment legislation for vulnerable groups (such as youth and temporary workers), the regulation of temporary employment and other non-standard forms of employment, and pension reform (increase of the statutory retirement age, changes in the indexation method, limitation of access to early retirement). However, these bills were prepared without consulting the social partners. In May 2015, the Government submitted a package of legislative drafts⁵⁶ to the Parliament and also forwarded them, at the same time, to the Tripartite Council. It should be noted that, in accordance with the law, legislative drafts that are submitted to the Parliament on relevant labour, social and economic issues should be agreed in advance with the Tripartite Council (Eurofound, 2016). In protest at this lack of consultation, the trade unions organized a demonstration against the Social Model on 10 September 2015. According to the Chairman of the Lithuanian Trade Union Confederation: “The

⁵⁶ The package known as the “Social Model” consisted of a number of legislative drafts. The most important of these were the draft Labour Code, the Bill on Employment, the Bill on Sickness and Maternity Social Insurance, the Bill on the Social Insurance of Occupational Accidents and Diseases, the Bill on Unemployment Social Insurance and the Bill on State Social Insurance Pensions.

protest next to the Parliament and the Government buildings was not because we are against changes. We have never said that we do not want them. We just wanted to show that not all matters have been harmonized with the Government. We have already achieved and changed a lot, but many sensitive questions remain misaligned”.⁵⁷ The Tripartite Council subsequently held 14 meetings on the matter and, after repeated consideration of the “package”, formal consensus was reached on the main articles of the draft Labour Code. Nonetheless, continuing collective action of the national trade unions against the “package” adopted in Parliament shows that social consensus on the “Social Model” has been rather fragile.

3.2 The European Semester

In Lithuania, the Ministry of the Economy is responsible for coordinating and harmonizing the National Reform Programme, which is subsequently submitted to the European Commission. The draft Programme is forwarded by the Ministry to the Tripartite Council of the Republic of Lithuania for discussion. The first discussion of this type took place in March 2014 (Tripartite Council, 2014), when Lithuania was not only preparing its report for the European Semester but also undertaking reforms for the adoption of the Euro. According to the Minutes of the Council, the representative of the Ministry of Economy presenting the Programme regretted that no comments on the draft Programme had been received from the social partners, despite their being requested to do so as early as January. The second reading of the National Reform Programme took place in April 2015. During the sitting, the social partners concluded that “... the Tripartite Council must pay as much attention as possible to the National Reform Programme and the European Commission’s conclusions and recommendations for Lithuania in the future ...”, but no concrete ideas were put forward or proposals made (Tripartite Council, 2015). To date, the social partners – and even the Tripartite Council itself – have been demonstrating little involvement in the activities of the European Semester. The available evidence and material from the sittings of the Tripartite Council shows that, despite efforts on the part of the Government (responsible ministries) to cooperate and discuss opinions with the social partners, the participation of the latter remains limited (European Commission, 2015; European Council, 2015).

3.3 The Tripartite Council

The signing of the Agreement on Tripartite Partnership on 5 May 1995 marked a vital step towards national social dialogue. It brought together the interests of the Government, employers’ and workers’ organizations in tackling social, economic and labour problems, and provided for the signature of annual tripartite agreements on these issues. In addition, the Agreement paved the way for the establishment of the Tripartite Council, as well as for the regulations on its functioning (Tripartite Council, 2002). This Tripartite Agreement can be considered as the first major step towards the institutionalization of social partnership. The social partners and the Government thereby became entitled to determine the competencies, rights and duties of the Tripartite Council, as well as the degree of influence this institution might have over decisions of the authorities and legislative procedures.

⁵⁷ Available at: <http://www.delfi.lt/verslas/verslas/a-cerniauskas-zaidimas-i-vienus-vartus-arba-ko-nori-profesines-sajungos.d?id=69110328>

At present, the Tripartite Council consists of employers', workers' and Government representatives, making a total of 21 members – seven from each group. The following institutions and organizations are represented: (i) public administration bodies: the Ministry of Social Security and Labour, the Ministry of the Economy and the Office of the Government; (ii) central (national) trade union organizations: the Lithuanian Trade Union Confederation, the Lithuanian Labour Federation and the Lithuanian Trade Union "Solidarum"; (iii) employers' organizations: the Lithuanian Confederation of Industrialists, the Lithuanian Business Employers' Confederation, the Chamber of Agriculture of the Republic of Lithuania, and the Association of Lithuanian Chambers of Commerce, Industry and Crafts.

The workers' and employers' representatives on the Tripartite Council are governed by the agreement concluded between the Lithuanian trade unions and the employers' central (national) organizations – "On Recognition of Mutual Social Partnership", approved by a Tripartite Council resolution on 26 February 2008. The Government representatives are appointed to the Tripartite Council by means of a Government resolution. The Tripartite Council can establish commissions and committees. At present, there are three commissions (labour relations, civil servants and tripartite consultations on implementing international labour law) and several committees (education, youth, energy, culture and monitoring of consumers' rights). The Tripartite Council has become a significant institution in public life. It is one that reconciles the interests of the social partners, as well as settle a number of labour and social issues.

Despite this, the situation began to change during the crisis – and it continues to be unstable. In late 2008, the programme of the newly formed Fifteenth Government stipulated that "socio-economic dialogue" between employees, employers and society would be enhanced at all levels – with a view to implementing key reforms in the labour market. In addition, decisions were taken to reform the Tripartite Council by bringing in non-governmental organizations and transforming it into an "economic and social council" that would be able to draft a national agreement on the modernization of the national economy. For a number of years, there were discussions about setting up this institution along the lines of the European Economic and Social Committee. However, the full transformation of the Council never fully materialized. Instead, in 2009, the Government made a number of internal changes to the Tripartite Council; it delegated secretaries of the ministries to the Tripartite Council in place of the earlier membership of vice ministers. In 2011 it was decided once again to change the level of Government representation. Currently, the Government representatives consist of the Prime Minister's adviser, two vice ministers and four specialists: two Department directors, the Chancellor of the Ministry and the Head of Division. Furthermore, representatives of various associations – cultural, senior citizens, consumers, medical and firefighters, inter alia – are invited to participate in meetings if issues relevant to them are being discussed.

At present, trade unions are critical of the Tripartite Council – particularly of its diminishing influence. This is reflected, for example, in its inactive website, as well as in the reorganization of the Secretariat, which was merged with the Ministry of Social Security and Labour in order to save costs. They also criticize the rigid composition of the Council, noting that social interests are mixed, and they particularly point out that it lacks decision-making capabilities; for example, the resolutions of the Council only

serve as a recommendation. The employers' organizations also criticize the Tripartite Council. The President of the Lithuanian Business Confederation, Valdas Sutkus, has repeatedly stressed that it does not provide an appropriate representation of society and that it is an outdated and ineffective model. Moreover, the Executive Director of "Investor's Forum", Ruta Skyriene, claimed that the active involvement of society was crucial to increase the attraction for foreign investment. She added that: "we always stress that we can only achieve the best solutions and results by ensuring close cooperation between the State, business and society".⁵⁸ Nonetheless, the Tripartite Council has, in the past, raised concerns regarding the proper representation of Lithuanian employers and workers. Until now, the Council has been a relatively closed organization as it is based on the 'non-rotational principle', which means that it does not accept new members into its structure. This prompted 'Invest Lithuania',⁵⁹ in 2014, to propose the establishment of a "national labour and social issues council" as a forum for the national-level social partners. This council would have a bipartite plus status, with 30 representatives from the eligible employers' and workers' organizations, together with representatives of other economic, social and cultural institutions. However, work on developing this new council was postponed as the Government and social partners preferred to retain their seats on the Tripartite Council in order to steer the changes in the draft Labour Code that were being implemented under the "Social Model" project.

In the final analysis, no significant changes in the composition and activity of the Tripartite Council were introduced after the adoption of the new Labour Code. Lithuania still retains its "old" national tripartite structure. But it should be noted that some new regulations were included: for example, the employers' and workers' organizations will now have to comply with certain criteria if they wish to delegate representatives to the Tripartite Council. Furthermore, a new regulation provides for a four-year tenure for the Tripartite Council, but there is no reference to the number of terms of office for individual members of this Council. Therefore, although the new Labour Code does introduce some new rules, it has not made any significant reforms to the Tripartite Council.

4. Industrial relations and collective bargaining in the post-crisis period

Countries throughout Western Europe displayed a strong tendency towards the decentralization of collective bargaining during the first years of the economic downturn. The situation in Lithuania, however, was slightly different. While enterprise-level agreements tended to predominate in the past, the Government, seeking to promote higher-level collective bargaining, used European funding⁶⁰ to create financial and organizational conditions for social partners to bargain at the sectoral/territorial level. The Government had two main objectives: to increase the number of collective agreements at the territorial – and especially sectoral levels; and to increase the number of workers covered

⁵⁸ Speaking at an international conference calling for the development of opportunities for Lithuanian citizens to participate directly in public affairs. Available at: <http://www.lvk.lt/lt/nauijenos/tarptautineje-konferencijoje--raginimai-plesti-lietuvos-pilieciu-galimybes-tiesiogiai-dalyvauti-valstybes-valdyme>.

⁵⁹ 'Invest Lithuania' (Investuok Lietuvoje) is a non-profit organization under the Ministry of Economy of the Republic of Lithuania. Its mission is to attract foreign investment.

⁶⁰ 2007–2013 Operational Programme for the Development of Human Resources in Lithuania, Priority 1: "Quality Employment and Social Inclusion", Measure VP1- 1.1-SADM-02-K "Promotion of Social Dialogue"; projects co-financed by the European Social Fund and the State budget of the Republic of Lithuania.

by collective agreements. As a result of this funding, under an operational programme entitled “Promotion of social dialogue”, 21 territorial and 12 sectoral-level agreements were signed between 2013 and 2014.⁶¹ However, an analysis of the content of these sectoral and territorial collective agreements shows that most of their provisions are taken from legal acts and are largely declarative in nature.

In 2009, in the course of the reforms mentioned earlier, temporary amendments to the Labour Code⁶² were adopted allowing deviation from the imperative provisions of labour law in certain cases, when specifically agreed upon in collective agreements. In other words, the law as such allowed for the determination of employment conditions *in peius* in collective agreements, i.e., worsening the situation of employees compared to that stipulated in the Labour Code in respect of all other employees working in enterprises without a collective agreement. During the crisis period, the application of the *in peius* principle was widely adopted.

According to data collected from *Lithuanian Statistics*, the number of members of trade unions remained almost stable during the first years of the crisis. However, it started falling markedly in the so-called post-crisis period; in 2011, 108,900 employees, or 8.69 per cent of the workforce, were members of trade unions.⁶³ The years 2012, 2013 and 2014 saw an even larger decrease (table 7.7). It should be noted that undisputed data on trade union density in Lithuania is unavailable. According to the European Trade Union Institute, trade union density stood at about 9 per cent in 2013 (ETUI, 2016). Similar findings were reported by the ILO, with trade union density at 16.8 per cent in 2001 – followed by a significant decrease to 9.3 per cent in 2007. This remained relatively unchanged until 2013, which saw a minor increase to 8.8 per cent (ILO Stat, 2016).

Table 7.7 Membership of trade unions, 2006-14

	2006	2007	2008	2009	2010	2011	2012	2013	2014
TU members (thousands)	115,7	115,0	111,7	115,4	112,6	108,9	102,3	95,3	94,2
Percentage of all employees	9.15	8.68	8.3	8.73	9.0	8.69	8.0	7.35	7.14

Source: Lithuanian Statistics (Lietuvos statistikos departamentas, STD).

By contrast, employers’ organizations have increased their membership. In 2006, employers’ organizations had 12,800 members, and this number rose to 13,200 in 2007. A slight decrease was recorded in 2008 and 2009, respectively – from 12,400 to 11,800 members. From 2010 onwards, however, there has been a steady growth in membership. According to data from the European Commission, employers’ organization density (calculated as the proportion of wage and salary earners in member firms of employers’ organizations) stood at 14.4 per cent in 2012 (Visser, 2016).

⁶¹ Data provided by the Ministry of Social Security and Labour.

⁶² Amendments to the Labour Code, *Official Gazette*, 2009, Nos. 93–3993.

⁶³ A representative from the Lithuanian Trade Union Confederation (LPSK) challenged the figures on trade union density presented in the study. According to data collected by LPSK, trade union density stands at 15 per cent in Lithuania.

An analysis of another indicator – the coverage of collective agreements – shows that such agreements are mostly prevalent at enterprise level (there were no higher-level – branch, territorial – collective agreements concluded before the crisis at all in Lithuania). There is no official record of enterprise-level agreements in Lithuania, but according to data collected by the State Labour Inspectorate, they cover less than 3 per cent of Lithuanian enterprises (see table 7.8).

Table 7.8 Enterprises and collective agreements, 2006-15

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Number of enterprise inspections carried out	18,872	17,600	15,859	15,935	12,411	12,325	6,697	10,069	10,582	6,585
Enterprise-level collective agreements signed	1,157	1,238	903	290	248	273	204	239	295	348
Coverage of enterprise-level collective agreements, %	6.1	7.0	5.69	1.81	1.99	2.22	3.0	2.37	2.78	5.28

Source: State Labour Inspectorate of the Republic of Lithuania, 2016.

It may therefore be deduced that Lithuania was exposed to the challenges of the crisis, while being underprepared in terms of social dialogue and collective bargaining – i.e., with low trade union membership and lacking a social dialogue culture.

Another important indicator of democracy at work is the number of strikes. According to data from *Lithuanian Statistics*, there were 56 strikes in 2000, of which 21 were warning strikes; in 2001, there were 34 strikes, of which 29 were warning strikes. Meanwhile, during the 2002-06 period, there was only one strike in 2005, while 2007 witnessed 161 strikes, all of which took place in educational institutions. Similarly, during the first quarter of 2008, as many as 112 strikes were registered in this sector alone. A few years of industrial peace ensued (2009–11). It is worth recalling that this was the period of economic downturn – and that the implementation of the above-mentioned anti-crisis measures was endured in silence.⁶⁴ The situation changed in 2012, when 193 strikes occurred – again all in educational institutions. This was followed by a period of industrial peace in 2013, and there were only 78 strikes in 2014 (education sector). The strikes held in 2012 and 2014 called for the restoration of wages which had been cut during the crisis, and an increase in budget allocations for the education sector. Again, no obvious reasons can be discerned as to why trade unions were more active in this sector than in others, and why they did not take similar action before 2012. One of the reasons might be that there had been wage increases, albeit insignificant, in these specific sectors before the crisis. From 2009 onwards, drastic cuts were made to sectoral wages in response to the crisis. Given the Government's pledge to restore the

⁶⁴ Lithuanians apparently took action during the crisis in a highly specific way – simply by emigrating from Lithuania [Trade union: We are not Greek and Spanish, here people sob into their pillows], extracted from *Delfi*, 10 September 2011.

status quo of reduced wages following improvements in the financial situation, trade unions chose to abstain from collective action for some time. However, when there were signs that the Government might not fulfil its promise, the trade unions resorted to strike action.

5 Conclusions

On the eve of the economic crisis Lithuania had a relatively strong and institutionalized system of tripartite social dialogue in place. The legal provisions valid at that time created the preconditions for the parties to independently negotiate conditions of work. At this point, it is worth recalling that in Lithuania, unlike in other EU Member States, the system of industrial relations was underdeveloped, the model of bipartite social dialogue was hardly functioning, and the collective bargaining coverage of employees was critically low.

At the start of the crisis, the Government took a number of unilateral steps that had negative repercussions on social partnership. It subsequently altered its approach, which culminated in the signing of the 2009 National Agreement – an unprecedented event – whereby attempts were made to agree on measures to overcome the financial, economic and social issues emerging in the aftermath of the crisis. However, many of the social partners refused to sign it, and for some time afterwards they refused to extend or re-sign it, due to a lack of consensus on the issues at hand. During the crisis a clear unified voice on core social, economic and employment issues was lacking (Vilnius University, 2015; Juska and Woolfson, 2012; Kallaste and Woolfson, 2013). These factors contributed to a sense of alienation from decision-making processes amongst workers, bringing with it a heightened risk of social unrest – resulting in a loss of trust in the Government and perhaps in the limited impact of the social reforms. There is no denying that the Government's quick response to the crisis may have played an important role in economic recovery, but more developed social dialogue during this time of fiscal consolidation would have helped lead to better outcomes and, more importantly, would have increased public confidence.

The economic crisis revealed the weaknesses of social partnership in Lithuania. As stated in this chapter, tripartite social dialogue was not directly affected by the crisis-related reforms. Nonetheless, the fact that the Government failed to include the trade unions and employers' organizations in consultations over crisis response strategies contributed to these weaknesses. The economic crisis made individual labour rights more vulnerable, with painful consequences, while the principles of social cooperation did not operate successfully and there was a growing distrust in public institutions. These negative developments account for the minor role played by the social partners in the fight against the economic downturn. The crisis also revealed, and heightened, pre-existing functional and structural flaws in tripartite social dialogue mechanisms in Lithuania.

Swift measures therefore need to be taken to reform the state of tripartite social dialogue. Taking into account the experience of other European countries and the current situation regarding social dialogue in Lithuania, there are two possibilities for the future. One option would be to establish a "national labour and social issues council" as a forum for the national-level social partners. This council could have a bipartite structure

consisting of representatives from the eligible employers' and workers' organizations. With the aim of achieving more inclusive social dialogue, the authors also suggest the implementation of social partnership through social councils at sectoral and territorial level. These could play a crucial role in guiding consultations and negotiations for the conclusion of bipartite and tripartite agreements, which would provide a social policy framework for specific regions or branches of economic activity. Another option would be to maintain and strengthen the already existing Tripartite Council, which, according to the Government, is most effective at representing the interests of workers and employers. Furthermore, there are other councils in Lithuania that deal with specific issues; these include the Council for the Affairs of the Disabled and the Council of Youth Affairs under the Ministry of Social Security and Labour. Given the existence of such bodies, the Government is of the view that wider representation is not necessary.

Social partnership could also be used to address relevant issues beyond labour policy, thereby becoming a more open forum for the social partners. In concluding, the current fragmentation of social dialogue frameworks in Lithuania may be attributed to the lack of a long-standing culture and tradition of social partnership in the country, rather than to legal regulations or constraints imposed by the State.

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Appendix

List of persons interviewed for the study

Government

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8. The Dutch polder model: Resilience in times of crisis

RONALD DEKKER, SONJA BEKKER AND JAN CREMERS

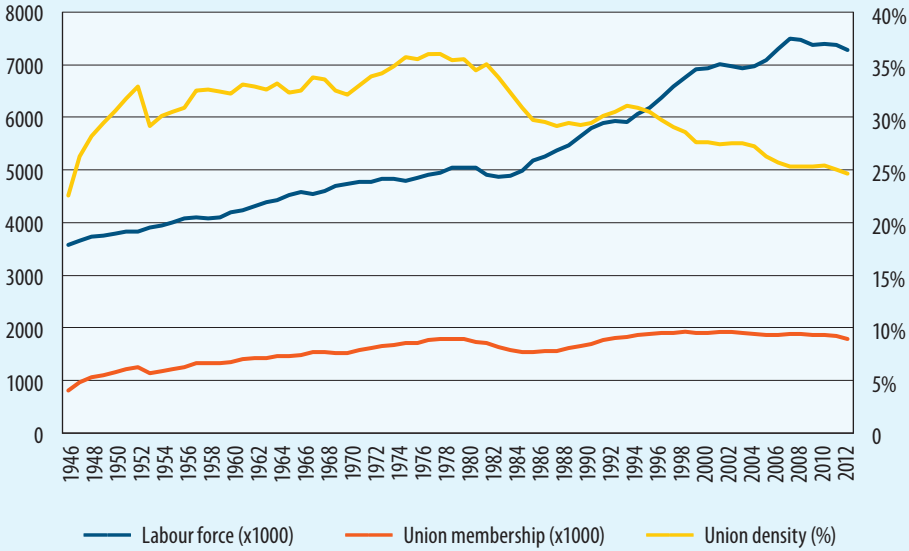
1. Introduction

The Netherlands has a long and fruitful history of social dialogue under the so-called “Polder Model”. This acclaimed Dutch system of consensus-based economic and social policy-making has formalized tripartite cooperation between employers’ organizations, labour unions and the Government at the national level. The Social and Economic Council (SER)⁶⁵ serves as the central forum to discuss labour issues and has a long tradition of consensus building, often defusing labour conflicts and avoiding strike action. In this chapter, we elaborate on the various aspects of social dialogue and industrial relations in the Netherlands, and describe developments in these areas over the period since the financial crisis. We deal with national reforms and labour market developments, focusing especially on the 2012-15 period. All of this is discussed against the backdrop of the European Semester policy coordination process between the European Commission (EC) and the Member States. The European Semester is most relevant for issues at national level – whereas, in the Dutch tradition, important employment issues have been decentralized to the sectoral or company levels, at which collective labour agreements are concluded.

In general, the role of social dialogue has slightly eroded over the period, also due to processes that started well before the onset of the financial crisis. Among these are a slow but steady flexibilization of the labour market and a decline in union density over a period of four decades (see figure 8.1). Dutch unions have been quite lenient, both at national level in the SER and at sectoral level, in allowing for ‘flexibility’ at the margin, i.e. in the form of contracts that deviate from the ‘standard’ open-ended contract defined by employment protection legislation. As a result, an increasing share of the workforce has an employment contract that is fixed-term, or with a temporary work agency or is otherwise flexible (see figure 8.2). More recently, there has been a steady increase in self-employment, which is part of this ongoing tendency towards flexibilization. In recent years, externalization in the form of cross-border recruitment of labour has further contributed to this trend.

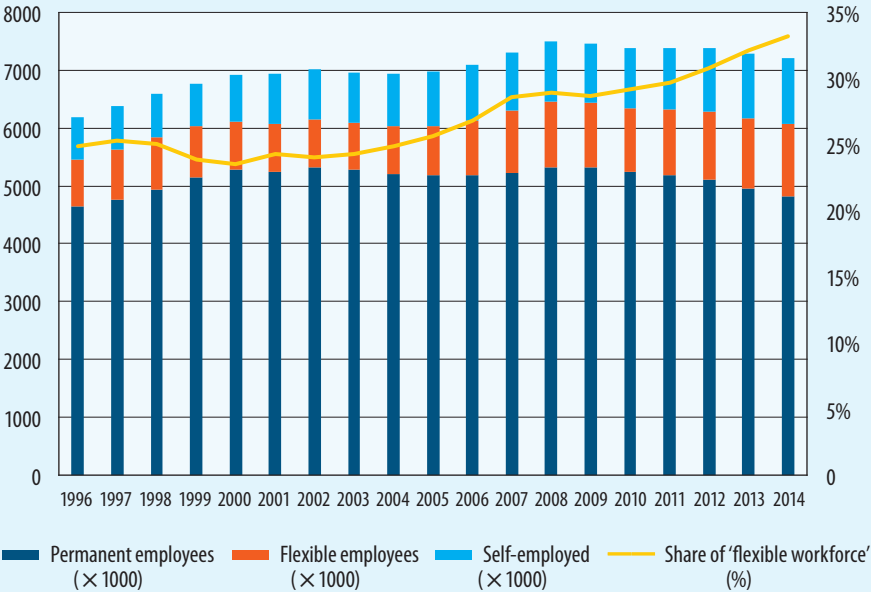
⁶⁵ The SER advises the Dutch Government and Parliament on key points of social and economic policy. www.ser.nl/en/

Figure 8.1 Labour force, union membership and union density, Netherlands, 1946-2012



Source: Netherlands Statistics.

Figure 8.2 Share of flexible workforce, Netherlands, 1996-2014



Source: Netherlands Statistics.

The decline in union density has been mitigated by the relatively high level of collective bargaining coverage. In 2014, 85 per cent of all employees were covered by a collective bargaining agreement negotiated by one or more trade unions and employers' associations (Ministry of Social Affairs and Employment, 2014). This puts the Netherlands among the countries with the highest collective bargaining coverage rates in Europe (Eurofound, 2015). Rising self-employment has recently eroded this coverage to a certain extent, as the share of 'direct' labour hire (i.e. workers on permanent contracts) declines slightly within the total workforce, now standing at less than 70 per cent (figure 8.2). Also the increase of temporary contracts (by mid-2015 up to 22 per cent of the total workforce) – in the form of agency workers, on-call workers, as well as workers on short contracts and zero-hours contract – has had an effect on union density (Ministry of Social Affairs and Employment, 2016).

The combined trends of declining union density and the increasing share of flexible labour have led to a somewhat weakened perception of trade union legitimacy – and, consequently, to a certain undermining of the legitimacy of social dialogue. Against this background, the problems caused by the financial crisis and subsequent recession in the period 2008-13 in the Netherlands placed additional strain on the process of social dialogue (CBS, 2013). In response, and especially after the dispute over pension reform, Dutch trade unions, including the Netherlands Trade Union Confederation (FNV) in particular, seem to have opted for a more confrontational strategy in recent years.⁶⁶

Nevertheless, some major reforms were put into effect in the aftermath of the financial crisis. Social dialogue continued to be an integral and fundamental component of labour relations and the policy process in the country. Some reforms were directly related to the crisis, mainly to ease the strain on public finances (i.e. austerity measures); however, others concerned longstanding issues that were finally resolved, possibly benefiting from a political window of opportunity opened by the recession. In this chapter, we shall discuss the role of the social partners and social dialogue in the process of these reforms. We conclude that the Dutch social partners continue to believe in the mutual benefits of social dialogue for the near future. Once economic growth picks up again, easing the pressure on Government finances, there will most likely be scope for continued cooperation under the Polder Model. Although social dialogue and collective bargaining in the Netherlands have been under strain during the past few years, they have not fundamentally changed as a result of the financial crisis. A recent study (Eurofound, 2015) draws a similar conclusion of continuing strong Dutch tripartism and bipartism since the late 1990s. It concludes that before, during and after the crisis, the Dutch social partners have continued to reach agreement on issues such as: wages; social and employment policies (including implementation of EU Directives); industrial relations and labour law, including collective bargaining practice and procedures; and anti-crisis measures on competitiveness and productivity. The developments described in this chapter reflect relevant – but often limited and at times only temporary – crisis-related changes in social dialogue, rather than any radical break with the past.

⁶⁶ The FNV members of Parliament formulated two key demands for the 2017 bargaining season: a 2.5 per cent wage increase and a fundamental shift from flexible jobs to permanent contracts. See: <http://www.flexnieuws.nl/2016/09/19/fnv-looneis-2-5-procent-en-meer-vaste-banen-in-2017/#:V-PH3DWDTCs>

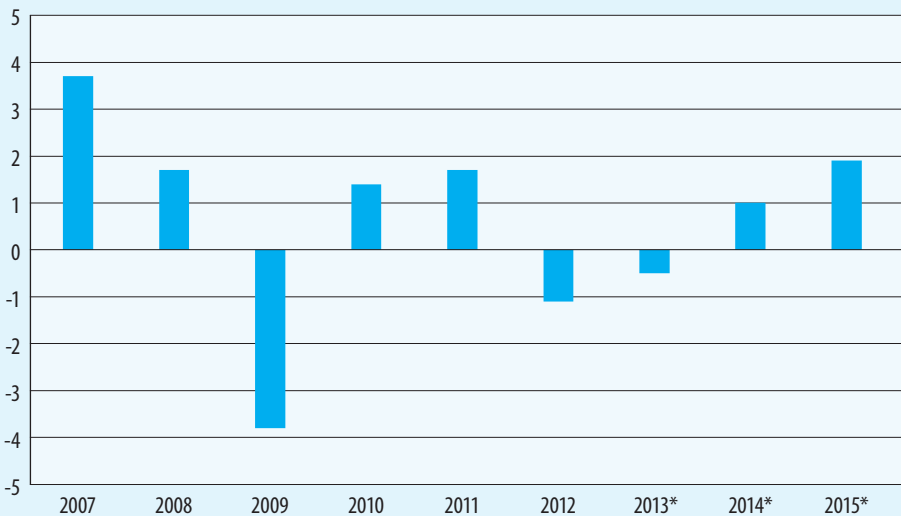
1.1 Methodology

We used a combination of desk research and interviews for this chapter. Many interviews were conducted for purposes other than the current study. Information was gathered from formal and informal talks with relevant stakeholders at the level of the national Government, the EU, tripartite and bipartite social dialogue institutions, employers' associations and trade unions (including interest groups for the self-employed). These interviewees are listed in the appendix.

2. The macroeconomic and political context

The financial crisis hit the Netherlands severely in 2008. As a result, GDP growth was negative (-3.8 per cent) in 2009 (see figure 8.3). After a short period of recovery in 2010 and 2011, GDP growth was once again negative in 2012 and 2013.

Figure 8.3 Gross domestic product (year-on-year percentage change), Netherlands, 2007-15



Source: Netherlands Statistics. *Estimated values.

Some observers argue that the recession in 2012 and 2013 was caused by the fiscal consolidation measures taken by the Government in an attempt to balance the budget, against the backdrop of a substantial decline in GDP. Nevertheless, the Government did succeed in reducing the budget deficit to below 3 per cent by 2013, although the public debt ratio remains well above the EU target of 60 per cent (figure 8.4).

Less well known are the EU targets on trade surpluses. Importantly, large trade surpluses in some countries (e.g. Germany and the Netherlands) place all the burden of adjustment on those other countries with trade deficits, which must undergo a painful

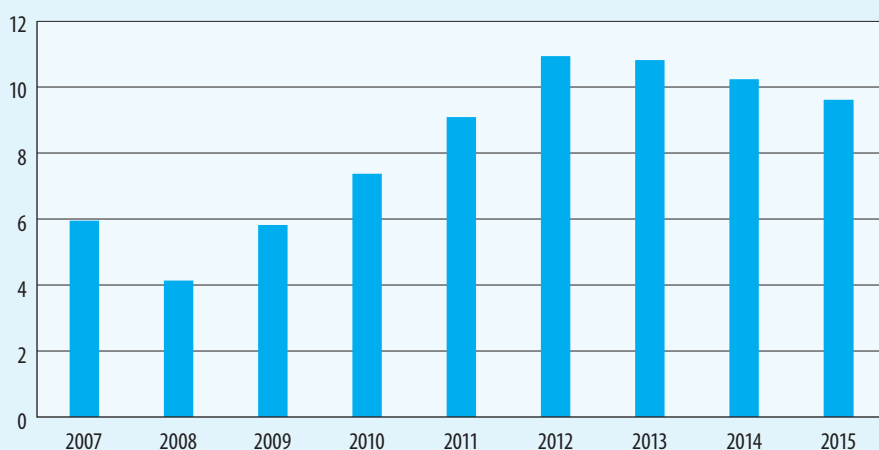
Figure 8.4 Government deficit and debt (% GDP), Netherlands, 2007-14



Source: Netherlands Statistics. *Estimated values.

adjustment of wages and other costs in order to become more competitive. Therefore, the Netherlands (and Germany) should reduce its trade surplus, especially with other Eurozone countries. Within this context, the European Commission issued a recommendation to the Netherlands in 2014 to allow wages to grow. Figure 8.5 shows that the

Figure 8.5 Trade balance (% GDP), Netherlands, 2007-15



Source: International Monetary Fund (IMF).

Netherlands did not reduce its trade surplus immediately following the crisis, although it has decreased somewhat since 2012.

