



This project is co-financed by the European Union and the Republic of Turkey

IMPROVING SOCIAL DIALOGUE IN WORKING LIFE

The Contribution of Social Dialogue to Economic Development and Growth

Duncan Campbell

Philippe Egger



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Duncan CAMPBELL

Duncan Campbell retired in December 2014 as Director of Global Mega-trends at the International Labor Organization where he had worked as an economist for 25 years. He is the former director of five departments, including the Employment Strategy Department, all dealing with economic research on the labor markets and development. He then became a visiting faculty member in the Economics Department at Cornell University where he has been teaching courses in labor economics, development economics, and technology and labor markets in the digital era. He is the author or editor of five books, and over 40 articles broadly in the field of labor and development economics. He was principal author of two ILO World Employment Reports, and is currently a consultant with the ILO, the Asian Development Bank, African Development Bank and the African Center for Economic Transformation. He is a graduate of Bowdoin College, and holds an MA in literary criticism from the University of Pennsylvania, and an MBA in Finance, and a PhD in Applied Economics, both from the Wharton School of the University of Pennsylvania. He is a non-resident Fellow of the Institute for the Study of Labor (IZA).

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Abbreviations

AIAS	Amsterdam Institute for Advanced Labour Studies
AICESIS	International Association of Economic and Social Councils and Similar Institutions
ANC	African National Congress
ANPAL	National Employment Agency
APINDO	The Employers' Association of Indonesia
B20	Business 20
BDA	Federal Association of German Employer Associations
CCMA	Commission for Conciliation, Mediation and Arbitration
CEO	Chief Executive Officer
CFCU	Central Finance and Contracts Unit
CFDT	French Democratic Confederation of Labour
CFTC	French Confederation of Christian Workers
CGC	General Confederation of Executives
CGIL	Italian General Confederation of Labour
CGPME	Confederation of Medium-Sized Enterprises
CGT	General Confederation of Labour
CISL	The Italian Confederation of Workers' Trade Unions
CLC	Canadian Labour Congress
CNV	National Federation of Christian Trade Union
CONFINDUSTRIA	General Confederation of Italian Industry
COSATU	Congress of South African Trade Unions
CUT	Unified Workers' Central
DED	Department for Economic Development
DBB	The German Civil Service Federation
DIALOGUE	ILO - Social Dialogue and Tripartism Unit
DGB	German Trade Union Confederation
ECC	Employment Conditions Commission
ECOSOC	Economic and Social Council
EPWP	Expanded Public Works Programme
EU	European Union
EUROFOUND	European Foundation for the Improvement of Living and Working Conditions
EUROFRAME	European Forecasting Research Association for the Macro Economy
FIOM-CGIL	Federation of Metal Workers Employees
FKTU	Federation of Korean Trade Unions
FNV	Netherlands Trade Union Confederation
FO	Workers' Force
FS	Labour Force Union
GDP	Gross Domestic Product
ICTWSS Database	Database on Institutional Characteristics of Trade Unions, Wage Setting, State Intervention and Social Pacts

The Contribution of Social Dialogue to Economic Development and Growth

ILO	International Labour Organization
IMF	International Monetary Fund
IPA	Instrument for Pre-Accession Assistance
İŞKUR	Turkish Employment Agency
JTUC-RENGO	Japan Trade Union Confederation
KCTU	Korean Confederation of Trade Unions
KEF	Korean Employers Federation
KILM	Key Indicators of the Labour Market
KSPSI	The Confederation of All Indonesian Workers' Union
KSPI	The Indonesian Trade Union Confederation
L20	Labour 20
MEDEF	Movement of Enterprises of France
MoLSS	Ministry of Labour and Social Security
MW	Minimum Wage
NEDLAC	National Economic Development and Labour Council
NFA	National Framework Agreement
NORMES	International Labour Standards Department
OECD	Organisation for Economic Co-operation and Development
PPP	Purchasing Power Parity
SBSI	The Indonesian Workers Welfare Union
SETA	Sector Education Training Authority
SME	Small and Medium Sized Enterprises
STATS SA	Statistics South Africa
TEPAV	Economic Policy Research Foundation of Turkey
TLS	Training Layoff Scheme
UIF	Unemployment Insurance Fund
UIL	Italian Labour Union
UNECE	United Nations Economic Commission for Europe
UPA	Union of Agricultural Producers
VCP	Trade Union Federation for Professionals
VER.DI	United Services Trade Union
WEO	World Economic Outlook
YOIKK	The Coordination Council for the Improvement of Investment Environment

Foreword

Social dialogue is a core value, and a key objective of the International Labour Organization (ILO). The Ministry of Labour and Social Security (MoLSS) also recognizes the value and importance of social dialogue in both policy making and implementation in Turkey. It is the main vehicle by which governments, employers and workers in countries across the world seek to address important issues and challenges in the social and economic policy arenas. Within this approach, by coming together, the tripartite partners -each of which has a key stake in the world of work- can build a shared understanding of the problems at hand and together agree on the best way to tackle them.

Social dialogue has a proven track record in producing sustainable solutions, including in times of crisis and recovery from crisis. It takes many forms, ranging from simple sharing of information to the negotiation of binding collective agreements or social pacts at the national level. It may involve only the representatives of employers and workers in either private or public sectors, or it may include government representatives as well in tripartite social dialogue. It sometimes occurs in formal institutions at national or regional levels but may happen equally in more informal ways at enterprise or local levels.

Recognizing the value of social dialogue in the pursuit of both economic growth and social peace, the Government of Turkey is working with the ILO to implement a project entitled “Improving Social Dialogue in Working Life” with the financial support of the European Union (EU). The overall objective of this project is to promote social dialogue at all levels in Turkey, through three interlinked components: first, strengthening the institutional and technical capacity of the MoLSS and the social partners; second, increasing public awareness and knowledge on social dialogue, freedom of association and collective bargaining; and third, improving social dialogue mechanisms in practice, through specific grant-funded activities.

This study on the contribution of social dialogue to economic development and growth was commissioned by the project as the first of a number of comparative research reports foreseen under the first component. Its purpose is to gather and review evidence, with a focus on countries in the G20, on the impact of various forms of social dialogue on national economic performance in the period since the economic and financial crisis hit in 2008-09. In doing so, it seeks to demonstrate the positive contribution made by social dialogue, particularly in mitigating the negative impacts of the crisis. For example, short working time was the measure most often adopted, through some form of social dialogue, to counter the downturn in employment. The report seeks also to draw lessons from cross-country experience which may be of relevance to Turkey. One important conclusion is that the greater the practice of social dialogue within a country, as reflected in the quality and density of the institutions of social dialogue, the stronger its role in determining national responses to the crisis. The report includes case studies on social dialogue and recovery from ten countries, many of which contain practices and lessons of potential interest to Turkey.

The Contribution of Social Dialogue to Economic Development and Growth

The findings of the research were presented and discussed at an international conference held in Ankara in May 2017, at which representatives of the Turkish government, employers' and workers' organizations, the European Commission, the ILO and other key stakeholders participated. In addition to the main focus on social dialogue and economic recovery, the conference provided the occasion for participants to debate Future of Work challenges and opportunities in Turkey. We are now pleased to publish the final study in Turkish and English languages to allow for its wide dissemination within and beyond Turkey.

We wish to acknowledge the contributions made by a number of people to the research process, first and foremost, the report's authors, Duncan Campbell and Philippe Egger, both of whom are former officials of the ILO. We extend our sincere thanks to the MoLSS, as well as by staff of the ILO units in Geneva which are responsible for providing technical support to the project, namely the Social Dialogue and Tripartism Unit (DIALOGUE) and the International Labour Standards Department (NORMES) and Project Management Team in Ankara for their contribution to content and editing of the report.

We look forward to its continued successful implementation in the coming months, for the promotion of effective social dialogue as a tool for sustainable economic development and social peace in Turkey.

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Executive Summary

Social dialogue has long played a significant role in economic and social policy in G20 countries¹, and especially so during the peak of the economic and financial crisis in 2008-09, and the subsequent recovery. It continues to do so, and this report describes the experiences of G20 countries in using social dialogue to devise and implement responses to the crisis, for the consideration of ILO constituents and other stakeholders in Turkey.

Recovery has been modest but in the right direction

The report starts by providing an overview of economic and labour market trends in G20 countries since the Great Recession of 2008. G20 countries have indeed witnessed a resumption of economic growth, but at lower rates than before the crisis. The G20 countries are the major barometer of the global economy, as they account for not only the highest share of global output by far, but also over 80 per cent of the world's population.

Growth in these countries has been uneven. In 2017, it will be led by China, India, and Indonesia -albeit, even in these countries, at lower rates than before 2008. Economic growth is thus proceeding at a measured pace, and too slowly to allow a full recovery to pre- 2008 employment levels, even though some countries are now at or close to full employment.

Unemployment has declined from its crisis peak. Yet labour productivity growth has been sluggish in a climate of lower levels of investment spending, weak aggregate demand and lower-than-expected positive impacts of rapid technological change. A report submitted to the G20 by the ILO, International Monetary Fund (IMF), Organisation for Economic Co-operation and Development (OECD), and the World Bank noted that: *"The most significant factor behind the decline in aggregate employment levels is not that the employment intensity of growth has fallen...it is that economic growth has been insufficient."*

Real wage growth has in consequence been weak -negative in four G20 countries, a modest 1-2 per cent in most countries, and more robust in four countries of the group, including Turkey. In a majority of G20 countries, unemployment is about 6 per cent, although around 10 per cent in France, Italy and Turkey.

There has been widespread concern over the decline in labour's share of national income, which depresses domestic demand and thus growth. The largest component of aggregate demand is consumption, and consumption of course relies on income. Without consumption, there is also a reluctance to invest -creating a vicious, rather than virtuous, circle. Part, but not all, of this reduction in labour's share of income can be attributed to an overall decline in collective bargaining, as well as to an increase in non-standard forms of employment.

How has Turkey fared

Turkey was one of the country worst affected by the Great Recession. But it was also one of the first to recover. One reason for this was that the crisis in Turkey was not primarily a financial one, and recovery from such crises tends to require more time. The Turkish banking system had been strengthened since the country's own financial crisis in 2001; in addition, Turkish banks were not fully integrated into the global financial system through which the financial crisis spread from the United States. The economic crisis spread to most countries, including Turkey, through the trade channel. Turkey's manufacturing sector was hit hard, particularly as its major trading partner is the European Union.

Both economic and employment growth returned to Turkey in 2009. Although it is declining, informal employment still represents a significant proportion of Turkey's labour market. It is reasonable to assume that the informal economy absorbed at least some of the laid-off workers who might otherwise have appeared in formal unemployment statistics.

¹ The following countries are members of the G20 group: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, the Russian Federation, Saudi Arabia, South Africa, Turkey, the United Kingdom, the United States and the European Union.

Unemployment in Turkey shows a structural component: the youth unemployment rate is significantly higher (2.3 times over the last decade 2007-16) than the unemployment rate of the population 25 years and over. There is also a gender bias, with women exhibiting a higher level of unemployment than men. Both these characteristics suggest that unemployment in Turkey might not be purely cyclical, but has structural roots related to a mismatch between skills and job availability.

Social dialogue helped in the Turkish recovery

Given the stability of the Turkish financial system, the Government felt more confident in weathering the storm of the crisis. Some observers credit the active role of the Turkish social partners in stimulating support for domestic demand. This is a credible explanation, but the report nonetheless notes that, in general, the outcomes of social dialogue efforts are most often impossible to measure in terms of their impact on the economy and the labour market. This is an analytical gap that cannot be resolved using the available data, but by no means diminishes the importance of social dialogue in finding solutions to economic and social challenges.

Turkey has a long history of industrial relations with institutions unique to the country's history and traditions. This statement applies to each of the G20 countries, of course. But relative to other countries, Turkey is among countries with a relatively low trade union density and collective bargaining coverage rate. As in many other countries, the longer-term secular trend has been a decline in trade union membership.

Key characteristics of social dialogue responses to the crisis and during recovery

Looking at the role of social dialogue in responding to the crisis, a strong conclusion emerges. Stable, pre-existing institutions and practices were instrumental in the ability of social dialogue mechanisms to respond in a timely and effective manner to the crisis and its aftermath. The habit of dialogue, and respect for its institutional channels, were and are instrumental.

Looking at experience across G20 countries, a number of key lessons emerge.

The intensity of social dialogue of all types was at its peak in 2008-09 in most countries and tapered off thereafter; this corresponded to the peak of the crisis, and to the period when the interests of employers, workers and governments were converging on safeguarding jobs. Noteworthy is the swift response to the unfolding crisis of employers' organisations and of workers' organisations, at the national, sectoral, enterprise and global levels. Subsequently, social dialogue became more difficult for a variety of reasons, yet remains a defining characteristic in many countries.

There is a strong correlation between the depth of the crisis, the strength of the national industrial relations system and the scope of the agreements negotiated between employers and workers and with governments. Where the impact of the crisis was shorter and shallower and where the industrial relations system was weaker, the social dialogue contribution was more modest. For example, compare Germany or Italy with Brazil, South Africa or even Indonesia.

Agreements which relied on existing mechanisms and schemes were more effective than new schemes or mechanisms. In this regard, compare for example the Republic of Korea or Germany, which already had experience in short-time work, with France or South Africa where new and administratively complex arrangements were introduced.

Many agreements were tripartite in nature, involving the three parties; however, once again, the strength of the industrial relations system, such as the existence of tripartite or bipartite institutions with a record of working together (such as the Labour Foundation in the Netherlands or works councils in Germany) was a determining factor in efficient implementation of these agreements. This capacity was clearly lacking in South Africa.

In countries with strong industrial relations systems, different levels of intervention were used ranging from extensive coordination under national agreements or consultations to sectoral and enterprise-level agreements.

Strong industrial relations systems usually enjoy the backing of the government while privileged and trustworthy relations are maintained with the social partners. In countries enjoying high degrees of trust, there are few rules and legal requirements, such as in Germany and the Netherlands; conversely, in countries displaying low levels of trust, rules, regulations and legal requirements abound, as was the case in Brazil, France and Italy.

When there is trade union plurality, there is inevitable competition between trade unions. However, when trade union plurality coexists with rules which allow majority rule at the sectoral or enterprise level (typically when trade union representatives are elected to works councils as in Italy, Germany and the Netherlands), the competition is reduced.

Rules governing collective bargaining played an important role. Trade unions in Brazil are constrained by rules limiting their role in enterprises. In the Republic of Korea legal impediments constrain trade union activity. In Canada, collective bargaining is limited solely to the enterprise level whereas Japan is a mixed case. In France, many different levels of bargaining play a role simultaneously and the rules determining trade union representativeness are important.

During the crisis, negotiations over flexible employment arrangements that would ensure job security and avoid redundancies replaced more standard wage bargaining. This was a major innovation. Temporary reduction or suspension of employer social security contributions in several countries played a role.

Short-time work was by far the most common arrangement used, having a significant impact in several countries (Germany, Italy Japan and Turkey). The relative ease with which partial unemployment benefits could be used to compensate workers for time not worked or spent on training was important. When new schemes or arrangements were introduced (such as in France and South Africa), take-up of these schemes was much more limited.

In several countries, part-time, temporary, agency and contract workers, who were generally not a party to any negotiations, took the brunt of the redundancies. They were also the workers least represented in the negotiations. Japan, Republic of Korea, Netherlands and Germany exemplify this situation.

Long-term issues of declining trade union membership and collective bargaining coverage, as well as labour market reforms, decentralization of collective bargaining and pension reform, did not disappear during the crisis years but did not take centre stage either. They quickly reappeared on the agenda as of 2010 in several countries (in France, Italy and the Netherlands for instance).

There are a number of social dialogue institutions which are noteworthy for their role and composition. These include the bipartite Labour Foundation in the Netherlands, the works councils in Germany and other countries, the tripartite Industrial Relations Board in Canada, and the economic and social councils in a number of countries.

Solutions through social dialogue occurred in the context of trends that were not interrupted by the crisis, and might even have accelerated. Declining trade union membership was one of these trends, linked to both the reduction of employment in manufacturing and in the public sector, and the rise in non-standard forms of employment which lack a permanent attachment to any particular workplace.

