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Social dialogue and social security governance: A topical ILO perspective

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Abstract Amongst all the topics addressed in the world of work, none, perhaps, reflect the principles of tripartism and social dialogue better than social security. It is natural, therefore, to ask how effectively these key instruments of sound governance have been and are being used in addressing significant challenges presently facing social security systems in many countries. The process of social security reform, notably in pension provision, has been high on the agenda of many countries in recent decades, reflecting the impact of factors such as globalization and demographic ageing. More recently, fresh strains have arisen as a result of the global financial and economic crisis. The International Labour Office (ILO) has sought to analyse and understand these questions, and the ILO Departments of Social Dialogue and Social Security have jointly undertaken studies both before and in the aftermath of the crisis. The evidence shows mixed outcomes. In a range of countries with strong traditions of effective social dialogue, their value has been reiterated. Disappointingly, however, in other countries, often under the pressures of severe economic strains and urgent demands of the international financial institutions (IFIs) and other agencies, governments have acted unilaterally, sometimes with rather little heed of constitutional responsibilities. The authors conclude that there is both the need and scope for a renewed focus to secure an appropriate degree of political will and commitment to the

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process of tripartite social dialogue in addressing what are often complex and sensitive policy issues in the field of social security.

Keywords governance, social security reform, ILO, State, employers participation, trade union, international

Introduction

Of all the topics addressed within the framework of the world of work — the natural mandate of the International Labour Organization (ILO) — it may be that none is better reflective of the principle of tripartism than that of social security. The partnership of government, employers and workers represents precisely the conjunction of the stakeholders in, essentially, every scheme of social security organized and administered, at least for formal-economy workers, throughout the world.

In this light, it is the most natural of questions to ask to what extent and how effectively the mechanisms of social dialogue between the tripartite partners have been and are being used to promote the governance — specifically the design and organization — of social security schemes on as effective and efficient a basis as possible. At the same time, a considerable part of the administration of social security has, of necessity, to be entrusted to specialists in technical and administrative aspects, notably those of finance. The oversight of such professionals on a tripartite basis is, to say the least, very demanding, and this is an issue which has been brought into sharp focus by conditions of financial change or stress, resulting in demands that social security pension schemes — which, typically, are dominant entities within the financial sector in their countries — should undergo “consolidation” or “reform”.

Such pension reforms have led, in different countries and according to context, to increases in contributions, reductions in benefits (often clothed in the guise of a change from a defined benefit scheme design to one of defined contributions), or to increases in the threshold age for the payment of old-age pensions. One strand of thought and policy-making in relation to pension reform may be traced to the revision of the systems in several countries of Latin America, starting in Chile in 1981. Subsequently, the change of the overall economic perspective in many of the countries of Eastern Europe gave rise to pension reforms, some of which followed the Latin American “model”. In more recent years, financial market turmoil has resulted in demands for adjustments of very uncomfortable scope in many, if not all, countries globally.

It would seem that such momentous changes would be best accomplished on the basis of agreement sought, negotiated and reached within a framework of

(tripartite) social dialogue, and in some cases this has been observed. However, in many other cases, such a social dialogue has been conspicuous by its absence or, at best, limited scope.

It is, perhaps, pertinent to note that, while the ILO naturally promotes social dialogue which is, as often as possible, fully tripartite, such a process may be seen also to contain within itself several discussions of a bipartite nature. Recent developments in the field of social security, in particular within the scope of pension reform, have tended to reduce the general levels of provision, in a way that has led to especially acute concerns on the part of workers and the trade unions. As will be evident in some parts of this article, the result as regards social dialogue may be seen in terms of some departure from the ideal tripartite balance.

The ILO has naturally sought to understand the underlying influences, whether favourable or unfavourable to the promotion of social dialogue. A detailed study of the countries of Eastern Europe was completed in 2008 (Ghellab, 2008), and a study designed to illustrate the global experience in the wake of the financial and economic crisis has been commissioned.¹ This article draws to a considerable extent on both.

This article commences with a short review of how the ILO's approach to social security and its governance were established. A selective discussion of relevant underlying principles of social security is then followed by an examination of the current stresses confronting social security systems and of the differing social security needs of distinct population groups in society. Supported by select national experiences, the role of social dialogue in the governance of social security is then discussed. The global financial and economic crisis has certainly had a negative impact on social security finances, ultimately if not immediately, and more severely in some countries than others, and this has led to an increased emphasis on social security reform in national policy agendas — a process that has thrown light on the difficult challenges facing meaningful social dialogue in many countries. The article concludes by making the case for a strengthened role for trade unions and employers in social dialogue in support of the governance of national social security schemes and systems.