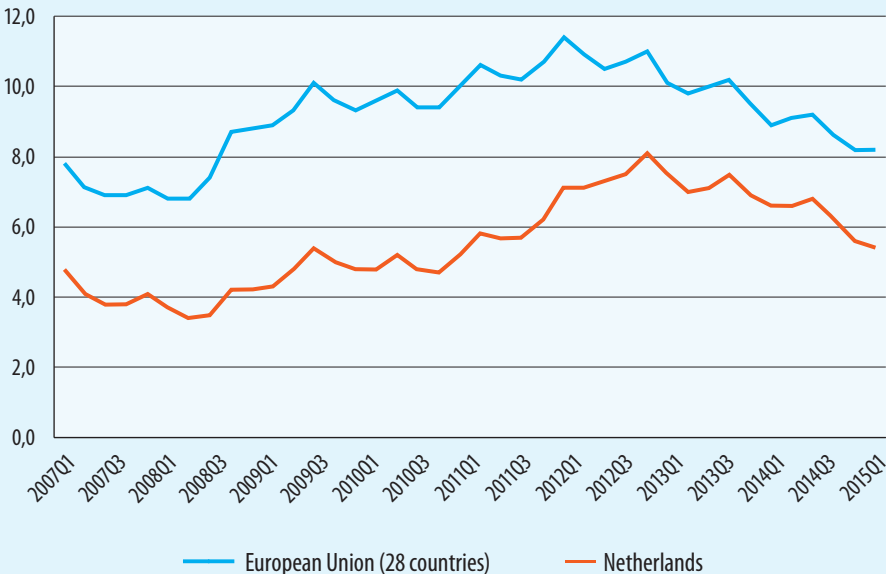
2.1 Labour market context

Unemployment increased only slightly in the Netherlands in the immediate aftermath of the crisis relative to other EU countries, given the substantial drop in GDP. From 2011 onwards, however, it started to grow more – in contrast to some other countries that started to see an economic recovery and a reduction in unemployment (figure 8.6). Long-term unemployment (especially among older workers) also increased quite significantly.

No major differences in unemployment between men and women arose as a result of the crisis. Job losses initially occurred in industrial sectors (dominated by male workers), while employment in healthcare (dominated by female workers) continued to increase until 2012. Unemployment of women thus increased less rapidly than that of men.

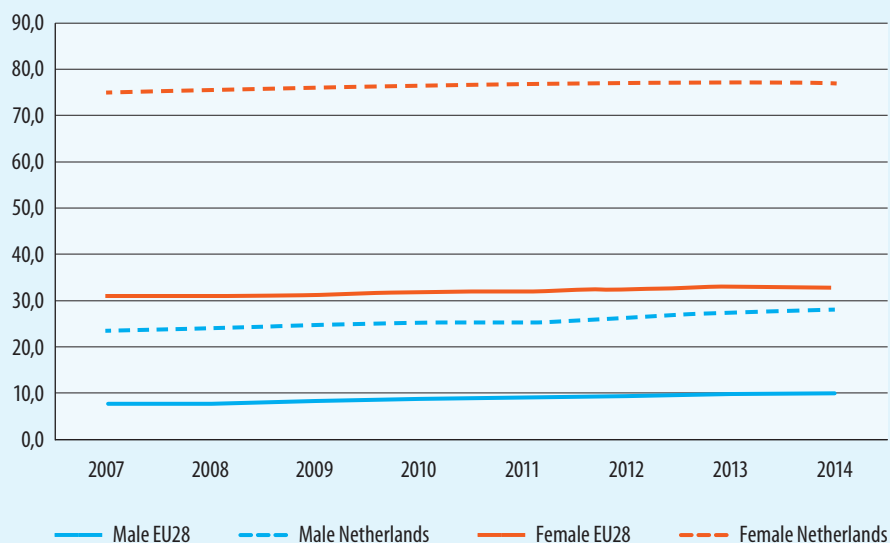
The major difference between men and women in the Netherlands labour market is their share in part-time work; more than three-quarters of women work part-time, whereas only about one third of men do so. Both proportions are well above the EU average (see figure 8.7). This phenomenon did not change during the crisis. The Netherlands is still the largest ‘part-time economy’ in the world. But this cannot easily be interpreted as representing ‘hidden’ or ‘partial’ unemployment. The proportion of part-time workers in the Netherlands who indicate that this is not their free choice is still much lower than in any other country (although it has increased somewhat over the crisis years).

Figure 8.6 Unemployment rate in Netherlands and the EU (%), 2007-15



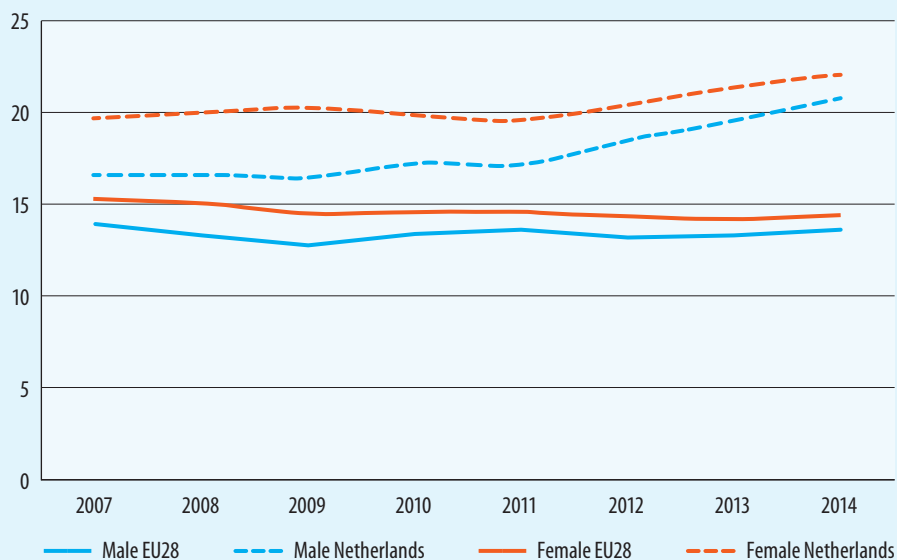
Source: Eurostat.

Figure 8.7 Part-time employment (% of total employment, male/female), 2007-14



Source: Eurostat.

Figure 8.8 Temporary employment (% of total employment, male/female), 2007-14



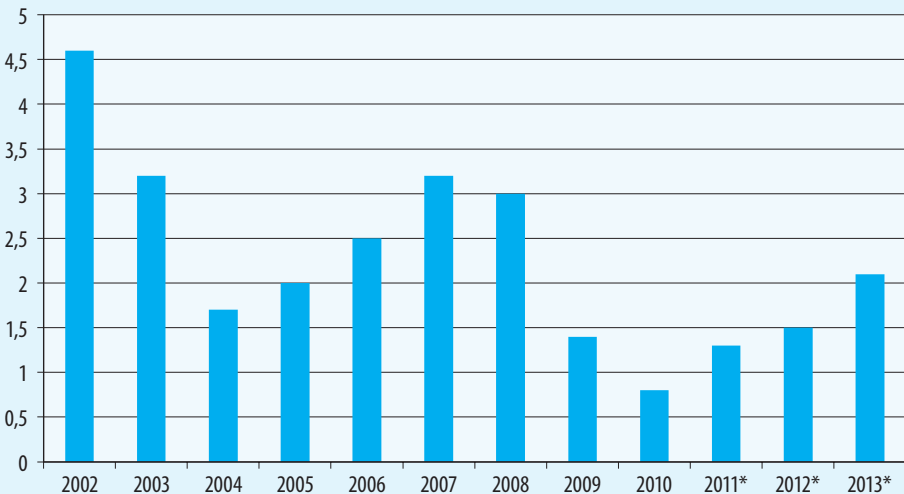
Source: Eurostat.

With respect to temporary work, differences between men and women are less pronounced but still evident. Temporary work is more often involuntary than freely chosen; the vast majority of temporary workers would prefer to have a permanent contract. Women are more likely than men to work on a temporary basis, and the share of temporary employment in the Netherlands for both sexes is higher than the EU average. It is striking that the share of temporary employment in the Netherlands for both sexes increased from 2011, while the gap between men and women started to narrow (see figure 8.8). This increase in temporary work is one of the main drivers of a broader flexibilization trend in the Dutch labour market, along with the increase in self-employment.

2.2 Serious wage fall and wage inequality

Although the full assessment of the impact of the crisis is still to come, publications already provide some insights. The annual Loonwijzer/Monsterboard Wage Index (based on a survey of 185,000 respondents) reveals that wages, as reported by workers themselves, decreased in 2013 by 6 per cent compared to 2012. The average hourly wage went down from 15.50 to 14.60 Euros. Sectoral differences were remarkable. The wage fall was the highest in IT (at -8.5 per cent) and banking (at -7.9 per cent), and the lowest in tourism and gastronomy (-1 per cent). Such contrasts partly relate to the structural increase in wage inequalities between 1977 and 2011 (Salverda et al., 2013). However, official statistics reveal that (estimated) wage costs for employers increased between 2012 and 2013, as shown in figure 8.9. This could be an indication that the increase in wage costs was due mainly to an increase in the so-called ‘tax wedge’, and did not result in higher net wages for workers.

Figure 8.9 Year-on-year change in price of labour, (%), 2002-13



Source: Netherlands Statistics, *estimated values.

In times of crisis, the customary recipe of austerity – balancing the public budget by lowering or freezing minimum wages and social benefits – has a strong negative effect on wages and income equality. The most recent report of the Netherlands Bureau for Economic Policy Analysis (CPB, 2015) reveals that the prevalence of precarious employment has risen at all skill levels in recent years, but that the rise began earlier among low-skilled workers, in 2003; among skilled workers, it started only in 2009. By 2012, 18.5 per cent of low-skilled and 10 per cent of highly-skilled workers were in precarious employment, compared to 12.5 per cent and 6 per cent, respectively, in 2003. The inequality in unemployment remained roughly unchanged, as did the difference in poverty between low-skilled and highly-skilled workers.

2.3 Political context

The Netherlands traditionally has a coalition Government, either centre-left or centre-right. Typically, centre-left coalitions tend to foster social dialogue more than centre-right ones; but, as social dialogue is ‘hard-wired’ into the political system, it remains important in the policy-making process even under centre-right coalitions.

There were three Governments in power over the period 2007-15 (see table 8.1). The Rutte 1 cabinet was exceptional, comprising two coalition parties that did not have sufficient parliamentary support. Additional support was provided by the PVV (Freedom Party), but they were not in the cabinet. The current Government is a two-party coalition spanning the centre ground of politics, comprising the People’s Party for Freedom and Democracy (VVD) and the Labour Party (PvdA).

Table 8.1 Netherlands Governments, 2007-15

Government	Prime minister	Parties	Election year	Start date	Demissionary/ Caretaker ⁶⁷	End date
Balkenende IV	Jan Peter Balkenende (CDA)	CDA, PvdA, CU (centre-left coalition)	2006	22 February 2007	20 February 2010	14 October 2010
Rutte I	Mark Rutte (VVD)	VVD, CDA (centre-right coalition, minority)	2010	14 October 2010	23 April 2012	5 November 2012
Rutte II	Mark Rutte (VVD)	VVD, PvdA (broad coalition)	2012	5 November 2012		

The financial crisis put an additional strain on the process of political cooperation in coalition Governments. Besides, over the years, there has been a process of polarization and fragmentation in Dutch politics, making it increasingly difficult to build a coalition Government. A large number of coalition partners is needed, and some parties are not

⁶⁷ A “demissionary” cabinet is a type of ‘caretaker’ cabinet in the Netherlands, which continues the current government after a cabinet has ended. This can either be after completion of the full term of Government, between general elections (when the new House of Representatives is installed) when a new cabinet has not yet been formed, or following a cabinet crisis.

able or willing to cooperate. The traditional “people’s parties” have lost a large share of their vote and now have to cooperate with a range of smaller and medium-size parties. At present, the Parliament consists of 16 different parties.

3. The role of social dialogue in national policy-making in the post-crisis period

3.1 Introduction

3.1.1 The Social and Economic Council

As mentioned earlier in the text, the main body at the national level for social dialogue in the Netherlands is the Social and Economic Council (SER), which was legally established by the 1950 Industrial Organization Act (Wet op de bedrijfsorganisatie). The SER is the main advisory body on social and economic policy to the Dutch Government and the Parliament. Its primary function is to provide advice with a view to promoting:

- balanced economic growth and sustainable development;
- the highest possible level of employment; and
- a fair distribution of income.

The SER provides advice either upon a specific governmental request or at its own initiative, usually published in book form and available to the public. SER recommendations are not binding on the Government, but the latter has to respond to the SER explaining in detail whether or not its advice will be followed, and why.

The Government, in turn, recognizes that it requires broad social support for policy implementation. The SER reports help it determine the level of support that exists among the various representative members, including the social partners: unanimous advice indicates wide support, whereas a divided opinion pinpoints where support is lacking. Arguments put forward by the SER are also drawn upon in parliamentary debates.

The SER has 33 members, consisting of three groups each with 11 members. The first group represents the employers, the second represents the unions, and the third consists of independent or ‘Crown’ members appointed by Government.

The employers’ representatives are:

- Seven from the Confederation of Netherlands Industry and Employers (Vereniging VNO/NCW)
- Three from the Association of Small and Medium-sized Enterprises (MKB Nederland)
- One from the Dutch Organization for Agriculture and Horticulture (LTO)

The union representatives are:

- Eight from the Netherlands Trade Union Confederation (FNV)
- Two from the National Federation of Christian Trade Unions in the Netherlands (CNV)
- One from the Trade Union Federation for Professionals (VCP)

Recently, both employers and trade unions have set aside one of their (replacement) member seats for a representative of the self-employed. In April 2010, Linde Gonggrijp

(for the trade union confederation FNV) and Esther Raats-Coster (for PZO, a platform for the self-employed) both became SER members.

Crown members are independent experts, often university professors with a chair in Economics, Finance, Law or Sociology. Appointed by the King, they are not accountable to the Government. They are chosen with a view to reflecting different fields of interest and political views prevailing in the country.

The SER's mission is to help create social consensus on national and international socio-economic issues. Its advisory reports have a dual role: to help shape cabinet policy while ensuring broad support from society, and to help ensure that the business sector operates in a socially responsible manner. Its advice is guided by the objective of social prosperity in the widest sense, encompassing material progress, social progress and high-quality environmental and living conditions.

The SER offers various civil society organizations the opportunity to contribute their specific expertise. It shares information extensively with universities and policy-makers in the Netherlands and abroad, and maintains regular contact with Parliament and various Government departments.

The related, but bipartite, Labour Foundation (*Stichting van de Arbeid*), was founded almost directly after the Second World War, on 17 May 1945, to contribute to combined efforts to 'rebuild' the Dutch economy. In the beginning, it was primarily focused on wage formation but, over the course of time, its scope of work has been broadened to include matters such as pensions, schooling, employability, work-life balance, whistle-blowers, and employment protection legislation. The main goal of the Labour Foundation is to promote good labour relations in the Netherlands. The Foundation holds annual spring and autumn meetings with the Government on labour market issues. The SER and the Labour Foundation operate in close cooperation and are located in the same building in The Hague.

3.2 National reforms and labour market developments between 2009 and 2012

The limited number of structural reforms between 2009 and 2012 may be ascribed to two main factors: the crisis had only a relatively mild impact at the beginning of this period and there were frequent changes of Government. The reform of the pension system illustrates both the contribution of the social partners to the final legislative proposals and the strained relationship between them. Among other things, negotiations in the SER were tenser than before the crisis.

3.2.1 *The labour market and wages*

The immediate impact of the financial crisis on the labour market in the Netherlands seemed rather mild compared to other EU countries. Although the country went into a deep recession, unemployment rates did not increase dramatically – the result of a tight labour market before the crisis, in which many companies had difficulties attracting labour. The growing availability of labour was thus a relief and enabled the filling of vacancies. Moreover, companies hoarded labour as they expected that shortages would reappear once the crisis ended, also in view of the ageing work force (CPB, 2011).

During the first crisis period, the social partners helped to achieve (or rather, continue) wage moderation. In exchange for wage increases around the inflation rate of 1 per cent, the parties agreed to abolish the payment of unemployment benefit premiums by employees (NRC, 2009). This reduced the impact on net wages, thus keeping purchasing power relatively stable. Moreover, the Government implemented a wage freeze for civil servants.

3.2.2 Part-time unemployment scheme

A first Government policy response to the crisis was the implementation of the temporary part-time unemployment scheme, between October 2008 and July 2011. This was a follow-up to the short-time working arrangement used by companies when the crisis first started. The scheme aimed to reduce unemployment and was stopped once the first recovery period began (around 2011, see figure 8.3).

3.2.3 Pension reform

For a long time, the Netherlands had a policy objective to link the statutory retirement age to (increasing) life expectancy. This was strengthened upon advice from international bodies, including the EU's country-specific recommendations (CSR). Following the reform to the first-pillar pension system (which essentially guarantees a lifelong basic income, not means-tested, to persons aged 65 years and over), the CSRs are continuing to suggest a reform of the second pillar (arrangements for a supplementary pension by employers); they are also advising the Netherlands to improve intra-generational solidarity.⁶⁸ Pension reform has been a long-standing and controversial issue. In 2009, the Balkenende IV Government proposed increasing the statutory retirement age to 66 years in 2020 – and to 67 years in 2025. The Government started consultations with the social partners but quickly encountered strong resistance from the largest trade union, the FNV, and also a lack of enthusiasm on the part of the employers (Goudswaard, 2011). To try to garner more support, the parties started talks within the bipartite-plus setting of the SER, but this did not result in any alternative reform plans being proposed. The failure to reach agreement put a serious strain on the relationship between the trade unions and employers' associations (ibid.). Eventually, the Government proposed new pension legislation but, due to elections, this was not implemented. Faced with the continuing challenge of an ageing society, the social partners resumed talks within the framework of the bipartite Labour Foundation, which resulted in a proposed pension agreement in June 2010. This agreement also failed to get widespread support, leading to the conclusion of a second agreement in June 2011 in the Labour Foundation (Stichting van de Arbeid, 2011). This formed the basis of a subsequent legislative proposal – which was finally implemented.

3.3 National reforms and labour market developments between 2012 and 2015

During this period, some major reforms were implemented in the areas of employment contracts and social security. The social partners played a role in most of these dossiers. Both the SER and the Labour Foundation continued to play their 'institutional'

⁶⁸ For more details on the Dutch pension system, see Van der Smitte (2013).

role, meaning that the regular interactions between the social partners took place. These years witnessed the worst impact of the crisis in the Netherlands, which put the negotiations under serious strain. But this did not change the role of these institutions in any meaningful way. They continued to operate under these difficult circumstances, indicating the strength of these institutions in the Dutch Polder Model.

3.3.1 *Employment protection legislation and unemployment benefits*

The current Dutch Government came to power in 2012, and one of its initial aims was to look into the balance between open-ended and fixed-term employment contracts. This was prompted by the growing labour market flexibilization, which in some cases had led to abusive conditions. Another reason was the longstanding debate on the revision of employment protection legislation, which had not yet resulted in legislative change. In 2013, agreement was reached on rebalancing flexibility and security, and this was formalized in a Social Pact with the social partners (see box 8.1).

Box 8.1 Main components of the Social Pact, 2013

- Employers and employees will together be responsible for preventing unemployment wherever possible. One way of doing this is to facilitate job mobility. In line with this changing division of responsibilities, the labour market's social infrastructure will be revised.
- To ensure equal treatment, compulsory procedures for termination of employment will be introduced. Employees threatened with redundancy will be entitled to an allowance to enable them to train for a new job.
- The position of employees with temporary contracts will be strengthened.
- Business owners will help an additional 100,000 people with an occupational disability to find work. The Government will help an additional 25,000 people.

The ensuing 'Work and Security Act' (adopted in 2014) includes a number of different initiatives. Henceforth, the public employment agency (UWV) will examine dismissal procedures, redundancies on commercial and economic grounds and cases of long-term incapacity for work, whereas individual dismissals on personal or behavioural grounds will appear before a court. The aim is to make redundancy processes faster and less costly, on average. This system is accompanied by a so-called 'transit allowance' (*transitievergoeding*) for employees who have worked for at least two years for the same employer. This measure aims to make it easier for redundant workers to find a new job or switch careers, by using the allowance to fund training or outplacements. The size of the allowance depends on length of tenure.⁶⁹

Regarding fixed-term employment, the maximum number (chain) of consecutive contracts has been decreased with the aim of reducing the time needed for a worker to

⁶⁹ The general rule is one third of a month's salary per year of tenure and half a month's salary for each year of tenure above ten years. There is a ceiling of 75,000 Euros – or a year's salary – for people who earn more than 75,000 Euros per year.

secure an open-ended position. The new maximum is two consecutive contracts for a duration of two years, with an interval of six months between contracts to restart the chain. The possibility to deviate from the national law in collective labour agreements is limited.

Concerning unemployment benefits, the maximum duration of public payment is to be reduced in steps – by one month per quarter – from 38 months in December 2015 to 24 months as of 2019. However, the social partners are examining how to pay for a third year of benefits themselves, possibly through collective labour agreements.

3.3.2 From the Work Capability Act to the Participation Act

In order to stimulate labour participation, the Government developed the Work Capability Act “*Wet werken naar vermogen*” (WWNV), which was renamed the Participation Act (*Participatiewet*). It entered into effect in 2015. The new Act merges three separate Acts, covering social assistance claimants, young workers with a disability, and workers in sheltered employment. Its primary goal is to improve the options for these groups to integrate into the regular labour market. The first indications are that the new Act is unlikely to be more successful than its predecessors, in part due to budget cuts for reintegration activities.

3.3.3 Funds for fighting unemployment

The lack of jobs and rising unemployment became a major issue around 2013, and public funds were made available to fight unemployment – particularly youth unemployment. These funds, often co-financed, at times required the support of the social partners and regional-level actors. The initiatives developed into sectoral-level job plans – inter alia in the childcare, welfare and youth care sectors, the temporary work agency sector, and the chemical industry and the painting sector. The plans are initially drafted by the social partners at sectoral level, evaluated by the Government and, if found credible, they are co-financed. It remains to be seen whether these plans will indeed deliver more jobs, or whether they will rather result in increased training initiatives and fewer people in unemployment due to their transfer into jobs in other sectors. The Minister of Social Affairs and Employment has recently stated that the prevention of unemployment is an additional legitimate goal for sectoral-level job plans.

3.4 The role of the European Semester

The European Semester, with its strengthened economic coordination, was implemented during the same period – covering the financial crisis and its aftermath (Bekker, 2014). Dutch socio-economic policies are evaluated within the European Semester, and its recommendations address national-level policy challenges. Each year, the bipartite Labour Foundation writes a report on ways in which the social partners are contributing to meet the main goals of the Europe 2020 Strategy. Both the SER and the Labour Foundation are continuously involved in discussing socio-economic proposals, irrespective of whether or not they are specifically related to the EU Semester.

The policy suggestions communicated to the Netherlands via the CSR have always been a mix of fiscal requirements, economic policies and social ambitions. Especially in

the first years of the crisis, when the Dutch government struggled to meet the Stability and Growth Pact criterion of a maximum budgetary deficit of 3 per cent, the emphasis was on reducing Government expenditure. However, this call for austerity has always been accompanied by the message to invest in growth-enhancing activities such as education, innovation and research. Thus, while stricter EU fiscal surveillance has a significant impact on welfare states – as tight budgetary criteria make expansionary public spending more difficult (De la Porte and Heins 2015) – the CSRs do give some space for Member States to plea for investing in their economy (Bekker, 2016). In 2014, the Netherlands met the fiscal target of 3 per cent, thereby considerably reducing the pressure to make budget cuts. Nonetheless, the need to invest more in research and development remained an issue. Other main topics addressed in the CSRs include labour market participation rates, especially of vulnerable groups, and the housing market. Second-pillar pension reform and intra-generational solidarity remain current subjects of discussion. Furthermore, the issues of reducing employment protection legislation and limiting unemployment benefit entitlements were addressed in the CSR 2013, but only after they had already been raised within the Dutch political context – as part of the debates leading up to the Social Pact agreed with the social partners in 2013. Here, a bottom-up insertion of national concerns in EU-level recommendations seems to be the case. In essence, this has also given the bargaining outcomes of the Government and the social partners an outlet in EU-level coordination. This insertion of national ideas into the EU policy-making process is an important observation when determining the room for Member States to add a national flavour to EU socio-economic coordination. This space is enlarged by the flexibility the fiscal rules offer to Member States,⁷⁰ as well as by the social concerns the European Semester addresses alongside fiscal and economic concerns. Examples of the latter are explained in the next section.

3.4.1 Recommendations on labour market participation and vulnerable groups

In the CSRs, consistent attention has been devoted to the position of the most vulnerable groups in the labour market. In 2012, the main focus was on enhancing “participation in the labour market, particularly of older people, women, and people with disabilities and migrants, (...) by further reducing tax disincentives for second-income earners, fostering labour market transitions, and addressing rigidities” (European Commission, 2012a). In 2013 the advice included: “(.) to reduce tax disincentives on labour, including by a faster phasing-out of transferable tax credits for second-income earners, foster labour-market transitions and address labour market rigidities, including by accelerating the reform of employment protection legislation and the unemployment benefit system” (European Commission, 2013). The topic of wages was introduced in 2014: “In consultation with the social partners and in accordance with national practice, allow for more differentiated wage increases by making full use of the existing institutional framework” (European Commission, 2014).

The Government has made it clear, however, that wages do not fall within its competence, but rather belong to the domain of social partner bargaining (European

⁷⁰ The position of the European Commission on the flexible use of fiscal rules is published in its 2015 Communication (European Commission, 2015b). However, the flexibility might also be indicated by the absence of sanctions on countries that have consistently failed to meet the debt and deficit rules, including the recent decision not to impose fines on Spain and Portugal in 2016.

Commission, 2015a). The issue did not return in subsequent CSRs, suggesting that the protective reaction of the Dutch Government succeeded in shielding the autonomy of the social partners. Other issues have been raised in EC background documents; for example, the 2011 Commission staff working document concluded that there was little evidence for the effectiveness of the proposed Participation Act, especially concerning the low-skilled (Bekker and Klosse, 2013). As the Participation Act was combined with major reductions in budgets for sheltered workplaces and reintegration tools, the Commission suspected ‘considerable implementation risks’ that could hinder municipalities to properly perform the requested tasks (European Commission, 2012b).

3.5 Concluding remarks on post-crisis social dialogue

The crisis put serious strain on social dialogue in the Netherlands. It is always more difficult to negotiate and distribute the pain of austerity measures than to negotiate how to distribute the fruits of economic growth. Negotiations regarding the pension system were particularly difficult. Nevertheless, the ‘Polder Model’ has shown great resilience in accommodating some substantial reforms in the post-crisis years, without requiring significant change to the institutions. In recent years, the fact of having a Social Democrat as Minister of Employment and Social Affairs has perhaps led to greater involvement of the social partners and dialogue institutions in the policy-making process, making them go beyond their ‘formal’ role.

4. Industrial relations and collective bargaining in the post-crisis period

4.1 Wage bargaining and other topics for collective bargaining

It should be noted that industrial relations and collective bargaining are intricately connected with the policy-making process described above. For example, the second pillar of the pension system is the full responsibility of the social partners and an integral part of collective wage bargaining. But, at the same time, it is closely connected with the statutory old-age pension of the first pillar (AOW). This means that an increase in the statutory retirement age (as decided by Government policy) has a ‘natural’ follow up in the process of wage bargaining between the social partners.

The Dutch wage-setting system relies heavily on coordinated wage bargaining. The agreement made at central (national) level serves as advice for negotiations between unions and employers’ associations at industry- or company-level, where the actual negotiation of contracts and wages takes place. The sectoral level is still the dominant level for bargaining, although the number of company agreements is increasing. Wage setting in the Netherlands is not exclusively restricted to the bargaining between employers and employees; in addition, a statutory minimum wage exists, as laid down by the Minimum Wages and Minimum Holiday Allowance Act of 1968. The statutory minimum wage has thus coexisted with an extensive system of wage setting by collective bargaining for half a century.

Because of a legal extension procedure and a high density of employers’ associations,⁷¹ more than 80 per cent of employees are covered by a generally binding collective agreement. In this way, wages are set in a collective agreement for the large majority of employees. As a result, individual wage bargaining is very limited. Furthermore, the system provides for relatively peaceful employment relations and social stability: relatively few working days are lost in strikes.

At both the central and the decentralized levels of collective labour agreements, Dutch labour unions have shown great moderation at the negotiation table in recent decades. This may be attributed to a continued consensus about the beneficial effects of wage moderation – and this has led to moderate wage increases compared to productivity growth. The call for a higher level of wage growth has become somewhat louder in recent years, and was included once in the CSR of the EU to the Netherlands. Reasons for this are the below-inflation wage growth of the past years, which has affected consumer confidence and purchasing power.

The Dutch social partners have a very broad bargaining agenda, including not only wages but also so-called secondary arrangements such as education and training, maternity leave, fixed-term contracts and pre-pensions. The Dutch General Employers’ Association (AWVN) in fact considers wages to be less and less the focal point of collective negotiations (AWVN, 2011). More than half of collective agreements contain measures to increase general employability – for instance, training.

Table 8.2 Evaluation of themes in collective labour agreements (CLA) concluded in 2010 and in 2011 (preliminary evaluation)

Theme in CLA		2010 (%)	2011 (%)
Long-term employability		70	83
General employability		50	59
	of which youth	38	33
	of which young people with a disability	18	16
Age-related personnel policies		32	55
Diversity		35	49
	of which youth	21	23
	of which young people with a disability	19	38
Average wage increase past 12 months		1.09	1.68
Most common agreement on wage increase		1	2

Source: AWVN (2016).

⁷¹ Sixty to 70 per cent of all companies are members of employers’ organization with competences to bargain collectively with employees’ representatives. By contrast, only around 20 per cent of employees are members of trade unions.

4.2 Assessment of collective bargaining since the crisis

There was not really a sharp divide between the periods 2008-12 and 2013-15 in terms of collective bargaining. Although discussions between the social partners were sometimes difficult – most notably during the debate on pensions – they have, until now, always resumed talks and reached agreements at the national level. The long-standing trends of flexibilization and the ageing workforce have the potential to influence the bargaining relationship more than the crisis ever did. However, some interesting trends and examples may be identified at the sectoral level. We shall focus in this section on general trends in collective bargaining at sectoral level, and give some relevant examples. These trends reflect the wide variety of collective bargaining agreements within the Dutch economy, which depend also on the specific conditions in a sector.

In 2013, the Ministry of Social Affairs and Employment analysed the development of collective bargaining. The report's analysis was based on a sample of 100 collective agreements, which applied in total to 5.1 million workers. Its findings – about the pay of direct labour, the floor in the wage structure and distribution, average working time and other working conditions – can therefore be regarded as representative for bargaining development in 2013 (Ministry of Social Affairs, 2014).

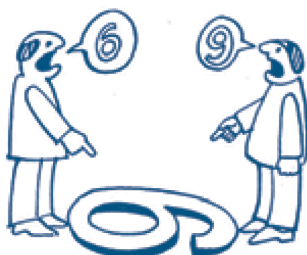
Average gross pay increased in 2013 by 1.5 per cent, although there was a disparity in wage development between the public sector and the private sector. In the same year, the level of the lowest wage scales in collective agreements was 1.4 per cent above the level of the statutory minimum wage. Compared to 2012, this ratio had deteriorated. The gap between collectively agreed wages and the statutory minimum wage was the widest among young workers. In the lowest wage scale, the difference between a starter and a worker with the maximum years of service was on average 25.7 per cent. In the highest pay scale, the difference between the maximum and the minimum was substantially higher (at 39.8 per cent). The collectively agreed working time varied from 36 to 40 hours per week and was on average 37.1 hours. Two types of flexible pay were defined: one-time and structural grants on the one hand, and performance-related payments on the other. In 72 of the 100 agreements under consideration, provisions for flexible pay were settled: on one-time and structural grants in 58 agreements, and on performance-related payments in 31 (17 agreements foresaw both types of flexible pay). Flexible pay was most prevalent in company-level agreements: 89 per cent of the company agreements included one or more forms of flexible pay, against 66 per cent of sectoral-level agreements. In its latest report, the Ministry signals a relatively stable pattern in flexible pay arrangements over the period 2011-15, except for a recent growth of the nominal one-time payments and the 13th month allowances (Ministry of Social Affairs, 2016).