This trend has been accompanied by a secular decline in collective bargaining, particularly in the European G20 countries. In many of these, the legal extension of collective bargaining agreements to firms and employees who were not directly party to negotiations has diminished. There is a greater legal possibility for companies to “opt out” of agreements struck at sector level.

There are many reasons for this, including the decline in trade union membership. One imposing argument put forward for the erosion of collective bargaining extension, however, is the new competitive realities of global competition, whereby individual enterprises require greater flexibility to respond to their product markets.

For the very same reasons, it is perhaps not surprising that the scope of collective bargaining in many European countries has been narrowed down to workplace matters such as wages and working conditions.

Yet there was institutional resilience in social dialogue in most G20 Countries

Despite these long-term trends, intensified by budget deficits and other “roll-backs” in the wake of the recovery, institutions of social dialogue often showed both their utility and resilience in charting a post-crisis path. The solutions in many G20 countries were varied, in terms of their scope, the levels at which agreements were struck, and the degree to which they committed parties to action, or were simply advisory in nature.

In substantive terms, social dialogue in G20 countries focused on ways to minimize the loss of employment. Negotiated solutions often involved relieving employers of various non-wage labour costs in an effort to preserve employment and also wage moderation or reduction. Additionally, unemployment benefits were extended for those workers who did lose their jobs.

Short-time work schemes, in eight of the G20 countries, were important in maintaining the employment relationship, thus avoiding the outright loss of jobs, and alleviating employers of immediate dismissal costs and subsequent rehiring costs once recovery set in. ILO research shows that labour market separation not only prolongs the economic suffering of the dismissed worker, but also delays economic recovery.

Different traditions and experiences with tripartism

A substantial minority of G20 countries have a tradition of institutionalised national tripartite dialogue on economic and social policy issues. These institutional fora vary in terms of their binding authority. Tripartite agreements in Brazil, Indonesia and South Africa, for example, are binding whereas those in Germany and Japan provide guidelines for negotiations at more decentralized levels. Even national level agreements that are advisory in nature, as in the economic and social councils (ECOSOC) that exist in several G20 countries, can ultimately lead to binding policy decisions that incorporate consensus views of the social partners and other civil society stakeholders.

Some G20 countries have no national tripartite institutions, or ones with only limited purview. In the United States, for example, the national tripartite body has the sole function of considering ratification of international labour standards. Social dialogue in the United States and in some other, predominantly Anglo-Saxon, countries occurs primarily or solely at the enterprise level.

Amid the considerable diversity in social dialogue institutions, countries can nonetheless be evaluated according to the degree of coordination across bargaining levels. For example, the German metalworkers’ union, IG Metall, has long set the national standard for bargaining in other sectors. In Japan, the so-called “spring wage offensive” has set the informal standard for wage bargaining across the economy. Uncoordinated, decentralized bargaining is the norm in the United States, as in Turkey. Coordination can be a useful tool, on the one hand, in providing flexibility to different firms and sectors and, on the other, in signalling an implicit floor, thus curtailing rising inequality and encouraging social cohesion.

An important characteristic of the “good practice” examples reviewed in this report is trust. Trust underpins the social partners’ faith in social dialogue and permanence of its institutions. There are significant economic benefits of trust, although these are thus far under-researched and insufficiently documented and understood. The IMF has noted that unemployment increased less in those countries where the institutions of social dialogue inspired trust and confidence.

The diverse experiences presented in this report might be of interest and relevance to the ILO constituents in Turkey. Ten case studies selected among the 19 of G20 countries with the addition of the Netherlands illustrate

how different countries have incorporated the voices of the main economic and social actors into policy decision-making in pursuit of economic recovery and growth, and social development. The country cases represent a variety of industrial relations systems from all regions with different degrees of exposure to the 2008-09 crisis. The selection includes both countries that have seen widespread policy responses to the crisis, including through social dialogue, and countries with narrower responses. Taken together, the country cases illustrate the role of the depth of the crisis and the strength of the industrial relations system.



Introduction

Within the scope of the Instrument for Instrument for Pre-Accession Assistance (IPA), under the component of IPA-1 “Transition Period Support and Institutional Structuring”, the “Technical Assistance for Improving Social Dialogue in Working Life” project commenced on 1st August 2016, with the International Labour Office (ILO) as the implementing agency. The contracting authority of the project is the Central Finance and Contracts Unit (CFCU) of the government of Turkey, and the beneficiary is the General Directorate of Labour of Ministry of Labour and Social Security (MoLSS). The objective of the project is to promote social dialogue in Turkey. The expected results are:

- i. Strengthened institutional and technical capacity of the Ministry of Labour and related institutions and of the social partners to engage in social dialogue;
- ii. Greater awareness of the institutions, instruments and practices of freedom of association, collective bargaining and social dialogue; and
- iii. Improved mechanisms of social dialogue at all levels.

This study, which is prepared under the scope of the project, sets out to analyse and document the contribution of social dialogue to economic development and growth, especially in G20 countries and in the context of responses to the 2008 crisis.

The paper has three sections. The first section presents an overview of recent economic and social trends in G20 countries. Section 2 then discusses industrial relations in Turkey. While acknowledging that the culture and institutions of industrial relations are highly country-specific, certain commonalities across countries can nonetheless be identified, and these are discussed in Section 3. Annex 1 presents a brief review of industrial relations and economic performance in nine G20 countries and one additional European country.

Part I: Overview of Recent Economic and Labour Market Trends in G20 Countries

Together, the 19 countries of the G20 group account for 90 per cent of world output, 80 per cent of global trade and 66 per cent of world population. Thus, economic and social trends in G20 countries have a major bearing on the world economic and social outlook.

This section provides a brief overview of economic and labour market trends in G20 countries in the recent past.

In 2017, economic growth in G20 countries remains well below its pre-2008 levels. This is linked to a number of structural factors common across the G20 group: rising income inequality, weak collective bargaining and slow wage growth that tend to depress household consumption. Labour productivity is also failing to recover adequately.

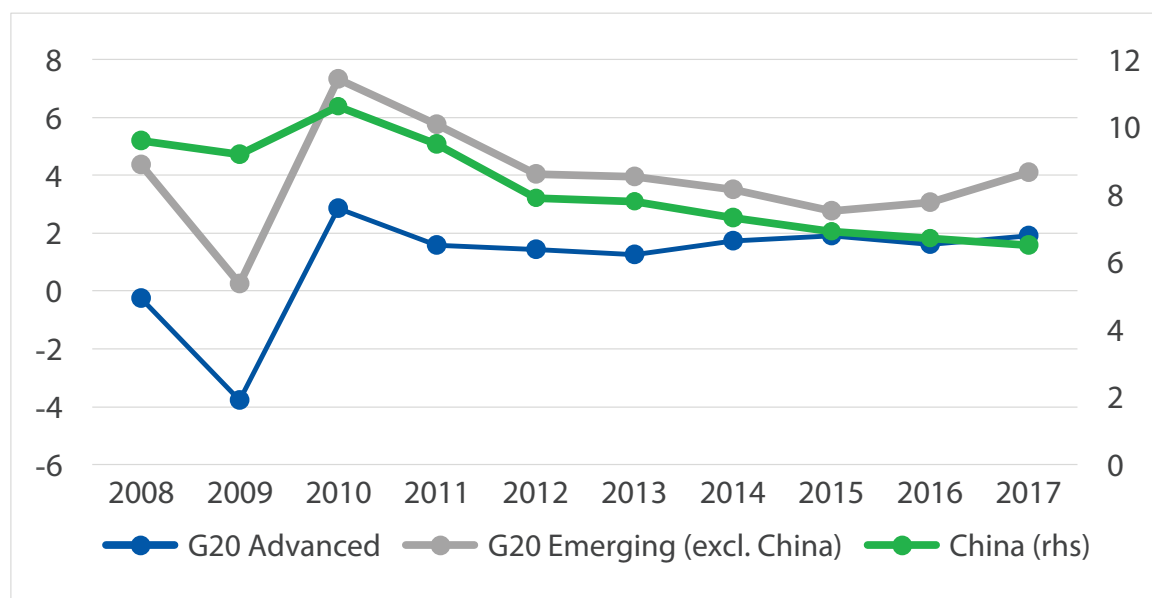
Subdued economic growth in 2016 with a modest acceleration in 2017

Economic growth was subdued in 2016 across the G20 group and is expected to pick up modestly in 2017 and beyond. Gross Domestic Product (GDP) growth is somewhat higher than expected in several advanced countries and somewhat lower in some emerging economies.

There is considerable diversity within advanced and emerging economies. Global growth will be led by China, India and Indonesia in 2017, followed by the United States and Germany. In Australia, Canada and Republic of Korea, growth will remain robust. Several countries, namely Argentina, Brazil and the Russian Federation, are slowly emerging from deep recessions. Activity will remain weak in Italy, Japan, Saudi Arabia and South Africa and below expectations in France and Mexico.

Advanced countries will see average growth of just under 2 per cent in 2017, whereas emerging countries (excluding China) are expected to grow by 4 per cent. China's economy will grow at around 6.5 per cent in 2017 (Figure 1).

Figure 1: GDP growth rates in G20 advanced and emerging economies



Source: IMF, World Economic Outlook database and updates, country groups are weighted by GDP expressed in Purchasing Power Parity (PPP)

There is some degree of uncertainty around these forecasts as new policy announcements, forthcoming elections in several countries and heightened geopolitical tensions introduce significant downside as well as upside risks.

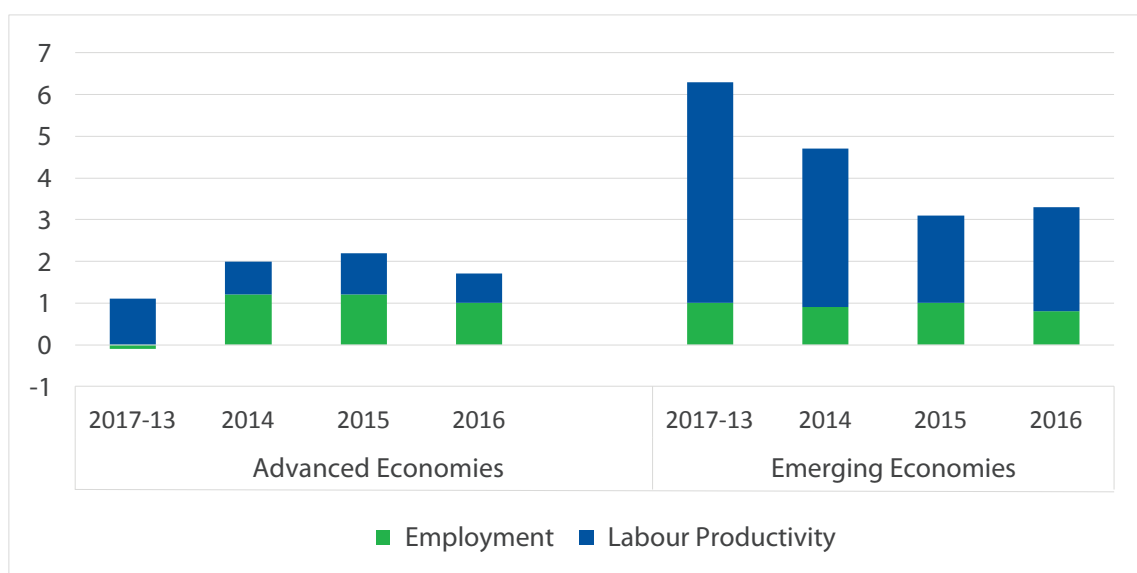
Financial markets are tightening as are commodity prices, although remain well below recent peaks, and there have been significant swings in exchange rates.

Overall the recovery is proceeding at a measured pace, but is still too slow to fully recover the employment levels that prevailed before the 2008 crisis.

Employment growth holds up but labour productivity is weak

In advanced economies, employment has grown slightly faster than labour productivity over recent years, reflecting both weak overall growth and weak growth in labour productivity. In emerging economies, the rate of labour productivity growth has slowed considerably whereas employment levels have generally been sustained, also leading to slower overall growth in the more recent years.

Figure 2: Trends in growth of employment and labour productivity in advanced and emerging economies



Source: The Conference Board, Productivity Brief November 2016, Total Economy Database; labour productivity is GDP per employed person

The declining trend in labour productivity growth is attributed to short-term constraints weighing on capital investment as well as to longer-term weaknesses grounded in technological innovation. A debate opposes views of “secular stagnation” and structurally deficient aggregate demand and those which see innovations failing to translate into productivity gains.

In both advanced and emerging economies, concerns over how to raise rates of economic growth have heightened. This can be seen in the repeated commitment of G20 leaders to strong, sustainable, balanced and inclusive growth.

A joint analysis submitted by the ILO, IMF, OECD and World Bank to the joint meeting of Finance and Employment Ministers observes that “...the most significant factor behind the decline in aggregate employment levels and the large jobs gap that has emerged is not that the employment intensity of growth has fallen meaningfully. Rather, it is that economic growth has been insufficient to re-accelerate employment creation and to close the jobs gap.”²

For the G20 emerging countries, the same document observes that the crisis and post-crisis periods have been

² ILO, IMF, OECD, World Bank: G20 Labour Markets in 2015: Strengthening the link between growth and employment, Report prepared for the G20 Labour and Employment Ministers Meeting and Joint Meeting with G20 Finance Ministers, Ankara, Turkey, 3-4 September 2015.

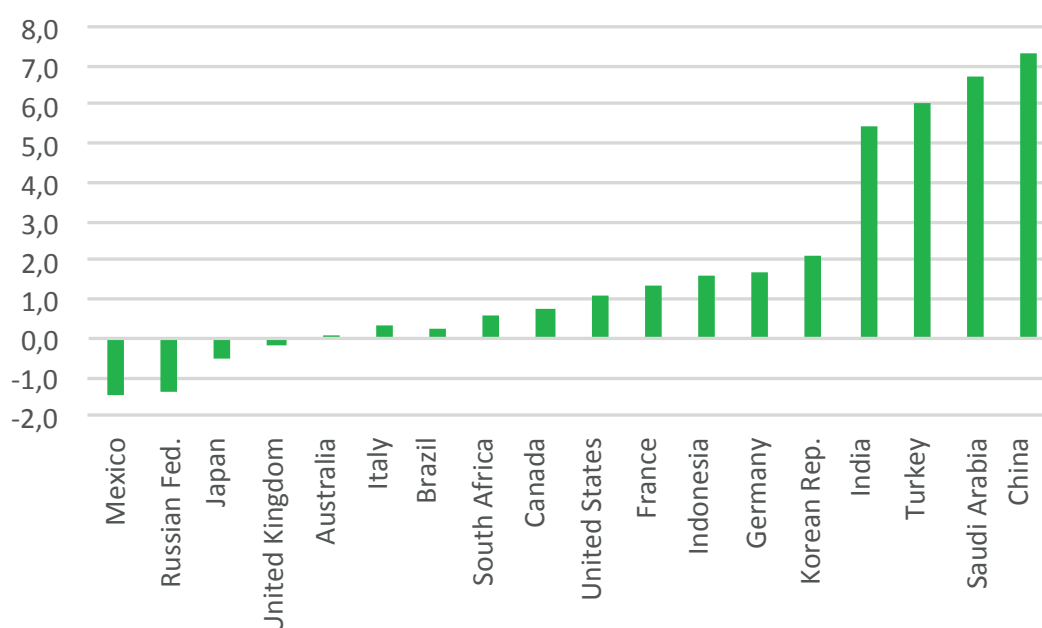
characterized by fairly robust growth, however somewhat less employment-intensive, and increasingly driven by gains in labour productivity rather than in employment, as seen in Figure 2.

Weak wage growth in a majority of G20 countries

Growth in average wages has varied across G20 countries in recent years, reflecting trends in economic growth, but also policy decisions and the strength of collective bargaining.

Figure 3 details the average increase in real wages in G20 countries over 2013-15. Real wages declined in four countries, grew by less than 1 per cent in another five, by between 1 and 2 per cent in five countries, and by between 5 and 7 per cent in another four countries.

Figure 3: Real average monthly wage in selected countries, three-year average change 2013-2015



Source: ILO Global Wage Report 2016-17

Countries in recession and those with weak economic growth also show weak wage growth, as would be expected (Brazil and Russia, but also Italy and South Africa). Mexico and Japan both show declining real wages for reasons not directly explicable by their economic performance. Robust real wage growth in China reflects a policy decision to accelerate the transition to a stronger domestic economy. In Germany, wage growth is accelerating following a long period of flat growth. Weak wage growth in Australia, Canada, the United Kingdom and the United States can be linked to weak collective bargaining in these countries.