Historical milestones

It is important to trace several points in history at which critical initiatives have been taken in establishing the ILO's approach to social security and its governance.

While social security has formed part of the ILO's mandate since its inauguration in 1919, a major step forward was taken in 1944, at the meeting of the International Labour Conference in Philadelphia. This meeting promulgated the Declaration of Philadelphia, incorporating the landmark assertion that “poverty anywhere

1. This International Labour Office study is forthcoming.

constitutes a danger to prosperity everywhere”, and going on to assert the need to establish systems of social security to institutionalize the right of workers and (for the first time) their families to adequate social protection. Accordingly, the Philadelphia meeting went on to adopt two Recommendations — the Income Security Recommendation of 1944 (No. 67) and the Medical Care Recommendation of 1944 (No. 69) — which set the framework for developments in the following decade. At this time, global perspectives with regard to social security were heavily influenced by, amongst other initiatives, the “Beveridge Report” in the United Kingdom (Beveridge, 1942), which laid out an approach to comprehensive social security provision based on specified contingencies and using, to a large extent, the risk-pooling mechanism of social insurance.

Within this framework, the ILO worked towards the development of an instrument which would, itself, set a standard, in terms of coverage and benefits under each of the nine “classical” branches of social security.² The resulting Convention — the Social Security (Minimum Standards) Convention of 1952 (No. 102) — was adopted by the International Labour Conference (ILC) in 1952.

Over the subsequent decades, this general structure was strengthened to some extent, with the adoption of a number of Conventions providing for higher levels of benefit under most of the “classical” contingencies. These instruments, together with Convention No. 102 of 1952, are considered presently as representing the up-to-date normative framework for national approaches to the provision of social security.

The framework for social security provision envisaged under Convention No. 102 and associated instruments included, explicitly, a strong degree of reliance on social insurance as the main mechanism for risk sharing. This approach, in turn, implies that schemes will be essentially contributory in nature, relying heavily on the regularity of contribution payments, whether or not these are to be shared between employers and employees. In reality, the world of work has developed globally in ways which were hardly foreseen in 1952, with the intensifying predominance in many countries of the informal economy, to which the “traditional” model of contributory social insurance is, perhaps, ill-suited.

In this light, the level of social security coverage globally has remained at disappointingly low levels overall, despite the success of the “model” in the developed economies of, mainly, Europe and North America, and despite, also, its unique conceptual convergence with the precepts of social dialogue. Accordingly, when the ILC came in 2001 to its periodic discussion of the ILO’s efforts in the field

2. The nine branches cover the need for income security in the event of old age, disability, sickness, unemployment, maternity, employment injury, death of the family breadwinner, together with the needs for medical care and family benefits.

of social security and its global status, it was concluded that, while the existing normative approach remained appropriate, a new initiative was required to overcome the obstacles to extending coverage (ILO, 2001). The outcome of this process was the launch, in 2003, of a “Global Campaign on the extension of Social Security Coverage for all”.³

Meanwhile, in June 2008, the ILC adopted the ILO Declaration on Social Justice for a Fair Globalization, which recognizes the importance of “the extension of social security to all, including measures to provide basic income to all in need of such protection”.⁴

A further opportunity for the ILC to review the status of the ILO’s work in the field of social security has arisen with the Recurrent Discussion on Social Protection (Social Security) under the ILO Declaration on Social Justice for a Fair Globalization, scheduled for and undertaken at the ILC’s 100th Session in June 2011.⁵ The Conference also had before it the report of the Committee of Experts on the Application of Conventions and Recommendations, entitled “*Social security and the rule of law*” (ILO, 2011).⁶ That report includes a full chapter “Advancing social security through social dialogue”, and in its conclusions draws attention specifically to the relevant principles.

In the meantime a development of the greatest potential significance has emerged, in the form of the Social Protection Floor.⁷ This concept was formalized by the Chief Executives’ Board of the United Nations agencies (UN CEB) at their meeting in Paris in April 2009. Its importance in, amongst other objectives, the recovery from the most recent global economic crisis, has been recognized by the ILO social partners through its incorporation in the Global Jobs Pact adopted by the ILC at its meeting later in 2009.

The meeting of the ILC in 2011 reached, on the basis of fairly intensive tripartite social dialogue, agreement that the future course of social security policy development in the ILO should be based, jointly, on the existing framework of Conventions and Recommendations, together with the Social Protection Floor, but that, so as to ensure adequate focus on the latter, a new instrument is needed; work has begun to draft such an instrument (in the form of a Recommendation) for, prospectively, discussion at the ILC of 2012.