In its regular press releases in 2014 and 2015, the employers' association AWWN sounded the alarm about the poor record of collective labour agreements. The AWWN is involved in the bargaining process of over 450 collective agreements (approximately 65 per cent of the total) and over 300 fringe benefit arrangements. One reason for the delay in concluding collective agreements was, according to the AWWN, the trade union FNV's demand for a 3 per cent pay increase in 2014, which the AWWN found 'unrealistic'. Obviously, the FNV thought otherwise and pointed out that wage increases in the Netherlands had not been in line with productivity gains for a long time already, in sharp contrast to the increasing profits for business in recent years. As a consequence,

dozens of collective agreements that expired in 2013 were not initially renewed. For instance, in the period January-February 2014, only 20 agreements were finalized, substantially below the average number of 50 for the same period in previous years. In the spring of 2015, some labour market observers again reported a serious delay in the conclusion of collective agreements. In several large industries and certain sectors, like the metal sector, negotiations were blocked for a long time with no clear idea as to how they would evolve and their eventual outcome (meaning that the old agreement stayed valid for a longer time period). In another important sector, the hospitality industry, the main employers' organization decided to refrain from new negotiations after the collective agreement expired in mid-2014; instead, it produced a standard employment conditions model for its members without the involvement of the unions.

This development was seen as an indication of a tougher climate and a deterioration in industrial relations. The fact that so many agreements were put on ice meant that the social partners did not pick up on other vital items for discussion (such as reform of the labour market, employability, pensions and working time). Moreover, the average wage increase in the concluded agreements (at around 1.5 per cent) was lower than had been predicted in the forecasts of the Netherlands Bureau for Economic Policy Analysis (CPB). Although the economic outlook was improving, there was little indication of an upward trend in concluded pay deals. A further blow to the relatively peaceful tradition of dialogue and bargaining was the fact that, shortly before the parliamentary recess in 2015, the Government struck a deal with a number of trade unions – but not the largest one, the FNV – for a 5 per cent pay increase and a one-off bonus payment of 500 Euros in the public sector, after years of having a wage freeze policy in place.

However, this picture can be nuanced. In fact, several sectoral agreements that expired in 2014 were renewed either during or after the summer of 2015. And in a final assessment of the 2015 bargaining period, the AWWN referred to a “two-faced year”. On the one hand, the year had got off to a difficult and slow start; on the other hand, the annual outcome was in line with the usual overall results, and negotiations had involved bargaining partners who had worked towards renewal, mutual trust, tailor-made solutions, joint responsibility and mature industrial relations. By the end of 2015, 72 per cent of all expiring collective agreements had been renewed – a percentage that was even slightly higher than the normal 70 per cent (AWVN, 2016).



The difficulties in concluding collective labour agreements in some sectors did not translate into a consistently higher incidence of strike action (figure 8.10). The year 2012 was more volatile in terms of working days lost, but in 2013 and 2014 the number

Figure 8.10 Working days lost and labour disputes, 1999-2015



Source: Netherlands Statistics.

decreased again. Overall, unrest in industrial relations remains relatively rare in the Netherlands (CBS, 2015).

A remarkable shift in the course of 2015 was that negotiators opted increasingly for peace and contract security, with agreements that had a duration of more than twelve months. In the 2013-14 period, 47 per cent of collective agreements had a duration of one year, while 33 per cent were for two years or more. In 2015, the respective rates were 34 per cent (one year) and 44 per cent (two years or more). The AWFN considers this to be normal in a period following an economic crisis. It is the consequence of the renewal of structural parts of the collective agreement and the introduction of new items (such as the promotion of employability, attention to diversity and assistance for people with difficulties finding work) that require implementation over a longer period.

5. Conclusions

All in all, it is fair to say that no major changes occurred in the process of social dialogue and collective bargaining as a result of the financial crisis in the Netherlands. The 'Polder Model' is under strain due to longstanding trends of flexibilization and de-unionization in the labour market. The dismal economic circumstances in the years after 2008 clearly put an additional strain on social dialogue, but the institutions and the social partners showed resilience in dealing with the challenges arising from the

crisis. Eventually, major social policy reforms and new collective labour agreements were agreed upon.

This might give cause for optimism in the future of the ‘Polder Model’ – but the fact remains that these trends of flexibilization of the labour market and declining union membership have not ceased; quite the contrary. Most commentators expect the new Work and Security Act to have a minimal impact on slowing the progress of labour market flexibilization. In addition, the Dutch trade unions do not seem to have found a solution for their declining membership. As regards the recent social security reforms, the first signs are not convincing in terms of improving the re-integration of vulnerable groups into the labour market.

Furthermore, looking at the discussions in the European Semester process (among other things), macroeconomic policy measures to balance the budget are sometimes clearly at odds with the social policy goals that are the topic of social dialogue. The EU’s top policy priority was a reduction in Government expenditure. However, for the Netherlands, this fiscal consolidation message was combined with recommendations to invest in growth-enhancing activities and to ensure that vulnerable groups could join the labour market. While the fiscal consolidation target was part of the daily political debate, the more socially-oriented recommendations were hardly discussed.

The financial crisis has not weakened the process of social dialogue in the Netherlands but, together with the subsequent recessions, it has shown that it is vulnerable. This should be a matter of concern for the tripartite partners most directly involved, and in national and European political arenas. At the same time, the Netherlands must consider itself lucky to have enjoyed such stable institutions for social dialogue over the years.

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Appendix

List of persons interviewed for the study

Among the people listed below, some were interviewed specifically for the purpose of this study. The majority, however, are people with whom the authors are in regular close contact with respect to relevant issues. Many other (unlisted) officials also contributed.

Government

Maurice Doll, Ministry of Employment and Social Affairs (Government)

Employers' Organizations

Esther Raats-Coster, PZO (self-employed entrepreneurs' interest group, SER member)

Workers' Organizations

Robbert Coenmans, FNV Jong (Trade union, youth organization)

Ron van Baden, FNV Bondgenoten (trade union)

Linde Gonggrijp, FNV Zelfstandigen (trade union for self-employed, SER member)

Others

Mariette Hamer, SER (chairwoman SER, previously: Member of Parliament (PvdA))

Nicolette van Gestel, SER (Crown member, professor at TIAS/Tilburg University).

9. Sustaining social dialogue through the crisis: The Slovakian experience

LUDOVIT CZIRIA

1. Introduction

This chapter analyses the role of social dialogue in Slovakia in combating the economic crisis in the 2008-09 period, and during the recovery from 2010 until the present. It examines the involvement of the social partners in designing national policy reforms and developing industrial relations, tripartite social dialogue and collective bargaining. The focus is on the activities of the social partners and the Government within the framework of the national tripartite Economic and Social Council (HSR); the chapter first examines developments from the second half of 2008 until the end of 2009, when the crisis was at its height and its repercussions were most strongly felt, and then the period from 2010 onwards, when the recovery started.

The economic crisis had a serious impact on the economy and the population of Slovakia. The Government responded by adopting and implementing anti-crisis measures and introducing changes in labour legislation, for which the social partners were consulted within the HSR. The role of tripartite social dialogue increased and was consolidated by the Council for the Economic Crisis (RHK), which was established by the Government in early 2009. Tripartite social dialogue continued after the recovery started in 2010, but attention shifted to the adoption and implementation of national reform programmes and related plans, and to changes in labour legislation. This had significant repercussions on industrial and labour relations during the period 2011-15.

The chapter first gives a brief description of the country's political background, and then summarizes the impact of the crisis and post-crisis developments on the economy, labour market, industrial relations and collective bargaining.

As regards social dialogue, it briefly presents the situation leading up to the crisis, before detailing events during the crisis years (2008-09) and the post-crisis period (from 2010 onwards). The report is based on extensive desk research as well as interviews with the relevant actors participating in national social dialogue during the periods under examination.

The desk research mainly included an analysis of:

- the country's economic, labour market and political background;
- the roles of the social partners and the Government in social dialogue;

- the national tripartite social dialogue institutions, particularly the Economic and Social Council; and
- collective bargaining and its associated outcomes.

The following information sources were used:

- legislation, mainly concerning tripartite consultation, the Labour Code and collective bargaining;
- minutes from meetings of the HSR and of the Slovak Government;
- the Ministry of Labour, Social Affairs and Family (MPSVR SR);
- workers' and employers' organizations; and
- Eurostat, the Statistical Office of the Slovak Republic and the Information System on Working Conditions (ISPP).

To obtain authentic information on tripartite procedures and consultations, the desk research was complemented by a series of interviews with representatives of the social partners and organizations involved in tripartite national social dialogue. These included: the Secretary of the HSR; representatives of the MPSVR SR; the Confederation of Trade Unions of the Slovak Republic (KOZ SR); the Federation of Employers' Associations (AZZZ); the National Union of Employers (RUZ); the Ministry of Finance; and a representative of Industry Bipartite. In addition, a representative of the European Commission (EC) in Slovakia was interviewed. In total, nine interviews were undertaken; the complete list is given in the appendix.

2. The macroeconomic and political context

2.1 The macroeconomic context

After the implementation of economic and social reforms in the early 2000s, the Slovak economy was developing well, until the advent of the crisis. During the period 2004-08, Slovakia – with an average annual GDP growth of 7.3 per cent – was among the countries with the highest economic growth in the EU. This growth resulted in increased employment and wages, which grew in real as well as in nominal terms. According to the Slovak Statistical Office (ŠÚ SR), average real wages increased by 3.8 per cent between 2007 and 2008. The unemployment rate, which had been at more than 18 per cent in 2004, gradually decreased to a level of 9.6 per cent in 2008.

The economic crisis had a serious impact, especially during the period 2008-09. According to ŠÚ SR, industrial production dropped by 14.6 per cent between 2008 and 2009; this resulted in lower performance in an economy heavily dependent upon exports, particularly of cars and tools for machinery. In 2009, GDP decreased by 5.5 per cent. Due to additional expenditure for the implementation of anti-crisis measures, the State budget deficit increased from 2.3 per cent in 2008 to 7.9 per cent in 2009. In the course of 2010, however, the economy started to recover, a trend that was linked closely to increasing orders – particularly from other EU countries. Slovak exports increased, mainly to Germany, and GDP grew again in 2010 by 5.1 per cent. Since 2011, the employment rate has also been increasing, reaching 61.0 per cent in 2014; but it has not yet regained its pre-crisis level and remains among the lowest rates in the EU-28. Despite the Government's efforts to bring the budget deficit below 3 per cent, this was only achieved in 2013. In parallel, the public debt increased from

35.6 per cent of GDP in 2009 to 54.6 per cent in 2013. By 2015, the Government deficit was 2.7 per cent, while its debt stood at 52.9 per cent of GDP.

On 1 January 2009, Slovakia joined the Eurozone, which was important for its monetary stability; indeed, annual inflation decreased from an average of 3.4 per cent during the 2006-08 period to 0.9 per cent in 2009. After a small increase in the period 2011-13, the inflation rate decreased again, and by December 2014 it stood at – 0.1 per cent, resulting in higher real wages. This trend continued into 2015. Table 9.1 presents data on selected key economic indicators.

Table 9.1 Macroeconomic context

	2007	2008	2009	2010	2011	2012	2013	2014
GDP change over the previous year (%)	10.8	5.7	-5.5	5.1	2.8	1.5	1.4	2.5
Employment rate (15-64 year olds) (%)	60.7	62.3	60.2	58.8	59.3	59.7	59.9	61.0
Fiscal deficit (% of GDP)	1.9	2.3	7.9	7.5	4.1	4.2	2.6	2.8
Government debt (% of GDP)			35.56	40.99	43.28	51.94	54.56	53.47
International trade balance (million Euro)	400	-500	-100	-700	-400	300	100	

Source: Eurostat and ŠÚ SR.

2.2 The labour market context

In late 2008, employers responded to the emerging recession by embarking on company restructuring. From October 2008 to May 2009, employers reported mass dismissals of more than 37,000 employees to the regional offices of the Central Office of Labour, Social Affairs and Family (ÚPSVAR), mainly in industry. The unemployment rate grew from 9.6 per cent in 2008 to 14.5 per cent in 2010, but decreased thereafter. Although 23,367 employees were affected by mass dismissals in 2009, this figure dropped to 3,173 by 2012. This trend continued into 2013 and 2014, with the collective dismissal of 2,675 and 1,787 employees, respectively. Nevertheless, the crisis had a long-term impact on employment rates. For example, the employment rate of 20-64 year olds decreased, for men, from 77.4 per cent in 2008 to 71.9 per cent in 2010, and for women, from 60.3 per cent in 2008 to 57.5 per cent in 2010; employment has still not reached pre-crisis levels. High unemployment (above 12 per cent) was sustained and its reduction is slow (see table 9.2).

In the third quarter of 2015, the unemployment rate was still at 11.3 per cent, while high long-term unemployment and youth unemployment persisted. According to Eurostat, long-term unemployment increased from 6.5 per cent in 2009 to between 9 and 10 per cent from 2010 to 2014, one of the highest rates in the EU. With the exception of 2011, women's long-term unemployment was slightly higher than men's. The youth unemployment rate (age group 15-24 years) increased from 20.1 per cent in 2007 to 33.6 per cent in 2013, but then dropped back to 27.9 per cent in 2014 (OECD, 2015) with little gender difference.

Table 9.2 Developments in the labour market

	2007	2008	2009	2010	2011	2012	2013	2014
Unemployment rate (%)	11.2	9.6	12.1	14.5	13.7	14.0	14.2	13.2
Long-term unemployment (%)	8.3	6.7	6.5	9.3	9.3	9.4	10.0	
Share of part-time work (%)	2.6	2.7	3.6	3.9	4.2	4.1	4.8	5.2
Women/men wage ratio (%)			74.7	75.3	75.8	75.9	77.5	77.0*
Nominal wage increase (%)	7.2	8.1	3.0	3.2	2.2	2.4	2.4	4.1
Real wage increase (%)	4.3	3.3	1.4	2.2	-1.6	-1.2	1.0	4.2

Sources: Eurostat, ŠÚ SR (Gender equality 2014) and Informačný systém o priemerných zárobkoch 4Q/2014*, MPSVR SR, Trexima.

The recovery was closely linked to increasing export orders – but the anti-crisis measures adopted, including changes in legislation, also played an important role in maintaining employment. According to the ÚPSVAR, these measures helped save up to 45,000 jobs (SME, 2009). It is claimed that if these measures had not been implemented, the unemployment rate in Slovakia would have been 2.3 per cent higher in 2009 (Kárász, 2009).

The crisis also slowed down wage growth. During the 2007-08 period, average nominal wages increased by 7-8 per cent, but this figure dropped to only 3 per cent in 2009-10, declining to a low of 2.2 per cent in 2011, before recovering to more than 4 per cent in 2014. Real wages showed negative growth in the 2011-12 period, but turned positive in 2013. The gender pay gap fluctuated around 25 per cent. For instance, in 2009 it was 25.3 per cent, but this decreased to 22.5 per cent in 2013. Conversely, the share of part-time work continues to remain low, despite doubling over the period 2007-14 (from 2.6 per cent to 5.2 per cent). As may be expected, the rate of part-time work among women is much higher than it is among men.

2.3 The political context

In 2005, the right-leaning coalition government of Mikuláš Dzurinda (the Slovak Democratic and Christian Union – Democratic Party (SDKÚ-DS)) paradoxically abolished the Act on the Economic and Social Concertation Council (RHSD), which his previous Government had adopted in 2000, replacing it with the Economic and Social Partnership Council (RHSP), established under Government Decree. In 2006, the first coalition government of Robert Fico (Direction – Social Democracy (SMER-SD)) agreed with the social partners on transforming the RHSP into the Economic and Social Council (HSR). Since 2007, Act No. 103/2007 on national tripartite consultations has regulated this tripartite body. Interestingly, the conservative-liberal coalition government of Ivetta Radičová (also SDKÚ-DS) of 2010-12 accepted this tripartite body adopted by the previous socialist Government of Fico. Table 9.3 shows the successive Governments over the period 2006-16.

Changes to labour legislation were a significant part of the political agenda of the Governments in power during the 2010-12 and 2012-16 periods. Between 2011 and 2013,

Table 9.3 The Governments in power

Period	The Government
07/2006-06/2010	Coalition Government of the centre-left SMER-SD – Prime Minister Robert Fico
07/2010-03/2012	Conservative-liberal coalition Government of the SDKU-DS – Prime Minister Ivetta Radičová
04/2012-03/2016	Single party Government of the SMER-SD. – Prime Minister Robert Fico.

a total of 11 amendments were made to the Labour Code. Two of them introduced substantive changes to the governance of work, employment and industrial relations. They were driven by completely opposed political motivations and worldviews (Bulla et al., 2014). Changes made by the Radičová Government mainly aimed at labour market liberalization and more flexible employment relationships. Trade unions were disappointed by these changes and distrust between them and the Government grew. By contrast, measures implemented in 2012 by the Fico Government paid greater attention to workers' employment security and social protection, and supported more involvement of trade unions in social dialogue at company level. There was, in effect, a "policy competition" between Governments. Significant changes made by the Fico Government to the Labour Code in 2007 were subsequently amended by the Radičová Government in 2011. Trade unions demanded the reinstatement of their previous rights and competences. After an early election in 2012, the Fico Government returned to power and, as promised before the election, reversed most of the previous changes through amendments to the Labour Code. The social-democratic Fico Government was more open to trade union demands than the Radičová Government, which leant more towards the employers' side.⁷² It is important – and indicative of the strong relationship between the social partners and the Government – to note that, despite these disagreements, tripartite social dialogue was not interrupted during this period, as had been the case during the Vladimír Mečiar Government in 1998.⁷³

3. The role of social dialogue in national policy-making in the post-crisis period

3.1 The role of social dialogue in the crisis period

The peak crisis years in Slovakia were 2008 and 2009, and the post-crisis period started in 2010 when the economy started to recover. During the crisis, the role of tripartite social dialogue and of the State in industrial relations increased through the main national platform for social dialogue, the tripartite Economic and Social Council (HSR). In December 2008, during consultations at the HSR, the Government and social partners recognized the emerging economic crisis as a very serious threat and decided to involve more stakeholders in the national level social dialogue.⁷⁴ Consequently, in

⁷² Interview with Executive Director of AZZZ SR.

⁷³ Interview with Vice-President of KOZ SR.

⁷⁴ Interview with MPSVR SR Deputy Minister.

early 2009, they established a “tripartite plus” Council for the Economic Crisis (RHK). This body played an important role in the formulation of the Government’s anti-crisis measures in 2009. Through social dialogue at the RHK, the trade unions and employers submitted recommendations for a better design of anti-crisis measures, and also contributed to their smooth implementation.

The Government also concluded the Memorandum on Cooperation in Solving Impacts of Financial and Economic Crises upon Slovak Society with the KOZ SR in February 2009 (Eurofound, 2009). The Memorandum expressed, inter alia, a joint effort on the part of the Government and trade unions to implement measures to alleviate the impacts of the crisis on citizens, employers and business. In the Memorandum, the Government pledged, among other things, to carry out only such steps as would not threaten societal cohesion, and to support sectoral social dialogue between ministries and trade union associations. The KOZ SR committed, for example, to bargaining on real wages in the light of labour productivity and to use social dialogue as a means to preserve social peace. Although the employers did not sign the Memorandum, it provided a basis for them to reach a consensus with the trade unions regarding measures to combat the crisis. It can be stated that both the Government and trade unions honoured the commitments in the Memorandum, contributing to a relatively well-managed response to the crisis in 2009.⁷⁵

Furthermore, the Government consulted with employers and trade unions at the tripartite HSR on the implementation of specific anti-crisis measures and changes to labour legislation. Anti-crisis measures were implemented in three packages between November 2008 and February 2009.⁷⁶ These concerned macroeconomic policy, support to car production and construction, and to business development (including SMEs). The measures set out to maintain employment and jobs in a number of ways: by providing State allowances to employers who retained workers on at least 60 per cent of their wages, instead of reverting to dismissals; by implementing the so-called *flexikonto* sytem (flexible working hours account); by temporarily reducing compulsory contributions to the Solidarity Fund – paid by the self-employed to the Social Insurance Agency; and by providing financial support to the registered unemployed who set up own-account businesses. The implementation of the *flexikonto* system (by introducing amendments to the 2009 Labour Code) played a particularly important role in maintaining employment in manufacturing. Some additional measures were adopted in November 2009 to tackle high unemployment rates.

Without this consensus between the social partners and the Government on the need to prioritize maintaining employment levels, it would have been impossible to alleviate the impacts of the crisis.⁷⁷ According to the employers, tripartite social dialogue contributed towards solving the social and economic problems generated by the crisis, by allowing better communication between the social partners and the development of effective mitigation measures.⁷⁸

⁷⁵ Interview with Vice-President of KOZ SR.

⁷⁶ *Práca-ako.sk*. Protikrizové opatrenia vlády (Government anti-crisis measures), available at: <http://praca-ako.sk/hospodarska-kriza/protikrizove-opatrenia-vlady/>; and *Dôsledky hospodárskej krízy a analýza opatrení prijatých na ich zníženie v Slovenskej republike* (Repercussions of the economic crisis and analysis of the measures adopted to alleviate them), available at: <http://hospodarskakraza.webnode.sk/news/protikrizove-opatrenia/>

⁷⁷ Interview with MPSVR SR Deputy Minister and Vice-President of KOZ SR.

⁷⁸ Interview with Executive Director of AZZZ SR and Executive Secretary of RUZ SR.

3.2 Social dialogue in the post-crisis period

After 2010, the Government did not conclude any further tripartite or bipartite social pacts with the social partners, and the HSR continued to be the main platform for national social dialogue. There were no significant changes in its operation but consultations became less ad-hoc and more planned. Despite some controversies between the social partners, tripartite social dialogue was not interrupted. The agenda of HSR meetings is closely linked to the Government's legislative programme and meetings are planned well in advance. Consultations are less conflictual – and the social partners are more professionally prepared than they were in the period 2008-09.⁷⁹ In the view of a senior representative of the European Commission (EC) in Slovakia, tripartite social dialogue at the HSR plays an important role in the development of economic and social policy. Recent in-depth tripartite discussions on new legislation regulating vocational education and training are one example of this successful dialogue.⁸⁰

The content of post-crisis social dialogue mainly concerned the adoption of major national economic and social programmes and changes to labour legislation. In relation to the EU strategy, Europe 2020, the Slovak Government adopted the National Reform Programme (NRP) in November 2010. In April 2011, it approved the framework NRP for 2011-2014, which was closely linked to the Stability Programme of the Slovak Republic for the same period. Since then, the Government has approved NRPs for 2013, 2014 and 2015, and Stability Programmes for 2013-2016, 2014-2017 and 2015-2018. The Government has consulted the social partners on the NRPs and Stability Programmes at the HSR each year – and the proposed documents have been accepted without significant objections.

3.2.1 *New and innovative practices*

During the post-crisis period, initiatives by the social partners also contributed to the development of social dialogue in Slovakia. Among them, the following can be referred to as “new and innovative practices”.

The RHK did not operate at all in 2010 and was finally abolished. The Government established a new “tripartite plus” body, the Council for Solidarity and Development (RSR) in 2012. It is an informal consultative body of the Government, whose permanent members are the Prime Minister, the Deputy Prime Minister, the Minister of Finance, and the Minister of Labour, Social Affairs and Family. Representatives of trade unions, employers, churches, professional institutions and non-profit organizations also participate in the RSR meetings. According to the representatives of MPSVR SR and the social partners, consultations at the RSR are necessary for decision-making on those particular issues that the Government considers important. For instance, on 8 July 2015, the RSR discussed the current economic and political situation in Slovakia and the “Action plan for strengthening the Slovak Republic as a legally consistent State” (within the anti-corruption initiative the “Rule of Law”). On average, about four meetings are held each year.⁸¹

⁷⁹ Interview with Secretary of the HSR.

⁸⁰ Interview with the Economic Counsellor at the Representation of the EC in Slovakia.

⁸¹ Interview with AZZZ SR Executive Director.

In the period 2010-14, a project on the National Centre for Social Dialogue was implemented with support from the European Social Fund (ESF). Project activities included assistance to tripartite consultations at the national and sectoral levels, and to bipartite social dialogue at the sectoral and company levels. These activities provided an opportunity for the social partners involved to learn more about social dialogue so that they might improve their communication skills and engage regularly in consultations. In order to support this process, employment and industrial relations specialists prepared a series of background papers and studies on such issues as the regulation of strikes; the extension of collective agreements; and vulnerable groups in the labour market. The project activities also strengthened the social partners' capacity to cooperate in tripartite consultations and bipartite negotiations. Interviewees highlighted the importance of this project for more effective social dialogue, and expect it to continue in the next ESF programming period.

On 31 January 2013, senior representatives of the social partners in the manufacturing and construction sectors signed the "Contract on Cooperation"⁸² and established the Industry Bipartite, a body for consultation and coordination of their activities (not for collective bargaining). This was the first time such a cross-sector bipartite body had been created in Slovakia. The Contract was signed by three sectoral trade unions (OZ Kovo, IOZ and OZ PBGN) and five employers' organizations (ZSP SR, SEA, ZAP SR, ZHTPG and ZSPS), representing the most economically powerful sectors of Slovak industry. In June 2015, employers in the Industry Bipartite established a joint employers' organization for the manufacturing industry and construction – "the Alliance of Industry Associations". According to the Vice-President of the Association of Mechanical Engineers, the Alliance represents employers who employ more than 120,000 workers and, in September 2015, it requested the MPSVR SR to become a member of the tripartite HSR.⁸³

3.2.2 Social dialogue on labour market reform

Since 2010, two major amendments to the Labour Code have been implemented. This followed intensive consultations with representatives of trade unions and employers – at first, in specialized working groups established by the MPSVR SR, and later at the tripartite HSR. The social partners and the Government focused on the process and content of the changes, though they did not sign any tripartite agreements.

Changes in labour legislation mainly concerned the flexibility of employment relationships, the reduction in labour costs, and changes in the rights and competences of employee representatives and in the regulation of collective bargaining. These issues constituted a significant part not only of tripartite social dialogue but also of the political agenda of the three Governments in power between 2006 and 2016 (see section 2.3).

3.2.3 Pension reform

Changes in social legislation mainly concerned Act No. 461/2003 on social insurance. The Radičová Government responded to persistent high unemployment by introducing

⁸² For the origin of the Industry Bipartite, see: <http://www.zhtpg.sk/?p=330>

⁸³ Interview with the Vice-President of ZSP SR, Juraj Borgula, who is one of the founders of Industry Bipartite.

stricter rules for early retirement: employees taking early retirement (within two years of the retirement age, at present 62 years) could not be further employed under a standard employment contract. This change entered into effect on 1 January 2011. The Fico Government made changes in the distribution of compulsory contributions to pension funds from 1 September 2012 onwards. The contribution to the private (second) pillar was reduced from 9 per cent to 4 per cent, in favour of the public (first), solidarity-based pillar, where the contribution increased to 14 per cent (previously contributions to both had been equal at 9 per cent). This measure will expire at the end of 2016. The social partners were consulted about this change at the tripartite HSR, and while they accepted the new regulation on early retirement, the changes to pension pillars were criticized by the employers as well as by the political opposition in Parliament.

3.3 The role of social dialogue in the EU Semester

Responding to the EU strategy, Europe 2020, the Radičová Government adopted the National Reform Programme (NRP) in November 2010 and, in April 2011, it approved the framework NRP for 2011-14. The Fico Government approved the NRP 2012 and, in April 2013, submitted the NRP 2013 (with an Action Plan attached) and the Stability Programme for 2013-16 to the EC. The Commission responded with Country-Specific Recommendations (CSRs). The Government has since approved NRPs for 2014 and 2015.

The NRP 2014 reflects the Government's Programme Declaration 2012-16 and consists of measures to achieve its goals, as well as to respond to the CSRs for Slovakia. The social partners discussed the NRP 14 at an HSR meeting on 14 April 2014. Its main areas and objectives included: healthy public finances; employment; social inclusion; education; science and innovation; citizens' health; well-functioning and transparent business environment; law enforcement; infrastructure; effective public administration; energy; and sustainable environment. Discussions at the HSR were constructive and consensual. The KOZ SR accepted the NRP without any particular objection. The employers also recommended its approval with some comments (RUZ SR on business conditions and ZMOS on competences of municipalities). On 26 June 2014, the NRP was approved. The social partners were again consulted on the NRP 2015 in mid-April 2015, and recommended it for further legislative process; the NRP was duly approved at the end of the month.

The tripartite HSR did not consider the CSRs. According to a representative of the Ministry of Finance, the CSRs were not a subject of discussion⁸⁴ as they were linked to the country reports, which were not yet on the agenda of the HSR. In the past, the social partners have not had enough time to familiarize themselves adequately with their content. However, according to the MPSVR SR Deputy Minister, more time will be made available from 2015 onwards to consult on these issues with the social partners at the HSR.⁸⁵ An effective way to involve the social partners in the CSRs might be for them to participate in the preparation of the NRP;⁸⁶ they are already consulted with respect to

⁸⁴ Interview with the Specialist of the Institute of Financial Policy at the Ministry of Finance responsible for the internal coordination of CSRs.

⁸⁵ Interview with MPSVR SR Deputy Minister.

⁸⁶ Interview with MPSVR SR Officer for EU affairs participating in procedures pertaining to CSRs.

its implementation measures.⁸⁷ For instance, the social partners were consulted at the HSR in 2014 on the implementation of the EU Youth Guarantee Programme in Slovakia – and a specific Tripartite Coordination Committee was subsequently established, which usually meets twice a year.⁸⁸

The Representative of the EC in Slovakia participates in the preparation of annual country reports on Slovakia and also organizes activities with stakeholders, including the social partners. Consultations with the social partners and civil society representatives are held through seminars and presentations on topical issues.⁸⁹ For example, in September 2014, the EC Representative organized a roundtable of Slovak representatives at the EC and representatives of Slovak trade unions on the topic: “Slovakia in the context of the EU economic and social policies”. In 2015, a meeting on “The quality of the business environment in Slovakia” was held with EC representatives and representatives of employers’ associations and chambers of commerce; a seminar was also held on the “sustainable increase in employment”, which was attended by representatives of the MPSVR SR and the social partners.

3.4 The role and impact of national social dialogue institutions

As mentioned in section 3.1, the main platform for social dialogue at the national level is the tripartite HSR. It was established in 2007 when tripartite consultation was once again regulated by law.⁹⁰ To be eligible to participate in the HSR, employers’ organizations need to represent member companies with at least 100,000 employees, which are active in several regions of the country. Trade unions must also represent at least 100,000 employees. Each party has seven seats at the HSR meetings; both employers and trade unions are entitled to one seat for every 100,000 employees they represent. Three employers’ organizations share seven seats, but the trade unions are represented only by the KOZ SR – also with seven seats. The HSR meets as needed, but usually once a month. Outcomes of meetings include agreements, statements by social partners and recommendations for the Government. Minutes of the meetings are published on the website of the Government Office.⁹¹ HSR meetings are not open to the public but after each meeting, a press conference is usually held.

During the economic crisis, the need for social dialogue increased. As also mentioned in section 3.1, the Government established the RHK as a specific, crisis-related “tripartite plus” institution in early 2009. The RHK was a multi-party Government consultation body, attended not only by the social partners but also smaller employers, financial sector experts, municipalities and researchers.⁹² The RHK began its operations in January 2009 and, over a nine-month period, dealt with a number of policy measures in response to the economic crisis. Consultations contributed to the elaboration and implementation of appropriate anti-crisis measures. When the economy started to recover, the next Government discontinued the RHK in 2010.

⁸⁷ Interview with HSR Secretary.

⁸⁸ Interview with MPSVR SR Deputy Minister.

⁸⁹ Interview with the Economic Counsellor at the Representation of the EC in Slovakia.

⁹⁰ The previous Dzurinda Government had abolished its own Act on the Council for Economic and Social Concertation (RHSD) and established the Economic and Social Partnership Council by Government Decree.

⁹¹ Website of the Government Office, available at: <http://www.vlada.gov.sk/>

⁹² Na Slovensku vznikne Rada pre hospodársku krízu (Council for the economic crisis will be established in Slovakia), available at: <http://hn.hnonline.sk/ekonomika-a-firmy-117/na-slovensku-vznikne-rada-pre-hospodarsku-krizu-315523>

Consultations between the Government and the social partners at the HSR also became increasingly important. As stated by one interviewee: “the situation was extraordinary and needed also extraordinary approaches and solutions”.⁹³ In order to alleviate the impact of the crisis on the economy and citizens, the Government adopted about 60 crisis-related measures in three packages during the 2008-09 period. Some measures were cross-sectoral, while others concerned specific sectors. For instance, State subsidies (known as *scrappage*) promoted the replacement of old vehicles with new cars, and grants were given to owners of apartments to help them install thermal insulation – which in turn supported the construction sector.