With weak wage growth observed globally and in several countries, debates have arisen over how to spur faster wage growth in countries characterized by depressed domestic demand. The joint meeting of G20 Finance and Labour Ministers held in Ankara in September 2015 discussed a number of policies in this regard, including strengthening social dialogue and social protection systems, adopting appropriate labour legislation, improving taxation systems, expanding the coverage of collective agreements and ensuring fair wage scales.

The ILO, IMF, OECD and World Bank note a long term decline in the share of national income going to labour in most G20 economies.³ This trend weakens household consumption and overall economic growth. The decline in the labour share of income is linked inter alia to weaker collective bargaining which de-links productivity gains and wage

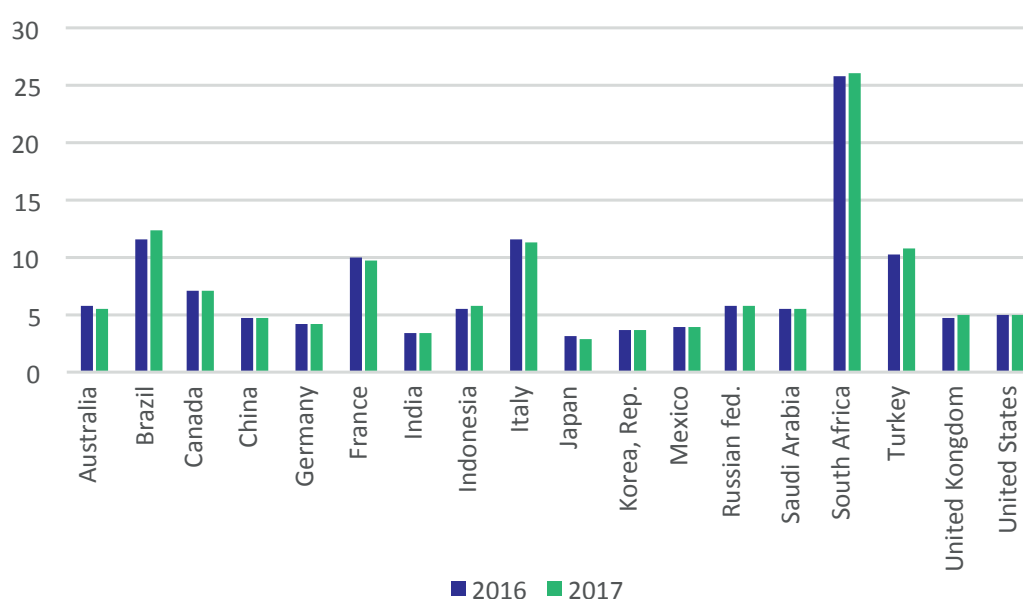
³ IMF, ILO, OECD, World Bank, Income inequality and labour income share in G20 countries: Trends, Impacts and Causes, September 2015.

growth, weak employment growth and changes in the composition of employment with fewer permanent, full-time formal sector jobs.

Rising unemployment in some countries

The diverse growth patterns across G20 countries are translating into diverse unemployment rates. In a majority of G20 countries, unemployment rates are projected to be below 6 per cent in 2017 (Figure 4). In five countries unemployment rates are at or above 10 per cent. Unemployment rates also reflect structural factors that either push down the unemployment rate (such as high levels of informality as in India and Mexico) or that increase it (such as social exclusion and inequality as in Italy and South Africa).

Figure 4: Unemployment rates in selected G20 countries



Source: ILO World Economic and Social Outlook. ILO projections for 2016 and 2017.

Part II: Turkey’s Experience of the Crisis in Comparative Light and the Role of Social Dialogue

The Turkish economy shrunk by -4.8 per cent in 2009 placing Turkey among those countries most affected by the 2008 crisis. Yet, Turkey was also one of the countries to recover most rapidly, as real GDP growth averaged 9 per cent in 2010 and 2011.⁴ Two principal reasons explain this. First, Turkey was relatively less impacted by the financial crisis, due to the measures already taken following its own financial crisis of 2001. Reform measures put in place then shored up the Turkish banking system and proved their worth when 2008 failed to shake that stability. The Turkish financial market was also less integrated with markets in the United States or Western Europe, and the “contagion” effect was in consequence lower.

Second, the stability of Turkish financial markets became an enabling factor in the relatively rapid return to economic health in late 2009 and early 2010.

What then explains the depth of the decline in the Turkish economy in 2008-09? The key indicator lies in the abrupt decline in manufacturing exports. As is well known in hindsight, the two major transmission channels of the crisis

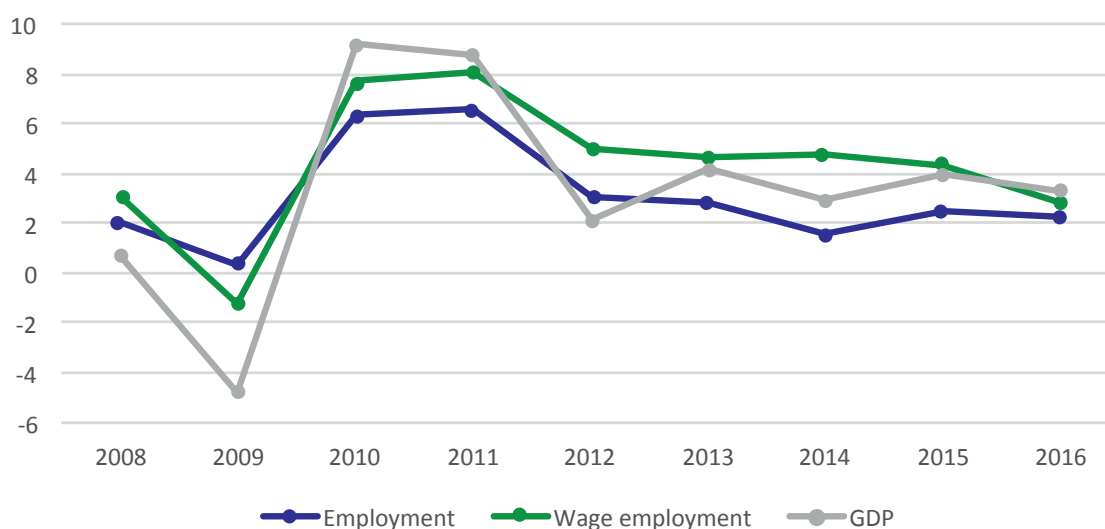
⁴ This section draws on H. Ercan, E.Taymaz and E. Yeldan, *Crisis and Turkey, Impact analysis of crisis response measures*, ILO Ankara, 2010, and on TEPAV, *The Economic crisis impact on industrial relations national system in Turkey: Policy responses as key recovery tools*, November 2012.

were financial markets and, for most countries, trade. The latter –the trade transmission channel– described the Turkish crisis, with its negative consequences augmented by the fact that the EU is Turkey’s major trading partner.

Employment and economic growth in Turkey

A closer look at Turkey shows a fairly proportional relationship between changes in the rates of growth of GDP and of employment since 2008 (Figure 5). However, wage employment drops significantly more than does total employment.

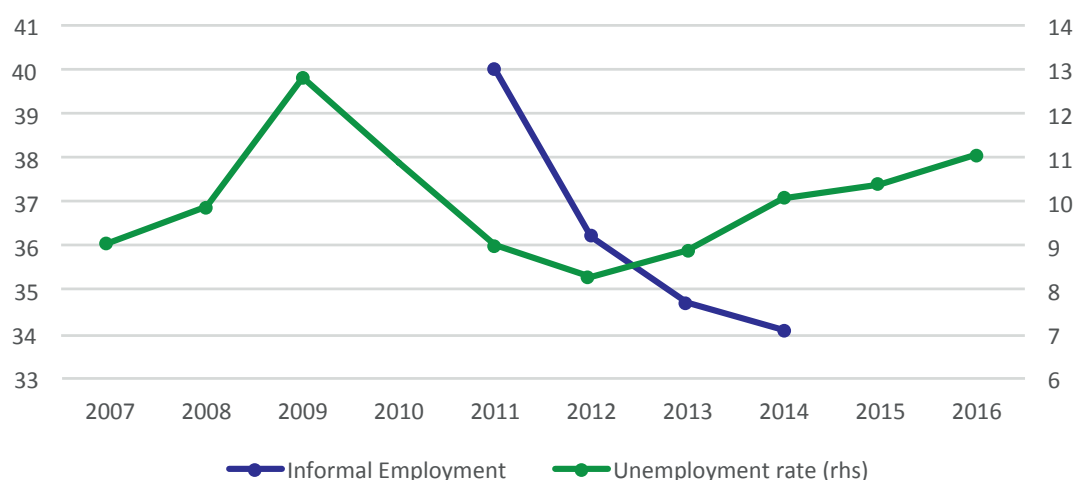
Figure 5: GDP growth and employment in Turkey, 2008-15, in per cent per year



Source: IMF World Economic Outlook (WEO) database for real GDP, ILO statistics for employment

Informal employment represents an important, albeit declining, share of the labour force. And unemployment rose significantly in 2009, jumping to 12.8 per cent from 9.9 per cent in 2008 (Figure 6). Both are indicators of labour market slack in a context of modest growth in GDP. However, as argued in Ercan et al 2010, the open unemployment rate fails to account for disguised unemployment, which if added would further push up the rate.

Figure 6: Informal employment (per cent of total employment) and unemployment rate (in per cent)



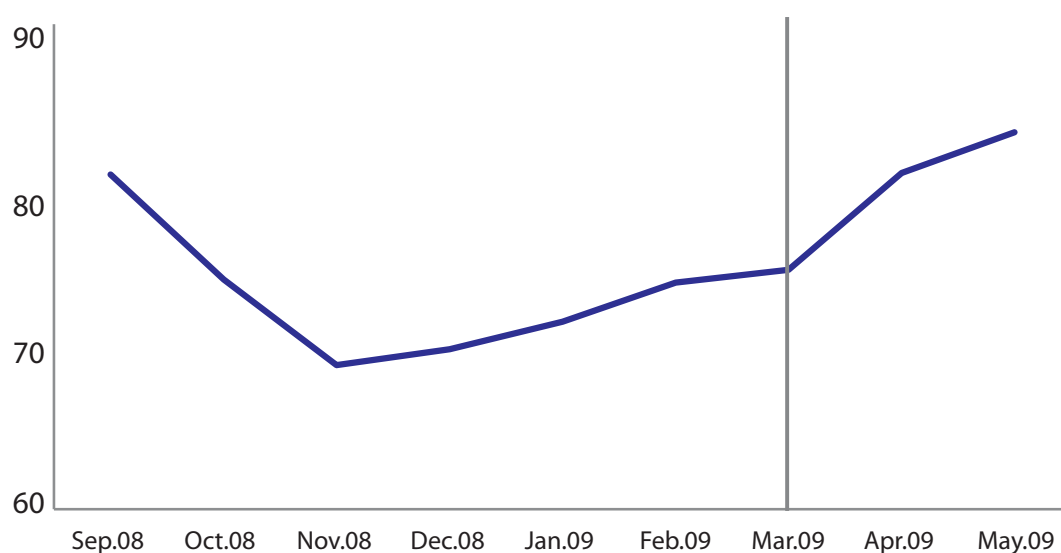
Source: ILO Key Indicators of the Labour Market (KILM), ninth edition and ILO Statistics

It is important to note that over the period the labour force in agriculture has declined, while the educational attainment of the labour force has increased. Both these factors might argue for a decline in the informal economy. However, agriculture has been in decline since 1983 and this initially contributed to a rise in urban informal employment as rural workers flocked to the cities and could not be absorbed into the formal sector. Rising formal wage employment and educational levels since then have contributed to a subsequent decline in informal employment.

Economic recovery and the role of social dialogue

The trade-induced decline in the Turkish economy was transmitted to a decline in domestic demand. The decline and relatively early recovery is shown in Figure 7, using Turkey's Consumer Confidence Index as a proxy for the greater willingness to consume.

Figure 7: Turkey's Consumer Confidence Index, September 2008 – May 2009



Source: Economic Policy Research Foundation of Turkey (TEPAV), November 2012

The rapid recovery of the economy can largely be attributed to the fiscal stimulus package decided by the Government amounting to 1 per cent of GDP in 2008 and 3.4 per cent in 2009. A series of measures were decided upon in October 2008, February 2009 and May 2009, comprising infrastructure investments, income tax reductions and reduced employer social security contributions. A number of measures directed at the labour market were included, as detailed in Table 1.

Table 1: Government measures to bolster the economy, 2008-10

	Estimated Fiscal Expenditures (Million TL)			
	2008	2009	2010 (estimated)	2008-2010
Reduction of employers' social security contributions, remaining amount to be paid by the Treasury (part of the employment stimulus package in October 2008)	17	3.726	4.327	8.070
Expansion of activities on vocational training of Turkish Employment Agency (İŞKUR) (retraining, internship training etc.)		152	343	495
Reduction of social security contributions for young and female workers (to be paid by the Unemployment Insurance Fund, from May 2008)	16	66	137	219
Recalculation of unemployment insurance payment in terms of gross instead of net amount (11% increase)	40	119	87	246
Increase of short-term working allowances by 50% (Increase of related duration from 3 months to 6 months)		162	106	268
Implementation of social work programs		78	151	229
Total cost of the measures for employment	73	4303	5000	9527
GDP Share (%)	0.01	0.45	0.49	..
Total cost with other measures	9365	32612	22889	64866
Total share of the stimulus package in GDP (%)	0.99	3.42	2.23	..
Estimated GDP (sum of last four quarters in 2010)	950000.1	952635.0	1025500.0	..

Source: Yeldan in Ercan et al 2010: Crisis and Turkey: Impact analysis of crisis response measures

The measures led to a significant rebound in consumer confidence; indeed, domestic demand was the main channel of economic recovery.

The social partners played a significant role in urging the government to take early action, in shaping the government's response, and in its implementation. One study⁵ holds that the hierarchy of influence was led by the social partners' focus on an array of actions under the rubric "there's a remedy for the crisis", motivated by the concern that aggregate demand is driven by consumers' willingness to spend.

Early initiatives to address the crisis involved national tripartite dialogue. The TEPAV study attributes positive results to social dialogue at the national level:

*"The most active social dialogue mechanism during the crisis period has been The Coordination Council for the Improvement of Investment Environment (YOIKK)'s Technical Committee for Employment. The committee convened 7 times in 2009 and 3 times in 2010 (.....)"*⁶

In the steel industry, workers voluntarily agreed to lower wages by 35 per cent for the period between May 2009 and August 2010 as a means to avoid redundancies. In the private health-care sector management and staff agreed on a range of cost-control measures in order to face up to the sharp decline in demand, as persons postponed their health-related expenditures during the crisis.

The most widespread mechanism to avoid job losses was short-time work. The government facilitated the use of this existing mechanism whereby part of the wage lost through reduced working hours is compensated by a government fund managed by the Ministry of Labour. It is estimated that some 500,000 employees benefited from this scheme in 2009.

5 TEPAV, 2012.

6 TEPAV, 2012, page 29.

Another initiative included a public infrastructure employment programme as well as various programmes of skills development for the employed and unemployed. In particular the Skills-10 programme was a public-private partnership providing vocational training to some 200,000 unemployed per year. The Government also set up a credit programme for small enterprises.

The point to make here is that national-level dialogue was apparently instrumental in shoring up consumer confidence for a more rapid recovery of aggregate demand. In short, national social dialogue produced an effective response to the crisis. There were successful interventions through social dialogue at the sectoral (steel industry) and enterprise (private healthcare) levels as well. It is useful also to reflect more broadly on the strengths and weaknesses of the Turkish industrial relations system.

A brief overview of the structure of Turkish industrial relations

While this section has no ambition to pass in review the main actors, structures and laws regulating industrial relations in Turkey, a few observations might nonetheless be useful.

Despite the contribution of the social partners at national level to crisis recovery, the Turkish industrial relations culture is still developing, as shown by a number of indicators.

The first is quite low trade union membership -or "trade union density". Trade union membership among workers is currently (January, 2017) about 12.2 per cent of the Turkish labour market or 1.5 million members according to the Ministry of Labour (Labour Statistics, January, 2017). As in almost all advanced economies, trade union density has been declining since the 1990s.