3. Extensive documentation of this campaign initiative, together with related materials, is to be found at the GESS Web portal <<http://www.sociasecurityextension.org>>.

4. See <http://www.ilo.org/public/english/bureau/dgo/download/dg_announce_en.pdf>.

5. See Report VI to the 100th Session of the ILC <http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_152819.pdf>.

6. This report (Report III (part 1B) to the ILC 100th Session) forms the Committee’s General Survey concerning social security instruments taking into account the 2008 Declaration on Social Justice for a Fair Globalization.

7. See <<http://www.social-protection.org/gimi/gess/ShowTheme.do?tid=1321>>.

Some underlying principles

Over the years, social security schemes have developed in such a way as always to provide financial relief to an individual worker or his or her family in the case that any of the covered contingencies eventuate. Thus, an individual should not, in such circumstances, be forced to rely purely on her or his own resources, nor indeed on insurance purchased on an individual risk-priced basis (which would, for example, almost certainly result in the exclusion of those unlucky enough to suffer chronic ill-health). However, a variety of mechanisms have been employed over the years to achieve this. In many cases, the optimum mechanism is considered to be that of social insurance, in which the risks relating to the individuals covered (ideally the whole of the working population) are “pooled”, or shared, on the basis of solidarity, so that the contributions to be paid or on behalf of each participant can be assessed on a socially-fair (rather than a strictly “actuarial”) basis.

This is, however, not the only possible mechanism. Over many years, for example, it has been customary in many countries to provide certain types of coverage on the basis of employers’ liability. This mechanism has been considered well-suited to the contingencies, for example, of employment injury (formerly in the context of a scheme of “workmen’s — or workers’ — compensation”), sickness pay, and, perhaps, maternity benefits, being apparently “fair” in the sense that an employer who may operate a business of relatively dangerous character may expect to have to meet costs in the long term at a relatively higher level than those running “safer”, perhaps office-based, enterprises.

It is relevant to note, also, that schemes providing social security, in relation to all of the classical contingencies, usually rely on contributions to be paid by employers, but if by employees too then at a wide range of different relative levels.

In view of such a variety of approaches to social security provision, it is natural that the social partners may take different views as to the relative weight of influence to be asserted in any process of social dialogue underpinning a scheme, perhaps reflecting at least to some extent their relative levels of financial commitment. It may be noted, however, that the framework in which Convention No.102 of 1952 was designed clearly envisaged that those covered by any scheme should have a right to influence, directly or indirectly, its administration:

Where the administration is not entrusted to an institution regulated by the public authorities or to a Government department responsible to a legislature, representatives of the persons protected shall participate in the management, or be associated therewith in a consultative capacity, under prescribed conditions; national laws or regulations may likewise decide as to the participation of representatives of employers and of the public authorities.⁸

8. Article 72 of Social Security (Minimum Standards) Convention of 1952 (No. 102).

The general approach is to view social security as a right of all members of society,⁹ and accordingly that they be involved, through a process of social dialogue, in each of its aspects. If, now, as seems well-nigh certain, a major vehicle for the extension in many countries of coverage under social security/social protection is to be pursued within the conceptual framework of the Social Protection Floor, it will be of considerable importance that a similar perspective of (human) rights and social dialogue should be developed and maintained.

The forces of change in relation to social security/social protection

While, in the very nature of the subject, it is extremely important to see social security and social protection in a long-term perspective, it is impossible to ignore the need to respond to a greater or lesser degree and over time to a range of secular trends. The result is seen in demands over recent decades and in many countries for “reform”, notably in pension provision, which typically represents the largest and longest-term financial commitment of any national social security system.

Perhaps the most significant of such trends, for many schemes, has been that towards the globalization and liberalization of markets and financial systems. This is reflected in a multi-dimensional set of issues for social security schemes. First, the transformation of markets has resulted in many workers losing their jobs, and hence their access to continuity of social security coverage. This may present an acute problem in countries where access to adequate health care is dependent on active membership of a contributory social security scheme. Second, and as a consequence of such reductions in workforces, the quantum of contributions to social security schemes, and hence their cash flows, may be severely reduced. Third, the pressure of global competition has led many entrepreneurs to insist, and often to convince national policy-makers, that the imperative of reducing costs should be reflected in reduced levels of social security contributions.¹⁰

The discussion around this topic has been thrown into sharp focus by the financial and economic crisis of 2008 onwards, which has led to intensifying competitive pressures on many enterprises around the world, and constraints to government finances which have restricted the extent to which those pressures might be relieved through subventions from national treasuries. National

9. This right is made explicit in several international instruments, including, notably, the Universal Declaration of Human Rights (Articles 22 and 25) <<http://www.ohchr.org/en/udhr/pages/language.aspx?langid=eng>> and the International Covenant on Economic, Social and Cultural rights (Article 9) <<http://www2.ohchr.org/english/law/cescr.htm>>.