The crisis was discussed for the first time in Slovakia at the HSR meeting on 15 December 2008.⁹⁴ The frequency of meetings increased thereafter; 24 were held up to the end of 2009. According to the Secretary of the HSR, the number of documents discussed also increased. Some meetings worked under tight deadlines, were insufficiently prepared – and consultations were extended. However, no changes in the HSR’s mode of operation were needed.⁹⁵ In the view of the social partners, the communication and cooperation between trade unions and employers improved, usually resulting in the consensual adoption of anti-crisis measures during the period 2008-2009.

From July 2010, the Radičová Government took charge. To support business development and reduce the Government deficit, it adopted a package of economic measures, including cuts in the State budget for 2011. But the Government did not make changes to the national tripartite HSR.⁹⁶ In 2010, there were 16 meetings of the HSR – but none dealt specifically with “anti-crisis measures”.

Some changes took place in the operational modalities of the HSR, which can be attributed to the prevailing political situation. In 2012, the SMER-SD formed a single-party Government, and it started to look for mechanisms to solicit feedback on Government decisions. It promised that all proposed measures impacting on workers’ and employers’ situations would be discussed with the social partners at the HSR, who would also be able to decide upon agenda items for HSR meetings. The operation of the HSR is reportedly more planned and regular than before, and the Government tries to submit documents to the social partners about 10 days before each meeting. However, according to the Vice-President of the Mechanical Engineering Association, the opinions of the social partners were given greater consideration by the Government in the 2008-09 period. At present, the examination of a huge volume of documentation is very time-consuming and some consultations are rather formal. Given the limited capacity of the social partners, some feel that it would be better to consult only on selected documents of particular importance/interest to them.⁹⁷ As the Act on the HSR was adopted eight years ago, it is perhaps now time to reconsider certain aspects of its operation; for example, the criteria for representativeness – and

⁹³ Interview with AZZZ SR Executive Director.

⁹⁴ *Hospodárska a sociálna rada*, available at: <http://rpo.rokovania.gov.sk/hsr/Rokovanie.aspx/HtmlFileRedirect?filePath=PublishHtmlFile%2F7fa238f8-ed66-4471-8274-8d4ce68579d5.htm>

⁹⁵ Interview with HSR Secretary.

⁹⁶ The composition of the Radičová Government was almost the same (only Freedom and Solidarity – SaS – was a new party in it) as the Dzurinda Government in 2002-06, which abolished the law on tripartism as of 2000; the RHSD was scaled down to an advisory body, the RHSP, which was governed by a less legally binding Government Decree (2005).

⁹⁷ Interview with Vice-President of the ZSP.

in relation to multi-employer collective agreements – could be more precisely defined in the future.⁹⁸

4. Industrial relations and collective bargaining in the post-crisis period

4.1 Impact of the crisis on collective bargaining and post-crisis developments

Collective bargaining is regulated by Act No. 2/1991, as amended, according to which only trade unions are entitled to bargain collectively. Bargaining takes place at the sectoral as well as at company level. No national level collective bargaining exists and, with the exception of the minimum wage, there is no direct link between the outcomes of tripartite consultations and collective bargaining. Provisions of collective agreements are legally binding and apply to all employees in companies, regardless of their trade union membership. There is no separate bargaining for white- and blue-collar workers. Conditions agreed in multi-employer collective agreements can be improved in favour of employees in single-employer agreements. During the 2008-09 period and afterwards, there were no changes in the collective bargaining system, including in wage-setting mechanisms. The overall trend towards decentralization from sectoral to company-level bargaining in the private sector continued. According to the MPSVR SR, the number of registered/concluded multi-employer collective agreements decreased between 2010 and 2014. However, the decline in registered collective agreements was in part attributable to the parallel decline in the number of bargaining units, i.e. due to mergers of trade union associations, mainly in 2009; the fact that multi-employer agreements often lasted for 2 or 3 years, and were not registered at the MPSVR SR each year that they were in force, also played a role.

According to the trade unions, a slight decrease in collective bargaining coverage was recorded; coverage was about 35 per cent in 2008 and between 30-35 per cent from 2009 to 2014. Coverage differs widely by sector; it is about 90 per cent in the public sector (Barošová, 2013), but is relatively low in the private sector. For instance, in the metal and chemical sectors and in construction, it is only about 15-20 per cent.

Changes in the rules for the extension of collective agreements have played an important role in collective bargaining coverage. Differing opinions between the social partners regarding the extensions led to long-term disputes both before and during the crisis, and they persist until today. Trade unions want collective agreements to be extended to the greatest number of companies performing similar activities (classified by NACE),⁹⁹ even without the consent of the employer concerned. They state that such extensions would result in more equal working conditions and higher wages, and could better combat wage dumping.¹⁰⁰ But the employers stress that extensions cannot be imposed against their will, as there is a risk that this might damage businesses and lead to job cuts.¹⁰¹

In the past, the employers or trade unions were used to pushing through their demands depending on the political “colour” of the Government in power. Since 1 September

⁹⁸ Interview with MPSVR SR Deputy Minister.

⁹⁹ NACE is the “statistical classification of economic activities in the European Community”

¹⁰⁰ Interview with Vice-President of the KOZ SR

¹⁰¹ Interview with Executive Director of the AZZZ SR and Executive Secretary of the RUZ SR.

2007, in accordance with Act No. 328/2007, extensions have had to comply with the classification of entrepreneurs' activities by NACE codes, and were possible without the employers' consent. Trade unions made use of this possibility and, after several years of absence, five extensions were implemented in 2009 alone. But as from 31 December 2010 (the Radičová Government), the employers' consent was again mandatory. Under legislative changes effective from 1 January 2014, extension without the employers' consent once again became possible, and trade unions proposed to extend five multi-employer collective agreements – in mechanical engineering; electrical engineering; construction; metallurgy; extractive industry and geology; and public road transport. The extensions more than doubled the number of employees covered by collective agreements, from 45,826 to 107,042 (Eurofound, 2014). The same agreements were extended again in 2015.

Employers accept that extensions can contribute to a more level playing field, but do not consider the present arrangements fair. In some cases, a multi-employer collective agreement may be concluded by a few companies representing only 10 or 20 per cent of all those in the sector – whereas, following extension, it can apply to almost the entire sector. Employers proposed to introduce some form of representativeness threshold for multi-employer agreements, but, no agreement on this has yet been reached with the trade unions. In the employers' view, there should either be a suitable representativeness criterion for the extension of a collective agreement, or no extension at all.¹⁰² Neither is it clear why agreements are extended to some companies but not to others. In a recent case in the automotive industry where more than 600 companies operate, about 60 of them concluded an agreement, which was then extended to another 30 companies. The rest were not affected (Eurofound, 2015).¹⁰³

During the crisis, trade unions focused their attention on maintaining employment in enterprises threatened by the recession. This affected the scope of collective bargaining. In addition to standard bargaining issues – such as working time, wages and occupational safety and health (OSH) – provisions to increase employment flexibility and reduce the social impacts of dismissals were added into company collective agreements. In order to minimize the impact of the economic decline on their business and workforce, some companies, mainly in the automotive and electric industries, implemented flexible working time (*flexikonto* and short-time working) in agreement with employee representatives, usually unions. Sometimes, a reduction in the workforce was also needed. In such cases, so as to protect core workers, temporary agency workers were cut back and companies withdrew from some previously outsourced activities. At the height of the crisis in 2009, the number of companies that agreed to generous redundancy pay (above the Labour Code standards) in collective agreements decreased. Private-sector company management sought to reduce labour costs by wage moderation and cutting employee benefits and awards. In the public sector, moderate wage increases, and even a wage freeze for a couple of years, were agreed. No significant changes occurred in working time. Developments in collective bargaining-related issues are illustrated in table 9.4.

¹⁰² Interview with the Executive Director of the AZZZ SR.

¹⁰³ Interview with the Vice-President of the ZSP and MPSVR SR Deputy Minister.

Table 9.4 Developments in collective bargaining

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Number of multi-employer agreements	37	37	35	33	27	23	20	28	35
Number of extensions	0	2	5	0	0	0	0	5	5
Average agreed nominal wage increase (%)	6.4	6.3	5.4	3.5	3.7	3.6	3.5	3.2	3.5
Average agreed weekly working time (hours in single shift work)	38.8	38.4	39.0	38.9	39.0	38.9	39.0	39.4	39.3

Source: MPSVR SR and ISPP.

Limited derogations from the Labour Code in collective bargaining were exceptionally allowed in the period 2011-12, when the 2011 Labour Code was effective for about 16 months. Before 2011 and since 2013 no derogations from Labour Code standards have been authorized. Despite the employers' austerity measures, the social partners maintained the social peace, and collective bargaining played an important role in preventing labour conflicts. In most collective agreements, mainly signed at the company level, procedures for settling labour disputes were included. According to the MPSVR SR, all registered collective labour disputes concerning collective bargaining were successfully settled by conciliation or arbitration procedures, and none resulted in a strike in 2009.

4.2 The role of the State in industrial relations

In the period 2008-09, the Fico coalition Government paid attention to the implementation of ad-hoc anti-crisis measures, with minimum intervention in industrial relations. Since 2010, the role of the State in industrial relations has increased through significant amendments to the Labour Code and the Act on Collective Bargaining.

Amendments to the 2011 Labour Code allowed limited derogations from its standards in favour of employers – for example, one amendment allowed a longer probation period for new employees.¹⁰⁴ The amendments also codified *flexikonto* as a permanent form of flexible working time, without a time limit for application. They also introduced a criterion for the representativeness of trade unions for collective bargaining for the first time in Slovakia – which stipulated that a trade union must have at least 30 per cent density in the company. This criterion applied to new unions established after 1 September 2011, and to all unions as of 1 January 2013. But, following the collapse of the Radičová Government in October 2011, the new criterion was in fact applied only to new unions bargaining for collective agreements for 2012. Act No. 361/2012 of the Fico Government repealed the 2011 Labour Code, and so, in reality, the union representativeness criterion had little or no impact on collective bargaining.

The above-mentioned changes to the Collective Bargaining Act have influenced the number of employees covered by collective agreements. As of October 2013, the

¹⁰⁴ This option was, however, available only from September 2011 to December 2012, and in practice could be used only in bargaining on 2012 agreements.

extension of collective agreements has again become possible without the relevant employers' consent, and new rules entered into effect on 1 January 2014.

4.3 Changes in employers' and workers' organizations

The economic crisis led to thousands of job cuts and affected trade union density, which fell from about 20 per cent in 2007 to about 15 per cent in 2014. Up to 2007, there were no significant organizational changes in the trade union associations affiliated to the main peak trade union organization, the KOZ SR, which covered more than 90 per cent of trade unionists in Slovakia. But the decrease in trade union membership reduced the income of unions as a result of declining membership fees. In order to reduce their costs, associations needed to cut back their paid staff, which resulted in the mergers of some sectoral trade unions. In 2008, the Independent Public Road Transport Union – and in 2009, the Metallurgy Union – merged with the metal union OZ Kovo. The textile and leather union and the transport union merged with the Construction Trade Union Association, establishing the Integrated Trade Union Association (IOZ) on 1 January 2009. Also in 2009, the chemical union merged with the energy workers' union to form a joint Energy and Chemical Workers Union (ECHOZ). These mergers resulted in a reduction of the number of unions affiliated to KOZ SR – from 35 in 2007 to 28 in 2010. KOZ SR affiliates further declined to 26 unions by 2015. However, as shown in table 9.4, multi-employer collective agreements continued to be concluded over this period. Generally speaking, this was because the merged unions sought to conclude new agreements to cover all their 'original' membership.

Employers are affiliated to three organizations at national level: the Federation of Employers' Associations (AZZZ SR), the National Union of Employers (RUZ SR) and the Association of Municipalities of Slovakia (ZMOS). Their density fluctuates between 30-35 per cent. The crisis had less of an impact on employers' organizations than it did on trade unions. One notable change was the establishment of the Alliance of Industry Associations, which also wished to participate in tripartite consultations at the HSR. The density of employers' organizations has remained relatively stable over the last 5-7 years (Eurofound, 2013a.).

5. Conclusions

During the period under review, the basic platform for tripartite social dialogue at the national level was the Economic and Social Council (HSR). Despite some serious disagreements between the social partners and the Government, its operations were never interrupted. Tripartite social dialogue played an important role both during and after the crisis in the design and implementation of economic and social policy in Slovakia. Compared to the crisis years, consultations at the HSR are better organized now, and the social partners are more professionally prepared for dialogue. The agenda of HSR meetings is closely linked to the scheduled tasks of the Government, and tripartite consultations are planned well in advance.

Initiatives on the part of the Government and the social partners contributed to the development of tripartite social dialogue. The following are particularly worthy of mention:

- a) After the abolition of the Council for the Economic Crisis in 2010, the then Government established a new “tripartite plus” body, the *Council for Solidarity and Development (RSR)*, in 2012. It is an informal consultative body of the Government for its decisions on special issues.
- b) In the period 2010-14, the *National Centre for Social Dialogue* project was implemented. Supported by the European Social Fund, it contributed towards providing unions and employers with expert capacities for participating in tripartite and bipartite social dialogue. Social partners expect the project to continue in the next ESF programming period.
- c) To improve cooperation and coordination in tripartite consultations, senior representatives of three large workers’ organizations and five employers’ organizations from the industry and construction sectors established the *Industry Bipartite* in January 2013. In June 2015, these employers’ organizations established the *Alliance of Industry Associations*, which hopes to participate in tripartite consultations in 2016.

In terms of bipartite social dialogue, the most relevant changes concerned the extension of multi-employer collective agreements. The present Collective Bargaining Act again allows extensions without the consent of the employers concerned. Trade unions have utilized this opportunity, and the extensions implemented in 2014-2015 increased collective bargaining coverage in the concerned sectors.

Tripartite and bipartite social dialogue contributed to post-crisis recovery and economic growth in Slovakia, playing an important role in the adoption of all relevant documents and measures concerning economic and social development. Since the crisis, particular attention has been paid to key national policies and related economic, labour and social legislation. For example, the Government has worked in cooperation with the social partners on consecutive National Reform Programmes (NRPs) and their implementation at the HSR. It also intensively consulted the social partners on two major amendments to the Labour Code in 2011 and 2012. In some cases, tripartite consultations resulted in consensus between the social partners, e.g. on the adoption of NRPs. In other instances, consultations resulted in compromise, depending on the “colour” of the Government in power – an example being the amendments to the Labour Code. In the cases of minimum wage increases and of the regulation of extensions of collective agreements, the social partners were unable to agree on a compromise and the Government acted unilaterally.

Regarding tripartite social dialogue mechanisms, there have been no significant changes other than some internal changes in the operation of the HSR. For instance, the social partners can jointly decide on items for inclusion in the HSR agenda and can each propose issues for consultation. Interviewees for this study considered these rules to be an important component of present-day tripartite social dialogue in Slovakia.

According to the interviewed representatives of employers, trade unions and the Government, the present mechanism of tripartite social dialogue, based on the law, is working well, and the role of national level tripartite social dialogue will not be questioned in the near future. Some interviewees, nevertheless, stated that the current representation of social partners at the HSR, particularly of employers, needs to be reassessed; for instance, the newly-established Alliance of Industry Associations also

wishes to participate. The agenda of the HSR is also considered to be rather extensive and demanding for the current expert capacities of the social partners. Their capacity could be further strengthened through the continuation of the EU-funded project, the National Centre of Social Dialogue. Besides the HSR, the RSR provides a “tripartite plus” body, through which a wider range of representatives can be involved and consulted on certain policy issues.

Regarding collective bargaining, the extension of multi-employer collective agreements without the consent of the employers concerned,¹⁰⁵ and the undecided representativeness threshold for multi-employer collective agreements, are two current concerns. A satisfactory resolution of these issues would contribute towards more effective social dialogue in Slovakia.

¹⁰⁵ On 16 March 2016, the Constitutional Court decided that the present form of extensions is not in accordance with constitutionally acceptable law making.

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Appendix

List of persons interviewed for the study

Government

The Deputy Minister, Ministry of Labour, Social Affairs and Family (MPSVR SR)

Director of the European Employment Strategy Department (MPSVR SR)

Specialist of Institute of Financial Policy at the Ministry of Finance of the Slovak Republic (MF SR)

Executive Secretary, Economic and Social Council (HSR)

Employers' Organizations

Executive Director, Association of Employers' Federations (AZZZ SR)

Executive Secretary, National Union of Employers (RUZ SR)

Vice-President, Association of Mechanical Engineering (ZSP SR) (also founding member of Industry Bipartite)

Workers' Organizations

Vice-President, Confederation of Trade Unions of the Slovak Republic (KOZ SR)

Others

Economic Counsellor, The Representation of the EC in the Slovak Republic (Acts also as European Semester Officer at the Representation)

10. Rebuilding social dialogue in Slovenia: A complex task for the post-crisis period

IGOR GUARDIANCICH

1. Introduction

Following Slovenia's independence in 1991, a democratic industrial relations system emerged, with free collective bargaining. Unique among post-socialist countries, Slovenia developed functioning 'competitive neo-corporatism' (Stanojević, 2014a). This was possible due to strong social partners, in part inherited from Yugoslavia, and to the early institutionalization of tripartite social dialogue within the Economic and Social Council (ESS) (Crowley and Stanojević, 2011).

In 1990, union density exceeded 60 per cent and stabilized at some 40 per cent until Slovenia joined the European Union (EU) in 2004. The reformed, socialist-successor Association of Free Trade Unions of Slovenia (ZSSS) became the largest labour organization in the country, representing mainly blue-collar workers. The Chamber of Commerce and Industry of Slovenia (GZS) and the Chamber of Craft and Small Businesses of Slovenia (OZS) represented all private entrepreneurs during the period 1991-2006, on account of compulsory membership. Moreover, state-controlled enterprises dominated the GZS, and espoused an accommodating stance towards social partnership.

Competitive neo-corporatism in Slovenia has had beneficial effects at two levels. At the micro level, since 1993, there has been a dual channel of representation in companies, with competences shared between the works councils and labour unions (Eurofound, 2011). As a result, management and labour formed 'survival coalitions' at firm and sectoral levels, based on non-conflictual micro-exchanges through bipartite collective agreements. In order to stay competitive, work intensity and functional flexibility were compensated by high job security, limitations on dismissals and wage protection (Crowley and Stanojević, 2011; Stanojević and Krašovec, 2011; Stanojević, 2012).

At the macro level, the social partners have enjoyed an advisory – and, at times, quasi-legislative – role through the ESS. Founded in 1994, the Council set out to establish a culture of wage moderation through a centralized collective bargaining system. Since then, tripartite social pacts favouring competitiveness and economic stability, both necessary to comply with the Maastricht criteria, have become institutionalized. These agreements are the outcome of collective negotiations over economic, social and wage policy, specifying the obligations of the social partners and partly setting the agenda for incoming governments (Stanojević, 2010).

Following the Slovenian adoption of the Euro, social dialogue started to deteriorate and then stalled during the recession. The role of the social partners was subsequently weakened. Trade union membership is currently decreasing and the labour movement is fragmented as workers have increasingly lost trust in it (Stanojević, 2014b). The employers' side faces similar problems: membership of employers' organizations is now voluntary, their density is declining and employers are advocating a more radical, pro-business stance (Kopač Mrak, 2014).

A tense relationship arose between the social partners during Borut Pahor's centre-left Government (2008-12). Short-term anti-crisis measures were initially successful and introduced with support from both the employers and unions. However, the Government then tabled structural reforms in, inter alia, the labour market and pension system during the period 2010-11. After some 15 years of peaceful social dialogue, negotiations in the ESS broke down. Four referenda, backed by an alliance of opposition parties, trade unions, students and pensioners' organizations, brought the reforms to a halt and led to Pahor's departure. This inaugurated a period of great political instability at the height of the crisis.

In 2012-13, under Premiers Janez Janša (centre-right) and Alenka Bratušek (centre-left), Slovenia narrowly avoided seeking an international bailout. Since then, social dialogue has timidly restarted, boosted by an unanticipated economic recovery. In early 2015, under Miro Cerar's centre-left executive, the new Social Agreement 2015-16 was signed – six years after the last one expired; the social partners were involved in the drafting of key European Semester documents, raising hopes that the situation was back to normal.

Nonetheless, trust between the social partners has remained fragile: all employers' organizations withdrew from the pact by December 2015 in a row over the Minimum Wages Act. On a more positive note, bipartite collective bargaining continued to operate relatively well during this period, and collective agreements are still successfully being forged.

This chapter investigates the challenges facing social dialogue in Slovenia and the attempts to revitalize it in the aftermath of the recession. The study is based on an analysis of official documents and reports, articles from the daily *Delo* newspaper over a period of seven years, and interviews with Government officials, labour and employers' representatives – as well as with the European Semester Officers (ESOs) in Ljubljana.

2. The macroeconomic and political context

2.1 Macroeconomic context

Slovenia's transition to a market economy, accession to the EU and adoption of the Euro were all relatively straightforward. According to Eurostat (2015), Slovenian GDP grew on average by almost 4.5 per cent per annum during the period 1993-2008. Per capita income rose from less than half of the Western European average to around 90 per cent of the EU-27 average in 2009. Public finances underwent only mild deterioration since the early 2000s. Public debt rarely crept over 27 per cent of GDP, and the average annual budget and current account deficits

in 1995-2008 were 2.5 and 1.5 per cent of GDP, respectively. Low unemployment, relatively high employment, and a robust social safety net underpinned the years of buoyant growth.

Three main factors drove socio-economic development (Guardiancich, 2012): a gradual transformation that built on existing institutions (Mencinger, 2004); successful competitive neo-corporatism; and technology-intensive, home-bred production (Bohle and Greskovits, 2012).

Notwithstanding, socialism left a legacy of distorted lending and management practices of state-owned banks and enterprises, which developed into a Slovenian version of state-managed capitalism (Guardiancich, 2016). A rather inefficient and partly incomplete privatization process left half the economy, including the banks, in state hands and bequeathed serious corporate governance problems. An unstable equilibrium collapsed with the flood of cheap credit that accompanied EU accession. Low interest rates and an inflow of foreign funding led to an increase in lending. State-owned banks extended massive loans to the corporate sector, without proper risk assessment and backed by poor collateral – which fuelled bubbles in real estate, construction and the stock market (ATVP, 2013).

During the crisis, the banks became illiquid and reduced their lending to domestic firms, which suffered accordingly. The European Central Bank (ECB) intervened only in late 2011, after multiple bankruptcies exposed the poor quality of collateral and caused a deterioration in bank assets.

As in other Eurozone countries, the banking crisis in Slovenia triggered a sovereign-debt emergency (Pisani-Ferry, 2014). In 2009, GDP fell by almost 8 per cent and, after a timid recovery, the country plunged into a double-dip recession in 2012-13. The debt-to-GDP ratio more than tripled to 80.8 per cent in 2014, due to automatic stabilizers, short-term anti-crisis measures, debt servicing and capital injections into the banking system (IMAD, 2014a). Unemployment soared.

Recovery took a long time to materialize due to a severe debt overhang in the corporate sector (Damijan, 2014), a decline in cost competitiveness and the credit crunch. In 2014, GDP growth reached 3 per cent and the prospects for 2015-17 look good (European Commission, 2015b). This recovery may be attributed to investment in municipal infrastructure (co-financed by EU structural funds), as well as increased consumption and exports.

2.2 Labour market context

The labour market adapted to lower economic activity during the crisis through shorter working time, lower employment and higher unemployment rates, and a slowdown in wage growth. Employment (15-64 years) fell from 68.6 to 63.3 per cent between 2008 and 2013. The majority of job losses were in the private sector, whereas the public sector adapted by cutting wages (IMAD, 2014).

Table 10.1 shows that employment prospects declined most dramatically for young cohorts (15-24 years), due to shrinking labour-intensive sectors such as construction. Moreover, the employability of older workers (55-64 years) had always been low by European standards.

Table 10.1 Activity and employment rates in Slovenia (%), 2000-14

	2000	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Age group	Activity rate – Overall										
15-24	39.2	40.5	40.6	41.8	42.9	40.9	39.9	37.4	34.4	33.8	33.6
15-64	67.5	70.7	70.9	71.3	71.8	71.8	71.5	70.3	70.4	70.5	70.9
55-64	24.0	32.1	33.4	34.6	34.2	36.9	36.5	33.3	35.1	36.0	38.4
Men											
15-24	41.7	44.5	44.4	47.6	47.7	45.4	44.4	42.0	38.1	37.1	36.6
15-64	71.9	75.1	74.9	75.8	75.8	75.6	75.4	73.9	73.7	74.2	74.3
55-64	34.6	45.4	45.8	46.7	46.4	48.2	47.5	42.7	43.6	45.1	45.7
Women											
15-24	36.4	36.3	36.4	35.4	37.4	35.8	34.8	32.3	30.0	30.2	30.5
15-64	62.9	66.1	66.7	66.6	67.5	67.9	67.4	66.5	66.9	66.6	67.3
55-64	14.1	18.9	21.4	23.1	22.2	25.6	25.5	23.7	26.5	27.0	31.1
Age group	Employment rate – Overall										
15-24	32.8	34.1	35.0	37.6	38.4	35.3	34.1	31.5	27.3	26.5	26.8
15-64	62.8	66.0	66.6	67.8	68.6	67.5	66.2	64.4	64.1	63.3	63.9
55-64	22.7	30.7	32.6	33.5	32.8	35.6	35.0	31.2	32.9	33.5	35.4
Men											
15-24	35.7	38.1	39.2	43.2	43.0	39.1	37.6	35.7	30.4	29.7	29.5
15-64	67.2	70.4	71.1	72.7	72.7	71.0	69.6	67.7	67.4	67.1	67.5
55-64	32.3	43.1	44.5	45.3	44.7	46.4	45.5	39.5	40.7	41.8	41.8
Women											
15-24	29.7	29.8	30.3	31.4	33.2	31.0	30.0	26.9	23.7	23.0	24.0
15-64	58.4	61.3	61.8	62.6	64.2	63.8	62.6	60.9	60.5	59.2	60.0
55-64	13.8	18.5	21.0	22.2	21.1	24.8	24.5	22.7	25.0	25.2	29.0

Source: Eurostat (2015).

The unemployment rate more than doubled since 2008 (see table 10.2), peaking at 10.1 per cent in 2013 and gradually declining thereafter. Due to the anti-crisis measures of the Pahor government (temporary lay-offs and shorter working time) unemployment stayed below the Eurozone average.

The difficulties in labour-intensive industries translated into higher unemployment rates among less-educated persons. Sectors needing a skilled workforce shrunk less and resorted to labour hoarding (IMAD, 2014a). Younger cohorts fared worst, due in part to the high prevalence of fixed-term contracts among young people (table 10.3). During the crisis, many such contracts were not renewed; so-called student jobs declined from 42,000 to 26,000 from 2008 to 2014, mainly due to their increasing cost for employers.

The share of long-term unemployment almost doubled between 2009 and 2014, while the rate of young people not in employment or education and training (NEET) also increased between 2008 and 2014. Slovenia's rate of undeclared work is now among the highest in the EU (European Commission, 2014).

Table 10.2 Unemployment and NEET in Slovenia (%), 2000-14

	2000	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Unemployment rate – Overall											
Total	6.7	6.5	6.0	4.9	4.4	5.9	7.3	8.2	8.9	10.1	9.7
<25	16.3	15.9	13.9	10.1	10.4	13.6	14.7	15.7	20.6	21.6	20.2
25-74	5.4	5.4	5.1	4.2	3.7	5.1	6.5	7.5	7.9	9.2	8.9
Men											
Total	6.5	6.1	4.9	4.0	4.0	5.9	7.5	8.2	8.4	9.5	9.0
<25	14.6	14.5	11.6	9.4	9.9	13.8	15.2	15.0	20.3	20.1	19.4
25-74	5.4	5.0	4.1	3.3	3.2	5.0	6.6	7.5	7.3	8.6	8.2
Women											
Total	7.0	7.1	7.2	5.9	4.8	5.8	7.1	8.2	9.4	10.9	10.6
<25	18.3	17.8	16.8	11.2	11.3	13.4	13.8	16.8	21.0	23.7	21.3
25-74	5.5	5.9	6.2	5.3	4.2	5.1	6.5	7.5	8.6	10.0	9.9
Long-term unemployment (12 months or more) as % of total unemployment											
Total	61.4	47.3	49.3	45.7	42.2	30.1	43.3	44.2	47.9	51.0	54.5
Men	62.8	48.4	49.7	45.3	41.4	28.3	45.0	45.1	48.8	51.9	55.0
Women	59.8	46.3	48.9	46.1	43.0	32.1	41.2	43.1	47.0	50.0	53.9
NEET as % of population aged 15-34											
Total	-	9.3	9.2	8.1	7.4	9.2	9.6	9.6	11.8	13.2	13.6
Men	-	8.1	7.9	6.5	6.4	8.4	9.1	9.1	10.5	11.3	11.4
Women	-	10.6	10.6	9.8	8.7	10.1	10.3	10.2	13.3	15.1	16.1

Source: Eurostat (2015).

As for atypical forms of work, the share of part-time work in Slovenia has remained relatively stable at around 9-10 per cent since the crisis broke out (see table 10.3) and is highest among youth (15-24 years), especially young women.

More worrying is the growing segmentation of the Slovenian labour market. Almost three-quarters of people aged 15-24 years have fixed-term jobs (80 per cent of these contracts are student jobs), vis-à-vis the EU average of 43.4 per cent; among young women, the share climbs to 86.4 per cent (IMAD, 2014a). The recent flexibilization of permanent contracts and greater protection accorded to student jobs will probably slow this trend.

Finally, the number of waged employees has declined. Meanwhile, own-account workers (self-employed who do not have employees) are increasing, possibly implying that disguised employment relationships are on the rise.

Table 10.3 Fixed-term and part-time employment in Slovenia (%), 2000-14

	2000	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Fixed-term employment as % of total											
Total											
15-64	12.8	17.2	17.1	18.4	17.3	16.2	17.1	18.0	17.0	16.3	16.5
15-24	43.2	62.5	64.2	68.3	69.8	66.6	69.6	74.5	72.0	73.6	72.7
Men											
15-64	12.1	15.4	15.2	16.3	15.2	14.9	15.2	16.4	15.6	15.6	16.0
15-24	41.7	55.6	56.4	62.5	62.4	59.2	61.8	67.9	62.4	64.5	62.2
Women											
15-64	13.4	19.1	19.1	20.7	19.6	17.6	19.2	19.7	18.5	17.1	17.1
15-24	45.2	71.8	74.9	76.8	80.4	76.9	80.4	83.8	85.3	87.0	86.4
Part-time employment as % of total											
Total											
15-64	5.3	7.8	8.0	8.1	8.1	9.5	10.3	9.5	9.0	9.3	10.0
15-24	13.4	30.1	29.8	29.8	31.4	36.6	40.9	40.8	38.3	42.5	42.4
Men											
15-64	4.0	6.1	6.0	6.5	6.2	7.4	7.4	7.1	6.3	6.5	6.8
15-24	11.2	24.9	23.8	24.5	24.8	28.0	31.5	32.2	29.9	33.4	31.1
Women											
15-64	6.9	9.8	10.4	10.0	10.4	12.1	13.6	12.2	12.2	12.6	13.7
15-24	16.6	37.2	38.4	37.9	41.3	48.9	54.4	53.5	50.8	55.5	57.3

Source: Eurostat (2015).

Compensation per employee increased in 2008, due to wage adjustment for high prior inflation and productivity growth in the private sector. The equalization of wage scales in the public sector led to a sharp increase in salaries (IMAD, 2011). As a consequence, unit labour costs grew out of line with labour productivity, and the real effective exchange rate (REER) deteriorated vis-à-vis the Eurozone (European Commission, 2014a), leading to job losses. IMAD (2014a) finds that, although the responsiveness of wages to low economic activity was not negligible, it could have been greater if wages were determined at firm level rather than through sectoral collective agreements.