One reason for the declining union membership in Turkey lies in regulatory changes. Until 2012, a trade union could only claim collective bargaining rights if (1) its members exceeded 10 per cent of workers in the same industry, and (2) membership at the enterprise level was 50 percent plus 1 of the workforce. These criteria have been considered obstacles to the expansion of collective bargaining in the country and, of course, also to union membership. Why become a member if there is no subsequent right to bargain collectively with the employer?

The reform of the trade union and collective bargaining law passed in 2012 improved matters, but only partially. It reduced the threshold for the trade unions to a 3 per cent membership level within a transitional period (it is implemented as 1 per cent as of today) in the industrial sector, while requirements at the workplace (50 per cent membership) remained unchanged. Although this law facilitates the internal functioning of trade unions, eases membership procedures and lifts the ban on strikes in certain sectors, the requirement of a double threshold to meet the trade union representativeness criteria still hinders their ability to act and negotiate collective agreements.

The Government had been ready to change the law in order to bring it into compliance with ILO standards. This matter is also included in the negotiations with the EU. However, opposition was raised by certain trade union confederations that did not want to lose power. Paradoxically, social dialogue prevented the introduction of a better trade union law.

Part III: Social Dialogue and Responses to the Crisis: A Comparative Overview

This section provides a comparative overview of the role of social dialogue in national responses to the 2008 crisis, followed by an examination of patterns and institutions of social dialogue and collective bargaining in G20 countries. The analysis is grounded in the premise that social dialogue responses to the crisis depended to a large extent on pre-existing institutions and practices of social dialogue.

A comparative overview of crisis responses using social dialogue

It is important to clarify at the outset that not all the responses to the crisis were the outcome of social dialogue: some responses were implemented without any prior consultation or negotiation between the government and the social partners. In addition, not all responses based on social dialogue were successful or even meaningful, for a variety of reasons which are made clear in the country cases presented in Annex 1.⁷ Furthermore, few evaluations of social dialogue responses are available which provide an objective assessment of their outcomes.

The section identifies the principal forms and contents of crisis responses derived from social dialogue across selected countries. Table 2 summarises the main agreements and measures reached in response to the crisis in different countries, through various forms of social dialogue. The period 2008-10 is highlighted because it corresponds to the period during which governments and the social partners had converging interests and most agreements were reached. As of 2011, governments started to cut back on public expenditure and several countries had already exited the crisis. Particularly in some European countries, relations between the government and the trade unions became strained.⁸

In Greece for example the 2008 crisis and the subsequent policies imposed provoked such a deep economic and social crisis that social dialogue was largely side-lined and played a relatively marginal role.

Table 2: Agreements reached through social dialogue to counter the employment consequences of the crisis during 2008-10.

Country	Date	Nature of agreement	Summary of measures agreed
Argentina	2008-09	Enterprise and industry agreements	Collective bargaining agreements on reduced working time and wages, with option of a government subsidy to protect employment
Australia	2009	Enterprise agreements in some sectors	Reduced working week at reduced wages, coupled with training sessions paid at lower wage
Brazil	Early 2009	National tripartite agreement	Extension of unemployment benefits from 5 to 7 months; option to suspend contracts for training period
Canada	February 2009-April 2010	Enterprise agreements with Federal government support in auto industry	Work-sharing agreements extended 14 months; reduced working hours partially compensated by unemployment insurance (up to 55 per cent of average wage)
China	2009	Consultations with social partners	Enterprises can defer payment of social security contributions by up to 6 months
Germany	April 2009 and 2010	Tripartite summits and sectoral agreements	Short working time, partial unemployment (Kurzarbeit) extended to maximum of 24 months, at up to 60 per cent of wage, with social security contributions paid by State
France	July 2009	National inter-sectoral tripartite agreement	Extension of partial unemployment benefits (up to 80 per cent of gross wage) to workers working fewer hours
India	June 2009	Tripartite expert group	Recommendations made on crisis responses

7 See also Ghellab, Y. 2009. Recovering from the crisis through social dialogue, Dialogue in Brief No.1, November, ILO, Geneva.

8 Papadakis, K. 2011. The politics of economic adjustment in Europe: State unilateralism or social dialogue? ILO, Geneva.

Indonesia	February 2010	Tripartite agreement	Indonesian Jobs Pact addressing employment, productivity, industrial relations and social protection
Italy	Nov. 2008; February 2010	Regional tripartite agreements; National framework agreement	Partial unemployment and short-time work wage compensations (wage guarantee funds); agreement on training of unemployed and workers transferring between jobs; agreement on reform of wage bargaining
Japan	March 2009	National tripartite framework agreement and enterprise agreements	Short working hours, no overtime, transfer of workers from one enterprise to another, training and job placement measures; in 2010 employers agree not to pursue wage freeze, workers agree to press for wage increases on a case-by-case basis
Korea, Rep.	Early 2009	Quadripartite pact	Wage moderation and work-sharing, partial compensation of earnings lost by workers, one trade-union pulls out of agreement
Mexico	2008	Consultations with social partners	Government reduces worker and employer social security contributions in 2008 by 5 per cent
Netherlands	March 2009	Bipartite agreement followed by tripartite agreement	Agreement on wage moderation and on extension of short-time work and unemployment benefits and training schemes
Saudi Arabia	2009	Consultations	Consultations on impact of the crisis
South Africa	Early 2009	Tripartite council	Policy decisions on public investment, public works, protection of struggling sectors, unemployment benefits, social support
Turkey	2009-10	Enterprise agreements in some sectors	Collective agreement protocol reducing overtime payment to 50 per cent (from 100 per cent); agreed wage increases deferred; short working time and part-time unemployment compensation agreed in 2009
United Kingdom	2008 onwards	Enterprise-level agreements	Short-time work, wage cuts, voluntary lay-offs, wage freeze
United States	2009	Enterprise agreements, with Government pressure providing financial support to auto industry	Collective agreements in the Big Three auto manufacturers revised with lower wages for new recruits, lower future wage increases, reduced social benefits (paid holidays, cost of living allowance, medical benefits)

Sources: Baccaro and Heeb, 2011; European Foundation for the Improvement of Living and Working Conditions (Eurofound), *Social dialogue in times of global economic crisis*, European Union, 2012; and country briefs available at: www.dol.gov/ilab/diplomacy/G20_ministersmeeting/country-stats.htm

Further details on individual country responses, and the role of social dialogue in them, are provided in the selected country case studies summarized below and in Annex 1. The salient characteristics of the range of forms of consultations and agreements identified in Table 2 can be summarized as follows:

- a) National tripartite consultations on policy responses, i.e. the government consults the social partners on planned policy measures (as in China and the Russian Federation, the tripartite social summit in Germany and a social conference in France). This enables the government to share information with the social partners and to be appraised of their comments and views, that may or may not be heeded;
- b) National tripartite agreements or pacts whereby the social partners and the government discuss, negotiate and agree on a menu of policies (as in Brazil, Indonesia, Korea, Rep., Netherlands and South Africa). Such agreements may be short-term and specific (as in Brazil on unemployment benefits), or may be broad-ranging and medium- to long-term in nature, rendering the monitoring of their implementation more difficult;

- c) Tripartite consultations followed by sectoral or enterprise-level bipartite agreements (as in Germany and Japan). The tripartite consultations are eminently political as they commit each party to a set of actions without a formal decision, implementation of which is left entirely to decentralized entities. Such consultations require a high degree of mutual trust and an established mechanism for implementation;
- d) Bipartite agreements in industries and/or enterprises (as in Australia, Canada and the United Kingdom). These agreements reflect the essence of collective bargaining and depend largely on the strength and representativeness of the respective parties. They tend to occur only in those industries and enterprises where trade union representation is relatively high.

These modalities are of course determined largely by the institutions of social dialogue which prevailed in each country long before the crisis. However, the severity of the crisis also played a role. The duration and depth of the crisis influenced whether national responses were devised by recourse to established channels of social dialogue or, alternatively, by governments taking extraordinary, unilateral measures. The severity of the crisis can be assessed by the number of negative quarterly GDP rates of growth, as shown in table 3.

Table 3: Number of negative quarterly real GDP growth over 2008-2010

Five quarters	France, Italy, Japan, United Kingdom, United States
Four quarters	Germany, Mexico, Russian Fed., Turkey
Three quarters	Argentina, Canada, South Africa
Two quarters	Brazil
One quarter	Australia, India, Korea, Rep., Saudi Arabia
No quarter	China, Indonesia

Source: OECD Statistics, United Nations Economic Commission for Europe (UNECE) for Russian Fed.

Among the five countries with the longest period of negative GDP growth, both France and Italy have established channels of tripartite social dialogue which they used. Japan has a tradition of decentralized bipartite enterprise-level negotiations; however, these are often highly coordinated. The severity of the crisis in Japan no doubt turned a tradition of informal central coordination into a tripartite framework agreement. In the United States, the Federal Government normally plays no role in bipartite collective bargaining. However, in the case of the rescue of the three large auto manufacturers, the bipartite agreement was heavily influenced by informal pressure from the Federal Government, which had a direct financial stake in assuring the survival of the industry. This pattern was not observed in the United Kingdom where collective bargaining is handled at the level of the enterprise.

Conversely, where the number of negative quarterly GDP growth was 2 or less (7 countries), few tripartite agreements were concluded. Brazil is an exception, but although the measures adopted were significant they were not far-reaching. The same applies to the Republic of Korea. In Indonesia, there was a tripartite agreement but its implementation was weak.

Those countries with between 3 and 4 quarters of negative GDP growth during 2008-10 (7 countries) either have established institutions of tripartite social dialogue (as in the Netherlands and South Africa) or have no tradition of tripartite agreements. In South Africa, the established tripartite body (National Economic Development and Labour Council, NEDLAC) is a policy discussion and negotiation body, not a collective bargaining one. Germany has no established tripartite institution but rather a tradition of close consultations between the government and the social partners, and collective bargaining is carried out exclusively at the industry level. In Canada, collective bargaining is an enterprise-level matter. In Argentina, Mexico and the Russian Federation, collective bargaining is conducted at the level of industries and of sectors.

From the above, one can conclude that the use of social dialogue to devise crisis responses across G20 countries during 2008-10 depended on the existence or otherwise of established social dialogue institutions and, to some extent, on the severity of the crisis, which prompted the adoption of extraordinary measures in some countries.

The same conclusion is reached by Baccaro and Heeb⁹ who have constructed a matrix composed of four variables to predict the likelihood of a “social dialogue response” to a crisis situation: the existence of previous tripartite agreements, the severity of the crisis, the trade union density rate and the unhindered exercise of freedom of association. According to these authors, just three countries among the G20 meet these conditions (namely Germany, Italy and South Africa).

A variety of levels of social dialogue responses

Social dialogue responses happened at a variety of levels, in line both with the differentiated impact of the crisis across countries and economic sectors and with the ability of employers and workers to negotiate agreements. Table 4 illustrates this diversity, drawing on selected examples.

Table 4: Varied levels of social dialogue responses to the crisis

Level of social dialogue	Location/scope of dialogue	Date	Nature of agreement reached
International Global Jobs Pact	International Labour Conference	June 2009	The International Labour Conference adopted a set of policy proposals to promote jobs and safeguard their quality, in particular through respect of social dialogue and international labour standards
Transnational agreement (several countries across Europe, including Turkey)	Steel industry Arcelor-Mittal	November 2009	Agreement to modulate working time, maintain jobs, develop skills and adapt qualifications
Cross sectoral European level agreement: European Chemical Employers Group and European Mine, Chemical and Energy Workers Federation	Chemical industry	March 2009	A joint declaration was adopted stating broad principles for enterprises to follow aimed at avoiding redundancies, promoting short-time work, training and temporary lay-offs.
National agreements	Netherlands	March 2009	The bipartite Labour Foundation reached an agreement on wage moderation, training schemes, assistance for redundant workers and flexible employment
Sectoral agreements North Rhine-Westphalia, Germany	Metalworking and electro-industry	February 2010	Sectoral agreement reached at regional level outlining specific measures works councils in each plant and enterprise can adopt according to circumstances based on reduced working time and training schemes
Regional agreements Italy	Several regions	2009	The Biella province in northern Italy adopted an agreement negotiated between the social partners and the regional authorities to restructure the textile industry; similar examples exist in other Italian regions.

Sources: European Commission, Industrial Relations in Europe 2010, European Union, 2011; Eurofound, Social dialogue in times of global economic crisis, European Union, 2012.

⁹ Baccaro, L. and Heeb, S. 2011. Social dialogue during the financial and economic crisis: Results from the ILO/WB inventory using a Boolean analysis on 44 countries, Dialogue working paper No.31, November, ILO, Geneva.

It is important to point out the swift reaction of employers' and workers' organisations to the evolving crisis. End 2008 and early 2009 there was a widely shared perception that the crisis would be severe, yet there was no clear sense of its likely duration. Nonetheless in most countries employers' organisations and workers' organisations reacted promptly and negotiated and agreed on response measures. One example that belies the common claim of the slow pace of social dialogue.

Short-time work

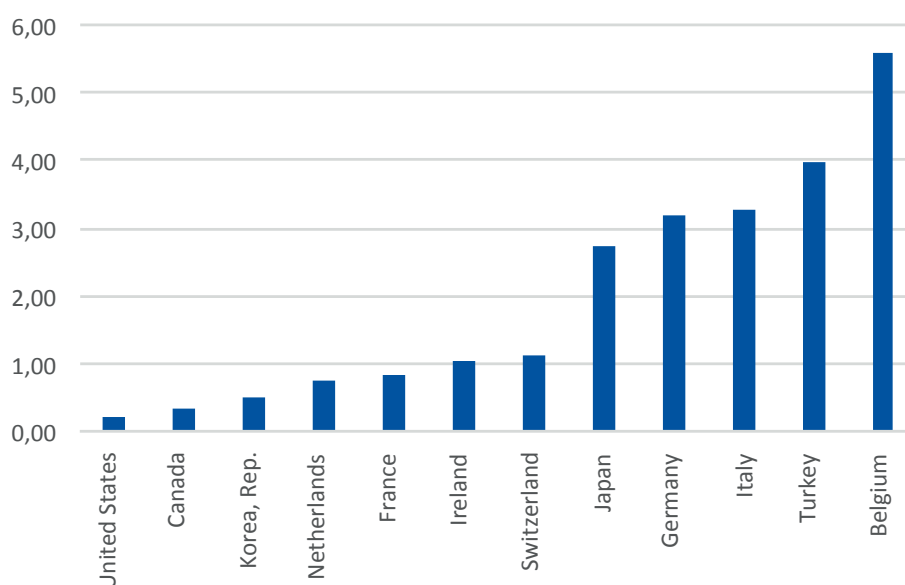
The most common measure to counter the employment consequences of the crisis, adopted by way of some form of social dialogue during 2008-10, was short working time. As shown in Table 5, such measures were adopted in 8 of the 19 G20 countries.

Short-time working implies fewer weekly working hours paid by the employer, with a varying portion of the income loss for workers paid in the form of unemployment benefits. Often, but not always, prevailing unemployment benefit regulations were adapted, concerning the period during which unemployment benefits could be paid, the reason for the payment of these benefits (ie. partial unemployment), and the level of the benefit.

Allowing employers to retain their workforce during a period of low activity enables them to avoid redundancy and hire costs, to maintain the workforce active and attached to the enterprise, and with the flexibility to return to the normal working hours at little extra cost. It enables workers to keep their job, even at the cost of some loss of income, albeit not proportional to the time not worked.

Although short-time work measures were widely adopted, the number of workers participating in such schemes differs widely across countries. The OECD has tabulated information on the annual average number of employees participating in short-time work (Figure 8).

Figure 8: Average annual stock of employees participating in short-time work schemes, 2009 (as a per cent of all employees), selected countries



Source: OECD, *Employment Outlook 2010*, Figure 1.19, Paris

Take-up rates are highest, at 3 per cent or more, in Germany, Italy, Turkey and Belgium, and lowest in the United States, Canada and the Republic of Korea. Table 5 provides more detailed information on the short-time work schemes in France, Germany and Turkey.