10. This perspective has gained ground, despite the evidence over long periods of years that countries which maintain the strongest systems of social security have benefited from the highest levels of economic growth. Further discussion may be found, for example, in ILO (2011, Chapter 1).

schemes of social security have responded by restricting or reducing benefits, and in countries where complementary provision through employer-sponsored “occupational” schemes has traditionally been “the norm”, this avenue has also shrivelled. This trend has particularly affected old-age pension schemes, which, if not closed altogether, then have refused membership to new entrants, have reduced benefits, increased contributions, and/or transferred investment risks from employer to employee through transformation from defined benefit to defined contribution scheme design.

A rather different and even longer-term set of issues is presented by demographic progression, notably, in many countries, that of ageing populations. The welcome trend towards greater longevity almost everywhere in the world has inevitably changed the balance, which may have been long-established in some countries at least, between years spent in active work and those in retirement, and hence the balance between contributions paid and pension benefits received. Ageing of populations has, too, implications for the kinds of health care required and its average per-person cost in the longer term.

A particular danger is that many, if not all, of these issues, are viewed by policy-makers and technical managers of social security schemes in terms of a “factual” and ineluctable assessment of circumstances, in relation to which there is seen essentially to be no scope for negotiated compromise and therefore no value in entering any process of social dialogue — a conclusion which, from the perspective of the ILO, is very wrong indeed. It may be observed, thus, that too often social dialogue to address the resulting problems has failed to materialize in any meaningful way, although this has perhaps occurred as much by oversight as by intent.

Considerations relating to population groups

Those concerned with the development and maintenance of national systems of social security and social protection are increasingly aware of the need to address questions as to the adequacy with which those systems meet the needs of specific groups whose members may face particular vulnerabilities and often, perhaps, fail to match the profile of a “standard” beneficiary.

This is most obviously the case as regards women who, while they represent of course half the population (or more) in many countries, find typically that social security schemes meet their needs in a much less satisfactory way than that of their male counterparts. This reflects a variety of issues; women tend to spend fewer years in the workforce than do men, not only because of their role as child-bearers, but also as care-givers for families, including elderly members; women are more likely to work informally than men, and they are likely to earn less than men, even when doing the same job. Defined contribution pension schemes may provide poorly for women, because (inter alia) the annuitization of a specific accumulation sum will

result, actuarially, in a lower annual pension amount.¹¹ While women, in most countries, experience lower mortality rates than men, they tend to experience higher levels of morbidity and to have specific needs with regard to medical care, specifically but by no means only in relation to maternity care, which may not be well reflected in the systems of social health provision. And the types of provision available for dependants, when a worker becomes ill or dies are, in many countries, much less adequately specified for insured women than men.

A group whose general level of vulnerability is attracting increasing concern is that of migrant workers. Not only is it likely that these workers are excluded from effective coverage under social security in their home, “sending” countries, but rarely do they qualify for full, if any, benefits in the social security schemes of their “receiving” countries. Many such workers, moreover, leave behind family members in their home countries, who may find themselves excluded from any effective coverage under the home-country systems of social security.¹²

In each case, it is likely that such groups experience considerable difficulties in registering their concerns — their “voice” is heard intermittently, if at all. For a wide variety of reasons, it is likely that they are poorly represented in bodies such as formal trade unions, and so tend to be excluded at a very early stage in the usual fora in which social dialogue is conducted. Migrant workers may well be actively dissuaded from joining representative groups and participating in collective action.¹³ While there are many initiatives around the world to find solutions, it must be said that they themselves tend to be scattered and to have had until now limited impact. One group in particular whose voice is likely to go entirely unheard is that of children; although the issues relating to the provision of effective social protection for this group, especially of child workers, are rather complex, and need to be addressed in an integrated manner within wider systems of social protection, they should by no means be overlooked.

The role of social dialogue

We turn now to look at the role of social dialogue in the management of social security policies and systems.

A key ILO instrument here is the Consultation (Industrial and National Levels) Recommendation of 1960 (No. 113), which calls on member States to take:

11. This problem is ameliorated if, as in an increasing number of countries, a statutory requirement is imposed that annuitization should be carried out on “unisex” terms. Nevertheless, the market mechanism fails to cope comfortably with the differential life expectancy of women and men.