Minimum wages represent a controversial subject. Under Premier Pahor – at a time of already declining cost competitiveness – they increased by 23 per cent. The ratio of the minimum wage to the average gross wage in Slovenia was, at 51.2 per cent, the highest in the EU in 2014. This created difficulties for labour-intensive industries (IMAD, 2015). The calculation of the minimum wage, based on indexation rather than productivity considerations, has often been questioned by the European Commission and again became a priority in the 2015 Country-Specific Recommendations (CSR) (Council of the EU, 2015). Moreover, the flat distribution of salaries in Slovenia means that the poverty line is quite close to the median wage (OECD, 2015a).

2.3 Political context

The recession in Slovenia coincided with severe political instability, with four successive Governments over a period of five years (table 10.4). Cross-parliamentary collaboration proved nearly impossible due to political competition between the right-conservative and left-liberal blocs. This difficulty fully emerged once Slovenia had achieved the common goal of EU accession in 2004; decision-making had been simpler during the 1990s.

The Ninth Government of Slovenia (2008-12), led by Borut Pahor's Social Democrats, underestimated the depth of the crisis. At first it succeeded in applying short-term anti-crisis measures to shield the population quite effectively from the economic slowdown, agreeing upon measures peacefully with the social partners.

However, due to worsening budgetary prospects, the European Council initiated an Excessive Deficit Procedure against Slovenia in December 2009. The Slovenian Exit Strategy 2010-2013 (Government RS, 2010) presented an ambitious plan of structural and institutional adjustments. The relationship between the Government and the social partners became strained, as both unions and employers abandoned tripartite negotiations. The referenda on the pension and labour market reforms led to a loss of support for Pahor. As the crisis deepened, DeSUS and Zares abandoned the coalition. A vote of no confidence in September 2011 paved the way for early elections.

Janez Janša's SDS headed the Tenth Government (2012). Despite the troubling recession the Government was successful in restarting social dialogue under the guidance of Labour Minister Andrej Vizjak.

Although Janša's Government finally succumbed to strikes and demonstrations against fiscal consolidation and alleged corruption, it is remembered for four major achievements (Government RS, 2013): an agreement was signed with public sector unions that cut wages and reduced inefficiencies; a new pension reform was introduced that

Table 10.4 A chronology of developments in social dialogue and Government policy, 2008-15

Period	Government	Coalition parties	Main developments in social dialogue	ESS sessions	Main policies discussed and outcomes
21.11.08 – 10.02.12	Borut Pahor (centre-left)	SD Zares DeSUS LDS	• Good cooperation with the social partners at the beginning of the crisis, leading to the approval of anti-crisis measures. • Deterioration of social dialogue in 2010, when structural reforms were discussed, followed by breakdown in 2011. Unilateral imposition of labour market and pension reforms was stopped by several referenda that led to defeat of the Government.	42 (Nos. 170 – 211)	• Partial Subsidy of Full-Time Work Act (approved) • Partial Reimbursement of Payment Compensation Act (approved) • Minimum Wages Act (approved) • Labour Market Regulation Act (approved) • Employment Relationship Act (dropped) • Mini-Jobs Act (rejected at referendum) • Pension and Disability Insurance Act (rejected at referendum)
10.02.12 – 20.03.13	Janez Janša (centre-right)	SDS DLGV DeSUS SLS NSi	• As the crisis deepened, the social partners managed to conclude a number of deals, including on public sector wages, pensions and labour relations. • Civil society protests against corruption and austerity led to defeat of the Government.	17 (Nos. 212 – 228)	• Public Finance Balance Act (approved) • Employment Relationship Act (approved) • Pension and Disability Insurance Act (approved) • Starting points for a new social pact (approved)
20.03.13 – 18.09.14	Alenka Bratušek (centre-left)	PS SD DL DeSUS	• During the deepest phase of the crisis, social dialogue did not produce many agreements, due also to strained relations between the social partners. • The revival of a new social pact failed.	25 (Nos. 229 – 253)	• Government Measures to Strengthen Bank Stability Act (approved) • Slovenian Sovereign Holding Act (approved) • Balanced budget fiscal rule and changes to referendum rules (Constitutional amendments) • New Social Agreement (dropped)
18.09.14 – 20.11.15 (date of last recorded meeting)	Miro Cerar (centre-left)	SMC SD DeSUS	• Concomitant recovery of the economy and improved relations with the social partners. • New social pact signed for 2015-16 in early 2015 showed willingness of social partners to resume cooperation; however, a dispute over the Minimum Wage Act led to the withdrawal of employers' support for the agreement in November 2015.	26 (Nos. 254 – 279)	• Act on Occasional Student Work (approved) • Balanced budget fiscal rule (executive act approved) • Social Agreement 2015-16 (approved, but later reneged on by the employers)

Notes: DLGV – Gregor Virant's Civic List; LDS – Liberal Democracy of Slovenia; DeSUS – Democratic Party of Pensioners of Slovenia; NSi – New Slovenia; PS – Positive Slovenia; SD – Social Democrats; SDS – Slovenian Democratic Party; SLS – Slovenian People's Party; SMC – Modern Centre Party; Zares For Real – New Politics

stabilized the retirement system's finances until circa 2020: a number of measures were taken that reduced labour market segmentation; and the social partners elaborated the starting points for a new social pact.

Alenka Bratušek of Positive Slovenia formed the Eleventh Government (2013), after the centre-left coalition stepped in during a period of instability and protest. Although social dialogue during Bratušek's executive did not achieve many significant breakthroughs (for instance an attempt to finalize the new social pact failed), her short-lived Government did save the banking system (thus preventing recourse to an international bailout) and started a privatization programme (Government RS, 2014). The Premier resigned on 5 May 2014, because of internal disputes, leading to elections in July 2014.

The current Prime Minister, Miro Cerar, of the newly founded Modern Centre Party (SMC), formed the Twelfth Slovenian Government. Despite a difficult start, the coalition is holding together as the economic recovery exceeds expectations. Labour Minister Anja Kopač Mrak managed to reach consensus with the social partners on the reform of student jobs and to finalize the new Social Agreement 2015-16.

Nonetheless, relations between the social partners are still strained, while public trust in institutions is still low.

3. The role of social dialogue in national policy-making in the post-crisis period

While politics failed to respond to the crisis, the stalemate in tripartite institutions added to the paralysis until 2012-13, at great social and fiscal cost for Slovenian citizens. After that, the situation improved. As policy-making through the ESS and within the European Semester cycles became smoother, subsequent Governments managed to enact some overdue structural reforms. The situation is, however, fragile – as the fate of the Social Agreement 2015-16 clearly demonstrates.

3.1 The role of social dialogue in the crisis period (2008-13)

The weakening of Slovenian corporatist consensus-building started well before the crisis, right after Janez Janša's first right-conservative Government was elected in mid-2004.

The SDS-led coalition promised radical reforms including labour market de-regulation, a flat tax regime and denationalization. The unions, who had not been involved in the decision-making, staged mass demonstrations in November 2005 and the Government backtracked. Its popularity never recovered, despite expensive public projects and higher public sector wages.

The recession hit Slovenia when Borut Pahor's centre-left Government took over in 2008. To stop job losses, it legislated shortened working time and temporary layoffs that saved some 25,000 posts in total. These anti-crisis measures were agreed upon with the social partners.

The Slovenian Exit Strategy 2010-2013 included 12 new laws under the heading 'flexicurity and social cohesion', encompassing reforms to the labour market, pensions, long-term care and healthcare, as well as measures against poverty and social exclusion.

The new Pension and Disability Insurance Act (ZPIZ-2) instantly became a bone of contention. The reform proposal was strongly criticized by coalition partner DeSUS, who opposed lower indexation, and the unions (principally ZSSS), who objected to changes to the requirements for full pension entitlement (Guardiancich, 2013). But it was labour market reform that ultimately led to the breakdown of negotiations.

Over two decades, Slovenia underwent the institutionalization of a two-tier labour market (Delo, 3 November 2009), in which permanent contracts were seemingly over-protected, relative to less protected, fixed-term contracts – usually held by younger people. Both the Government and employers cherished the idea of crafting a solution introducing greater labour market flexibility in exchange for income security.

In a nutshell, the security part of the plan comprised of an increase in the minimum wage in line with the minimum consumption basket, and an extension of the coverage and duration of unemployment benefits through the Labour Market Regulation Act (ZUTD). Flexibility was to be achieved through the new Employment Relationships Act (ZDR-1), to slightly liberalize dismissals and reduce non-wage labour costs. Finally, the Mini-Jobs Act aimed at unifying fixed-term contracts, which were mainly in the hands of student services and organizations.

This ‘packaged’ solution was dismissed early on, following protests by the unions, who rejected the linking of minimum wages to revisions in the Employment Relationships Act. As a result, the laws were treated separately – to the irritation of all the employers’ associations (Delo, 13 January 2010). Premier Pahor and Labour Minister Ivan Svetlik felt that the unions would be in agreement with the plan (Delo, 15 January 2010). But labour unrest grew, and Pahor’s Government granted a major hike in minimum wages via the Minimum Wages Act (ZMP). The employers disagreed, and immediately boycotted tripartite negotiations, thereby ending peaceful social dialogue. Mediation between the parties on the reform of employment contracts, student jobs and pensions proved impossible. The Employment Relationships Act was withdrawn but the Government pressed ahead with the other laws, sending them to the National Assembly.

Various interest groups, including pensioners, student organizations, the unions and opposition parties SNS and SDS, called a ‘super-referendum’ on 5 June 2011. The labour market and pension laws were defeated, provoking the downfall of the Eleventh Slovenian Government.

In December 2011, Janez Janša returned to power and, quite unexpectedly, his Government managed to secure agreement with the social partners on some of the structural reforms that had failed just a year earlier. The new Labour Minister Andrej Vizjak changed the style of engagement with the ESS, announcing that he would personally head negotiations (Delo, 15 September 2012).

A number of factors were in his favour. First, Janša adopted confidence-building measures and put the ESS back on centre stage, stating that: “the efficacy of solving the crisis is linked to the degree of consensus reached when adopting decisions” (Kavčič and Berlec, 2014). Second, Vizjak was an experienced negotiator. He chaired the majority of ESS meetings, including circa 240 hours on pension and labour market reforms. Third, the cabinet had a clear list of priorities: pension reform, reducing labour market segmentation, and agreeing on a social pact. Fourth, in a context of crisis, the trade unions understood they could not resort to referenda and shouldered the

responsibility of finding a compromise. Fifth, there was a 'Nixon in China' effect; the labour movement feared that a breakdown in negotiations under a conservative government would cost them dearly.

As such, the National Assembly *de facto* delegated labour market reforms to the ESS. Under pressure from the European institutions, members of the Assembly agreed not to table any amendments to the law as drawn up by the social partners.

Against this backdrop, in less than one year, a major restructuring of industrial relations was agreed through the Employment Relationships Act and the amended Labour Market Regulation Act. The Pension and Disability Insurance Act put the retirement system on a better financial footing. The Confederation of Trade Unions of the Slovenian Public Sector (KSJS) agreed on cutting wages, bonuses and several privileges of public employees. Finally, the Janša Government planted the seeds of a future social pact.

3.2 The role of social dialogue in the post-crisis period (2013-15)

The subsequent centre-left Bratušek executive had to focus on the fiscal emergency and the banking crisis. Under her Government, nothing significant happened on the labour market and pension fronts, apart from a brief reopening of social dialogue on a new social pact. Since Miro Cerar took over in September 2014, the situation has been slowly returning to normal. However, important reforms, mainly related to the labour market, are not being discussed as the employers are distrustful.

The labour laws adopted in early 2013 had the effect of reducing segmentation, increasing flexibility and improving the legal security of employees. These effects are difficult to quantify given the short period of time that has elapsed since the reforms and the generally improved economic circumstances (Ministry of Labour and IMAD 2014; 2015; IMAD 2014a; 2014b; 2015). Notwithstanding, a few trends emerge. First, in all age cohorts, the share of permanent vis-à-vis fixed-term contracts has increased, because of subsidies in terms of lower employer contributions, the increased flexibility of permanent contracts and the higher costs of temporary employment. Second, the Employment Protection Legislation (EPL) indices have dropped. From 2012-13, the protection of permanent contracts against individual dismissals has dropped from 2.39 to 1.99, and the overall protection of temporary contracts has also slightly decreased. The EPL index for collective dismissals stayed at 3.38, rather high compared to the OECD average of 2.90.

The 2015 Country Report (European Commission, 2015a) concludes that further steps are needed to tackle labour market segmentation, which continues to negatively affect younger workers. To this end, the Cerar Government appointed a tripartite-plus Steering Committee tasked to reduce the disparities between payroll taxes and contributions for different types of employment contract, professional categories and so on.

With regards to pensions, ZPIZ-2 has produced positive effects in its first year of implementation and is expected to decrease pension expenditures until circa 2020, when baby boomers gradually start to retire (Ministry of Labour, 2014). If savings are not sufficient, retirement ages should increase, for women to 62, and for men, to 63. Despite these efforts, both the OECD (2013) and the EC (2015a) have suggested

further reforms to the pension system. The current Government announced that it would prepare the framework for a new reform to guarantee long-term fiscal stability and encourage deferred retirement through bonuses, among other measures; this was restated in the Social Agreement 2015-16 (ESS, 2015).

In April 2015, Labour Minister Kopač Mrak established a working group to draft a White Paper on pensions (Delo, 29 April 2015), while Finance Minister Dušan Mramor has also given attention to the issue.

3.3 The role of social dialogue in the EU Semester

According to Slovenian European Semester Officers (ESOs), the European Semester has improved coordination, introduced stable and predictable deadlines, and involved more formal and informal meetings with the social partners. One of its greatest assets has been to post ESOs *in loco* in each Member State Representation – and they are instrumental in creating the conditions for direct and equal social partners' involvement in European decision-making (it was previously conducted only at the EU level through the European Trade Union Conference (ETUC) or BusinessEurope; and, at Member-State level, Commission representatives would fly to the country occasionally without establishing permanent ties).

In addition to the presence of the ESOs, Commission officials still regularly visit the Member States. The number and nature of these visits depends on the procedure according to which they are organized: e.g. the European Semester (one per year, usually with participation of the social partners) and the Macroeconomic Imbalance Procedure (MIP) (two per year, more technical). As Slovenia has participated since the beginning in both the European Semester and the MIP, the two procedures have been unified and take place at the same time.

Before the advent of the Semester, such consultative meetings with the social partners were organized with the OZS and the GZS. Now, meetings are officially held also with the trade unions as well as with other employers' associations, at ESS level. In technical terms, the ESOs send an invitation to the Secretariat of the ESS, which passes it on to the representative social partners. These then decide who shall participate on their behalf. In addition, the ESOs have been submitting most of the key documents of the European Semester and MIP procedures to the National Assembly (at committee level), and keeping the Members of Parliament and the representatives of the social partners involved in the process by inviting them to relevant conferences and events in Slovenia – or in Brussels.

At the height of the crisis (2011-13), the relationship between the Government, the social partners and the National Assembly was tense during preparations for the National Reform Programme (NRP). Janša's Government gave only short deadlines to the National Assembly and the social partners for commenting on the proposed set of measures. Now that the crisis has ebbed since 2014, the collaboration surrounding the European Semester has improved. Major qualitative changes to the CSR have occurred; in 2015, the Commission introduced a more streamlined process with fewer reports and recommendations (Council of the EU, 2012; 2015). Moreover, the June 2015 visit of the European Commissioner for the Euro and Social Dialogue was a good trust-building exercise.

The social partners' involvement in the drafting of the NRP has improved over the years. In 2015, due to a stronger-than-expected recovery, the sense of impending crisis subsided and collaboration surged. In 2015, the NRP drafts were subject to consultation at various parliamentary committees and the ESS. The Social Agreement 2015-16 (ESS, 2015) pledges to better include the social partners in the NRP drafting process.

The attitude of the social partners has also become more positive. Initially, there was much internal resistance by the unions to reforms perceived as necessary only because Brussels demanded them. As the crisis receded, a more collaborative model has been established. The social partners acknowledge that regular and direct dialogue with the European Commission helped them establish a more accommodating rather than adversarial attitude towards reforms.

Relations with the ESOs have also improved, after considerable investment in coordination with the social partners. The social partners have developed a sense of involvement and are increasingly exposed to different European practices and realities. The ESOs have recommended synergizing multi-level partnerships between the ESS and its European counterparts (for example, the European Economic and Social Council (EESC)), in particular where memberships overlap. This, in fact, opens another avenue for influencing EU-level policy-making.

3.4 The role and impact of national social dialogue institutions

The centrepiece of Slovenian social dialogue is the tripartite ESS, which wields considerable power – even though it is not underpinned by any national legislation, but rather by tripartite agreement. The National Assembly only discusses socio-economic legislation once the ESS members have debated it. The ESS participates in the drafting of legislation; has the right to initiate the preparation of new legislation or the amendment of existing laws; and elaborates opinions as well as positions on legislative drafts, the budget memorandum and the State budget.

Since 2007, each side has up to eight representatives on the ESS. Currently, there are eight trade union representatives, and seven each for the employers and the Government. The ESS members elect the President for a one-year term. The ESS meets at least once a month and decisions are reached by consensus. Each partner has one vote, and usually the representatives of each group come to the ESS with a collegial position. The ESS is often too big a forum to discuss legislative details. Hence, smaller working groups are convened, and the ESS discusses only the final opinions.

Important documents agreed at the ESS include the social pacts, which used to be drafted every year or two (Stanojević, 2010) and specify the social partners' mutual obligations. Economic, social and wage policy are collectively negotiated, which was instrumental in the swift adoption of the Euro in 2007. A necessary pre-condition for success is trust between the social partners – which has been in short supply since the onset of the crisis.

Pahor's weakness was not to negotiate a new social pact immediately for 2010-11. The starting points for a pact were presented to the ESS only in November 2009, by which time the relations between labour and the Government were already so strained that the unions immediately abandoned the negotiations (Delo, 13 November 2009).

Nonetheless, the employers' and union representatives continued to discuss major guidelines for a new pact and, in 2012, Janša engaged the social partners in the definition of common goals for inclusion in a social agreement. In April 2012, only the starting points for the Social Agreement 2012-16 (Government RS, 2012) could be signed, and serious negotiations restarted in November 2014. While reduced cuts in the public sector served to bring the unions on board, the GZS disagreed and exited negotiations before the year-end. However, following continued negotiations and concessions the social partners finally signed the Social Agreement 2015-16 on 5 February 2015, after six years without a pact in place.

The agreement covers 12 areas for which it enumerates as many as 140 goals: finance, sustainable economic development, new investment cycle, public sector, healthcare, wages, labour market, retirement, implementing the European cohesion policy, education, legal security and social dialogue (ESS, 2015). The social pact reaffirms the central role of the ESS in national tripartism. The Government guarantees adequate means for the body's functioning until 2020, and commits to better involve the social partners in drafting key strategic documents within the European Semester.

Although reactions to the Social Agreement 2015-16 were generally favourable (Kanjuro Mrčela, 2015), mutual trust between the social partners had not been fully re-established. The dispute over minimum wages confirms this. The unions, through a petition, unilaterally sent a proposal to recalculate the minimum wage to the National Assembly in September 2015 and, after rather short consultations, the Parliament approved it. Even though the cash amounts involved were negligible, the process and outcome irritated the employers.

Jože Smole of The Association of Employers of Slovenia (ZDS) remarked (Delo, 24 November 2015): *Probably for the first time in 20 years, the unions wrote, the Government approved and the National Assembly adopted a law that imposes higher costs on employers. This means that we, employers, will in the future read in the Official Gazette what, when and how much we have to pay.* The employers accused the Government and unions of bilaterally redefining the minimum wage, thereby implicitly violating the Social Agreement 2015-16. Their withdrawal from the pact, less than a year after signing it, means that rebuilding trust between the social partners in Slovenia has barely started (Delo, 27 November 2015; 1 December 2015).

4. Industrial relations and collective bargaining in the post-crisis period

4.1 Impact of the crisis on collective bargaining and post-crisis developments

Bipartite collective bargaining was similarly weakened by the crisis in terms of coverage and number of agreements. Notwithstanding, collective agreements still proved to be a valuable tool of regulation, helping both employers and workers to find mutually acceptable solutions above and beyond the anti-crisis measures legislated under the Pahor Government. The new Employment Relationships Act further strengthened their ability to negotiate autonomously.

The Labour Ministry's register of collective agreements tracks only sectoral agreements and not those at firm level. In September 2015, there were 46 collective agreements

covering the Slovenian economy, plus four others concluded before the Collective Agreements Act (ZKolP) (Uradni list RS, 43/06) came into force.

Four collective agreements are intersectoral, covering specific issues such as pensions in the public sector, pay increments and reimbursements. Three agreements are for individual occupations: journalists, police, and doctors and dentists. The other 39 agreements concern various sectors or occupations: 23 apply in the private sector; three concern public sector industries (electricity, coal mining, and railways); and 13 cover employees in public sector social services (as diverse as social security, fire-fighting and education). Twelve collective agreements have been extended to the whole sector, including those in catering and tourism, electric industries, metallurgy, textiles, forestry and postal services.

Before the crisis, the coverage of collective agreements in Slovenia was one of the highest in the EU. In 2007, around 96 per cent of the employed labour force was covered, as only managers and senior public officials relied on individual employment contracts (Zidar and Mesec, 2010). During the crisis, collective agreement coverage declined to 65-75 per cent, as a result of two main trends.

First, the social partners lost membership. In regard to collective agreements, the decline in employers' association density creates challenges (see section 4.3). In addition to financial issues and a tougher pro-business stance (see Stanojević, 2014a; 2014b), it has become more difficult to extend collective agreements, which require an employers' density threshold of 50 per cent for automatic extension; hence, further declines may occur.

Second, several collective agreements in the private sector were terminated during the crisis, e.g. in construction and the chemical and plastics industry (Mrčela, 2015). In construction, employers' representatives explain that the fact that procedures for public tenders had to abide by a generous collective agreement was too great a burden for enterprises (Delo, 5 September 2013). But the ZSSS maintain that employers only wanted to increase their profitability at the expense of workers, through worse conditions agreed at company level. Although some of the terminated sectoral agreements have been replaced by firm-level agreements, the trend towards decentralization had already started before the crisis; for example, the inter-sectoral general collective agreement for economic activities was revoked in 2005.

From a qualitative point of view, however, the situation is more vibrant. Slovenian collective agreements used to contain many open clauses, such as on specific conditions of employment, extended unpaid leave, redeployment of employees, salary reductions etc., which were often successfully used. The economic situation called for greater flexibility through collective agreements and an increased role for the social partners in the determination of employment relations – both of which subsequently became part of the reform agenda of Janša's Labour Minister Vizjak. The new Employment Relationships Act (ZDR-1) introduced a list of statutory employees' rights, which might be less favourable under collective agreement. These include quotas for temporary agency workers, notification periods, severance pay conditions, regulation of working time, overtime limits and so on. After the adoption of ZDR-1, the social partners signed eight new collective agreements and updated the norms in two others, making extensive use of the provisions on possible derogations from the law. They have clearly demonstrated

their ability to negotiate and agree on fine details at bipartite level. In fact, based on the specific characteristics of the sector concerned, collective agreements now alternatively stress the need for flexibility (smaller employers, textiles and clothing), or for less segmentation (most collective agreements), or for cost containment (catering and tourism, trade, metallurgy).

Regarding flexibility in work organization, the following observations may be made (Ministry of Labour and IMAD, 2014; 2015; IMAD, 2014b):

- All collective agreements set additional cases where employees are asked temporarily to perform working tasks which are not in the contract of employment.
- Several collective agreements allow smaller employers to hire employees on fixed-term contracts for longer than the limits set by the law.
- In certain cases, collective agreements set longer time limits for overtime, night shifts or the average duration of full-time work.
- The share of agency workers in one collective agreement is set at 50 per cent (whereas the legal limit is 25 per cent).

With regard to reducing overall segmentation:

- Some collective agreements determine the conditions for entitlement to a lump-sum payment upon retirement, and its amount.
- In certain cases, salary increments for length of service can be stipulated via the firm-level collective agreement or through an employer's general act.
- Apprenticeships and relative salary arrangements are being introduced by many collective agreements.

As for measures aimed at cost containment, the social partners have negotiated the following:

- Introduction of an eligibility condition for a lump-sum payment upon retirement, of minimum employment duration of five years (in more than half the collective agreements); and reduction of severance pay to one month's salary per five years of employment (in some).
- Length-of-service salary increments are regulated in a number of collective agreements.

4.2 The role of the State in industrial relations

The Slovenian Government's attitude towards industrial relations during the recession has been shifting considerably. Borut Pahor's Government realized that legislation important to the social partners could not be bulldozed through Parliament without risking extreme opposition which might jeopardize its very existence.

Hence, Janša's executive granted the employers and unions greater authority, especially at bipartite level, by endowing the ESS with legislative power in the reform of the Employment Relationships Act in the period 2012-13. As a result, the social partners enjoyed greater room for manoeuvre in bipartite sectoral and firm-level bargaining, which, as shown above, led to positive results.

Espousing a different stance, the Bratušek Government amended the Constitution by introducing the balanced budget fiscal rule and reducing the ability to call for referenda, especially on budgetary matters (Delo, 24 May 2013; Government RS, 201;

Council of the EU, 2013). Under Cerar, the Fiscal Rules Act (ZFisP) followed in July 2015 (Delo, 10 July 2015), and the Referendum and Popular Initiative Act (ZRLI) was still being debated at the time of writing.

The 'golden' fiscal rule aims to balance the budget under normal economic conditions, as required under EMU treaty law.¹⁰⁶ The Referendum Act would restrict the actors who are entitled to call for a referendum, raise the quorum and list domains in which referenda are not admissible, such as taxes and state budget implementation. These important procedural changes aim to render legislation less vulnerable to *ex post* annulment by opposed interest groups. According to Stanojević (2014b), these two laws weaken the policy-making clout of employers and unions, thereby changing the balance of power in favour of government.

4.3 Changes in employers' and workers' organizations

The Slovenian social partners experienced fragmentation and declining membership during the crisis.

At a time of reduced trade union membership and density, Mrcela (2015) notes the absence of union mergers. Instead, growing fragmentation has made it more difficult to negotiate in the public sector. According to Labour Ministry data, there were eight trade union confederations and as many as 39 individual unions that fulfilled representativeness criteria in late 2015.

Under the partly outdated 1993 Representativeness of Trade Unions Act (ZRSin) (Uradni list RS, 13/93), a confederation is considered representative if the affiliated unions' members account for at least 10 per cent of that sector's workforce; for a single unaffiliated union, this requirement climbs to 15 per cent. This gave rise to two problems. First, after the reform of public sector salaries at the start of the crisis, fragmentation occurred as each profession started defending the privileges of its own members. Second, the law does not provide for verification of union representativeness over time. A redrafting of the law, including verification procedures and minimum membership criteria, is needed.

The long-term decline of union membership in Slovenia accelerated after accession to the Eurozone, due mainly to the changing structure of the labour market. Union membership data are unreliable; however, estimates put gross union density (the ratio of union members to the total number of employees) at 43.8 per cent in 2003, declining to 26.6 per cent by 2008. Union density may now be around 20 per cent (Mrcela, 2015). As a consequence, membership fee receipts have declined significantly, leading to a loss of union staff and professional capacity.

With regards to employers, employers' association density has declined from roughly 80-90 per cent before the crisis to around 60 per cent now. In addition to major economic restructuring, legislation changes have contributed to this trend. Membership used to be obligatory in the two Chambers, the GZS and OZS, until 2006 and 2013, respectively. The results of these developments are twofold: first, a limitation to the automatic extension of collective agreements; and second, a reduction in the

¹⁰⁶ Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, also known as the 'fiscal compact'.

associations' ability to hire experts accompanying their decline in membership (for example, OZS lost 20,000 of its 50,000 members).

Employers' organizations also have issues of representativeness and fragmentation. As there is no representativeness law, time-consuming counts must be held before each election to the National Council (the Parliament's corporatist second chamber) and to the (tripartite) Institute for Health Insurance of Slovenia; the State Election Commission then has to validate these. After membership of the GZS and OZS became voluntary, big shifts occurred in the balance of power between the associations. Employers also have a harder time than unions to adopt common positions in the ESS. Covering as they do a multiplicity of heterogeneous interests, disagreements sometimes arise between the representatives of small and medium enterprises (such as OZS) and those of larger establishments (e.g. GZS, ZDS).

5. Conclusions

Slovenia's experience during the crisis was uneven from an economic, political and institutional standpoint, shifting between positive and negative developments.

There is still a backlog of reform. The latest CSR (Council of the EU, 2015) calls upon Slovenia, *inter alia*, to: 1) ensure a sustainable correction of the excessive deficit by advancing the long-term reform of the pension system, healthcare and long-term care; 2) review, in consultation with the social partners, the minimum wage-setting mechanism, and increase the employability of the unskilled, long-term unemployed and older workers; 3) reduce non-performing loans, increase banks' monitoring capacity, streamline the operations of the 'bad bank' and improve the privatization process; and 4) improve the efficiency of civil justice, thereby reducing the length of proceedings.

Some opportunities to accelerate the Slovenian recovery have been missed and the trust between the social partners still needs to be fully rebuilt. Even the most encouraging achievement of social dialogue, the Social Agreement 2015-16, did not survive long, which is directly attributable to the strained relations between the social partners. What is the role of tripartism under such circumstances? As shown throughout this chapter, effective social dialogue is crucial for the efficient functioning of the Slovenian economy and for ensuring sustainable reforms. When there is a willingness to engage effectively in social dialogue, good policy outcomes have been – and can be – achieved.

The fragmentation of and tension between the social partners challenges the smooth operation of the ESS. Three types of intervention might help. First, the Government could set clear representativeness criteria for both the trade unions and employers in order to reverse current fragmentation trends. Second, the social partners require adequate funding and staffing, if they are to carry out an effective and independent review of draft legislation. Third, there is a need for a better definition of the role and procedures of tripartism, as well as of the fields in which it should operate, possibly encoded in law.

The European Semester's importance is growing. Under the pressure of EU deadlines, it is unrealistic to expect that consensus between the Government and the social partners in the ESS can always be reached on key policy documents. In this respect, the rejection of the Pahor Government's attempts to introduce reforms by referendum

is instructive. Since then, the public's ability to counter unpopular Government plans through referenda has been substantially restricted. As a counterbalance, though, the social partners should henceforth have greater involvement in the drafting of National Reform and Stability Programmes through consultation, education and information.

Finally, the role of social partnership has shifted due to the reduced macroeconomic room for manoeuvre, which necessarily accompanies membership in the Economic and Monetary Union. Tripartism has been at least partly overshadowed by more active bipartite bargaining at sectoral and firm levels. Greater autonomy of the social partners may represent the way forward for Slovenian social dialogue; it would perhaps be best to entrust the unions and employers with greater autonomy in bipartite negotiations, while concurrently reinforcing the role and impact of the tripartite ESS.

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Appendix

List of persons interviewed for the study

Government

Alenka Kajzer, Institute of Macroeconomic Analysis and Development of the Republic of Slovenia (IMAD)

Peter Pogacar, Ministry of Labour

Mateja Vranicar, Ministry of Finance

Employers' Organizations

Tatjana Cerin, the Chamber of Commerce and Industry of Slovenia (GZS)

Branko Meh and Maja Rigac, Small Businesses of Slovenia (OZS)

Tatjana Pajhnikar, the Association of Employers of Slovenia (ZDS)

Workers' Organizations

Vladimir Tkalec, the Confederation of Trade Unions of the Slovenian Public Sector (KSJS)

Others

Ulla Hudina and Tina Vencina, European Commission Representation in Slovenia

11. Post-crisis social dialogue in Spain: The calm after the storm

OSCAR MOLINA AND FAUSTO MIGUÉLEZ

1. Introduction

In line with a parallel evolution in the economy, tripartite social dialogue in Spain, which was once praised for its vitality in the boom years preceding the recession (OECD, 2007), broke down under the pressure of fiscal consolidation policies during the economic crisis. Despite signs of a timid economic recovery since 2013, tripartite social dialogue nonetheless remains weak and has delivered few results. This stands in contrast to the resilience and positive contribution of bipartite social dialogue, between employers' and workers' organizations, in coordinating collective bargaining at a difficult economic and political juncture (Molina and Rhodes, 2011).