Table 5: Short-time work in France, Germany and Turkey

	France	Germany	Turkey
Budgetary cost in 2009 (in million euros)	670	4 600	76.6
Number of employees concerned at peak time in 2009	300,000 (June)	1.5 million (May)	503,000 (2009)
Beneficiary employees in per cent of wage workers at peak time	1 per cent (2009Q3)	3.5 per cent (2009Q2)	3.9 (2009)
Average duration of use of partial unemployment	2 months	4-5 months	Up to 6 months
Average decline in hours worked	30-33 per cent	30 per cent	33 per cent
Maximum duration allowed	24 months	12 months	6 months
Size of enterprises using short-time work	Mostly large enterprises	Large and small enterprises	n.a.

Sources: Information compiled from Trésor-Eco, No.107, November 2012, and S. Kostekli, *The 2008-09 crisis and short-time working scheme as a flexicurity alternative: the Turkish example*, paper prepared for the 8th European Forecasting Research Association for the Macro Economy (Euroframe) Conference, Helsinki, 2011; and data from table 2.

The widespread adoption of short working time in Germany is explained by the administrative simplicity of partial unemployment benefits, the established rules applying, the strength of decentralized collective bargaining (in particular the role of the works council prevalent in all establishments of more than 500 workers), as well as the widespread use of internal flexibility in German enterprises with flexible but negotiated use of working time. In France, a new law on long term partial unemployment was adopted in 2009. In Turkey, the short-time working scheme is approved by the MoLSS upon request of the employers and workers through the established unemployment insurance. It was mainly used in manufacturing enterprises. Kostekli estimates that short-time work prevented a 0.8 per cent rise in the unemployment rate in 2009.

The OECD estimates that the use of short-time work has led to a lower reduction in permanent employment of 0.75 percentage points in Germany, Italy and Japan. In aggregate terms, Germany avoided the loss of over 200,000 jobs and Japan about 400,000 by the third quarter of 2009.¹⁰

In Japan, average hours worked declined by 3.3 per cent during 2008-09 (6 per cent in manufacturing). It is estimated that one half of the total reduction in hours worked came from reduced standard hours among full-time workers, one-third from reduced overtime work among full-time workers, and one-sixth from reduced hours among part-time workers. Between one-sixth and one-third of the total reduction in working hours was compensated by subsidies for short-time work that were agreed between the social partners and the government, according to the OECD. In addition, some reductions in wages were observed.

In addition to short working time a number of countries (including Germany, Mexico and Turkey) reduced or eliminated for a defined period employers' social security contributions replaced by a government subsidy. This measure contributed, alongside others, to reducing the cost of labour and retaining persons in employment.

¹⁰ OECD, 2010, *Employment Outlook*, Chapter 1: Moving Beyond the Jobs Crisis, Paris.

Summary presentation of country case studies on social dialogue responses to the crisis

This section provides a summarized presentation of the context of the crisis in 10 selected countries, a brief description of the social dialogue responses to the crisis and the estimated impact, as well as some preliminary lessons that can be drawn.

The two dominant characteristics highlighted above, namely the depth of the 2008 crisis and the institutional features of social dialogue, have largely shaped the responses to the crisis briefly described below. The depth of the crisis is an exogenous variable, as countries differ in their exposure to the trade and financial transmission channels of the crisis. The institutional density of social dialogue, that is the number of social dialogue institutions (levels and regularity of social dialogue) and the nature of regulatory frameworks (constraining or supportive), have largely shaped the responses to the crisis and the paths taken by social dialogue in the protracted recovery since. Greater detail on these institutional characteristics is provided in Annex 1.

One main lesson emerges from these case studies that is relevant to all countries. The greater the practice of social dialogue, as reflected in the quality and density of institutions of social dialogue, the stronger the role of social dialogue in responding to the global crisis. Hence institutional development of social dialogue is the real lesson.

Brazil

Context	The economy dipped by -0.1 per cent in 2009 with a mild recession of one quarter negative GDP growth. The unemployment rate rose to 8.1 per cent in 2009, up from 7.9 in 2008, and declined thereafter.
Social dialogue actions	In early 2009 the Government adopted an economic stimulus programme which aimed to increase investment and consumption. The measures were consulted and partly negotiated with the social partners. In February 2009 the minimum wage was increased (by 6 per cent in real terms, with another increase in January 2010). Unemployment insurance benefits were extended by two-months.
Impact	Unemployment insurance extension benefitted 300,000 workers
Lessons	The then Lula government was working closely with the trade unions, hence national consultations were regular; however Brazil is hampered by a restrictive trade union legislation which stipulates a local trade union monopoly at the municipal level, that leads to weak collective bargaining in enterprises.

Canada

Context	The economy registered three consecutive quarters of negative GDP growth end 2008-early 2009 with GDP dropping -2.9 per cent in 2009. The unemployment rate peaked at 8.4 per cent in 2009, up from 6.2 per cent in 2008, and trending downwards thereafter.
Social dialogue actions	<p>The Federal Government, often in conjunction with provincial governments, extended unemployment insurance benefits, and the duration and scope of short-time work schemes and provided resources to skills upgrading and training programmes. The scope of an existing Work-Sharing programme was extended as part of Canada's Economic Action Plan of March 2009 in order to cover more situations and provided unemployment insurance benefits for longer periods. The scope of a Wage Earner Protection Programme was also expanded to enable workers made redundant from the bankruptcy of their employer to recover all or part of the unpaid wages.</p> <p>As social dialogue is organised exclusively at the enterprise level no consultations or negotiations were held with the social partners at the Federal government level.</p> <p>Canada was particularly exposed to the automobile industry crisis in the United States. In March 2009 the Canadian Auto Workers Union negotiated a cost-cutting agreement with General Motors Canada which extended employment contracts to September 2012 in exchange for cuts in bonuses, reduced holidays and company social contributions. The Governments of Canada and of Ontario offered special loans to the auto industry.</p>
Impact	No direct impact evaluation is available. Employment in the auto industry in Canada (concentrated in the province of Ontario) dropped by 28.5 per cent between 2007 and 2009, shedding 43,500 jobs.
Lessons	Social dialogue at the enterprise level is strong in Canada in selected sectors of the economy, of which the auto-industry, and in the public sector. National or industry-wide collective bargaining is non-existent.

France

Context	GDP grew negatively for 5 consecutive quarters end 2008 and in 2009. In 2009 GDP dropped by 2.9 per cent. The unemployment rate rose to 8.8 and 8.9 per cent in 2009 and 2010 respectively, up from 6.2 per cent in 2007. Unemployment has continued to rise through 2015
Social dialogue actions	<p>Between 2008 and 2015 no less than 25 agreements were signed by the social partners and the government, although not all trade unions have signed up to these agreements. In January 2009 an agreement is signed on improving funding for life-long learning measures, especially directed at low-skilled and at unemployed. In July 2009 an agreement is negotiated on an extension of short-time work benefits to 1,000 hours per employee per year at 75 per cent of the gross wage. In October 2009 an agreement is reached on minor improvements in the payment of partial unemployment benefits. In May 2010 an agreement is reached on additional support for unemployed having exhausted their statutory rights.</p> <p>The boundaries between bi-partite and tripartite negotiations is blurred in France. In most cases negotiations are held between the three parties and the financing arrangements combine Government financing with the unemployment or training funds managed by the social partners.</p> <p>Next to these national cross-sectoral agreements a large number of enterprise as well as sectoral agreements have been negotiated. For example in the chemical industry a collective agreement was signed on working time arrangements in September 2009. The agreement details benefits for employees on short-time work.</p> <p>In the metalworking sector a national sectoral agreement on emergency measures was signed in May 2009 to safeguard employment and develop skills and qualifications.</p>
Impact	Unemployment benefits for workers on short-time work covered approximately one per cent of the workforce at the peak time in the third quarter of 2009.
Lessons	Social dialogue was intense at the national level throughout the period, yet implementation of national agreements, which often required further negotiations at the industry or enterprise level, was weak. Trade union representation in enterprises is poor, and only few enterprises (often only the largest ones) conduct social dialogue through an enterprise committee, in which trade unions are represented but not elected.

Germany

Context	The economy dipped by 5.6 per cent in 2009 and experienced four consecutive quarters of negative GDP growth. The unemployment rate rose marginally to 7.9 per cent in 2009 from 7.6 per cent in 2008, and declined as of 2010.
Social dialogue actions	<p>In November 2008 and January 2009 the Federal Government took a series of measures to uphold the economy and the labour market. These measures were widely consulted with the political parties and with employers' and workers' federations, but not negotiated, and no formal agreement was reached. The key measures concerning the labour market extended the existing short-time work schemes modifying the eligibility period of part-time unemployment benefits (from 12 to 18 months initially then up to 24 months), and the reimbursement of 50 per cent of social security contributions for all workers on short-time work, as well as increased funding for training schemes.</p> <p>The measures were subsequently taken up at sectoral levels, the standing bipartite negotiating level, as well as at enterprise level through the works councils. The sectoral agreements are often also regional ones, complemented by local enterprise level agreements. Each agreement draws on the broad measures identified at the federal level, and adapt these to the particular circumstances of the sector and/or the enterprise.</p> <p>As an example, in February 2010 the metal and electricity industry signed an agreement in the state of North Rhine-Westphalia. The agreement included all the elements mentioned above, yet gave the local social partners a degree of discretion in applying the employment security and flexibility measures.</p>
Impact	Some 3.5 per cent of wage employees or up to 1.5 million were on short-time work in 2009.
Lessons	Collective bargaining is well established in Germany at the sectoral level. Here priority was given to employment stability over wage settlements. The logic that prevailed was that the crisis would be short, and that the priority of enterprises was to retain skilled labour, in an overall environment of mounting shortages of labour. Works councils played their full role in implementing enterprise-specific agreements. The autonomy of the social partners was fully respected, however a high degree of coordination prevailed between the government and the social partners and between employers' associations and the trade unions.

Indonesia

Context	The economy registered one quarter of negative GDP growth. In 2009 GDP grew by 4.7 per cent. The unemployment rate stood at 8.2 per cent in 2009, down from 8.7 per cent in 2008, and continued trending downwards as of 2010.
Social dialogue actions	In February 2010 the government and the social partners opened a discussion on an Indonesian Jobs Pact modelled after the ILO's Global Jobs Pact. The Indonesian Jobs Pact was formally adopted in February 2011 by the national tripartite institution. The pact covers the period 2011-14 and addresses four main areas, namely job creation, industrial relations, labour productivity and social protection. The Pact is a programme directed at the longer-term labour market challenges of the country rather than an emergency response. The Pact seeks to promote infrastructure investment and to support the development of small enterprises. It emphasizes the development of vocational training as well as the extension of social security. It provides for several labour regulation reforms in severance payments and in employment protection. The Pact also provided for a monitoring and evaluation mechanism.
Impact	No formal evaluation is available of the role played by the Indonesian Jobs Pact although it is believed the impact was stronger in the process of preparing the pact rather than its actual outcomes.
Lessons	Social dialogue institutions are weakened by a multiplicity of trade unions, a low trade union density rate and only an incipient tradition of independent collective bargaining. The negotiations around the Jobs Pact have contributed to strengthening the practice of consultations and negotiations among the social partners.

Italy

Context	The economy dipped by -5.5 per cent in 2009 and registered 5 consecutive quarters of negative GDP growth in 2008-09. The unemployment rate rose to 7.9 per cent in 2009 and 8.5 per cent in 2010, up from 6.8 per cent in 2008, and peaked only in 2014 at 12.9 per cent.
Social dialogue actions	<p>In an agreement signed in February 2009 the government, the regional governments and the social partners used an existing Wage Guarantee Fund to finance partial unemployment as well as training measures for workers on short-time work. The social partners were actively consulted at the regional level to implement the scheme.</p> <p>Alongside these employment-safeguard measures the dominant theme of social dialogue has been reforms to the practice and levels of collective bargaining.</p> <p>In January 2009 a tripartite framework agreement was reached reforming collective bargaining. The agreement gives priority to enterprise-level collective bargaining, paves the way to "opening clauses" allowing for lower conditions, and limits the recourse to strike action.</p> <p>A direct outcome of these reforms are the changes adopted at the FIAT plants of Pomigliano (Naples) and Mirafiori (Turin) in 2010. The agreement were agreed by the unions, except Federation of Metal Workers Employees (FIOM-CGIL), and subsequently approved by the workforce in a referendum called by the management. The agreements include the company's departure from the main employers' body and the creation of new national and sectoral agreements (including those which govern workers' representation in the workplace); the reduction of rest breaks at work; greater flexibility in working time, shifts and overtime; and strong limitations on the right to strike. In return, FIAT has promised to safeguard both plants, investing in innovation for production and development over the next five years.</p> <p>Another reform was adopted in June 2012 introducing changes to dismissal rules, raising the cost of flexible employment contracts and limiting the duration of unemployment benefits.</p> <p>In 2014 a Jobs Act was adopted which introduced a number of significant changes. A first measure extended the duration of fixed-term contracts from 12 to 36 months, suppressing gap periods, and allowing for more fixed-term contracts to be renewed, all while limiting the share of fixed-term contracts within a single enterprise. A second measure eliminated Article 18 of the Labour Code, which allowed reinstatement in cases of unfair dismissal. Reinstatement is now assessed by a judge and can be replaced by an indemnity. A third measure established a new open-ended contract with incremental protection. During the first three years, dismissal is facilitated with severance pay increasing with seniority. A fourth measure extended the benefit period of unemployment insurance to two years from one year previously. A National Employment Agency (ANPAL) bridging unemployment with training was also established.</p> <p>Alongside the Jobs Act, the government eliminated in 2015 employer social security contributions for three years for all new hires with open-ended contracts. This measure was extended in 2016 for new hires on permanent contracts exempted from 40 per cent of social security contributions for two years.</p>
Impact	In 2009 some one billion hours of work were financed by the Wage Guarantee Fund and 1.2 billion hours in 2010. In 2009 3.3 per cent of the wage employees were on short-time work schemes.
Lessons	Social dialogue used an existing mechanism (the Wage Guarantee Fund) to finance extensive partial unemployment benefits for workers on short-time work. Alongside measures to combat the 2008 crisis the dominant theme of social dialogue were reforms to collective bargaining practices pushed by the government.

Japan

Context	The economy was in recession for four consecutive quarters in 2008-09 with GDP declining by -5.4 per cent in 2009. The unemployment rate rose to 5.3 in 2009 and 2010, up from 4.2 per cent in 2008, declining thereafter.
Social dialogue actions	<p>In March 2009 an agreement on Job Stability and Employment Creation was reached between the Government the social partners which identified five priority measures to be implemented at enterprise level based on consultations between management and workers. The main aim of the agreement was to preserve employment stability.</p> <p>The five priority areas were:</p> <ul style="list-style-type: none"> • Promotion of “Japanese-style” work-sharing, including short-time working subsidized by the Government, temporary unemployment instead of lay-offs, and temporary transfers of redundant employees in one firm to other firms that had demand for their labour, • Enhancement and strengthening of employment safety nets, such as vocational training and job placement services, including through the public employment service, • Income support for workers in vocational training, and for the long-term unemployed, ineligible for unemployment benefits, especially non-regular job-hoppers, • Job creation, with a focus on occupations and industries of future demand, such as healthcare or the environment, • Wide dissemination of the tripartite agreement, and the commitment of each party to the roles each has agreed to assume in this agreement.
Impact	In Japan, average hours worked declined by 3.3 per cent during 2008-09 (6 per cent in manufacturing). Between one-sixth and one-third of the total reduction in working hours was compensated by subsidies for short-time work that were agreed between the social partners and the government.
Lessons	Collective bargaining is decentralized to the enterprise level, yet it is also highly coordinated nationally between employers’ associations and trade unions. This institutional characteristic ensured a swift adoption and implementation of measures to respond to the crisis. However agreements reached only cover regular workers, and not those in part-time or temporary employment.