12. Refer to ILO Conventions: Migrant Workers (Supplementary Provisions) Convention of 1975 (No. 143); and Maintenance of Social Security Rights Convention of 1982 (No. 157).

13. Some migrant workers are fortunate enough to benefit from regional agreements, such as those covering workers in the European Union, but on the global scale these represent a small minority.

Measures appropriate to national conditions to promote effective consultation and cooperation at the industrial and national levels between public authorities and employers' and workers' organizations, as well as between these organizations . . .

And states that:

Such consultation and cooperation should aim in particular at ensuring that competent public authorities seek the views, advice and assistance of employers' and workers' organizations in an appropriate manner, in respect of such matters as . . . the establishment and functioning of national bodies, such as those responsible for . . . social security and welfare . . .

The main institutional vehicles for social dialogue in relation to social security matters include national tripartite bodies concerned with economic and social policies, and the participation of representatives of the workers' and employers' organizations in the management boards and advisory councils of the social security schemes; in addition, social dialogue may find expression in the establishment and regulation of supplementary schemes through collective agreements. In Europe, despite the fact that the State has traditionally been central in the administration of social security schemes, there has long been, and remains, a strong degree of involvement of the persons protected in the management of schemes.

Where national tripartite institutions exist in order to promote social dialogue — such as, for example, an economic and social council — these generally serve as fora for governments and social partners to deliberate widely on national economic and social policies, a brief which will include social security. This task is assigned usually to such councils by laws and regulations that define their mandates and methods of work. In some cases, separate councils may be established at the national level to deal specifically with the subject of social security. As a rule, such tripartite bodies whether addressing social security specifically or a wider agenda will have a role that is consultative and advisory in nature.

It may be observed that countries which boast successful and sustainable social security systems are normally characterized as exemplifying good governance, full accountability and participation of society at large in general, and workers' and employers' organizations in particular, in the decision-making process. In this regard, Sweden is seen by many as a better-than-average case. Specifically, the drawn-out process of social dialogue that accompanied the discussions that led to the introduction of notional defined contribution (NDC) accounts into the Swedish pension system in 1999 is often cited as a good practice example (Woodall and Hagemeyer, 2009). While the ultimate responsibility for comprehensive and adequate social security coverage lies with the State, it is necessary to involve employers and workers, in view of their roles as contributors, taxpayers and beneficiaries, in the design, supervision and governance of social

security systems.¹⁴ Such involvement can make a major contribution to creating and maintaining sound systems with effective delivery.¹⁵ The supervisory structures of social insurance institutions — whether, in accordance with different national traditions and practices, these are established as boards of managers or trustees — therefore represent an important arena for institutionalized social dialogue. In some countries, where other institutionalized forms of social dialogue do not exist, while the mandate of these boards is limited to a specific issue, their role as an exemplar of social dialogue may thus be of considerably wider importance.

Experience in selected countries

A number of progressive examples of social dialogue mechanisms, applied in relation to social security, may be observed in Europe. In Austria, social security institutions are set up as public bodies under the principle of self-government. The decision-making bodies (called administrative management bodies) comprise so-called “insurance representatives”, whose avowed task is to articulate the interests of the respective insured communities. The vast majority of insurance representatives are chosen by the employees’ and employers’ organizations.

In the Netherlands, the social partners have been at the heart of the ongoing pension reform debate. This reflects the fact that, alongside the State, the social partners play a key, direct role in the pension system, having responsibility for the management of the “second pillar” pensions. In a wider sense, moreover, this country demonstrates not only a long corporatist tradition of consensual social dialogue and joint regulation by the State and the social partners, but also the conclusion of social pacts dealing with reforms concerning wage setting, labour market policy and social security. In Portugal, the relevant concerns are presented at the national level in the forum of the Standing Committee for Social Dialogue and the National Council for Social Security, on which seats are reserved for both employers and the main organizations representing the protected persons. In Greece, representatives of insured persons, employers and pensioners participate in the administrative boards of social insurance bodies.

Elsewhere in Europe the level of reliance on social dialogue mechanisms in social security development has been more modest. This seems to have been the case in many, if not all, of the countries of Eastern Europe characterized by a transition in recent decades from a centralized to an open economic model. Most surprisingly, perhaps, the results of an ILO study, as reflected in a survey amongst the social partners, indicate that the central institutions for social dialogue in South East

14. Report of the Committee for the Recurrent Discussion on Social Protection, ILC, 100th session, Geneva, June 2011 <http://www.ilo.org/wcmsp5/groups/public/@ed_norm/@relconf/documents/meetingdocument/wcms_157820.pdf>.