A number of reasons may explain the discontinuity of tripartite social dialogue: its non-formalized character and hence its dependence on the economic and political context (Espina 1999); the role of fiscal consolidation, structural policies and emergency legislation; and the erosion of the perceived input and output legitimacy of the social partners (Molina and Miguélez, 2013, Culpepper and Regan, 2014). The prospects for a revitalization of tripartite social dialogue in the post-crisis period therefore remain uncertain at the moment.

Some tentative steps have been taken in the post-crisis period to rebuild trust between the social partners and the Government with a view to re-launching tripartite social dialogue. These include a declaration of intent signed by the employers' organizations, workers' organizations and the Government in July 2014, and a narrow pact on activation policies for the long-term unemployed in December of the same year. However, these developments cannot be considered to mark a turning point with respect to the previous dynamics. A long-term process of narrowing down the issues negotiated in tripartite social dialogue has also contributed towards detaching social dialogue from general economic policy-making. In this vein, the European Semester and the negotiation and implementation of National Reform Programmes have so far contributed very little to strengthening tripartite social dialogue. Rather the contrary; the weak involvement of the social partners has opened the Government to criticism, and contributed to polarized views on economic policy.

The role of the Economic and Social Council (ESC) has also been questioned in the context of the economic and financial crisis. Its narrow advisory role has opened a

debate about whether this institution should be maintained. However, some voices have pointed to the need to reform the National Social Dialogue Institutions (NSDI), including an extension of the role of the ESC and the inclusion of new actors (Plataforma Tercer Sector, 2015). Finally, fiscal consolidation and structural policies, together with a reform of public administration, have led to the suppression of many economic and social councils at regional level.

The remainder of this chapter is divided as follows. The second section provides the macroeconomic and politico-institutional background for the analysis of social dialogue in the post-crisis period. The third section analyses social dialogue between 2013 and 2015, and discusses its role in key policy issues such as the labour market and pensions, and in the formulation and implementation of National Reform Programmes in the context of the European Semester; it further looks at the part played by the NSDIs in the post-crisis period. The fourth section studies the impact of the crisis and post-crisis developments in collective bargaining dimensions such as coordination and structure. Finally, the fifth section provide concluding remarks.

The methodology used to elaborate this chapter consisted of several research methods and sources, including secondary sources (journal articles, newspaper articles, etc.) and interviews with key actors in social dialogue at national level – including the social partners, experts, Government representatives and European Semester Officers (ESOs) (see appendix). The interviews were carried out between June and October 2015 in Madrid and Barcelona. This was supplemented by quantitative data to shed light on the macroeconomic context, labour market developments and industrial relations.

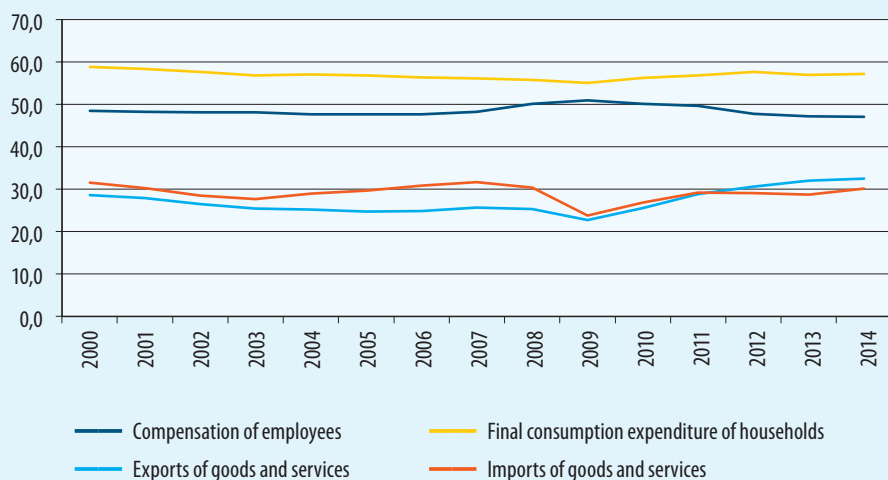
2. The macroeconomic and political context

2.1 Macroeconomic and labour market context

As regards the macroeconomic framework, there was disagreement among the experts interviewed as to whether the current context could accurately be described as ‘post-crisis’. Despite positive growth in GDP since the last quarter of 2013, which has been accompanied by some growth in employment and a slight decline in total unemployment, far too many macroeconomic imbalances and labour market challenges remain to be able to talk of the crisis in the past tense.

Regarding GDP growth, figure 11.1 shows how the recovery has relied upon the strong export performance of goods and services – thanks in part to the internal devaluation process. Private domestic demand has remained stagnant, hence contributing very little to the recovery. Even though this could, *a priori*, be taken as a sign of structural change in the growth regime, the reality is that tourism and its linked activities (hotels, restaurants, etc.) has been one of the most dynamics sectors in terms of employment creation and growth, followed by retail trade and construction (Miguélez et al., 2015). These were the very same sectors that led growth in the pre-crisis years, thus suggesting that the underlying structural problems remain. At the same time, the Government deficit remains high at 5.9 per cent of GDP in 2014, and public debt has maintained a steady growth, reaching 99.3 per cent of GDP in 2014 – up from 35.5 per cent in 2007.

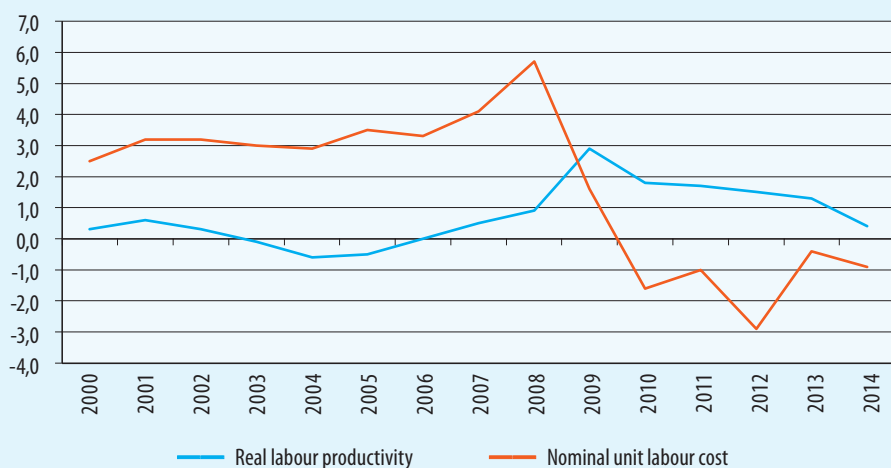
Figure 11.1 Key macroeconomic indicators (% of GDP), 2000-14



Source: Eurostat.

One of the Spanish economy's main problems during the pre-crisis years was low labour productivity, due largely to a growth regime based on labour-intensive and low-productivity sectors. Since the beginning of the economic crisis in 2008, productivity has increased (see figure 11.2). However, this is explained not by any structural change in production with a shift towards less labour-intensive and higher productivity sectors, but

Figure 11.2 Real labour productivity and nominal unit labour costs, (% change on previous year), 2000-14

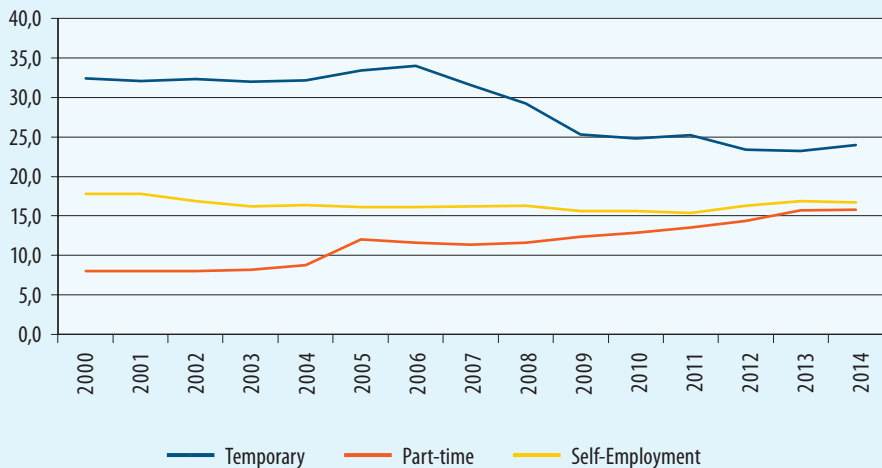


Source: Eurostat.

simply by a greater decline in employment relative to GDP growth. The negative growth in nominal unit labour costs has thus contributed to improved external cost competitiveness, but without delivering a long-term shift in production methods or sectors.

The second main characteristic of Spain's recovery is related to the type and quality of employment created. As figure 11.3 shows, the crisis triggered a decline in temporary employment, which is by definition the first source of employment that disappears in the event of an economic slowdown. This has been accompanied by an increase in part-time employment, most of it involuntary. The increase in part-time work is the result of the employers' strategy to cut labour costs and explains the increase in the number of 'working poor', from 10.2 per cent of those employed in 2008 to 12.6 per cent in 2014. In fact, some analysts have shown how part-time workers, and in particular women part-timers, experience a significant wage disadvantage (Ramos et al., 2015). Finally, self-employment has remained rather stable during the crisis.

Figure 11.3 Temporary employment, part-time employment and self-employment (% of total employment), 2000-14

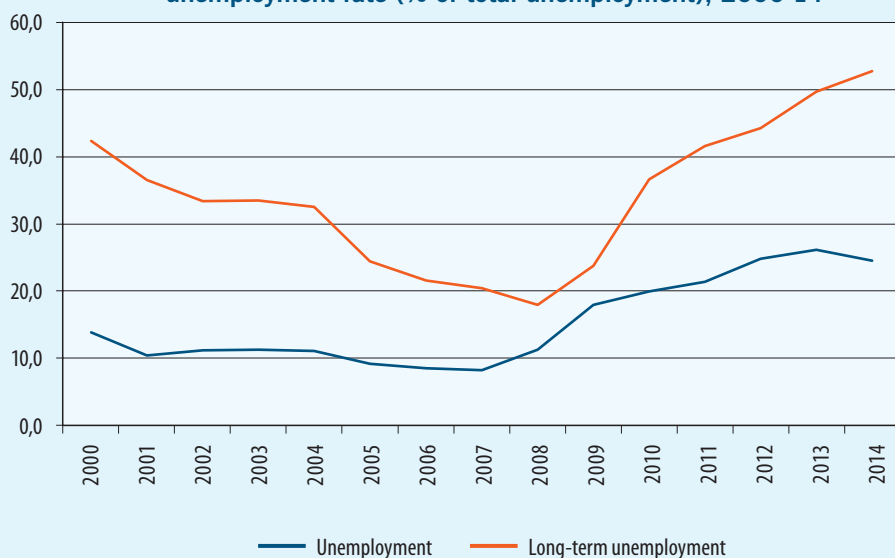


Source: Eurostat

Even though the unemployment rate has evolved favourably since 2014, it nonetheless remains very high. More importantly, long-term unemployment has increased rapidly and does not show any signs of slowing down (see figure 11.4). This is the reason why many observers, including some of the persons interviewed, remain sceptical about the "post-crisis" notion. As pointed out recently by J. Stiglitz: a two-speed economy with a 25 per cent unemployment rate cannot enter into a sustainable recovery.¹⁰⁷ The high long-term unemployment rate is even more worrying when we consider the reduction in active labour market policies and the fall in unemployment protection coverage

¹⁰⁷ Interview in *El Economista*, 13 October 2013.

Figure 11.4 Unemployment rate (% of labour force) and long-term unemployment rate (% of total unemployment), 2000-14



Source: Eurostat.

(Miguélez et al., 2015). In other words, many of these long-term unemployed workers have severe employability problems and, as a result of the fewer resources devoted to both active and passive employment policies, they face enormous difficulties not only in finding a job, but also in securing a decent standard of living.

2.2 Political context

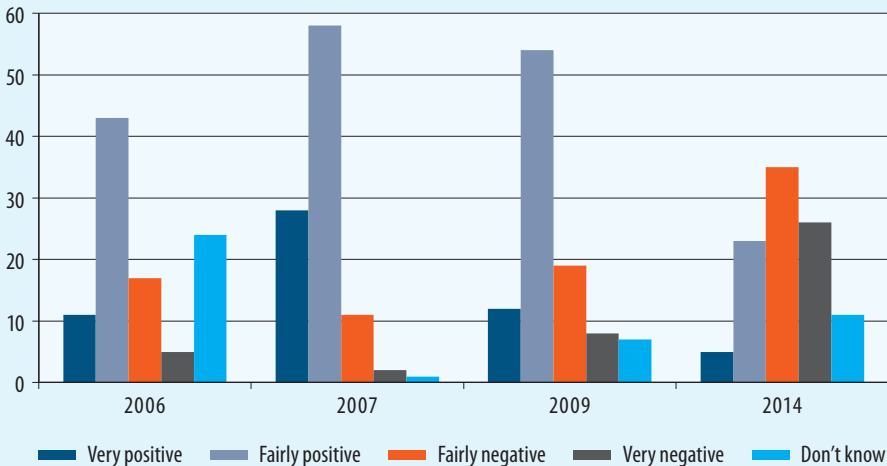
Since the start of the crisis in 2008, there have been two Governments in Spain. The first Socialist government, headed by Mr. Zapatero, was re-elected for a second term of office in April 2008, by which time the first symptoms of the crisis were already visible. This Government was in charge of implementing the first neo-Keynesian policy responses, on the assumption that the crisis would be only temporary and that the Spanish economy was well prepared to face it. This Government kept social dialogue alive and tried to involve the social partners in discussions on general economic policy-making, but with very limited results in terms of providing effective, adequate and timely responses to the crisis. When the sovereign debt crisis hit Spain, the Government had to adopt the first fiscal consolidation packages in 2010 and 2011, which led to a significant drop in popular support and strong criticism from opposition parties – who accused Zapatero of acting too late and with the wrong policies. As a consequence, the Zapatero Government was obliged to bring forward the elections; the centre-right People's Party (PP), headed by Mr. Rajoy, won with an absolute majority in November 2011. The large parliamentary majority enjoyed by the new Government allowed it to adopt strong fiscal consolidation measures for financial stability and to enact significant structural reforms in several areas, including industrial relations and the labour market. The social partners and opposition parties alike have criticized this Government's

over-reliance on emergency regulation by decree, which requires a shorter procedure in Parliament and impedes effective social dialogue.

The stable and smooth two-party alternation under a quasi-majoritarian electoral system came to an end with the last elections, in December 2015. The political composition of Parliament is much more fragmented and will require a coalition Government if any legislation is to be adopted. This fragmentation can, to a large extent, be attributed to the erosion of public support for the two largest political parties that have governed during the past few years. Moreover, scandals over alleged corruption, as well as the Governments' perceived ineffectiveness in dealing with some of the impacts of the crisis, have also damaged their position.

Similarly, the analysis of social dialogue in the crisis and post-crisis periods has to be interpreted in the light of a deep and multifaceted parallel crisis in the democratic system (Sánchez-Cuenca, 2014). The crisis has triggered an increase in public perception of the need to reform the political system, regarding both its institutions and the functioning and representativeness of political parties. The social partners, more specifically the trade unions, have also been the target of criticism by a large sector of society (including the 15-M Movement and the *Indignados*). They are accused of not offering an alternative model and of accepting the policies of both the PP and the Spanish Socialist Workers' Party (PSOE), due to their high degree of institutionalization and dependence on State resources (Barranco and Molina, 2014). The two major labour confederations acknowledged the weakness of trade unions, as part of the institutional and political system, to effectively channel citizens' demands.¹⁰⁸ As a consequence, the public's trust in Spanish trade unions has deteriorated over the crisis years (see figure 11.5).

Figure 11.5 Trust in trade unions (% of respondents), 2006-14



Source: Eurobarometer.

¹⁰⁸ See <http://www.elmundo.es/elmundo/2012/09/19/economia/1348047099.html>

Political discontent was aggravated by the perceived imposition of fiscal adjustment by EU institutions. Moreover, the negative economic impact of the crisis and the resulting fiscal adjustment were viewed as threats to the stability of the democratic system. The *Indignados* movement should, accordingly, be interpreted as an expression of political and economic discontent (Armington and Baccaro, 2011).

3. The role of social dialogue in national policy-making in the post-crisis period

3.1 Social dialogue in the crisis period

Three periods regarding tripartite social dialogue can be distinguished since the beginning of the financial and economic crisis (see table 11.1):

- 2008-09: The period of stimulus-response in 2008-2009 was characterized by a significant involvement of the social partners; however, this gave few results in terms of agreements signed during these years.
- 2010-13: The 2010 debt crisis led to the adoption of a more unilateral approach to policy-making with less room for social partnership. The only exception in this regard was the January 2011 Tripartite Social and Economic Agreement. The centre-right Rajoy Government, elected in November 2011, maintained the unilateral approach to policy-making. The erosion of social dialogue affected not only its tripartite dimension, but also bipartite relations between employers' and workers' organizations.
- 2014-15: More recently, with the first signs of economic recovery in 2014, there has been a slight resumption of tripartite and bipartite social dialogue. However, it remains fragmented and discontinuous, as the following analysis will demonstrate.

Table 11.1 Social dialogue and policy reforms in Spain, 2008-12

Date	Policy	Social dialogue
July 2008	Memorandum of Understanding for the Recovery of the Economy, Employment, Competitiveness and Social Progress.	Memorandum of Understanding signed between the CCOO (Trade Union Confederation of Workers' Commissions), UGT (General Union of Workers), CEOE (Spanish Confederation of Employers' Organizations) and the Government.
September 2009	Agreement for the public sector between trade unions and the Government 2010-12.	Agreement signed between CCOO, UGT, CSIF (Independent Trade Union of Civil Servants) and the Government.
January 2010	Inter-confederal Agreement on Employment and Collective Bargaining 2010-12 (AENC-I).	Bipartite agreement signed between the CCOO, UGT and CEOE containing guidelines for collective agreements.
January 2010	Plan for Immediate Action 2010.	Neither consultation nor negotiations between the social partners and the Government.

Date	Policy	Social dialogue
May 2010	Austerity Plan for the Public Sector 2011-13.	Neither consultations nor negotiations between the social partners and the Government.
June – September 2010	Labour Market Reform.	Tripartite negotiations failed, leading to unilateral rule by the Government.
December 2010	Industrial Policy Programme – PIN 2020	The Government consulted the social partners about some of the contents, but their involvement was limited.
January 2011	Social and Economic Agreement on pensions, labour market and collective bargaining	Tripartite Social Pact signed by CC00, UGT, CEOE and the Government.
March 2011	Law on Sustainable Economy.	The Government consulted the social partners about some of the contents, but their involvement was limited.
June 2011	Reform of Collective Bargaining	Tripartite negotiations failed, thus the Government ruled unilaterally.
January 2012	Inter-confederal Agreement on Employment and Collective Bargaining (AENC-II).	Bipartite agreement: Guidelines for collective agreements.
March 2012	Labour Market Reform.	Neither consultation nor negotiations with the social partners. Unilateral approval by the Government.

Source: Authors' own analysis.

Between 2008 and 2009, the Socialist government headed by Mr. Zapatero involved the social partners in several initiatives before the economic situation rapidly deteriorated. Nonetheless, disagreements between the social partners resulted in most of these negotiations ending without an agreement, or with pacts that had a very limited impact. The sovereign debt crisis and external pressures on the Government to take action – especially regarding fiscal adjustment, without awaiting the outcomes of social dialogue – led to the breakdown of negotiations on labour market reform in June 2010, when the Government decided to regulate unilaterally.

But social dialogue resumed later that year and a tripartite social pact on employment and pensions (the only one concluded during the crisis) was signed in January 2011. This pact can be seen as the exception that proved the rule – i.e., that tripartite social dialogue would have a hard time under fiscal consolidation policies. In fact, between the signing of the pact in 2011 and 2014, there were no tripartite discussions at all between the Government and the social partners. As previously mentioned, this erosion of tripartite social dialogue contrasts with the continuity in bipartite union-employer peak-level social dialogue, which delivered a new and important inter-confederal agreement in January 2012. This agreement was subsequently renewed in July 2015.

3.2 Social dialogue in the post-crisis period

During the 29 month period between November 2011 and March 2014, tripartite social dialogue was discontinued. It was only in March 2014, when employers' and workers' organizations urged the Government to restore tripartite social dialogue, that some meetings took place at the highest political level. Trade unions considered negotiations around three main issues to be of particular importance: fiscal reform, active labour market policies and unemployment protection. As a result of these meetings, on 29 July 2014, the social partners and the Government signed a document on 'proposals for tripartite negotiations to strengthen economic growth and employment'.¹⁰⁹ Trade unions considered this an important step towards the revitalization of social dialogue. Moreover, as a result of the terms laid out in this document, an agreement was signed in December 2014: the Programme for Employment Activation.¹¹⁰ This plan included an extension of the guaranteed income for the long-term unemployed, accompanied by strengthened activation mechanisms for this group. In contrast, it proved impossible some months later to reach agreement on the reform of vocational and lifelong learning systems; as such the Government, once again under pressure, had to unilaterally pass a legislative decree on vocational training in March 2015.¹¹¹

The importance of social dialogue in facilitating a quicker, more socially sustainable recovery was stressed recently by the employers' organizations, the CEOE and the Spanish Confederation of Small and Medium-sized Industries (CEPYME), in a document presenting proposals for promoting economic recovery.¹¹² In addition to identifying a number of policy areas where appropriate reforms could foster growth, they emphasized the importance of restoring social dialogue in the recovery phase, as a means to enhance the efficacy of these reforms.

Table 11.2 Social dialogue and policy reforms in Spain, 2014-15

Date	Reform	Social dialogue dynamics
July 2014	Proposals for tripartite negotiation to strengthen economic growth and employment	Tripartite Agreement with no specific policy content. It is a declaration of intent for future negotiations
December 2014	Plan for Employment Activation	Tripartite agreement.
March 2015	Reform of Vocational Training	Unilateral regulation by the Government after negotiations with the social partners failed.
July 2015	Inter-confederal Agreement on Employment and Collective Bargaining 2015-2016-2017 (AENC-III)	Bipartite agreement. Guidelines for collective bargaining.

Source: Authors' own elaboration.

¹⁰⁹ Acuerdo de Propuestas para la Negociación Tripartita para Fortalecer el Crecimiento Económico y el Empleo. Available at: http://www.ugt.es/Documentos%20de%20apoyo/Acuerdo_Propuestas_negociacion_tripartita_fortalecer_crecimiento_economico_y_empleo_29072014.pdf

¹¹⁰ Programa Extraordinario de Activación para el Empleo, available at: http://www.empleo.gob.es/es/destacados/HOME/activacionempleo/archivos/Acuerdo_PEAPE.pdf

¹¹¹ Text available at: http://www.boe.es/diario_boe/txt.php?id=BOE-A-2015-3031

¹¹² "15 Reformas para Consolidar la Recuperación" (15 reforms to consolidate recovery). Text available at: http://www.ceoe.es/resources/image/15_reformas_consolidar_recuperacion_2015_10.pdf

In July 2015, the social partners signed the third Inter-confederal Agreement on Employment and Collective Bargaining, 2015-2016-2017 (AENC III).¹¹³ Even though negotiations took longer than expected, due to a disagreement around wage increases,¹¹⁴ the trade unions and employers finally agreed on guidelines for collective bargaining over the coming three years. This again serves to demonstrate the greater resilience of bipartite relative to tripartite social dialogue – consolidating a trend that started in the 1990s (Molina and Rhodes, 2011; Molina and Miguélez, 2013). Interviews with employers' and workers' organizations confirmed their strong commitment to the governance of collective bargaining through peak bipartite agreements.

More recently, and before political uncertainty set in following the December 2015 elections, the social partners created a working committee to elaborate proposals for negotiations with the future coalition Government. In this way, they were demonstrating their willingness to negotiate with any Government in order to achieve social consensus. This shows the growing significance of bipartite social dialogue, not only as a governance mechanism for industrial relations and the coordination of collective bargaining, but also as a leverage mechanism to re-launch tripartite dialogue.

3.3 Best and innovative practices in social dialogue

In a context of weak tripartite social dialogue, the interviewees unanimously pointed to the continuation of peak bipartite social dialogue as a best practice in the crisis and post-crisis periods. This is certainly not a new development; in the 1990s when tripartite social dialogue also experienced challenges, peak union-employer agreements emerged as an important governance mechanism. However, the social partners interviewed considered that the signing of the AENC III, adopted in a very difficult economic and political climate, has been crucial and marks a significant step towards re-launching social dialogue in Spain.

3.4 Social dialogue in labour law and pension reform

The crisis has given rise to many changes in labour market regulation in Spain (Pastor, 2015), mainly to introduce greater labour market flexibility. According to OECD analysis, the changes have reduced labour market rigidities as measured by the Employment Protection Legislation index (OECD, 2014). However, as table 11.3 clearly shows, tripartite social dialogue played only a marginal role in labour market reforms during the economic crisis; moreover, in those cases where tripartite negotiations did occur, it proved difficult to reach agreement. With economic recovery now in sight, there are some signs of a revitalization of social dialogue around labour market reform; but the issues currently on the table are of lesser importance than those regulated unilaterally by the Government in previous years.

¹¹³ *III Acuerdo para el Empleo y la Negociación Colectiva 2015-2016-2017*. See text at: <http://www.boe.es/boe/dias/2015/06/20/pdfs/BOE-A-2015-6865.pdf>

¹¹⁴ The employers' organizations were in favour of maintaining a policy of strong wage moderation, while the trade unions argued that it was time to boost demand and allow for higher pay increases.

Table 11.3 Labour market reforms and social dialogue in Spain, 2008-15

Reform	Social dialogue dynamics
September 2010 – Emergency measures to reform the labour market.	Tripartite negotiations failed, thus the Government unilaterally administered reforms.
June 2011 – Emergency measures to reform collective bargaining.	Tripartite negotiations failed, thus the Government unilaterally administered reforms.
February 2012 – Emergency measures to reform the labour market.	The Government administered reforms unilaterally with no tripartite social dialogue – neither did they consult the social partners.
January 2013 – Extension of the Programme for the re-skilling of long-term unemployed without unemployment protection (Prepara Plan).	No social dialogue or consultation with the social partners.
December 2013 – Mechanisms to enhance employment stability and employability	Neither social dialogue nor consultation with the social partners.
February 2014 – Emergency measures to boost employment and open-ended contracts	Neither social dialogue nor consultation with the social partners.
February 2014 – Protection of part-time workers and other socio-economic policies.	Neither social dialogue nor consultation with the social partners.
September 2014 – Employment incentives and activation.	Neither social dialogue nor consultation with the social partners.
December 2014 – Extraordinary Programme for Employment Activation.	Tripartite negotiations delivered an agreement with the Government.
March 2015 – Emergency reform of the vocational training system.	Tripartite negotiations did not deliver an agreement between the social partners and the Government.

Source: Authors' own elaboration.

Table 11.4 Pension reform and social dialogue in Spain, 2008-15

Reform	Social dialogue dynamics
January 2011 – Social and economic agreement on pensions, labour market and collective bargaining.	Tripartite social dialogue with the employers' and workers' organizations delivered an agreement.
March 2013 – Law promoting active ageing and continuity in working lives.	Social partners involved in the negotiations, but only for a short period of time, and an agreement could not be reached.
December 2013 – Law changing the sustainability factor and revaluation index of pensions.	Tripartite social dialogue was replaced by administrative decision-making through an expert committee, which included representatives of employers and the two main trade unions.

Source: Authors' own elaboration.

Two main pension reforms have been introduced since 2008. The first was the 2011 Economic and Social Agreement for Growth, Employment and the Sustainability of Pensions¹¹⁵ (Royal Decree Law 1/2011, 1 February). After a general strike in September 2010 and repeated failures to reach a tripartite agreement, the urgency to restore social dialogue became apparent to both the employers' and workers' organizations. After three years of recession and no consensus on appropriate mechanisms to exit the crisis, the public began to question the role of the social partners. As one trade union official pointed out: "If social dialogue does not deliver sustainable agreements, it will be weakened". Thus the social partners came under pressure to sign agreements, despite the unfavourable context. The trade unions were very much in favour of signing a comprehensive pact covering the labour market, collective bargaining and old-age pensions. The Government supported this initiative – perhaps in an effort to rebuild relations with the trade unions following their deterioration over labour market reform and the September 2010 general strike.

A comprehensive tripartite social pact was finally signed in February 2011, which included commitments on pensions, youth unemployment, active labour market policies, a reform of collective bargaining and research and development (R&D). The most controversial issue was that of pension reform – and in particular a gradual increase in the pensionable age from 65 to 67 years, with the possibility of taking retirement at 65, subject to 38 years of contributions having been made. Large factions within the trade unions heavily contested the reform. The most critical voices came from young people who considered it very difficult to contribute a sufficient number of years to their pension, due to high rates of temporary employment and frequent unemployment spells.

The Government headed by Mr. Rajoy introduced two main changes in the pension system. First, in March 2013, it approved a Decree in order to restrict early retirement, modify conditions for access to partial retirement, and promote active ageing.¹¹⁶ Despite the involvement of the social partners in the negotiation process, an agreement could not be reached, leading to the Government's unilateral approval of the reform.

The second main reform came in December 2013.¹¹⁷ In this case, the Government set up an expert group (including university professors, trade union officials, employers and practitioners) to elaborate a proposal to reform two factors of the pension system: first, the so-called *Índice de Revalorización* (revaluation index), a formula that annually updates pension amounts taking into consideration factors such as inflation and the total expected expenditure on pensions; and second, the *Factor de Sostenibilidad* (sustainability factor), an automatic instrument allowing for the adjustment of the pension amount to the life expectancy of pensioners. This reform was not preceded by social dialogue, but by a more administrative mechanism based on the report of the experts' committee.

¹¹⁵ *Acuerdo Social y Económico para el Crecimiento, el Empleo y la Sostenibilidad de las Pensiones*. See full text at: http://www.ugt.es/actualidad/2011/febrero/acuerdo_social_y_economico.pdf

¹¹⁶ *Ley 5/2013 de medidas para favorecer la continuidad de la vida laboral de los trabajadores de mayor edad y promover el envejecimiento activo*. Available at: <https://www.boe.es/boe/dias/2013/03/16/pdfs/BOE-A-2013-2874.pdf>

¹¹⁷ *Ley 23/2013 reguladora del Factor de Sostenibilidad y del Índice de Revalorización del Sistema de Pensiones de la Seguridad Social*. Available at: <http://www.boe.es/boe/dias/2013/12/26/pdfs/BOE-A-2013-13617.pdf>

3.5 The role of social dialogue in the EU Semester

There is no formal mechanism or pre-established process for the negotiation of National Reform Programmes (NRPs) with the social partners. As a consequence, the latter's involvement very much depends upon the Government's willingness to engage them in the process. Although the ESOs interviewed acknowledged the difficult climate for social dialogue in Spain at the moment, they emphasized the importance of the social partners' involvement – which is non-negotiable at the national level. In doing so, they recalled the subsidiarity principle with regards to national social dialogue, and stated that they would welcome greater involvement of the social partners in the drafting and implementation of the NRPs. However, they also pointed out that the process is, at certain stages, somewhat bureaucratic and formal, consisting of making minor amendments to previous Programmes. For this reason, they are not unduly concerned by the rather limited social partner involvement. Moreover, the strict schedule imposed by the European Commission for the delivery of NRPs often leaves very little time to involve the social partners properly in discussions.

The official discourse regarding social partner involvement contrasts with the reality of the EC's recommendations for NRPs, and its review of the NRPs and the national documents. An analysis of these texts reveals that no reference was made to social dialogue in the 2011, 2012 or 2014 documents. The NRPs contained no reference to employers' or workers' organizations' views, and no recommendations were made to strengthen social dialogue. Only in 2014 did an Annex to the NRP present the contributions of employers' and workers' organizations; this NRP also highlighted the importance of involving the "third sector".¹¹⁸ The 2015 NRP included recommendations of the social partners and highlighted the tripartite agreement of July 2014 that covered a number of issues considered important by both the Government and the social partners.

The trade unions are of the opinion that their involvement in NRPs is insufficient, and they have criticized the Government for not taking into consideration or incorporating any of their recommendations. They state that the Government should discuss and incorporate some of their recommendations into their policies, rather than simply attach them in an Annex. In particular, trade unions are critical of the tight schedule imposed, which does not allow for a proper discussion of the NRP or for them to propose amendments to the measures contained therein.