Republic of Korea

Context	The economy registered one quarter of negative GDP growth end 2008 and growth averaged 0.7 per cent in 2009. The unemployment rate marginally increased to 3.8 per cent in 2009 and 2010, up from 3.3 per cent in 2008 which it reached again in 2012.
Social dialogue actions	<p>In February 2009 the government negotiated a “Grand Social Consensus” with the social partners and civic groups. Based on this agreement, the government supported the social partners in job-sharing efforts, including expanding subsidies for employment retention and easing eligibility requirements. For example, subsidies for Small and Medium Sized Enterprises (SMEs) rose from two-thirds of wages to three-fourths of wages, while for large enterprises such subsidies increased from one-half to two-thirds of wages.</p> <p>Job retention efforts were complemented by measures aimed at direct job creation targeting about 810,000 beneficiaries. These measures included the “Hope Work” programme which aimed at providing temporary jobs to low-income households and supporting the recovery of local economies.</p>
Impact	Some 30 per cent of workplaces with 100 or more employees participated in the job-sharing scheme, which is estimated to have retained a minimum of 90,000 jobs. Approximately 0.5 per cent of all employees participated in the short-time work schemes in 2009. Non-regular workers which amount to one-third of all wage workers, have absorbed the brunt of the crisis.
Lessons	The government and the social partners reacted swiftly to the crisis, drawing on the lessons of the 1997-98 Asian crisis. Notwithstanding competition among trade unions and strong tensions between employers and trade unions, a characteristic of social dialogue in Korea, have limited the effectiveness of the agreements reached.

Netherlands

Context	The economy dipped by 3.8 per cent in 2009 resulting from four consecutive quarters of negative GDP growth in 2008-09. The unemployment rate rose to 3.4 per cent in 2009 and 4.5 per cent in 2010, up from 2.7 per cent in 2008. Unemployment peaked at 7.4 per cent in 2014.
Social dialogue actions	<p>In March 2009 the social partners through their joint Labour Foundation agreed on giving priority to employment security and training over wages. The agreement called for wage moderation, at around 1 per cent in 2009 and no increase in 2010. In exchange the agreement called on the government to extend financing for short-time work, training measures and better protection of the more flexible workforce. In particular short-time work was explicitly linked to training opportunities. This agreement was immediately turned into a tripartite agreement with the support of the government.</p> <p>In 2010 social dialogue turned back to the long-standing matter of the pension age, with an agreement to raise gradually retirement age to 66 years in 2020 and 67 years in 2025. As of 2011 the main topic of negotiations addressed the situation of temporary and part-time workers.</p> <p>In 2013 a tripartite agreement (called Social Agreement) on labour market reforms was adopted which enabled the Government to table a number of bills passed subsequently by parliament in 2015. Three measures are noteworthy that broadly aim to improve protection of temporary workers whilst reducing the gap with permanent workers. The first is to reduce the use of temporary employment which is very high, by limiting to a maximum of three the number of fixed-term contracts a person can hold over a period of up to two years. The second aims to modify provisions in the termination of employment as well as in the calculation of severance payment, now capped and linked to tenure rather than age. Lastly unemployment benefits were reformed reducing the maximum duration from 38 to 24 months, although collective agreements can extend benefits beyond this period, and introducing the requirement of any person in unemployment for more than 6 months to accept any offer of work available.</p>
Impact	Some 0.75 per cent of wage workers participated in a short-time work scheme in 2009
Lessons	Social dialogue is highly organized in the Netherlands but very little regulated. The social partners negotiated the terms of an agreement through their joint Labour Foundation and then turned to the government, which also used the economic and social council, to finalize and pass a series of measures to counter the crisis. Part-time work is prominent and cushioned a significant part of the crisis.

South Africa

Context	The economy dipped by -1.5 per cent in 2009 with three consecutive quarters of negative GDP growth in 2008-09. The unemployment rate, consistently high, increased to 23.7 per cent in 2009 and 24.9 per cent in 2010, up from 22.6 per cent in 2008. It continued to rise through 2015.
Social dialogue actions	<p>A tripartite Presidential Working Group negotiated a response to the crisis between early December 2008 and mid-February 2009 when a 'Framework Agreement for South Africa's response to the International Economic Crisis' was adopted.</p> <p>The agreement included two main measures. One was called training layoffs to avoid retrenchment, providing workers with training and compensation for a period of three months during which time the employer only paid the basic social benefits. Employees would remain in employment and in addition receive half their salary up to a defined monthly maximum.</p> <p>In parallel collective bargaining councils negotiated a number of short-time work arrangements, especially in manufacturing and in mining. Short-time work was accompanied by training measures in some instances; in others reduced working hours went parallel with reduced wages and lower hourly rates.</p> <p>A number of enterprises negotiated voluntary retrenchment measures. In the construction sector a job rotation scheme was agreed, whereby workers worked two-week shifts in turn.</p> <p>An important element of negotiations dealt with the use of contract labour and labour brokers. Some bargaining councils obtained the complete ban of contract labour brokers; in others the use of contract labour was regulated, setting thresholds of a maximum of one-third of total employment, with a corresponding increase in permanent employment.</p>
Impact	By August 2010, an estimated 6,083 workers were placed on training layoffs instead of being retrenched. The automobile industry used the scheme extensively.
Lessons	National consultations and dialogue is an established, yet young, tradition. However, industry and enterprise level bargaining remains weak. In addition implementation capacity is weak. These factors combined explain the major social dialogue push at the national level and the weak take-up of the agreements reached, resulting from weak implementation

Analysis of key indicators of social dialogue and collective bargaining in G20 countries

The institutional forms of social dialogue and collective bargaining vary greatly across countries yet rest on some basic principles contained in international labour standards. In particular, the Right to Organise and Collective Bargaining Convention, 1949, (No.98) states in its article 4:

“Measures appropriate to national conditions shall be taken, where necessary, to encourage and promote the full development and utilisation of machinery for voluntary negotiation between employers or employers’ organisations and workers’ organisations, with a view to the regulation of terms and conditions of employment by means of collective agreements.”

In order to highlight the main patterns of social dialogue, including collective bargaining, in each country, a series of indicators are examined in turn below: first, the ratification record of key ILO standards; second, trade union density and collective bargaining patterns; third, the existence of a tripartite economic and social council or similar institutions of social dialogue; and finally, the role of the social partners in setting and adjusting the minimum wage.

i. Ratification of ILO standards

First, the ratification record of key social dialogue and collective bargaining labour standards is compiled for the 19 countries of the G20 group (Table 6).

Table 6: Ratification of the Freedom of Association Convention, 1948 (No.87), the Right to Organise Convention, 1949 (No.98) and the Tripartite Consultation (International Labour Standards) Convention, 1976 (No.144)

	C.87	C.98	C.144
Argentina	✓	✓	✓
Australia	✓	✓	✓
Brazil		✓	✓
Canada	✓		✓
China			✓
France	✓	✓	✓
Germany	✓	✓	✓
India			✓
Indonesia	✓	✓	✓
Italy	✓	✓	✓
Japan	✓	✓	✓
Korea, Rep.			✓
Mexico	✓		✓
Russia	✓	✓	✓
Saudi Arabia			
South Africa	✓	✓	✓
Turkey	✓	✓	✓
United Kingdom	✓	✓	✓
United States			✓

Source: ILO

Conventions No.87 and No.98 have been ratified by 13 and 12 countries of the G20 group respectively, whereas all countries have ratified the Tripartite Consultation Convention, No. 144.

When a country has not ratified a convention, this usually, although not always, points to some basic issues with regard to the observance of basic ILO principles. Among countries that have ratified conventions, actual law and practice varies greatly from one to another.

Collective bargaining agreements are reached through single-employer or multi-employer negotiations. For employers, multi-employer negotiations may provide them with a better means for conflict resolution, labour cost stabilization and longer-term agreements. However, when conditions across enterprises are heterogeneous, single-employer negotiations may better reflect the situation of each enterprise.

Trade unions have an interest in reducing uncertainty for their members and generally prefer broader agreements which are reached through multi-employer negotiations. Collective agreements provide a floor to wages which is acceptable to both parties; they also reduce the dispersion of wages, thereby lowering inequality of earnings across employees.

Collective bargaining enables trade unions to voice the concerns of their members of workplace matters. It is an instrument to ensure “a just share of the fruits of progress to all” as stated in the ILO Declaration of Philadelphia, 1944, enabling workers to claim a fair share of the wealth they have helped to create.

ii. Trade union density and collective bargaining patterns

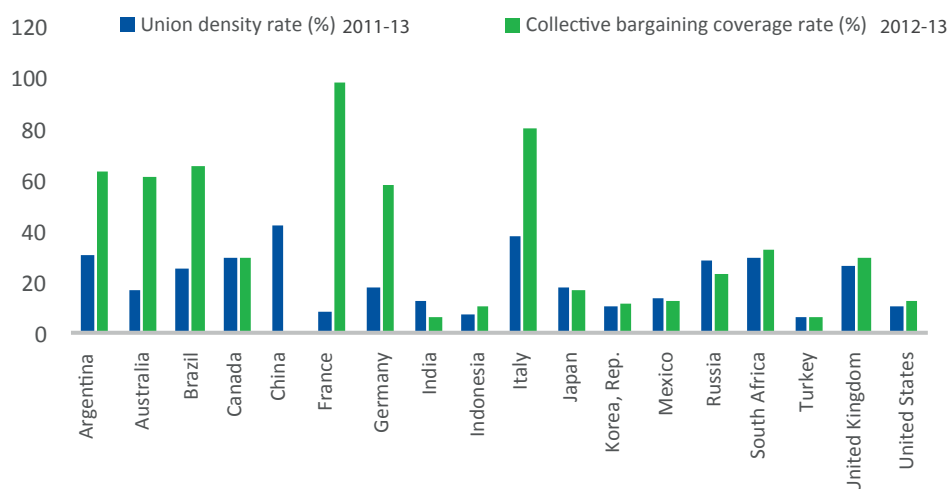
The *second indicator* examined is trade union density and the coverage of collective bargaining, along with levels and coordination of collective bargaining.

The trade union density rate is measured as the share (among all workers) of trade union members; the collective bargaining coverage rate is the share of employees whose terms and conditions of employment are determined by bargaining between employers and workers (Figure 9).

Across G20 countries, the union density rate averaged 33 per cent around 1995 and 20 per cent in 2011-13. Density rates are above 30 per cent in Argentina, China and Italy, between 25 and 29 per cent in Brazil, Canada, Russia, South Africa and the United Kingdom, between 12 and 20 per cent in Australia, Germany, India, Japan, and Mexico, and 11 per cent and lower in France, Indonesia, Republic of Korea, Turkey and United States.

Collective bargaining coverage rates are largely determined by regulations pertaining to the extension of agreements. Coverage rates range from 98 per cent in France to 6.5 per cent in Turkey, with a median of 29 per cent in 2012-13. Coverage rates have tended to decrease over recent decades. The median coverage rate around 1995 for those countries with available data (11 countries) was 36.7 per cent. Germany, in particular, witnessed a sharp drop of close to 24 percentage points over the last twenty years.

Figure 9: Union density and collective bargaining coverage (in per cent of wage workers)



Source: J. Visser, ICTWSS Data base, version 5.1. Amsterdam: Amsterdam Institute for Advanced Labour Studies (AIAS), University of Amsterdam. September 2016.

The main reasons for declining trade union density and collective bargaining coverage are the changing composition of employment, with the share of the workforce in services now highest in developed countries and rapidly rising in emerging countries, dominated by small enterprises, with a corresponding decline in the share of manufacturing. Changing forms and statuses of employment have also played a role, with increasing temporary, part-time and sub-contracted employment.

An overall decline in regulatory barriers, including trade barriers, and more intense competition in domestic and foreign markets, are other factors which have weakened trade union membership and the appetite for broad collective bargaining agreements. A number of policy decisions taken by governments to encourage competition, restore competitiveness and reduce barriers to trade have also led to reforms which have reduced the coverage of collective bargaining. In particular, reforms to the extension of collective agreements, their duration and expiry, as well as to facilitate opting out of agreements, have been numerous, especially in Europe. These have included dropping the so-called “favourability” principle, whereby enterprise-level agreements cannot offer terms which are less favourable than those established in industry-wide or sectoral agreements.

In spite of the above aggregate numbers, enterprises with some form of trade union representation remain quite common. In general, trade union representation is correlated with the size of enterprises, being lower in smaller enterprises and more common in larger ones. Across the four European G20 members (France, Germany, Italy and United Kingdom), one-quarter of small enterprises have trade union representation, compared to 59 per cent of medium-sized enterprises and 85 per cent of large establishments.¹¹

Few data are available on employer organisation density. A recent assessment by the OECD presents the share of employees in private sector enterprises members of an employer organisation.¹² Data for 27 mostly European countries display a wide range from a low of 20 per cent or less in the Republic of Korea, Poland or Turkey to over 80 per cent in Austria, Belgium, Netherlands and Sweden. The sample average is 51 per cent of private sector employees work in enterprises members of an employer organisation. Available data also suggest the density has been stable over the last decades in most countries.

A recent review of collective bargaining in the EU in the 21st century¹³ concludes the following:

“After a decade of relative stability in the 1990s, collective bargaining systems and processes in the EU since the end of that decade have undergone a steady change that has accelerated since 2008. The main indicators of this change are the more rapid decline of coverage rates and regulatory changes in a number of collective bargaining practices and processes, particularly with regard to the extension of collective agreements, functional hierarchies and the growing importance of company-based bargaining processes.”

Beyond changes in the level of bargaining and its extension to non-signatories, in many countries the scope of collective bargaining has narrowed as well:

“A further clear result is that there is a stark contrast between those (few) countries that report a stable situation and a broadening collective bargaining agenda that covers not only core items but also contributes to coping with major economic, social and other challenges and those countries that have experienced a significant narrowing of bargaining agendas during the past decade. The latter group consists of many countries in central and eastern, north-western and southern Europe.”

Many of these tendencies were already apparent prior to the crisis: the crisis merely accelerated them.

11 Eurofound, 2015, Third European Company Survey -Overview report: Workplace practices- Patterns, performance and well-being.

12 OECD, 2017, Employment Outlook, chapter 4 on “Collective bargaining in a changing world of work”, Paris.

13 Eurofound, 2014, Changes to wage-setting mechanisms in the context of the crisis and the EU’s new economic governance regime, European Union, Luxembourg.

The extent of collective bargaining coverage must be understood in the institutional context of the country and related to the level of bargaining, the degree of coordination among parties, and the use of extension clauses that guarantee similar conditions to non-trade union members as well as to enterprises not party to the agreement. The *third indicator* examined here is therefore the principal level of wage bargaining and the degree of coordination.

Negotiations can be fully decentralized but highly coordinated, whether by the government or by agreements between peak associations of employers and workers, or through “pattern bargaining” in which one sector sets guidelines for other sectors and enterprises to follow.

Table 7 uses a scale of 1 to 5 to assess the degree of coordination observed in collective bargaining, in which 1 corresponds to fragmented single-employer/enterprise bargaining and 5 corresponds to centralized bargaining.

Single-employer negotiations at the level of the enterprise, with no coordination across employers, is the dominant pattern of collective bargaining in North America, Mexico, the United Kingdom and Turkey. This is also the pattern in India and Indonesia. However, some variety is observed within countries across different economic sectors.

Table 7: Principal level of collective bargaining and degree of coordination

	Principal level of wage bargaining		Degree of coordination
	Sectoral	Enterprise	
Argentina	✓		3
Australia	✓		2
Brazil	✓		3
Canada		✓	1
China		✓	5
France		✓	2
Germany	✓		4
India		✓	2
Indonesia		✓	2
Italy	✓		3
Japan		✓	4
Korea, Rep.		✓	3
Mexico		✓	1
Russian Fed.	✓		2
South Africa	✓		3
Turkey		✓	2
United Kingdom		✓	1
United States		✓	1

Source: J. Visser, *op.cit.*

A similar pattern prevails in Japan and the Republic of Korea; however, strong coordination mechanisms exist in these countries on the side of both trade unions and employers. The spring wage offensive, or *Shunto*, in Japan is a form of synchronized and coordinated annual wage negotiation, although the degree of coordination has tended to decline in recent years.

In China, collective bargaining takes place at the enterprise level, yet the Government weighs in heavily through its decisions on minimum wages and overall economic policy.

France is likewise a mixed case. Wage settlements are primarily reached at the enterprise level, with the Government

setting the annual increase in the minimum wage and exercising a mostly favourable disposition towards the extension of agreements to entire sectors or regions or both. Hence, the situation is more akin to multi-party negotiations than to either single or multi-employer discussions.

Multi-employer negotiations are much more common where collective bargaining takes place primarily at the sectoral level, across entire industries. This helps explain why coverage rates tend to be higher where sectoral bargaining occurs. However, significant variations are observed in the degrees of coordination, with central guidance agreed between employers' and workers' organisations, either with or without government participation, as seen in Argentina, Brazil, Italy, and South Africa.