15. Article 72 of Social Security (Minimum Standards) Convention of 1952 (No. 102).

European (SEE) countries were involved only modestly, at best, in pension reform deliberations, and the same is true as regards inputs to the respective national pension scheme boards (Ghellab, 2008). Of the ten country cases reviewed,¹⁶ where the central social dialogue institution existed at the time of a major pension reform, only three played a role in developing the reform legislation. In two of these, the role which they played was secondary to that of the national pension board.

The study revealed the weak role played by social partners in the shaping of pension reforms and the marginalization of central tripartite institutions in the process of policy deliberations in the SEE countries. Indeed, based on the perception of the social partners, it appears that in most of these countries the governments have chosen to circumvent the economic and social committees (or similar bodies), notwithstanding that they would seem to be the most appropriate forums for deliberations on nationwide policy issues such as pension reform. Instead, recourse has typically been had to “working groups” convened on an ad hoc basis, and from which at least some social partners have found themselves excluded on occasions from participation, or to be outnumbered by actors representing interests such as financial institutions or private pension funds. It is not surprising, therefore, that social partners may be heard to criticize governments who seem to show little commitment or political will towards the maintenance of social dialogue, often resulting in the marginalization of existing social dialogue institutions within the system of governance.

Social dialogue and the global financial and economic crisis

The financial and economic crisis of global scope which developed in 2008 and continued for 2 years or more, resulted in policy changes in many countries which had significant impacts on national systems of social security/social protection and industrial relations. This experience provides a valuable opportunity to observe the role played by social dialogue and, in broad terms, its impact.¹⁷ For many national systems of social security, the impact of the financial and economic crisis has been particularly severe on their pension branches, and the following paragraphs focus accordingly on them.

16. Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Former Yugoslav Republic of Macedonia, Moldova, Montenegro, Romania, Serbia, as well as Kosovo as defined under the Resolution of the UN Security Council No. 1244.

17. To this end, the Departments of the ILO concerned with, respectively, Social Dialogue and Social Security have commissioned a series of studies in countries undertaking pension reforms in the wake of the crisis, together with a review summarizing the conclusions which may be drawn; it is expected, at the time of writing in July 2011, that these will be ready for publication shortly.

During the initial period of the crisis from the end of 2008 through 2009, social dialogue and tripartism were observed to gain momentum, playing an important role in national responses to the crisis. In the countries suffering significant impacts from the crisis, processes of social dialogue have been triggered by, notably, the adoption of stimulus packages to halt and reverse what was seen as economic “freefall” and, where possible, shelter labour markets from mass redundancies. In many countries, including Belgium, Chile, Germany, Japan, Netherlands, Nigeria, Singapore and South Africa, governments involved the social partners in the shaping of stimulus packages designed to mitigate the impact of the global economic downturn on workers and enterprises, and to accelerate recovery. The social partners generally acknowledged a level of common interest in seeing governments adopt measures which would favour jointly employment and the protection of workers’ income together with the survival of businesses. In most European countries, tripartite negotiations on ways and means to address the crisis have been instrumental in adopting emergency measures to protect vulnerable groups within society from the worst effects of the crisis. In most cases, the packages implemented in the light of tripartite social dialogue have contained specific measures related to social security and the protection of the most vulnerable categories of workers.

By the autumn of 2008 governments realized that the crisis, originally perceived as being rooted in the financial markets, was being transmitted to the real economy and the resulting challenges could not be addressed by public authorities alone on the basis of unilateral decision-making. On the contrary, the crisis called for effective tripartite cooperation between governments and the social partners. Indeed, as underlined in the International Labour Organization’s Global Jobs Pact, “Social dialogue is . . . a strong basis for building the commitment of employers and workers to the joint action with governments needed to overcome the crisis and for a sustainable recovery” (ILO, 2009, p. 5).

ILO assessments of crisis-related responses by many member States show that the combination of social dialogue instruments and state intervention in many countries during the period 2008-2010 helped to accelerate recovery.¹⁸ While the positive spill-over of social dialogue in times of crisis has been noted elsewhere, these recent studies have documented a range of experiences of national social dialogue in the context of the economic downturn. While many were successful, naturally some experiences were less so, particularly in the earlier years of 2008-2009, and social dialogue faced challenges even in countries with a long-standing tradition of social partnership, such as Ireland and Spain. Overall, however, social dialogue is seen to have generated effective cooperation at national and enterprise

18. See ILO Web portal relating to the Global Jobs Pact and post-crisis studies in a wide range of countries <<http://www.ilo.org/pls/apex/f?p=109:1:0>>.

levels and, in the anticipation of recovery, to have created the conditions for the smooth management of national economies.