The ESOs consider the existing institutions channelling social dialogue in Spain to be adequate. In particular, they point out how they interact regularly with the Economic and Social Council, and they hold meetings with representatives of all three groups. They are aware that non-institutionalized social dialogue is contingent upon the economic and political situation and, for this reason, they believe it is important to maintain an institutional channel with the social partners.

3.6 The role and impact of national social dialogue institutions

The Economic Council and Social (ESC) is a tripartite institution established in 1991 as a forum for building understanding between the social partners. Despite the fact

¹¹⁸ Non-governmental and non-profit-making organizations or associations.

that the 1978 Constitution (Article 131.2) contained a mandate to create a tripartite consultative body, it took almost fifteen years for this to happen. The ESC comprises employers' organizations, workers' organizations and other representatives of sectoral interests. It is a Government advisory body in the socio-economic and employment spheres, and its voice is heard in decision-making concerning various sectors of Spanish society. It is governed by public law and has a legal personality, full legal capacity and organizational and functional autonomy in carrying out its mission. This is attached to the Ministry of Labour and Immigration.¹¹⁹

The main functions of the ESC are twofold. First, it issues opinions on a mandatory basis on draft bills, draft legislative Royal Decrees regulating socio-economic and labour policy, and draft Royal Decrees considered by the Government to be of particular significance in this field. Second, it studies and analyses issues of concern to society, acting upon its own initiative. Its annual report on the socio-economic and employment situation in Spain is now an essential point of reference. This second function has become more important in the context of the economic crisis and has contributed to a revitalization of the ESC's role.

The ESC plays a limited and indirect role in non-institutionalized social dialogue, as well as in the negotiation of tripartite agreements or social pacts. Given its advisory capacity, its involvement is confined to issuing opinions on draft legislation proposed by the Government.

Representatives of the ESC described various attempts at revitalizing its role. Its primary goal is to become more pro-active and to initiate and elaborate reports on important socio-economic issues. It sees this as a way of overcoming the passive and reactive character of its mandated functions. The interviews also revealed a common perception that the crisis had a significant impact on the ESC. First – and similar to what happened in the case of tripartite social dialogue – the ESC had been called into question. In several Autonomous Communities, the ESCs were suppressed as part of fiscal consolidation packages; this was the case in Madrid, La Rioja, the Balearic Islands, Castille La Mancha, Cantabria, Asturias and, more recently, Valencia. The justification given in all these cases was that these institutions supposedly had a limited impact on policy. This argument was also raised in the context of the Reform of Public Administration, initiated by the PP Government in October 2014 to rationalize the public sector, including by suppressing institutions whose functions were duplicated at national and regional levels; the ESCs were one of the targets of this reform. Employers' and workers' organizations, as well as left-wing parties including the Socialist PSOE and United Left, have strongly opposed the suppression of the ESCs.

Second, negotiations within the ESC regarding the formulation of policy responses were affected by the frequent recourse to emergency procedures for adopting legislation. According to the Spanish Constitution (Article 86), the use of emergency procedures for law making should be restricted only to cases of "utmost and extraordinary urgency and social need". Under these conditions, the Government may legislate using the form of a Decree, which requires less discussion in Parliament, and for which an opinion by the ESC is not deemed essential.

¹¹⁹ For more information, see: <http://www.ces.es/en/web/guest/naturaleza>

Over the course of 2014 and 2015, the ESC has repeatedly drawn attention to the limited time it is given to provide its recommendations and opinions on important issues. Trade unions share this view and do not welcome the over-reliance on Royal Decrees. This is not a new situation; already in 2009, the Plenary of the ESC had approved a joint position requesting the Government to send it draft laws to review so they could issue an opinion.¹²⁰

Notwithstanding the challenges that the crisis posed for the ESC’s role and its public perception, some of its opinions have had a significant impact. One example is the opinion it issued in September 2013 on the proposed pension system reform:¹²¹ the tripartite members of the ESC unanimously opposed the Government’s attempt to de-link pensions from inflation. Another example is the ESC opinion in June 2013 on a proposed law on entrepreneurship.¹²²

4. Industrial relations and collective bargaining in the post-crisis period

4.1 Impact of the crisis on collective bargaining

When assessing the impact of the crisis on collective bargaining, it is important to bear in mind the divergent evolution of legal reforms and of bipartite agreements on employment and collective bargaining. As can be observed in table 11.5, the unilateral character of legal reforms over the crisis period contrasts with the resilience of peak bipartite social dialogue, as reflected in the three Agreements on Employment and Collective Bargaining signed between 2008 and 2015.

Table 11.5 Legislative changes in collective bargaining and bipartite agreements on collective bargaining, 2010-15

Legislative changes in collective bargaining		Bipartite agreements on employment and collective bargaining	
2011 – Emergency measures to reform collective bargaining.	Negotiations failed; no tripartite agreement signed.	February 2010 – AENC I Inter-confederal Agreement on Employment and Collective Bargaining 2010-2011-2012.	Bipartite agreement between the employers’ and workers’ organizations.
February 2012 – Emergency measures to reform collective bargaining	Without negotiations; unilateral decision by the Government.	January 2012 –AENC II Inter-confederal Agreement on Employment and Collective Bargaining 2012-2013-2014.	Bipartite agreement between the employers’ and workers’ organizations.

¹²⁰ See: El País, 4 November 2009. *El CES recuerda al Gobierno que le debe enviar leyes*, available at: http://elpais.com/diario/2009/11/04/espana/1257289207_850215.html

¹²¹ Opinion No. 7, 2013, approved at the plenary session of 26 September 2013: *Sobre el Anteproyecto de Ley reguladora del Factor de sostenibilidad y del índice de revalorización del sistema de pensiones de la Seguridad Social*, available at: <http://www.ces.es/documents/10180/631510/Dic072013.pdf>

¹²² Opinion No. 6, 2013 approved at the plenary session of 1 June 2013: *Sobre el Anteproyecto de Ley de Apoyo a los emprendedores y su internacionalización*, available at: <http://www.ces.es/documents/10180/631510/Dic062013.pdf>

Legislative changes in collective bargaining	Bipartite agreements on employment and collective bargaining	
	May 2013 – Agreement of the Steering Committee of the AENC II on the extension of collective agreements upon expiry.	Bipartite agreement between the employers' and workers' organizations.
	July 2015 – AENC III Inter-confederal Agreement on Employment and Collective Bargaining 2015-2016-2017.	Bipartite agreement between the employers' and workers' organizations.

Source: Authors' own elaboration.

4.2 Post-crisis developments in collective bargaining

The most important development during the crisis was the 2012 unilateral reform, which made it more difficult to renew a number of collective agreements; it also had an adverse effect on the social dialogue dynamics between trade unions and employers' confederations. This became clear in the negotiation of a new Inter-confederal Agreement on Employment and Collective Bargaining in 2014, which was more difficult to conclude than any of its predecessors. The major obstacle was agreeing upon wage increases – with the employers' and workers' organizations maintaining polarized positions; another was the inclusion of automatic indexation mechanisms in collective agreements; finally, the difficult issue of the automatic extension of collective agreements (*ultraactividad*) was raised by the trade unions, thereby going against the 2012 labour market reform.¹²³ An agreement was finally signed, which provided for a wage increase of 1 per cent in 2015 and 1.5 per cent in 2016; it also included guidelines for reinforcing the role of national sectoral collective agreements.

The main instruments for coordinating collective bargaining in Spain are the AENCs (peak bipartite cross-sectoral agreements on employment and collective bargaining). These agreements provide general guidelines regarding wage increases (see table 11.6), and contain recommendations on other issues, such as the articulation between levels in the collective bargaining structure and internal flexibility. Particularly important is the recommendation contained in the AENC II 2012-2013-2014 (signed in January 2012), stressing the need to include flexicurity in collective agreements, whereby greater functional flexibility is accompanied by mechanisms guaranteeing effective employee protection.

Even though the peak bipartite cross-sectoral agreements on collective bargaining provide only general guidelines, they have nevertheless played a particularly important role in wage setting. Notably, these agreements have allowed for the implementation of a wage moderation policy – while at the same time introducing new wage-setting criteria. For example, the AENC II uses the European Central Bank (ECB) inflation forecast as a

¹²³ *El País*, 20 March 2015.

benchmark for calculating an ex-post revision of wages; partly in consequence, negotiated wage increases were lower during the crisis, except in 2011.

Table 11.6 Wage-setting coordination guidelines negotiated by the social partners at peak level

Name of agreement	Year	Wage-setting guidelines
Agreement on collective bargaining 2002	2002	Forecast inflation (2%) + Ex-post indexation
Agreement on collective bargaining 2003	2003	Forecast inflation (2%) + Productivity + Ex-post indexation
Extension of the 2003 Agreement on collective bargaining for 2004	2004	Forecast inflation (2%) + Productivity + Ex-post indexation
Agreement on collective bargaining 2005	2005	Forecast inflation (2%) + Productivity + Ex-post indexation
Extension of the 2005 Agreement on collective bargaining for 2006	2006	Forecast inflation (2%) + Productivity + Ex-post indexation
Agreement on collective bargaining 2007	2007	Forecast inflation (2%) + Productivity + Ex-post indexation
Extension of the 2007 Agreement on collective bargaining for 2008	2008	Forecast inflation (2%) + Productivity + Ex-post indexation
	2009	Forecast inflation (2%) + Productivity + Ex-post indexation
Inter-confederal Agreement on Employment and Collective Bargaining 2010, 2011 and 2012 (AENC I)	2010	1%
	2011	1-2%
Inter-confederal Agreement on Employment and Collective Bargaining 2012, 2013 and 2014 (AENC II)	2012	1.5-2.5% (AENC I); 0.5% + Wage indexation clause resulting from the difference between actual inflation and the ECB inflation criterion of 2% (AENC II)
	2013	0.6% + Wage indexation clause resulting from the difference between actual inflation and the ECB inflation criterion of 2%
	2014	0.6% if GDP growth in 2013 below 1%; 1% if GDP growth in 2013 between 1 and 2%; 1.5% (maximum) if GDP growth in 2013 above 2%
Inter-confederal Agreement on Employment and Collective Bargaining 2015, 2016 and 2017 (AENC III)	2015	1% maximum
	2016	1.5% maximum

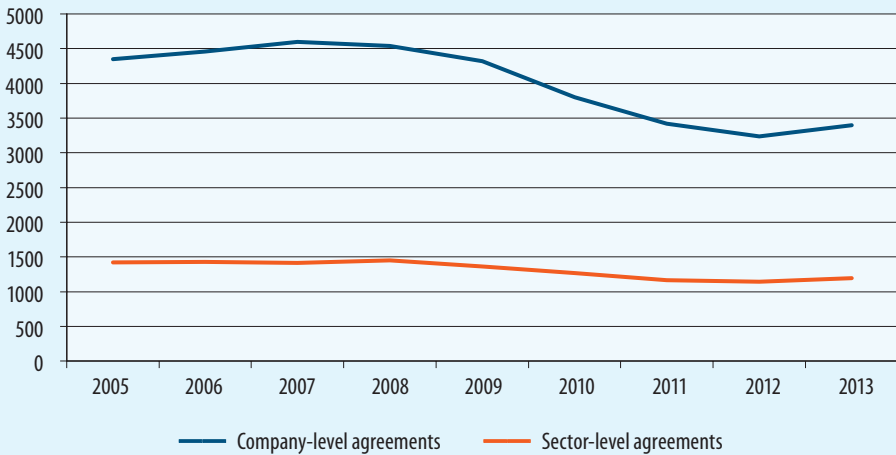
Source: Authors' own elaboration.

In the post-crisis period, the two main trends characterizing collective bargaining during the crisis have continued: first, the decentralization of collective bargaining; and second, a decline in the number of agreements and of workers covered.

Decentralization – the first trend – was intensified as a result of the priority given to company-level bargaining by the 2012 reform, and the ability of employers not to implement the measures contained in collective agreements. The 2012 reform did not result in a (quantitative) increase in collective agreements at company level (see figure 11.6), but it did provoke a (qualitative) enhancement in the regulatory capacity of lower-level agreements. In other words, the reform gave full priority to company-level agreements over sectoral ones, and allowed employers to opt out of – or not to apply – collective agreements (Cruz et al., 2014; Molina, 2014).

The relationship between company- and sector-level agreements thus experienced a radical change after 2012. Until then, all attempts at collective bargaining reform had contained mechanisms for an organized decentralization, with higher-level collective agreements establishing the criteria for lower-level agreements (Martín and Alós, 2003). The defence of a multi-level bargaining system was a strategy shared by employers' and workers' organizations. This was reconfirmed in all the peak intersectoral agreements reached after 1997.

Figure 11.6 Annual number of collective agreements with regulatory effects¹²⁴



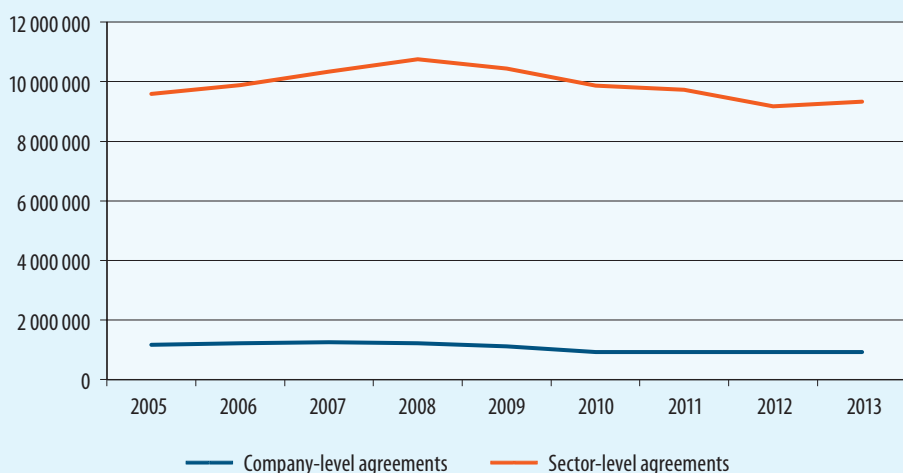
Source: Myess (Ministry of Employment and Social Security): *Boletín de Estadísticas Laborales* (Bulletin of labour statistics).

The second trend was a decline in the number of collective agreements signed and the number of workers covered. Although consolidated data are only available up to 2012,¹²⁵ a declining trend is clearly apparent (figure 11.7). In the case of company-level

¹²⁴ For instance, if a three-year collective agreement is signed in 2010, its effects are only felt in 2011 and 2012.

¹²⁵ Due to the methodology used to register collective agreements (both new ones and the revisions/extensions of existing ones), reliable data are available only with a two-year time lag. This means that data for 2013 and 2014 are only provisional.

Figure 11.7 Number of workers covered by collective agreements



Source: Meyss: Boletín de Estadísticas Laborales.

collective agreements, this was due to closures and/or downsizing. Moreover, long-term employer strategies of externalization and fragmentation of production structures that were consolidated during the crisis might also have been a contributing factor. In the case of sectoral agreements, the decline probably reflects the difficulty in renewing collective agreements in many sectors; the 2012 reform, by suppressing the automatic extension of collective agreements, may also have reinforced the downturn.

Despite this, a recovery in the number of collective agreements has been observed since 2013. This upturn is linked to the improvement of the economic and labour market situation, and may also be a consequence of the priority given to company-level agreements over sectoral ones in the 2012 reform. Prior to the reform, many companies opted not to put in place their own collective agreement due to the transaction costs of negotiations and the fact that, in any case, it would always be overridden by the sectoral agreement. After the reform, however, more employers may prefer to negotiate their own collective agreement, precisely because it can now deviate from the provisions of the sectoral agreement.

Between 2005 and 2013, the number of workers covered by collective agreements decreased by an average of 4.5 per cent. The decline was more pronounced for workers covered by company-level agreements, among whom there was a 19.5 per cent drop in coverage; the decline was only 2.7 per cent for workers covered by sectoral agreements (figure 11.7).

4.3 The role of the State in industrial relations

Regarding the autonomy of the social partner vis-à-vis State regulations, developments in Spain are a clear illustration of the contradictions inherent in an industrial relations system in which the State plays a strong role (Molina, 2014). The social partners – and

the trade unions in particular – have worked hard to reinforce strong and autonomous collective bargaining institutions. The efforts they have made since the mid-1990s to strengthen sectoral-level collective bargaining as a means to consolidate organized decentralization are an important example. However, some of the policies implemented during the crisis years have triggered a recalibration of the State's role in industrial relations. In particular, the regulation of industrial relations and collective bargaining – historically reserved for the social partners – was unilaterally determined by the State in both 2011 and 2012.

Developments regarding wage setting during the crisis also demonstrated the tension that exists between collective self-regulation and State regulation. In the 1980s, there had been a clear trend towards the consolidation of autonomous wage setting in the private sector, based on peak-level intersectoral coordination; and even though the State had been the main driving force behind the wage pacts of the early 1980s, the subsequent conflict between the trade unions and the Socialist Government hindered any attempt to replicate incomes policy agreements. Following a period of uncoordinated wage bargaining and decentralization, wage setting became characterized by truly autonomous intersectoral coordination from the late 1990s onwards; this was achieved through peak bipartite agreements signed each year by the most representative employers' and workers' organizations. The economic crisis seemed to bring a temporary halt to this practice, as the social partners failed to reach agreement in 2009 on the guidelines for collective bargaining – but a new agreement was concluded in 2010 and renewed in 2012 and 2015. These agreements all contained a strong commitment to wage moderation, and also to the autonomous regulation of collective bargaining.

One of the major repercussions of the crisis – with its accompanying fiscal consolidation and structural measures – has been a move back towards unilateral State regulation of public sector working conditions. In 2008 and 2009, wage increases for civil servants were agreed upon within the General Bargaining Forum. The wages and wage increases of salaried employees were negotiated in the second and third collective agreements, covering the periods 2006-08 and 2009, respectively; these agreements established that salaried employees should receive the same wage increases that had been negotiated for civil servants. By contrast, during the 2010-15 period, the Government unilaterally implemented pay increases for public sector employees.

5. Conclusions

This analysis of social dialogue in Spain has clearly shown the contrast between tripartite and bipartite dynamics in the post-crisis period. While tripartite social dialogue has struggled to revitalize itself after being discontinued during the crisis, bipartite dialogue between the trade unions and employers remains a defining trait of industrial relations and a source of stability and coordination in collective bargaining in Spain.

Based on the evidence presented, it is difficult to talk of any revitalization of tripartite social dialogue. The year 2015 witnessed unilateral State intervention in areas, such as the vocational training system, that were traditionally regulated and managed by the trade unions and employers. The non-institutionalized dimension of tripartite

social dialogue, which takes place outside the ESC, remains weak and shows few signs of recovery.

Institutionalized tripartite social dialogue in the ESC has not seen any significant change in its functioning, composition or impact. It remains an advisory body with limited involvement in the negotiation or implementation of recovery policies. Indeed, fiscal consolidation policies have made this institution itself a potential target of budgetary savings measures and, as a consequence, a number of regional Economic and Social Councils have been dismantled. Notwithstanding, some attempts have been made to breathe new life into its role by making its policy advisory function more pro-active.

The future of tripartite social dialogue in Spain remains unclear. As those interviewed for this study affirmed, tripartite social dialogue has a strong ideological and political basis; for this reason, trade unions still express the hope that it can be revived and make an effective contribution to post-crisis recovery, especially in the light of the December 2015 election results. However, the main challenge, for both the social partners and social dialogue, is to regain a more central role in policy-making. The gradual watering down of tripartite social dialogue to labour market issues diminishes not only its capacity to provide the basis for sustainable growth, but also the legitimacy of the social partners.

The revitalization of tripartite social dialogue requires, first and foremost, an acknowledgment by the Spanish public authorities that the social partners have an important role to play in specific policy areas. One would be in the reduction of income disparities, where social partners have the capacity to intervene via collective bargaining. In Spain, during the crisis, the inequality of earnings and income has risen significantly, and this may jeopardize future growth by suppressing domestic demand. An income pact, focusing on reducing inequality as well as on moderating wages, could have a very positive impact. Putting an end to social exclusion is another policy area where the social partners could make an invaluable contribution, including through tackling long-term unemployment.

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Appendix

List of persons interviewed for the study

Government

Francisco González de Lena, Economic and Social Council Director of the President's Cabinet

Jesús Barroso Barrero (*), General Director of Active Labour Market Policies, Public Employment Service of Spain

Employers' Organizations

Joan Pujol, General Secretary, 'Foment del Treball Nacional' (Employment Development Department)

Workers' Organizations

Ignacio Fernández Toxo, General Secretary, CCOO

Cristina Faciabén (*), Socio-Economic Department, CCOO Catalunya

Camil Ros (*), UGT Catalunya

Others

Juergen Foecking, Head of Political Sector – Permanent Representation of the European Commission in Spain

Ann Westermann, Economic Advisor and European Semester Officer, Representation of the EC

(*) Interviews conducted between September 2014 and June 2015 for the Project "Socio-Economic Evaluation of Employment Policies in Spain 2012-2014"

12. Turbulent times and beyond: The Swedish experience

DOMINIQUE ANXO

1. Introduction

As a small, export-oriented economy strongly exposed to international competition, Sweden was extremely hard hit by the 2008 global financial crisis. The severe drop in aggregate demand between 2008 and 2009 led to a decrease in employment of around 100,000 persons and an increase in the unemployment rate from 6.2 to 8.3 per cent. However, sound public finances – due, *inter alia*, to early fiscal consolidation measures and structural reforms initiated during the 1990s – gave the Swedish Government room for manoeuvre. This included an expansionary macroeconomic policy in order to maintain aggregate demand and limit the negative impact of the crisis on employment, household income, consumption and welfare. Wage moderation by the social partners was also a feature during the crisis period. Modest increases in labour costs during the period 2008-10, combined with the depreciation of the Swedish currency on account of the expansionary monetary policy conducted by the Swedish Central Bank during the same period, also helped to mitigate the negative effects of the recession on output and employment. In other words, and without underestimating the role played by expansionary fiscal and monetary policies, there are strong reasons to believe that part of the Swedish “success story” relates to the specificity of the Swedish industrial relations system and the quality of its social dialogue.

One of the fundamental features of the Swedish industrial relations system is a strong contractual tradition based on the existence of powerful social partners, who enjoy considerable autonomy from the public authorities. Fundamentally bipartite, the Swedish model of industrial relations remains characterized by the central role played by the two sides of industry in mechanisms for regulating the labour market, notably wage formation and working conditions. The bipartite and contractual nature of labour market regulations, coupled with the high union density and high coverage rate of collective bargaining, creates a favourable institutional environment for the emergence of negotiated compromises aimed at balancing flexibility and security in the labour market. As stressed in Anxo (2013), Sweden thus constitutes a good illustration of a regime of *negotiated flexibility*, where the social partners are extensively involved in the regulation of working conditions and wage formation at the industry and company/local levels.

The main objective of this chapter is twofold: to assess the possible impacts of the global financial crisis on the Swedish industrial relations system and social dialogue; and, in a dialectic sense, to analyse the role of this system, as a *productive factor*, in alleviating the imbalances created by the 2008 economic downturn. Information has been drawn mainly from prior research, current literature and interviews.¹²⁶ This chapter is divided up into a number of sections. Section 2 gives a broad description of the macroeconomic context and the main orientations of macroeconomic policies prior to and after the 2008 Great Recession, while section 3 analyses the involvement of the social partners and the role of social dialogue during and after the Recession. Taking a historical perspective, section 4 examines the main transformations of the Swedish collective bargaining system, and section 5 – the last section – provides some concluding remarks.

2. The macroeconomic and political context

2.1 The political context

Between 1993 and 2006, a Social-Democratic minority coalition Government was in place in Sweden. Following the 2006 parliamentary elections, the Left and Green parties lost the election and a new centre-right coalition Government led by the Prime Minister Fredrik Reinfeldt was established.¹²⁷ Strongly inspired by neo-liberal ideas, this Government undertook a number of structural reforms during its two successive terms of office (2006-10 and 2010-14). These reforms aimed principally at increasing labour utilization in the long run through essentially supply-oriented measures, such as tax cuts and reforms of the social protection system. Several tax reforms aimed at reducing the tax wedge and increasing labour supply at both the extensive and intensive margins. Reforms of income tax were also implemented gradually, with the most important tax reforms in this context being the introduction of a system of in-work tax credits aimed at strengthening work incentives for low-income earners, and a reduction of marginal tax for high income earners – both reforms entailing a reduction of marginal tax of around 2-3 percentage points. The reform of the unemployment insurance system, particularly the reduction of income replacement rates, also aimed at enhancing work incentives, intensifying the job search and reducing unemployment spells (see section 4).

2.2 Main orientations of macroeconomic policy during the Great Recession

In the wake of the global financial crisis, the Swedish economy started to deteriorate rapidly in the second half of 2008, and in 2009 real GDP decreased by 5.0 per cent. With this severe drop in aggregate demand and output, employment decreased by around 100,000 persons between 2008 and 2009 (a decreased employment rate by 2.1 percentage points from 80.3 per cent in 2008 to 78.2 per cent in 2009). The fall in output and employment was marked in manufacturing, in particular in the male-dominated export oriented industries, with a decrease of 14 per cent.

¹²⁶ See appendix for the list of organizations contacted.

¹²⁷ This coalition Government, the so-called Alliance, was composed of the conservative-liberal Moderate Party (*Moderaterna*), the Centre Party (*Centerpartiet*) and the Liberal Party (*Folkpartiet liberalerna*).

Healthy public finances at the onset of the 2008 recession – due, *inter alia*, to early fiscal consolidation measures initiated during the 1990s¹²⁸ – gave the Swedish Government room for manoeuvre in conducting a traditional Keynesian macroeconomic policy in order to maintain aggregate demand and limit the negative impact of the crisis on employment, household income, consumption and welfare.

Confronted by the severe deterioration of the situation in the labour market, the Swedish Government, in the early stage of the crisis (2008–09), implemented a package of recovery and countercyclical measures, ranging from expansionary fiscal and monetary policy, to active labour market policy (ALMP) and educational policy (Anxo, 2011; Anxo, 2013). This included extensive investments in the maintenance and operation of the road and rail networks. In order to stimulate activity and maintain labour demand in the construction sector, work in the form of repairs, maintenance and improvement of one-family houses and rented housing became tax-deductible. Between the years of 2009 and 2010, the Government announced further countercyclical expansionary measures to combat the crisis. These new fiscal measures covered mainly two areas: increased government grants to municipalities and county councils¹²⁹ and more resources for ALMPs.

ALMPs have recurrently played a vital role in Swedish stabilization policies. The preference for the principle of employment promotion (work-first principle) has predominated over benefit options and passive measures for the unemployed. As usual during a period of recession, the level of appropriation of the public employment services increased, as did the number of participants in various ALMP programmes (labour market training, wage subsidies, coaching, etc.). In order to counteract the rise of unemployment, in particular long-term unemployment, the number of participants in the various ALMP programmes was gradually increased – from 171,000 in 2008 to 314,200 in 2014 (Public Employment Service, 2015). Regarding education and training policy, the Government increased the number of places in post-secondary vocational training, local authority upper secondary education for adults, and universities and colleges.

Although the reinforcement of ALMP measures and the various policies of activation and educational measures (in particular the Life Long Learning (LLL) facilities) do not, *per se*, create new jobs in the short run, they remain sound instruments for securing transitions from unemployment to employment and improving the allocation of resources between sectors. These policy measures, by increasing labour market participation, have favoured social inclusiveness and limited the development of long-term unemployment.

The Swedish economy recovered quickly with an increase of real GDP by 6.6 per cent in 2010 and 2.6 per cent in 2011. Employment also increased by 25,000 persons in 2010, and as much as around 100,000 in 2011. In the aftermath of the economic

¹²⁸ In order to cope with the dramatic rising budget deficit and growing public debt, as a result of the 1993 recession, the Social-Democratic Government (1994–2006) took a number of fiscal consolidation measures. These included a reduction of the income replacement rate of several social protection system and stricter eligibility rules (Unemployment Insurance and Sickness Insurance); and a drastic cut in public employment (a reduction of 200,000 public jobs between 1995 and 2006). In order to ensure the long-run sustainability of the Swedish pay-as-you go pension system, the Government initiated in 1998 a comprehensive pension reform that was fully implemented in 2003. The old benefit-defined system was replaced by a mandatory defined contribution scheme (See Anxo 2015 for details).

¹²⁹ In charge of the provision of social services, health, and pre-school, primary and secondary education.

recession, the average disposable income declined slightly (–1.0 per cent, between 2008 and 2010), while the median disposable income by consumption unit actually increased by above 3 per cent. The crisis's limited impact on the development of disposable earnings is linked to the extent and generosity of the social protection and transfer systems (economic stabilizers), which, by international standards, remain high in Sweden. Furthermore, the reforms of the tax system initiated by the Government, which entailed a reduction in both average and marginal income tax combined by the Government's countercyclical measures, such as the increase in the number of participants in ALMP, may partly explain the limited impact on disposable income. Sweden's relatively quick recovery from the financial crisis in 2009–10 may be ascribed to several intertwined factors. These range from the expansionary fiscal policies conducted by the Swedish government to more favourable macroeconomic conditions, with a quick upturn of exporting industries – thanks to an expansionary monetary policy; and a floating exchange-rate regime and wage moderation (see section 3).

2.3 Impact of the financial and economic crisis on the labour market

At the onset of the global financial and economic crisis (second half of 2008), the Swedish economy started to deteriorate rapidly. With the severe drop in output and aggregate demand, employment declined sharply. The fall in output and employment was particularly marked in the male-dominated manufacturing industries and construction sector, with decreases of 25 and 20 per cent, respectively. In the early phases of the recession, adjustment essentially took the form of a reduction of overtime and a dramatic reduction in the number of agency workers and short-term contracts, in particular among male employees. Between 2007 and 2009 the number of notified redundancies dramatically increased (an increase of 65 per cent), while hiring and new vacancies decreased significantly (a reduction of 33 and 80 per cent, respectively). There was, however, a quick upturn of hiring and new jobs already in 2010 and the following years, reflecting the fast recovery of the Swedish economy. Despite this, the post-economic crisis (2010–14), did not result in lower rates of unemployment. The rate of unemployment has been rather constant at around 8 per cent since 2009. The share of long-term unemployment¹³⁰ also increased during the period 2008–13.

As far as gender is concerned, the relatively stronger impact of the crisis on male unemployment relates largely to the abovementioned decline of employment in the male-dominated export-oriented manufacturing sector. Regarding older workers, Swedish companies have used early retirement to accommodate the recession – although to a significantly less extent than in previous economic downturns. The employment rate of senior workers (55–64 years of age) remained almost unchanged in the early phase of the crisis (and has even increased since then), while the unemployment rate among senior workers remained stable.

Youth unemployment and unemployment among non-natives are more sensitive to fluctuations in the business cycle. Indeed, the employment prospects of young people and foreign-born people had worsened significantly by the end of 2008.

¹³⁰ In Sweden, long-term unemployment is defined as six months or more of joblessness (three months for young people aged 16–24 years).

At the end of 2009, youth unemployment rates reached 29 per cent and those for foreign-born people 16.4 per cent (compared to 7.8 per cent for native workers). Although the issue of labour market integration of foreign nationals has been high on the list of government priorities, the situation of immigrants has not significantly improved throughout the past decade. The increase in unemployment among non-natives relates also to their weak attachment to the Swedish labour market (higher incidence of temporary contracts, lower work experience and concentration in the low skill segment of the manufacturing industry and service sector). In March 2015, the Government initiated tripartite talks with the social partners in order to improve and speed up the labour market integration of newly arrived immigrants. One objective of these discussions was to accelerate this integration by creating fast tracks into the labour market for immigrants with adequate education and work experience. The outcome of these talks was the creation of workplace-based practical work experience schemes or subsidized employment targeted at newly arrived immigrants in industries with labour shortages. Since 2007, a number of educational reforms have been undertaken to meet the needs of the labour market, improve the quality of the educational and training system and ease the transition from school to work. These reforms have placed greater emphasis on vocational training and apprenticeship programmes.