Germany stands out for its higher level of coordination, especially in some sectors. The automobile industry typically sets a pattern of bargaining followed by other sectors. Yet even in Germany, more and more opt-out agreements and clauses have been observed in recent years, with a growing preference for single-employer negotiations.

Sectoral negotiations may also dominate, with little coordination, as is the case in Australia and in the Russian Federation.

No country follows only one pattern, with a mix of situations observed in almost all countries. This institutional diversity explains why the dynamics of collective bargaining are best understood on a country-by-country basis and why generalized hypotheses have often failed to capture the wide variations observed.

However, it is increasingly recognized that cooperative and coordinated bargaining patterns have the potential to deliver sound results. Many forms of cooperation are observed across countries, from national bargaining to pattern bargaining set by a leading industry, and with varying degrees of informal yet still effective coordination. In most countries, different levels of bargaining co-exist and therefore the degree and quality of cooperation and coordination are highly significant features.

One key ingredient identified by the IMF¹⁴ is the degree of trust between the social partners and with the government. In countries that rely on degrees of coordination in their sectoral or national collective wage bargaining systems, trust seems to be key. In particular, the IMF observes that unemployment linked to the 2008 crisis increased less in those countries displaying a high degree of trust. Although this is an under-researched area, it seems that the breadth of representation of employers and of workers, procedural transparency, effective implementation of the agreements reached and the regularity of negotiations between the parties are among the "trust" factors contributing to positive economic outcomes.

iii. Tripartite economic and social councils and similar institutions of social dialogue

A *third indicator* is the presence or absence of a tripartite economic and social council or similar institutions of social dialogue, which allow the social partners to discuss policy matters and advise the government about their views.

Economic and Social Councils are a form of peak level social dialogue existing in more than half of the G20 countries. The role of such Councils is primarily for consultation among the tripartite partners and, often, other representatives of civil society and for the formulation of policy advice, rather than collective bargaining or the conclusion of binding agreements.

Economic and social councils are found in 11 of the 19 G20 countries and in the European Union. In Saudi Arabia, the Majliss Echoura is a similar institution used for national consultations. Economic and social councils are a form of institutionalized social dialogue, whose composition varies. Some are strictly tripartite, with equal representation of government, employers and workers, some are bipartite, and others comprise a very broad membership. A

14 IMF, WEO April 2016, Box 3.2, page 131.

reference to “tripartite plus” or “bipartite plus” indicates that membership is extended to what are commonly called “organized civil society groups” which may represent a variety of specific interest groups, be they youth, women, environmentalists or others. Table 8 provides an overview of the economic and social councils in G20 countries.

Table 8: Economic and social councils and similar institutions in G20 countries

Country	Name	Year established	Composition	Main function
China	Economic and Social Council	2001	Broad membership	Advisory/Consultative
Brazil	Economic and Social Development Council	2003	Broad membership	Advisory/Consultative
France	Economic, Social and Environmental Council	1925	Bipartite plus	Advisory/Consultative
India	India Labour Conference	1942	Tripartite	Advisory/Consultative
Italy	National Council of Economy and Labour	1957	Bipartite plus	Advisory/Consultative
Japan	Labour Policy Council	2001	Bipartite plus	Advisory to Ministry of Labour
Korea, Rep.	Economic and Social Development Council	1998	Tripartite plus	Social dialogue, local dialogues, advisory
Mexico	Council for Dialogue with Productive Sector	2001	Broad membership	Advisory/Consultative
Russian Fed.	Civic Chamber	2005	Broad membership	Advisory
South Africa	National Economic Development and Labour Council	1994	Tripartite plus	Advisory/Consultative
European Union	European Economic and Social Committee	1957	Bipartite plus	Advisory/Consultative
Turkey	Economic and Social Council ¹⁵	1995	Tripartite plus	Advisory/Consultative

Source: International Association of Economic and Social Councils and Similar Institutions) database, national sources and Ministry of Development of Turkey (AICESIS)

There are no established national economic and social councils in Argentina (although it is a member of a three-country Mercosur advisory economic and social forum), Australia, Canada, Germany, Indonesia, Saudi Arabia, United Kingdom and United States. In these countries, the consultation of the social partners either takes place through other channels or is not part of established practice.

Economic and social councils provide a forum for structured dialogue among professional organisations. However, their function is essentially advisory, providing views to the government (and at times also to parliament, as in the European Union) on topical policy matters. Seeking the views of the economic and social council is mandatory for certain questions in several countries, such as in the preparation of draft economic and social legislative proposals.

¹⁵ In Turkey, the Council lost covered in 2009 with the agenda of the economic crisis

Most often the government seeks the views of the social partners on specific policy issues, although at times the councils themselves decide to review a particular topic.

The opinions of the economic and social councils have played an important role in several countries (e.g. France, Netherlands) to discuss responses to the crisis, to review policy measures proposed by the government, and to assess policy implementation, usually in complement to a parliamentary discussion. Although economic and social councils are usually not engaged in collective bargaining, they may put forward opinions on the setting of wages, changes to wage-setting mechanisms or trends in real wages.

iv. The role of the social partners in setting and adjusting minimum wages

The *final indicator* we examine is the role of the social partners in setting and adjusting the minimum wage. In some countries, this represents the only or one of very few opportunities that employers and workers may have to discuss, negotiate and agree with the government on crucial labour market issues. As such, it is often one of the most important instances of social dialogue at the national level.

All G20 countries have introduced a minimum wage, although modalities display significant variations across the 19 countries. Among them, 14 countries have ratified the Minimum Wage-Fixing Machinery Convention, 1928 (No. 26), namely Argentina, Australia, Brazil, Canada, China, France, Germany, India, Italy, Japan, Korea, Rep., Mexico, South Africa and Turkey; while six countries have ratified the Minimum Wage Fixing Convention, 1970 (No. 131), namely Australia, Brazil, France, Korea, Rep., Japan and Mexico.

Different institutional procedures apply to set the minimum wage, ranging from collective bargaining (i.e. no statutory minimum wage) to a Government-set minimum, whether advised or not advised by a technical body, tripartite or otherwise in composition. Table 9 presents information on the machinery in force in G20 countries.

Table 9: Minimum wage (MW) fixing machinery in force in G20 countries

Government sets MW with ...			Specialized body sets MW	Collectively bargained MW
<i>No obligation to consult</i>	<i>Direct consultation of social partners</i>	<i>Advice or recommendation of specialized body</i>		
Brazil	China	France	Argentina	Italy
Canada	Russian Federation	Germany	Australia	South Africa
Saudi Arabia		India	Korea, Rep.	
United States		Indonesia	Mexico	
		Japan	Turkey	
		United Kingdom		

Source: Eyraud and Saget, 2005

The minimum wage in G20 countries entails different degrees of coverage ranging from one singular national minimum wage (9 countries), to regional minimum wages (7 countries), at times combined with a national (or federal) minimum wage, as well as minimum wages by sector and occupation (3 countries).

Table 10: Scope of minimum wage fixing

Singular national MW	Regional (and national) MW	Sectoral/occupational MW
Australia	Argentina	Italy
Brazil (+ regional)	Canada	Mexico
France	China	South Africa
Germany	India (and occupations)	
Korea, Rep.	Indonesia	
Russian Fed. (+ regional)	Japan	
Saudi Arabia		
Turkey	United States	
United Kingdom		

Source: ILO, *Minimum wage systems, General survey, International Labour Conference, 103rd Session, 2014.*

In Brazil and the Russian Federation, higher regional minimum wages may co-exist with a national minimum. In Indonesia, wage councils set minimum wages at the provincial, district and municipal levels.

In several countries, different minimum wages apply to different economic sectors, such as in Argentina (rural sector), Australia, Canada, India and Japan.

In Mexico, general minimum wages and minimum occupational wages are fixed by geographical zone.

Germany switched from a collectively bargained minimum wage by sector to a national minimum wage in 2015. This was done in light of recognition of the significant proportion of low wage workers found in sectors and occupations which had no or weak trade union representation.

A similar debate has emerged in Italy and in South Africa over the merits of using a statutory minimum wage rather than the current collectively bargained sectoral minimum wages.

In several countries, young workers are excluded from the minimum wage or are subject to a lower minimum, such as Australia, Canada, Germany and the United Kingdom. Similar exclusions apply in the case of apprentices in several countries including Argentina, France and Germany. In Saudi Arabia, the national minimum wage applies only to nationals and not to migrant workers.

Social dialogue and the G20

The Summit meetings of the G20 countries emerged as the premier global forum in the coordination of global policy responses to the crisis. The London Summit in April 2009 was the first to recognize the importance of extraordinary fiscal measures to restore growth and employment. The Summit in Pittsburgh in September 2009 gave priority to employment and decent work whilst upholding the role of international labour standards. It agreed to an Employment and Labour Ministers meeting held in April 2010 in Washington DC, who have met annually since then and contributed to shaping the employment policy responses in G20 countries.

As of 2012, a joint meeting of Finance and Employment and Labour Ministers meeting has also been held each year.

The Turkish presidency of the G20 paid close attention to inequality and to the role of declining labour income shares. Research, including in reports prepared for the G20, has established that the labour income share has been declining since the early 1990s in most advanced countries and in several emerging countries. Declines of over 8 percentage points are recorded in the Republic of Korea and in Italy, and of between 7 and 4 percentage points in other advanced countries. Among emerging countries, declines of between 8 and 4 points are also observed in Turkey, Mexico, South Africa and Saudi Arabia.¹⁶

The G20 Labour and Employment Ministers who gathered in Ankara, Turkey in September 2015 stated in their conclusions:

*"In order to address rising inequalities and where necessary declining labour income shares, we agree to undertake a mix of policies appropriate to our national circumstances including improving wage-setting mechanisms, institutions for social dialogue, social protection systems, employment services and active labour market policies."*¹⁷

The Chair of the joint G20 Finance and Employment and Labour Ministers meeting of 4 September 2016 stated, inter alia:

"Rising inequalities have become a matter of concern for most G20 economies in recent years. In order to better understand the root causes of these trends and to develop effective policy responses, a Sub-group on labour income share and inequalities was established under the Employment Working Group during the Turkish G20 Presidency.

*To promote inclusive growth, the Sub-group came up with a set of policy priorities. Ministers discussed these policy priorities including strengthening social dialogue and social protection systems, adopting appropriate labour legislation, improving taxation systems, expanding collective agreements coverage and ensuring fair wage scale."*¹⁸

As of 2011, the employers' representatives (assembled in the B20- Business 20) and the workers' representatives (assembled in the Labour20- L20) have addressed the Summit meetings and have participated in the annual meetings of Employment and Labour Ministers. They adopted a joint statement in 2011 laying out their joint views and priorities. In 2013, at the G20 Summit in Saint-Petersburg (Russian Federation), they adopted a document on "Key elements of quality apprenticeships, a joint understanding of the B20 and L20"¹⁹. In 2015 in Turkey, the B20/L20 Joint statement strongly emphasized the role of social dialogue as means of achieving economic and social progress.²⁰

16 IMF, ILO, OECD, World Bank, Income inequality and labour income share in G20 countries: Trends, Impacts and Causes, September 2015.

17 Available at <http://www.g20.utoronto.ca/2015/150904-labour.html>

18 Available at <http://www.g20.utoronto.ca/2015/150904-finance-labour.html>

19 Available at <https://www.ituc-csi.org/key-elements-of-quality>

20 Available at <http://www.g20.utoronto.ca/b20/B20-L20-2015-Statement.pdf>

Conclusions

What then was the role of social dialogue in devising responses to the economic crisis and facilitating recovery in the G20 countries? It is fair to say that while its role was both significant and important, it was not the most determinant factor in their return to economic health. Social dialogue was significant in the variety of ways in which the government and the social partners came together in order to protect employment. It was important, therefore, in efforts to *mitigate* the labour market fall-out of the crisis. These efforts at mitigation mattered most. The major reason behind a lag in the labour market's response to economic recovery is worker separation from the labour market, and the scarring effects which result from this. In countries whose efforts to maintain workers' links to the labour market succeeded, labour market recovery was more rapid.

Nonetheless, economic recovery from the crisis was asymmetric in the G20 countries. Turkey, for example, recovered relatively rapidly, whereas Japan regained its pre-2008 GDP only in 2013. The reasons for this asymmetry have much less to do with the quality or the content of national social dialogue than with the macroeconomic foundations of the crisis, and in particular whether it was propagated through financial or trade channels –or both– and with the corresponding macroeconomic responses. In Turkey, severe as it was at its outset, the crisis transmission mechanism was through the trade, not the financial, channel.

Again, it was the effort to mitigate the employment consequences of the downturn that distinguished the contribution of social dialogue. In this report's review of country experiences, social dialogue proved to be most valuable in countries where the recession was the deepest, and where there were strong and trusted pre-existing institutions of social dialogue. As an exception that proves the rule, South Africa introduced an innovation, the training contract, which was an effort to prevent employees being severed from their employment contract, while undertaking training subsidized by the employer and the State. The initiative, laudable though it was, had an insignificant uptake: it experienced roll-out delays and remained largely unknown to those workers who might have benefitted. Pre-existing institutions were more influential in the crisis. By implication these institutions of social dialogue continued to play key roles in the protracted recovery observed since 2010.

In several G20 countries, the stability of industrial relations systems and the practice of social dialogue remain the norm. That said, several studies identify secular trends that prevail in many countries. Principal among these is the secular decline in trade union density, the consequence of the decline in manufacturing employment, the shrinking of the public sector, and the growth of non-standard forms of employment²¹, among other factors. Manufacturing and the public sector were once strongholds of trade union membership, while the growing number of part-time, temporary and contract workers is an obstacle to unionization. Another factor is the erosion of collective bargaining agreement extension, whereby companies are increasingly able to "opt out" of agreements. Employers often cite their need to be able to respond more flexibly to increased competitive pressure arising from globalization as justification for this. A related trend is a gradual narrowing of the scope of collective bargaining from broader economic and social concerns to *core* issues of wages and working conditions. Overall regulatory trends have tended toward greater flexibility rather than enhanced worker protection.

These secular trends were possibly accelerated by the crisis. Recovery from the crisis has been weak rather than robust and counter-cyclical public spending during the crisis depleted government resources, both factors contributing to a lag in employment growth behind the onset of economic recovery.

Social dialogue structures show great diversity in the G20 linked to differences in national legal and cultural traditions. Thus, addressing the crisis involved tripartite *consultations* in Mexico, the Russian Federation, and South Africa. Tripartite *agreements* were struck in Brazil, Indonesia, France and Japan. *Bipartite sectoral agreements* were concluded in Germany

21 See in particular ILO, 2015, Conclusions of the Meeting of Experts on Non-Standard Forms of Employment, GB.323/POL/3, March, Geneva.

and Turkey. And management of the crisis occurred overwhelmingly at the enterprise level in Canada, Italy, and the United States. *Regional tripartite arrangements* exist in some countries. Economic and Social Councils and similar institutions, that may or may not include representatives of civil society alongside government and the social partners, exist in others. Irrespective of their efficacy, there exist a variety of mechanisms for social dialogue in G20 countries.

Protecting employment was the predominant theme of dialogue in these countries. Measures discussed included adjustments to working time, reducing or postponing increases in wages, reducing non-wage labour costs such as those relating to social security, and expanding training opportunities in anticipation of the recovery.

Short-time working was a useful tool in protecting employment. In several countries using this mechanism, a 1 percentage point increase in short-time working reduced the unemployment rate in direct proportion -by 1 percentage point. Germany, Italy, and Japan made greatest use of this mitigation strategy. In Turkey, extensive short-time working resulted in an estimated reduction of 0.8 per cent in unemployment in 2009. Short-time working was foreseen in Turkey's National Employment Strategy, a draft that was produced by Government and finalized after consultations with the social partners.

In fact, a wide variety of solutions arose through social dialogue in the G20. Examples highlighted in the report include: Argentina and Australia saw agreements at the enterprise level to reduce wages and working time, with the Government topping up the lost income, while in Australia, employers offered training at a lower wage; Brazil's tripartite agreement extended the duration of unemployment benefits, while China suspended the payment of some payroll taxes; Germany's tripartite agreement extended the duration of short-time working to 24 months, while France's tripartite agreement extended partial unemployment benefits; Italy's tripartite agreement focused on training for the unemployed, while enterprise-level bargaining in the US auto industry lowered wages for new recruits; consultations in South Africa's tripartite-plus body focused on public investment and public works, while the Republic of Korea's tripartite agreement aimed to compensate reductions in working time and wages through partial unemployment benefits.