Some countries, however, offer experiences that are less promising. When the governments of some, notably European, countries embarked on a wave of austerity measures in 2010, it seemed that the process of constructive social dialogue in many came to a halt. Typically, it is the case that austerity measures have been adopted hurriedly, under the perceived pressure of financial markets (as measured by the widening of “spreads”, rising sovereign debt, and increasing difficulty of access to new loan monies), with little or no consultation with the social partners. As a result, ongoing reforms that may be both complex and sensitive as regards their results — such as changes to the pension age and reductions in benefit rates — are being undertaken in haste, with tripartite consultations between governments and social partners being relegated to a role of much reduced prominence as compared to the period between mid-2008 and the end of 2009, during which social dialogue and tripartism played an important role in crisis responses. Under these circumstances, it seems that the process of consultation in a range of countries has been limited to seeking the social partners’ endorsement of measures pre-determined by governments, often on a unilateral basis, and frequently declared to be “non negotiable”.

The role played by international institutions

In this picture, it is necessary to include some commentary on the role played by multinational and international institutions. The impacts of the global financial and economic crisis, which have contributed to the ballooning increase in public deficits and debts, have been reflected in strains on pension systems and concerns as to the sustainability of those systems. To respond, governments have been prompted to accelerate the pension reform process, already under way in many countries. Institutions, such as the International Monetary Fund (IMF) and Organisation for Economic Co-operation and Development (OECD), have tended to apply a rather rigid analytical framework and set of policy prescriptions, and this has been reflected in the approach of other institutions such as the European Union (EU). These policy prescriptions have been addressed with rather limited adaptation to governments worldwide, but particularly in Europe. The result has been that governments in a range of countries have felt compelled to introduce significant reforms of their pension systems, quite often in a precipitous manner, and without effective consultation with the stakeholders, in particular the social partners.

A good deal of the economic analysis underlying these developments reflects the so-called Washington Consensus which, while its precepts have come increasingly under discussion amongst the global community of economists, still holds considerable sway in the international arena, and the basic pillars of its approach —

notably, austerity and the privatization and liberalization of markets — tend to be accepted on a matter-of-fact basis that denies much scope for open or democratic deliberation. It appears that the result in terms of social dialogue has been a very significant loss of momentum by comparison with the height of the global recession in 2008-2009. This is to the considerable concern of the social partners, especially the trade unions, who have criticized specifically the pressure exerted by the IFIs. The prescriptions of the IFIs for urgent reforms in, for example, Slovenia, France and Spain, have been rather vehemently opposed, to the accompaniment of vocal protests.

The experience in a number of countries serves to illustrate the results of pressures exerted on governments in this way by international institutions.

The situation in Greece has attracted particular attention, and at the time of writing (July 2011) may still be developing. In relation to the present subject, it is noteworthy that the 2010 Memorandum of Agreement with the EU and the IMF on the emergency financing package to be provided to the country includes specific requirements for reform of the system of social insurance and pensions, relating in particular to the long-term sustainability of the pension system.

In Romania, in May 2010, following discussions with the IMF, the Government announced significant budget reductions, including a reduction of 15 per cent in the amounts of current pension payments. This policy has been opposed, not only in the direct political arena by the formal opposition but by a committee bringing together a number of trade union confederations, and has been challenged as to its constitutional validity. However, it does not appear that the decision-making mechanisms of social monologue have achieved wide success.

In Slovenia, somewhat comparable developments have taken place, with the Government introducing pension reforms on account of advice from the IMF (which has recently been reiterated) and following the collapse of tripartite negotiations. Trade unions — who strongly oppose the reform — launched a successful court appeal opposing the pension reform proposals, which resulted in a referendum being held in June 2011, with the majority of voters rejecting the Government's proposals.

In Spain, the Government has likewise received advice from the IMF as to the need to implement severe cuts and transform the country's labour market and pensions system, while also stressing the need for consolidation in the domestic banking sector. In this case, however, the Government has acted to revitalize social dialogue among the social partners in order to reach an agreement on growth, jobs and the sustainability of public finances, and has secured the support of the main trade unions, notably with regard to the raising of the retirement age from 65 to 67.

Recent evidence of social unrest

In a number of countries, the interplay of factors in the social arena during and in the aftermath of the financial and economic crisis has led to significant levels of public unrest. The underlying factors vary, naturally, from country to country. Nonetheless, common themes may be seen in the disquiet as policies of economic stimulus change to ones of consolidation and austerity, often with adverse impacts on health provision and social benefits, while resources — “taxpayers’ money” — are used for the “bail out” of banks and financial institutions. These issues may be seen, in a number of instances, to have been reflected in more or less serious conflicts in industrial relations.