It is interesting to note that the 2008 crisis did not entail an increase in the polarization of the occupational structure.¹³¹ As shown in Anxo (2014), the 2008 crisis predominantly implied a destruction of low-skilled and low-paid jobs, while the number of high-skilled, high-paid jobs rose. If anything, there are reasons to believe that the skills upgrading process during the last crisis slightly increased wage inequality, but the Gini coefficient remained almost unchanged between 2009 and 2012. While cuts in the social protection system and taxation reform – in particular capital taxation and the growth of financial markets – undoubtedly explain part of the rise in income inequality in Sweden, the changes in industrial relations and wage-setting systems might also have contributed to the widening of income distribution since the 1990s (see section 4). The long-term decline in low-skilled jobs and the concomitant increase in demand for high-skilled jobs, combined with the higher return to education witnessed during the past two decades, help to elucidate this increase in wage inequalities. The shift towards decentralized bargaining and individualization has been more pronounced among white-collar and high-skilled workers than among manual workers and low-skilled employees, in both the public and private sectors.

There are strong reasons to believe that this shift towards more decentralized and individualized wage setting has increased wage dispersion, particularly for high-skilled white-collar workers. Despite the tendency for rising wage inequalities, the relatively centralized and coordinated collective bargaining system, and a still compressed wage structure, have prevented the development of low paid/low-skilled jobs in Sweden. On the contrary, they have boosted policies favouring an upgrading of skills. In effect, the large investment in research and development, a well-developed life-long learning and training system, the expansion of tertiary education during the past three decades, as well as a more balanced bargaining power between the two sides of industry, have

¹³¹ By “polarization of the job structure” we mean here a concomitant increase of both low-skilled and high-skilled jobs and a destruction of jobs in the middle layers of the occupational structure.

limited the tendency towards job polarization that is found, for example, in liberal market-orientated welfare states. These factors have contributed to the development of a high-skilled knowledge-intensive workforce.

3. The role of social dialogue in national policy-making in the pre- and post-crisis period

As mentioned in the Introduction, the Swedish Model of industrial relations relies on powerful, independent, and all-encompassing employers' and workers' organizations that enjoy a strong autonomy vis-à-vis the central government. Essentially bipartite, the Swedish Model of industrial relations is characterized by the crucial role that both sides of industry play in mechanisms that regulate the labour market, notably wage formation and working conditions. Swedish labour law is limited by comparison with labour legislation in other EU Member States, and for the most part is 'optional'; that is to say, most provisions of labour market legislation may be, wholly or partly, amended by collective agreements. Despite a recent and notable decline, the average union density in Sweden remains one of the highest among modern economies – at around 70 per cent in 2014. In the same year, the coverage rate of collective agreements stood at around 90 per cent. It is important to note that the high coverage rate of collective bargaining in Sweden does not relate to the existence of legal provisions for the mandatory extension of collective agreements but rather to the high density rate of employers' associations and the strong presence of trade unions at the firm/organization level. In fact, Sweden is characterized by well-established and strong employers' organizations. In 2013, the density rate of employers' organizations, measured as the proportion of dependent employees working in workplaces affiliated to employers' associations, reached 87 per cent, a density rate significantly higher than union density (Kjellberg, 2015). With some exceptions, employers' and workers' organizations in Sweden are structured along sectoral/industry lines.

Despite a clear tendency towards decentralization during the past two decades, the Swedish bargaining system remains fundamentally a two-tier system, in which bargaining takes place firstly at the industry/sectoral level and afterwards at the company/organization level. It is important to emphasize that by international standards, the Swedish two-tier bargaining model remains centralized and coordinated. Social dialogue is institutionalized and well developed; regular consultations take place with the social partners¹³² and are a key element in the Government's policies related to employment and social policies. Even though consultations and information sharing regarding labour market issues between the Government and the Parliament and both sides of industry have a long tradition, and are a common feature of the political process, the nature of industrial relations in Sweden remains essentially bipartite. Of course, the State is involved in social dialogue in its capacity as employer at the central and local authority levels, but this takes place through the respective employers' and workers organizations. Notwithstanding its fundamental bipartite nature, tripartite talks do exist and are favoured in Sweden, and they result in either encompassing collective

¹³² The social partners are usually represented on parliamentary and government committees responsible for drawing up employment and social policies. In this way, the social partners exert significant influence on the contents of labour market legislation.

agreements or laws/regulations. Regarding the development of social dialogue during the 2008 global financial crisis, the recession had no negative impact on industrial relations¹³³ and the period 2008–11 remained characterized by industrial peace – in sharp contrast to the situation during the previous recession in the early 1990s.¹³⁴

3.1 The role of the social partners in Swedish recovery

Since, as previously mentioned, the bulk of labour market regulations, working conditions and wage setting in Sweden is determined and regulated by collective agreement, an analysis of measures initiated to combat the impact of the economic crisis on employment cannot therefore be limited to government action. In contrast to other countries with weaker industrial relations systems and an unbalanced bargaining power between both sides of industry, the specificity of the Swedish industrial relations system also implies a more balanced sharing of the cost of the crisis in terms of both working conditions and inequalities at work. An analysis of the last two waves of the European Working Conditions Survey (EWCS) conducted by the European Foundation for the Improvement of Living and Working Conditions (Eurofound) in 2005 and 2010 (Anxo 2013) did not reveal a significant deterioration of working conditions in Sweden in the aftermath of the recession. Working time did not undergo large adjustments, work intensity remained almost unchanged, and work satisfaction and work-life balance opportunities seem to have even increased during the period.

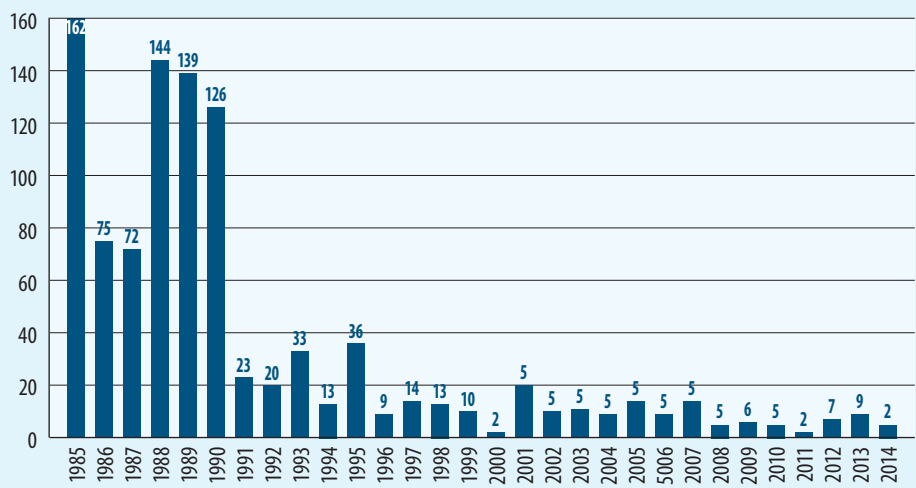
As far as wage setting is concerned, experience from the deep economic crisis of the early 1990s shows that wage moderation characterized wage developments during the second half of the 1990s and early 2000s. There were therefore strong reasons to expect that, in the wake of the current severe economic and financial crisis, wage agreements would also be concluded in order to preserve employment stability and limit further increases in unemployment. In effect, an analysis of collective agreements shows that wage moderation, and not wage cuts as in some other Member States, typified the rounds of collective bargaining during and after the crisis. The depreciation of the Swedish currency – due to the above-mentioned expansionary monetary policy combined with wage moderation – resulted in a slowdown in the rate of increased labour costs. This slowdown helped to alleviate the negative effects of the recession on output and employment. The bulk of the adjustment in the public sector also took the form of wage moderation (Anxo, 2013), with the public sector following the same wage developments as in the private sector. According to short-term wage statistics from the Swedish National Mediation Office (2015), the rate of wage increases in 2009 and 2010 for the economy as a whole was 3.3 and 2.5 per cent, respectively; indeed, the increases were significantly below those recorded in the period 2007–08 in both the private and the public sector. The stable nominal wage increase also continued during the post crisis years 2010–13, when wage agreements concluded remained in the range of 2.5–3.0 per cent. In our view, these developments illustrate well the extent of

¹³³ Currently, there are in Sweden more than 650 central collective agreements on wages and general terms and conditions of employment. It should be noted that the 2008 crisis *per se* did not impact negatively on the number of agreements, neither on union density or the coverage rate of collective bargaining.

¹³⁴ The deep recession of the early 1990s took the form of a dramatic employment crisis. In just three years – from 1990 to 1993 – the rate of employment decreased by more than 10.5 percentage points to about 73 per cent, and the rate of open unemployment increased nearly fivefold, from less than 2 to around 10 per cent of the labour force. Furthermore, the Government's annual budget deficit increased from about zero to some 14 per cent of GNP, whilst the public debt increased from 38 per cent to 76 per cent between 1990 and 1995.

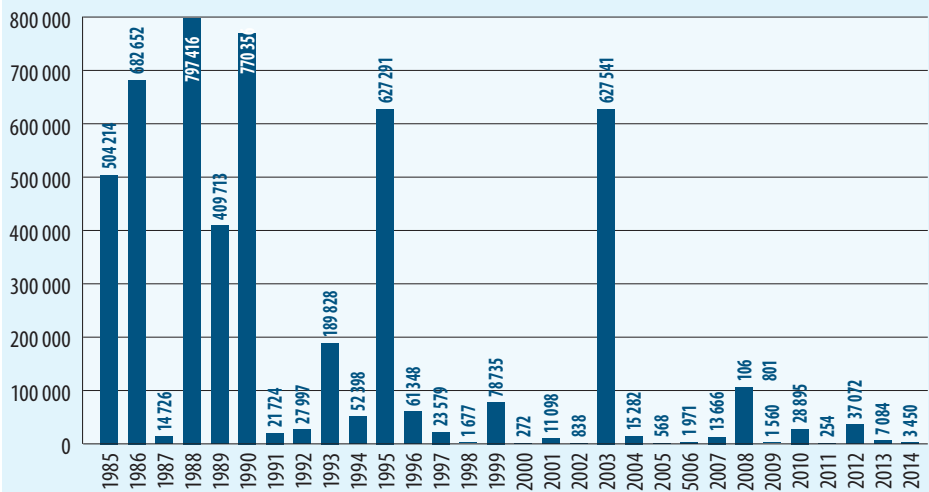
Swedish negotiated wage flexibility during a recession, and the willingness of both sides of industry to share more equally the burden of the crisis and limit the potential impact of the recession on employment, wage distribution and inequality. The deep recession also had no direct impact on industrial relations, and the period 2009–10 remained characterized by industrial peace, in contrast to the situation in the 1980s and during the previous recession (1992–95) (see figures 12.1 and 12.2).

Figure 12.1 Number of industrial conflicts, Sweden, 1985-2014



Source: Swedish Mediation Office (2014).

Figure 12.2 Industrial conflicts, number of workdays lost, Sweden, 1985-2014



Source: Swedish Mediation Office (2014).

In Sweden, structural changes or economic downturns have seldom been accommodated by public measures aimed at maintaining employment and favouring labour hoarding – for example, by reducing working time or by work sharing measures, as in the case of France or Germany (Anxo 2011).

In Sweden, employment adjustment due to structural and technological change, with the consent/support of the trade unions, has traditionally taken the form of external numerical flexibility combined with ALMP measures. Following this tradition, the Swedish adjustment process in operation during the 2008 global economic crisis was a mix of negotiated numerical flexibility and the active support of dismissed workers through ALMP measures and/or negotiated agreements, which helped redundant workers find new jobs rapidly or enhance their employability. As described in Anxo (2011), in cases of collective redundancy due to restructuring or individual notice due to a shortage of work, the Swedish social partners often negotiate security/adjustment agreements to help displaced workers find new jobs quickly, by way of adjustment measures and financial support. This has been common practice since the early 1970s. The two sides of industry (bipartite organizations) administer these support programmes: the so-called Job Security Councils (*Trygghetsråd*) and Job Security Foundations (*Trygghetsstiftelser*). By supplementing the role of local public employment agencies, these agreements, covering about half the labour force, contribute towards improving the security of employees and to enhancing matching efficiency; they played an important role in accommodating the 2008 deep economic downturn. Sweden is in this way unique in that the social partners assume the responsibility of a major part of the active employment policy measures.

It should be noted that in order to alleviate the individual consequences of layoffs and plant closures, the former centre-right Government set up a plan for enhancing and promoting cooperation between stakeholders. These stakeholders generally include the Public Employment Service (PES), the Social Insurance Agency, the abovementioned Job Security Councils and Job Security Foundations, the European Social Fund (ESF), municipalities, companies, non-profit organizations and trade unions.

Furthermore, even though there was no government measure for maintaining employment by means of short-time working schemes during the early phase of the 2008 global financial crisis, as for example in France and Germany, initiatives were taken by the two sides of industry. By way of illustration: the trade union federation IF Metall and the Association of Swedish Engineering Industries concluded a framework agreement on temporary layoffs, wage adjustments and training in March 2009. The agreement was valid until 31 March 2010, with a three-month notice period. To be valid, the agreement had to be endorsed by local agreement between the employer and the union. Under the agreement, a person temporarily laid off from work could receive at least 80 per cent of his or her usual monthly wage. The Swedish Industrial and Chemical Employers' Association, the Employers' Association of the Steel and Metal Industry, the Employers' Association of Swedish Mine Owners, the Employers' Federation of Welding Engineering and IF Metall signed a temporary redundancy pay agreement on 2 March 2009, enabling local partners at the firm level to conclude agreements on temporary layoffs. This agreement is similar to the agreement between IF Metall and the employers in the Association of Swedish Engineering Industries. Some 400 companies affiliated to this Association concluded such agreements, of

which most covered both manual and non-manual workers. On average, these short-time working agreements included an 18 per cent reduction in working hours and a 13 per cent reduction in wages; their average duration was a little over six months.¹³⁵ In the wake of the tripartite talks initiated by the Government in 2011, the Swedish Parliament (*Riksdag*) adopted a new law on short time working in December 2013 (SFS 2013:948). According to the law, it is possible to implement a State-subsidized short-time working system in the event of a severe economic recession. The State support is restricted to companies in the private sector covered by a collective agreement at the industry level on short time working. The rules regarding short-time working must be stipulated by a collective agreement at the company level. As further stipulated by the law, the State, the employers and the employees (through wage reduction)¹³⁶ share the cost of short-time working, the contribution of the State being one third of the total cost.

3.2 Social dialogue and the European Semester

In order to develop and strengthen the dialogue with the social partners within the national decision-making process and the EU Semester, successive Swedish Governments have, during the past decade, set up reference groups with representatives from the ministries concerned and the social partners.¹³⁷ For example, in 2015 the reference group held regular meetings at strategic points in time for discussions and consultations on the implementation of the Europe 2020 (EU 2020) strategy in Sweden. This initiative was adopted after close consultation with the social partners. According to the Swedish National Reform Programme (NRP) (Swedish Government, 2015), the Prime Minister invited the social partners, in March 2015, to participate in a consultation at chair level on the broader issues of growth ahead of the meeting of the European Council (March 2015). Consultation meetings also took place at senior official level on four occasions after the presentation of the 2015 NRP. By way of illustration, the appendix of the 2015 Swedish NRP includes various contributions from the social partners reflecting the measures and initiatives they have taken in accordance with the guidelines and the objectives that contribute to the fulfilment of Europe 2020 targets. Furthermore, the appendix includes the social partners' comments on Government policy as regards measures with a bearing on the Council recommendations in the context of the European Semester. The EU Semester decision-making process has admittedly triggered some formal procedures regarding consultations with the social partners within its framework; but these consultations are also a good illustration of the main features of the Swedish industrial relations system and the quality of its social dialogue.

¹³⁵ According to IF Metall these agreements helped to safeguard between 12,000 and 15,000 jobs.

¹³⁶ The wage reduction is 12 per cent in the event of a working time reduction (WTR) of 20 per cent; a wage reduction of 16 per cent in the event of a WTR of 40 per cent; and a wage reduction of maximum 20 per cent in the event of a WTR of 60 per cent.

¹³⁷ Namely, the Confederation of Swedish Enterprise, the Swedish Trade Union Confederation (LO), the Swedish Confederation of Professional Employees (TCO), the Swedish Confederation of Professional Associations (SACO), the Swedish Association of Local Authorities and Regions (SALAR), the Swedish Agency for Government Employers, and the Swedish Federation of Business Owners.

4. Industrial relations and collective bargaining

4.1 Modification of the Swedish industrial relations system: An historical perspective.

To understand the major changes in the Swedish system of industrial relations, we cannot restrict our analysis to recent years. We must look at its major transformations during the past three decades. From 1955 to 1983, the Swedish industrial relations system relied on a highly centralized and coordinated collective bargaining system. In 1983, there was a rupture in the country's three decades of centralized and coordinated bargaining. Following the abandonment of national inter-industry agreements in the mid-1980s, collective bargaining in both the private and public sectors is carried out at two levels: industry/sector and enterprise/organization.

The weakening of mechanisms for coordinated collective bargaining, the resurgence of industrial disputes during the 1980s, the threat of State intervention, high wage inflation and the dramatic increase of unemployment during the recession of the early 1990s, all had a decisive impact on the emergence of new compromises regarding industrial relations. The three main trade unions¹³⁸ in the sector exposed to international competition asked their employer counterparts to consider the possibility of setting up a new collective bargaining system that fostered both industrial peace and wage increases guaranteeing balanced growth and a return to full employment. The ensuing talks culminated in the signing of an 'Industry Agreement' on Cooperation on Industrial Development and Salary Formation in 1997. The spirit of the new Industry Agreement was to ensure industrial peace and promote more consensual industrial relations. One of the main innovative features of the Industry Agreement, apart from its tendency to re-coordinate collective bargaining, is that it explicitly regulates the conduct of negotiations and the resolution of disputes. If there is any risk of industrial action, the social partners concerned are obliged to notify the "impartial chairs" before the start of the notice period for a strike or lockout (Anxo and Niklasson, 2006).

These changes in industrial relations also re-established the pace-setting role of the sectors exposed to international competition and favoured wage adjustments in line with productivity developments. Also worth noting is that these modifications in wage setting led to a perceptible increase in real wages, in contrast to the previous situation (mid-1970s up to the end of the 1980s), which was characterized by real-wage stagnation. The significant changes in the orientation of monetary policy,¹³⁹ namely the complete autonomy of the Swedish Central Bank and the introduction of a clear inflation target¹⁴⁰ (in the mid-1990s, in conjunction with the abovementioned re-coordination mechanisms in wage setting) also clearly had an impact on wage formation and wage developments.

The social partners in both the private and the public sector were aware that wage developments not compatible with productivity growth and macroeconomic balance

¹³⁸ Namely the Swedish Federation of Blue-Collar Workers in the Engineering Industry (*IF, Metall*), affiliated to LO; the Swedish Federation of White-Collar Workers in Industry (*Unionen*), affiliated to the TCO; and the Swedish Association of Graduate Engineers (*Sveriges Civilingenjörförbundet, CF*).

¹³⁹ In particular, the change of the monetary regime (floating rate) in the early 1990s was a clear signal that the Central Bank would no longer conduct an accommodative monetary policy via devaluations, as in the past.

¹⁴⁰ Two per cent per year, within a range of plus or minus 1 per cent.

would not, as previously, be accommodated by devaluations but lead to the implementation of a restrictive monetary policy (interest rate increase), with a potential negative impact on employment and unemployment. We may argue that this reorientation of macroeconomic policy played a crucial role in wage development by deterring excessive wage increases and wage inflation. It encouraged wage moderation (but still real wage increases) and rising employment right up to the 2008 Great Recession. But the other side of the coin is that the reformulation of economic policy in the mid-1990s – i.e., the priority given to fighting inflation and ensuring fiscal consolidation measures – clearly reflected a weakening of the political commitment to the goal of full employment, as illustrated by unemployment rates well above those experienced during the Golden Age of the Swedish Model. We may therefore argue that the higher level of unemployment since the mid-1990s changed the balance of power between the two sides of industry in favour of capital and weakened the bargaining power of trade unions.

In addition to the establishment of new procedural rules aimed at insuring industrial peace and a re-coordination of wage bargaining at the industry-sector level, we have witnessed – since the second half of the 1990s – a clear tendency towards a decentralization and individualization of wage setting and working conditions at the company/organizational level. This has been the case in both the private and public sector. In other words, the abovementioned tendency to re-coordinate collective bargaining at the industry level should not be viewed as a weakening of the role played by enterprise-level/organization-level negotiations. Negotiations at the company/organization level play a central and growing role in the setting of wages, as well as in the terms and conditions of employment. In fact, enterprise/organization-level bargaining has tended to gather strength in the past decade, particularly in the public sector (Anxo, 2013). The wages of a large majority of public sector employees are now set locally and largely individualized through performance monitoring, in strong contrast to the previous wage scale system based on seniority that was dominant up to the mid-1990s. The acceptance of a more individualized type of wage formation based on individual skills/characteristics and performance/productivity rather than on job characteristics, as had been the case in the past with the application of the solidaristic wage policy,¹⁴¹ testifies to societal changes regarding wage norms and norms of fairness, among both private and public employees and their representatives. The marked tendency towards decentralization, differentiation and the individualization of wages and terms and conditions of employment coincides also with a wider dispersion of the wage distribution. It is worth noting, however, that in contrast to other countries with highly decentralized and individualized bargaining systems – such as the United States and United Kingdom – the still strong and powerful trade union organizations and high union density at company/organization level in Sweden lead to negotiated forms of wage individualization and differentiation. There are strong reasons to believe that the tendency towards the decentralization of collective bargaining and the individualization and differentiation of wages will continue. Collective and undifferentiated ways of setting wages seem to be becoming less popular and individualized types of wage formation are being

¹⁴¹ The *solidaristic wage policy* involved not only the application of the principle of equal pay for equal work (irrespective of sectors, regions or the profitability of companies) but also efforts to reduce wage differentials between jobs, i.e. to promote a more compressed wage structure. The primary motivation for the implementation of this wage norm was not only fairness and equity aspects but also economic efficiency aspects by fostering and promoting productivity-enhancing structural changes through the closure of unproductive plants and/or rationalization at the company level.

generalized across the Swedish labour market, as a whole. It is worth highlighting that the modification of the Swedish bargaining system was the outcome of a long process that began as early as the mid-1980s, and the 2008 severe economic downturn did not entail changes in collective bargaining mechanisms. However, the dramatic deterioration of the situation in the labour market has, as mentioned in section 2, induced a series of initiatives and agreements from both sides of industry, which are aimed at limiting the negative consequences of the economic downturn.

As previously mentioned, Sweden has experienced a significant decline in union density during the past two decades. A number of factors help to explain the fall of trade union membership in Sweden (by almost 12 percentage points) between 1990 and 2014. It is important here to distinguish between long-term transformations related principally to major changes in employment and occupational structure and short-term factors linked to specific measures or the business cycle. In particular, the reduction of employment in manufacturing industry and the public sector¹⁴² due to fiscal consolidation measures and budget cuts initiated in the 1990s, combined with changes in societal norms (individualistic values), account in part for the long-term decline of union density.

The successive reforms of the employment protection system in Sweden – especially the introduction of short-term contracts not requiring justification from the employer, alongside the deregulation of employment intermediation in the early 1990s – have contributed to a significant increase in employment instability and growing duality in the labour market between insiders and outsiders. The rise of short-term contracts has also played a role in the decline of union density in Sweden; the union density being significantly lower among fixed-term contracts compared to open-ended contracts (47 per cent versus 74 per cent).

Although the long-term decline of union density in Sweden may be attributed to structural factors, the acceleration of this decline after 2006 is closely related to policy measures, in particular the reform of the Unemployment Insurance system (UI) initiated by the centre-right Government in 2007 and 2008. This reform resulted in a notable reduction in the generosity of the Swedish UI system; the income replacement rate fell from 80 to 70 per cent after 200 days of unemployment, and the maximum duration for receiving unemployment benefits was reduced to 300 days. Furthermore, the financing of the UI was modified: the contributions of the various Unemployment Funds administered by the trade unions (*Ghent system*)¹⁴³ were dramatically increased and differentiated according to the unemployment level in the sector/industry concerned. In other words, a system of experience rating was introduced, and individual unemployment insurance contributions increased or decreased depending on whether unemployment grew or declined in an industry. This reform resulted in a large rise in individual monthly contributions; in some cases, UI fees paid by individuals tripled.¹⁴⁴

¹⁴² The propensity to join a trade union is traditionally higher in these two sectors.

¹⁴³ The Swedish UI system is a so-called *Ghent system* based on voluntary membership in UI funds subsidized by the State. Various trade unions covering different industries administer the UI funds.

¹⁴⁴ By way of example, between 2006 and 2009 the individual monthly UI fees for construction workers increased from SEK 116 (12.4 Euros) to SEK 455 (48.5 Euros); for workers in engineering industries it increased from SEK 93 (9.9 Euros) to SEK 384 (40.9 Euros); and for employees in hotels and restaurants from SEK 97 (10.3 Euros) to SEK 430 (45.8 Euros) (See Kjellberg, 2014). If you add the normal affiliation fee for being member of a trade union, the monthly cost increase was significant.

The consequence was both a large decrease in union membership and a dramatic decline in the number of dependent employees covered by the UI system: around 500,000 employees left the unemployment insurance system between 2007 and 2008.¹⁴⁵ As reported by Kjellberg (2015), the decline of union density in the aftermath of the UI reform was unprecedented, and as a whole dropped by six percentage points (from 77 per cent in 2006 to 71 per cent in 2008). Obviously, the Government's main objectives with these UI reforms were to enhance jobseekers' work incentives and to indirectly influence the outcome of wage bargaining by weakening the bargaining power of trade unions – thereby inducing wage restraint.

The 2008 global financial crisis particularly hit sectors exposed to international competition and blue-collar workers. Against this background, the reform of UI financing had a strong impact on union density among LO members, in particular within manufacturing industries – but also in low-skilled and low paid sectors such as the hotel, restaurant and retail sectors with a high labour turnover and a large share of short-term contracts. There are therefore strong reasons to believe that a significant part of the recent decline of union density in Sweden was a consequence of this reform. It is also worth noting that while the crisis did not break the decline of union density among blue-collar workers, the reverse was true for white-collars. Although the reform of the UI system also affected white-collar workers between 2007 and 2009, the union density of these workers increased again in the aftermath of the crisis, and it subsequently reached the same level as their 2006. In early 2014, the former centre-right coalition Government changed again the rules concerning UI financing, implying that the individual monthly UI fees would come back to their 2006 level.¹⁴⁶ Against this backdrop, the number of UI members has increased during the past two years by almost 55,000 persons, but it still remains below its 2006 level. More recently, the Social-Democratic-Green Coalition Government that took office in September 2014 increased the UI income replacement rate. There are strong reasons to believe that these two recent measures will at least contribute towards stabilizing – and at best increasing again – the level of union density in Sweden.

5. Conclusions

From an international comparative perspective, Sweden seems, up until now, to have succeeded in overcoming the 2008 economic crisis better than a number of other Member States. Despite a long-term tendency towards a reduction in the generosity of the Swedish welfare state, the universal social protection system has helped to reduce the consequences of the crisis on individuals, as the benefit and transfer systems have played their role as shock absorbers and economic automatic stabilizers. The more limited negative impact of the Great Recession on the Swedish economy may also be attributed to the expansionary fiscal and monetary policies conducted by the former centre-right Government. The consistent increase in domestic demand has been a large contributor to Swedish economic growth over the past seven years. This stands in

¹⁴⁵ The share of the workforce covered by unemployment insurance decreased from 80 per cent to 67 per cent between 2007 and 2009.

¹⁴⁶ Two main reasons explain this change: a new general election and the fact that the unemployment insurance reform resulted in a large number of wage earners, in particular low-paid/low-skilled employees with unstable employment conditions, lacking sufficient protection in case of unemployment, thereby increasing the risk of social exclusion.

contrast to previous recessions, especially that of the early 1990s, where exports were the main driver. This has been due to additional appropriations to local government securing the provision of welfare services and public employment and an increase in disposable household income, on account of various cuts in income tax and targeted increases in some transfers.

The Swedish industrial relations system remains the archetype, the epitome, of a bipartite agreement-based model of labour market regulation. As seen in this chapter, the 2008 economic crisis did not provoke changes in the Swedish industrial relations system or collective bargaining mechanisms. The Swedish model of industrial relations has not only demonstrated strong resilience during the crisis but has also contributed to Sweden's relatively rapid economic recovery. In effect, the well-established and well-developed mechanisms of social dialogue and the active involvement of social partners during the crisis acted as a productive factor in helping the economy to overcome the macroeconomic imbalances, contributing positively to the Swedish recovery. The recession had no negative impact on industrial relations and the period 2008–11 remained characterized by industrial peace – in contrast to the situation during the previous deep recession of the early 1990s.

Despite a significant decline in union density, both sides of industry remain firmly in control of labour market regulations and wage setting and have played a determinant role during the recession, in particular regarding wage developments (wage moderation) – but also in other employment and working conditions. The specific features of the Swedish industrial relations system, characterized by a relative balance of power between the two sides of industry, also help to explain the even distribution of the 'cost of the crisis' between various socio-economic groups. Sweden still has one of the highest levels of job quality and the recent recession has not adversely affected working conditions in terms of wage cuts, longer working hours, higher workloads or increased work intensity, as has been the case in other EU Member States (Anxo 2013; Anxo, 2015). The Swedish experience remains therefore a good illustration of the positive role played by healthy public finances, developed social dialogue, and a strong social safety net for mitigating and absorbing the negative impact of external macroeconomic shocks.

In short, the Swedish experience during the past recession illustrates the resilience of a societal model based on a universal and generous social protection system, in addition to well-developed social dialogue as a mechanism for regulating the labour market and social policies, and strong public and political involvement in the provision of a wide range of services.¹⁴⁷ As noted in Anxo (2015), the '*Swedish success story*' during the past recession cannot be solely attributable to early fiscal consolidation measures initiated during the 1990s. It is clear that alongside the strong automatic stabilizers embedded in the Swedish societal model, the additional government support (countercyclical Keynesian policy and ALMP/training measures) and social dialogue have also played an important role in mitigating the effects of the crisis on employment, welfare and social cohesion, and appropriately illustrate the resilience of the Swedish social model.

¹⁴⁷ Other aspects of this universal system include egalitarianism and pro-active policies for promoting gender equality and fighting discrimination and social exclusion.

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Appendix

List of persons interviewed for the study

Employers' Organizations

Jonas Berggren, Head of International Secretariat, *Svenskt Näringsliv* Confederation of Swedish Enterprise

Workers' Organizations

Ellen Nygren, International Secretary, the Swedish Trade Union Confederation (LO) (Blue-collar)

Mika Domisch, International Secretary and Mats Essemyr, Senior Research Officer, the Swedish Confederation of Professional Employees (TCO) (White-collar)

Åsa Ehinger Berling, Head of International Secretariat, the Swedish Confederation of Professional Associations (SACO) (Professional)



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TALKING THROUGH THE CRISIS

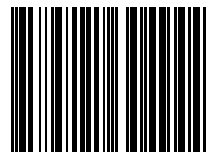
Social dialogue and industrial relations trends in selected EU countries

Social dialogue between government, employers' and workers' organizations is a powerful tool for correcting labour market imbalances and promoting jobs-rich economic recovery. During and since the economic and financial crisis which started in 2008, national social dialogue institutions in countries of the European Union (EU) have been tested but, in many cases, have demonstrated their potential to innovate and contribute to a return to positive growth.

This book brings together country case studies from eleven EU Member States, which document emerging trends in national social dialogue, focusing on developments since 2013. The authors shed light on the many factors that have influenced recent social dialogue and industrial relations developments, including the national economic and political context, the effectiveness of bipartite and tripartite institutions, and the European Semester. An introductory comparative overview chapter analyses overall trends and specific good practices at national level, drawing also on data from other countries of the EU-28.

This book will be a valuable resource for policy-makers, employers' and workers' organizations, academics and practitioners who are seeking new ways to confront the profound changes and challenges facing the world of work today. Its findings reinforce the centrality of partnership through social dialogue in the pursuit of decent work and social justice.

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