This has been the case, for example, in France, where 2010 was marked by widespread protests and strikes following the Government’s announcement that it would raise the retirement age from 60 to 62 by 2018. Several French trade unions¹⁹ made a joint statement pointing to the perceived disadvantaging of younger and “precarious” workers. In Greece, at the end of June 2010, both public-sector and private-sector trade unions²⁰ participated in general strike action against pension reforms, which are being implemented in the light of advice from the EU and the IMF.

Court action: A last resort for workers’ organizations?

In several countries, questions have been raised as to the constitutional validity of governments’ policy proposals, which typically have been pressed forward under circumstances of financial stress but with limited efforts, at best, to engage in social dialogue. In the absence of social dialogue, or other means by which their “voice” might be heard, trade unions have launched challenges in the courts against contentious decisions taken by governments. Illustrative cases include that of Romania, where the trade unions rejected an austerity plan proposed by the Government in November 2009, and successfully questioned in some aspects its constitutional validity, which has been noted above. In the United Kingdom, the Public and Commercial Services Union (PCS) challenged in the High Court an agreement between the Government and five trade unions on reducing the maximum redundancy compensation for civil servants, and won the case. In Latvia, the Constitutional Court found in 2009 that pension reform proposals were unconstitutional and contrary to the principle of legitimate expectations (Ghellab and Papadakis, 2011).

19. CFDT, CGT, FSU, Solidaires and UNSA.

20. ADEDY and GSEE, respectively.

Concluding observations

Shared values, trust and mutual expectations are essential in lowering the costs of economic and social transactions and sustaining strong economic performance. Mutual expectations and trust emerge and develop only in the social and political environment created by open and broad social dialogue, tripartite consultations and collective bargaining. The quality of the social dialogue addressing increasingly complex issues such as pension reform can now make the difference between positive and negative outcomes, between outcomes which strengthen social coherence and those which fail to do so. Effective social dialogue is needed to achieve a high degree of cooperation and coordination among the various parties essential for good governance, policy coherence and a fair distribution of the costs and benefits of reforms. Regretfully, the institutional framework of social dialogue in many countries is inadequate. Complex reforms require more and broader forms of social dialogue, which should include civil society actors in addition to the ILO's traditional social partners. Effective cooperation among various partners in the area of social security can broaden the scope and increase the effectiveness of the dialogue in society as one of the principal means of action to strengthen social cohesion. To avoid conflict between long-term perspectives and short-term financial expediency, it is essential to institute dialogue between political and social forces. Time spent on such dialogue is well invested when it results in broad social and political support of the necessary reforms and reduces opposition. Time saved by the swift and smooth implementation of reforms brings substantial economic and competitive benefits.

It is clear that social protection systems must reflect real changes — demographic, financial and social — in the environment within which they seek to meet the needs of their contributors and beneficiaries. The ageing of populations, for instance, is an issue that potentially undermines the financial stability of pension schemes, and cannot for long be ignored. However, the impact on individual members varies greatly — those close to their expected retirement age have very little time to adjust to changing criteria for eligibility and expectations as to their benefits — and the resulting stresses certainly cannot be defused or managed effectively if a proper process of social dialogue is too hasty or, indeed, lacking.

In these circumstances, the forms of social dialogue long promoted by the ILO have renewed significance. In the context of “formal” social security, the combined framework of Convention No. 102 of 1952, Recommendation No. 113 of 1960 and related instruments, provides valuable guidance as to the optimal modalities through which the social partners should participate in the governance of schemes, although there is considerable scope for a revitalized effort to strengthen the capacities of the individual actors. In relation to systems of less formal provision, of the kind that should develop rapidly within the framework of the Social Protection

Floor initiative, the role of social dialogue in the way forward stands, perhaps, to be defined more sharply. The prospective promulgation of a new ILO instrument should provide guidance in this regard.

In broad terms, the critical importance of the role of trade unions and employers in strengthening social dialogue and their own underlying capacities in the governance of national schemes and systems, with the support of the ILO and other agencies, not least the International Social Security Association (ISSA), remains undiminished, and the way forward on the basis of compromise and negotiated strategies — even in countries with adversarial systems of industrial relations — can be discerned fairly clearly. Amongst the international family of agencies, including the World Bank, the IMF, and the OECD, liaison with regard to issues, including for example development planning and the opening of fiscal space, is vital. However, there is an equal if not greater need for — at the very least — goodwill and — better still — real political commitment, on behalf of governments to join in this effort.

The evidence to date from the ILO's studies and observations in this regard is decidedly mixed. Going forward, both the challenge and the scope for progress are considerable.

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