Amidst the variety of structures for social dialogue in the G20, at whatever level and whether their outcomes are binding or merely advisory in nature, one important distinction is in the degree of coordination between otherwise separate bargaining relationships. There is a high degree of coordination in Germany, the Netherlands, Japan, Italy, and the Republic of Korea. By contrast, there is low or no coordination across enterprise bargaining in many Anglo-Saxon countries, e.g. Canada, Australia, the United States, and the United Kingdom, but also in Mexico and Turkey. Coordination can be useful for the dissemination of good practice as well as for equalizing outcomes across enterprises and sectors. Yet conversely, it may be argued that the absence of coordination allows greater decentralized flexibility. Either way, it would be unrealistic to assume that long-standing traditions regarding coordination or lack of it could be easily changed.

This report's review of experience concludes that the existence and use of institutions of social dialogue facilitates the generation of effective policy options and solutions, particularly in times of crisis and post-crisis recovery. In economic terms, social dialogue reduces "information asymmetry" and is thus apt to generate better decisions and better application of the policy decisions through the participation of engaged employers' and workers' organisations. Social dialogue is more likely to strike a balance between economic exigencies and social equity than when there is no dialogue. Social dialogue is most effective in confronting crisis when the institutions for dialogue are already in place, and where there is an established trust in those institutions that transcends economic and political cycles. The report concludes these points empirically, for consideration by the Turkish constituents to whom the report is addressed.

Annex 1: Country Case Studies of Social Dialogue and Recovery

With the foregoing multi-country overview of crisis and social dialogue responses, this annex presents in more detail key social dialogue characteristics in selected country case studies. They are selected from G20 countries (and one additional country) with distinctive traditions and institutions of social dialogue, and all were affected by the crisis of 2008. The main criterion for country selection was geographical spread with an implicit rationale of reasonable comparability with Turkey based on population size.

Brazil

Recent economic and labour market trends

The economy is gradually moving out of a deep recession started in 2014. In 2015 and in 2016 GDP dropped by over 3 per cent. Rising external and domestic deficits, the drop in commodity prices and political turmoil explain the downturn in the economy. The outlook is for a return to positive growth in 2017 (0.2 per cent) and in 2018 (1.5 per cent). This followed over a decade of strong growth fuelled by domestic consumption and strong exports with rising employment and wages and falling poverty.

With the economy in recession, unemployment increased to 10.9 per cent in the first quarter of 2016, up from 7.1 per cent in early 2014. Real wages declined in 2016 by -3.7 per cent following a decade to 2014 of strong wage growth of 3 per cent on average.

Through a combination of rising minimum wages and social spending poverty and inequality declined sharply. The minimum wage has increased from 0.44 per cent of the median wage to over 50 per cent. Low wages increased faster than average wages and compressed the wage distribution. Social spending on the Bolsa Familia²² programme increased to one per cent of GDP.

These policies enabled millions of Brazilians to escape poverty and started to reduce the very high income inequality that still characterizes the country. The national poverty rate reached 7.4 per cent in 2014 from 24.7 per cent in 2001. The Gini coefficient, measuring income inequality, dropped from 59.3 to 51.5 per cent over the same period. However, informal employment remains high at 42 per cent of non-agricultural employment in 2009. In addition contract work or outsourcing has risen significantly and is estimated at 27 per cent of the formal workforce in 2013. Contract workers are poorly covered by labour legislation and receive lower wages and working conditions.

Labour law and industrial relations

Labour relations are heavily regulated by law, especially by the Constitution in its 1988 version. Individual workers' rights are heavily regulated by law (working hours, holidays and bonuses) yet collective rights at the workplace are thinly regulated. Labour laws are enforced by labour courts which play a major role in mediating on individual and collective rights. Labour courts also have the power to legislate on working conditions and are in fact an important source of policy.

A fundamental feature of trade union activity defined in the Constitution (article 8) is the monopoly principle: only one union per occupational category or economic activity in a defined geographical area, usually the municipality, can represent workers. So, every geographical area and industry, sector or occupation has only one union. In each municipality there can be only one union of say plumbers or welders but as many unions as there are occupations or industrial sectors. This system, a historical legacy, both simplifies representation (one voice) and renders it more

²² The Bolsa Familia programme provides direct conditional cash transfers to poor families in exchange of school attendance and medical assistance. In February 2011 the programme reached 26 per cent of the population in Brazil.

complex (fragmentation of unions). Thus, there are a very large number of unions in total. One survey of 2007 counted as many as 7,000 unions, 283 federal unions and 19 confederations.

This Constitutional requirement runs contrary to the ILO Freedom of Association Convention, 1947, (No. 87) which Brazil has not ratified. Various proposals have been made to amend this requirement and submitted to the parliament with no progress until now.

Trade union organization

Trade unions are organized into confederations, federations or state level and municipal unions, corresponding to the federal nature of the Republic of Brazil.

The three largest trade union confederations are the Unified Workers Central (CUT) representing approximately 50 per cent of all federations and unions, the Força Sindikal (Labour Force Union- FS) with 20 per cent and General Confederation of Labour (CGT) with 17 per cent. For instance the CUT confederation of metal workers has over one million members, organised into seven provincial federations and 96 unions.

A worker can thereby chose to be or not a member of a trade union but cannot deny the union the right to represent him or her. The municipal union thereby represents all workers of a particular industry, sector or occupation in a defined territory.

Within enterprises there is little by way of formal representation of workers. In enterprises of more than 200 employees one representative can be elected to represent workers and liaise with the employer.

Trade union density is estimated at 25 per cent in 2011 (per cent of all formal wage workers), whereas collective bargaining coverage is at 65 per cent in 2013. The broader coverage of collective bargaining is a direct result of the monopoly principle.

Unions collect a union fee or tax from all pay checks directly, whether the worker is or not a member of the union. The fee is proportional to the number of workers represented by the union in each municipality. The unions must register with the ministry of Labour who grants the monopoly rights. The ministry of Labour also has to decide over the jurisdiction of a union.

In more recent years at least in urban areas the monopoly principle has evolved slightly. Some unions represent one category of workers beyond the strict boundaries of a municipality. Likewise, some unions have attempted to represent workers in broader categories (metal, banking, etc).

Collective bargaining

By law collective bargaining is entrusted to municipal unions. Collective bargaining can be at industry, sector or occupational level as well as enterprise level, but only by the relevant municipal union. The municipal union can thereby open negotiations with all banking workers in its jurisdiction or with all employees of one particular bank. Collective bargaining takes place annually on an agreed date. The resulting agreement is immediately applicable and extends to all formal workers in the defined geographical area and industry, sector or occupation.

Collective bargaining basically revolves over wages, although in more recent years employment, and working time have featured more prominently. The federations and confederations play a supportive role but are not directly involved in union negotiations.

Additionally, collective bargaining thereby takes place outside of the workplace as unions are not allowed by law to represent workers at the workplace.

This system renders coordination of wage bargaining extremely difficult. The minimum wage policy has provided important guidance to collective bargaining up to 2014 and contributed to the sustained rise in real wages.

Social dialogue and tripartite agreements

A large number of tripartite bodies at different levels play a role in shaping public policy. Consultations substantially increased during the Lula governments from 2003 to 2011 and the first Roussef administration. These involved substantive consultations, seeking and exchanging views and making recommendations rather than taking decisions. Equality between women and men, child labour, informality, domestic workers, migration, as well as decent work, are among the subjects for which tripartite consultations have been held.

In early 2009 the Government adopted an economic stimulus programme which aimed to increase investment and consumption. Parts of the measures were negotiated with the social partners. In February 2009 the minimum wage was increased (by 6 per cent in real terms, with another increase in January 2010). Unemployment insurance benefits were extended by two-months and covered approximately 300,000 workers.

A national tripartite agreement was concluded in 2009 in the sugarcane/ethanol industry. The agreement details a set of voluntary rules monitored by private auditors on working conditions and training. The agreement aims to deter the use of forced labour, improve occupational safety and health, and provide free and safe transportation to workers.

Canada

Recent economic and labour market trends

The economy is recovering gradually from a dip in 2015 following the slump in oil prices. The economy had recovered strongly from the 2008 crisis with GDP growth above 2 per cent per year. Growth is estimated at 1.3 per cent in 2016 accelerating to 1.9 per cent in 2017.

The Federal Government is launching a major infrastructure investment programme in an attempt to boost growth.

The trend growth in labour productivity in recent years, at around 1 per cent per year, has been disappointing and holding back growth. Economic activity is gradually shifting away from resource sectors with the end of the commodity boom. This should spur competition. However Canada is also facing an adverse demographic outlook with rapid population ageing.

Employment is dominated by services with a share of close to 80 per cent. The goods-producing sector account for some 20 per cent, of which manufacturing is less than 10 per cent in 2016.

Real wages have grown at an average annual rate of 0.8 per cent since 2008.

Unemployment is back at around 7 per cent in 2016 after rising to 8.4 per cent in 2009. Youth unemployment is higher at over 13 per cent. Employment protection legislation is flexible in Canada leading generally to high employment rates (at 75.6 per cent for men and 69.4 per cent for women in 2016) and low long-term unemployment.

Trade union representation and organization

Trade unions are organized at the enterprise, plant, workplace level into a local union, which is then represented at provincial and/or national level. A local union is the basic unit of labour organization formed in a particular plant or establishment. The members participate directly in the affairs of their local, including the election of officers, financial and other business matters, and relations between their organization and the employer, and they pay dues to the local. The labour code enshrines the right of all workers to join and or establish a union at the workplace.

There were 776 unions in 2015, of which 8 large unions represent over half of all unionized workers. The Canadian Labour Congress (CLC) is the largest national union with over 2 million members of a total of 4.6 million workers members of a union. Some 30 per cent of employees are members of a trade union. The union density rate is highest in the public sector, comprising provincial and federal administrations, at over 75 per cent, and significantly lower in

the private sector at 16.7 per cent in 2015. The share of employees in construction and transport members of a union is over 30 per cent and well below in other sectors, notably retail trade. As in other countries, private sector union membership has been declining, especially in the more traditional industries.

Canadian employers are organized in and represented by the Canadian Employers' Council.

Collective bargaining

Collective agreements are negotiated exclusively at the enterprise or establishment level. The collective bargaining coverage rate is similar to the union density rate at some 30 per cent in 2015. Some 588 collective bargaining negotiations were underway in 2015 of which 223 were settled in that year. Over two-thirds of those negotiations in which an agreement was reached were settled through direct bargaining. When direct bargaining fails then a conciliation procedure is carried out at the request of one or the other party. If that fails a mediation is attempted by the government or by the tripartite Industrial Relations Board. If mediation fails then the matter goes to arbitration and eventually legislation.

The large majority (86 per cent) of agreements are signed for a period of three years.

Most agreements negotiate wage settlements. In 2015 the average wage adjustment was 1.8 per cent in the private sector and 1.0 per cent in the public sector. However agreements also take up working conditions such as safety and health, training, working hours, equity and the like.

Tripartite institutions

The Canada Industrial Relations Board is a tripartite body (independent chair appointed by the government and three employers and three workers) assisted by experts as required. The Board is entrusted with promoting sound industrial relations through the encouragement of free collective bargaining and the constructive settlement of dispute. Importantly, the Board decides on the certification of trade unions and of rights to collective bargaining. It also investigates, mediates and adjudicates complaints of unfair labour practice, collective or individual, renders decisions on jurisdictional issues, deals with the labour relations implications of corporate mergers or acquisitions, and determines the level of services that must be maintained during a legal work stoppage. The Board provides a variety of dispute resolution services. It adjudicates matters where necessary, but it also focuses on providing mediation assistance at all stages of a proceeding, in order to proactively seek a resolution of matters that best meets the needs of the parties.

The Canada Industrial Relations Board is an independent, representative, quasi-judicial tribunal responsible for the interpretation and administration of Part I (Industrial Relations) and of certain provisions of Part II (Occupational Health and Safety) of the Canada Labour Code.

Social dialogue responses to the crisis

Canada was particularly exposed to the automobile industry crisis in the United States. In March 2009 the Canadian Auto Workers Union negotiated a cost-cutting agreement with General Motors Canada which extended employment contracts to September 2012 in exchange for cuts in bonuses, reduced holidays and company social contributions. The Governments of Canada and of Ontario offered special loans to the auto industry.

The Federal Government, often in conjunction with provincial governments, extended unemployment insurance benefits, and the duration and scope of short-time work schemes and provided resources to skills upgrading and training programmes. The scope of an existing Work-Sharing programme was extended as part of Canada's Economic Action Plan of March 2009 in order to cover more situations and provided unemployment insurance benefits for longer periods. The scope of a Wage Earner Protection Programme was also expanded to enable workers made

redundant from the bankruptcy of their employer to recover all or part of the unpaid wages.

France

Recent economic and labour market trends

The economy is slowly recovering from the twin crises of 2008 and 2012. Following real GDP growth of 0.8 per cent annually over 2013-15 the economy is to accelerate to 1.4 per cent over 2016-18.

The recession in 2009 was less severe than in other European countries (GDP dropped by -2.9 per cent) yet the rebound has also been slower. GDP per capita only recovered its pre-2008 crisis level in mid-2015, with a lag of seven years, not seen since 1945.

This can be explained by the high share of public expenditure (above 55 per cent) in total GDP which acts as a stabilizer in downturns but also puts a drag on the recovery, as enterprises and household shoulder a heavy tax burden. Public debt is high at close to 100 per cent of GDP exposing the country to a hike in interest rates. Net exports have contributed negatively to total output growth since 2013 placing the onus on domestic consumption.

Employment generation is picking up (0.9 per cent over 2016-18), boosted by various policy measures reducing the cost of hires and social security contributions of employers. Employment generation is largely taking place in services, whilst losses are registered in manufacturing and construction.

The slow recovery has implied the persistence of high unemployment. The unemployment rate was 9.7 per cent in the third quarter of 2016, or 2.8 million persons, of which 46.6 per cent in long term unemployment. The unemployment rate of those with low education was 17.6 per cent (up to lower secondary education). The unemployment rate will continue in the next years to very gradually decline but remain above 9 per cent.

The youth (15-24 years) unemployment rate is high at 25.2 per cent and accounts for 25 per cent of all unemployed, significantly above the share (18.3 per cent) in the working-age population (15-64 years).

Widespread participation of the State in social dialogue and collective bargaining

Historically, social dialogue is marked by a strong presence and participation of the State and a host of legal and regulatory texts framing contractual relations between the social partners. The labour code is complex with over 10,000 articles. Various proposals have been made to simplify the labour code.

The State is an important source of social and labour laws and regulations and is present in all major negotiations and discussions. Tripartite discussions and negotiations are common. Various laws make it an obligation for employers and workers to negotiate at least once a year, and depending on the size of enterprises to address a range of issues from employment of senior workers to employment and competitiveness agreements.

Upon the request of one trade union or on its own initiative the Ministry of Labour can establish a joint negotiating committee presided by a representative nominated by the Ministry of Labour and composed in equal numbers of trade union representatives and employers. In 2015 the Ministry of Labour mediated 88 branch negotiations.

For over a decade now various governments have encouraged greater decentralization of collective bargaining and greater autonomy of the social partners.

There is a wide gap between trade union membership and coverage of collective bargaining. Over 90 per cent of wage earners are covered by one or more collective bargaining agreements. The reason is that signed agreements are extended administratively by decision of the Ministry of Labour or at the request of one of the parties to the agreement, provided it is representative. Extension of a collective bargaining agreement implies extension of an

agreement to all enterprises, even those not parties to an agreement or not members of the organisations parties to the agreement and to all wage earners in the enterprises of a sector or branch. Most agreements are extended in this fashion. The Ministry of Labour reviews the validity of the agreement and its conformity to the law prior to extension. Some 800-900 agreements are annually extended in this way. The number of agreements on themes other than wages being extended has been rising over the last decade whereas extensions for wage agreements are diminishing.

A fragmented trade union representation

Just over 11 per cent of wage earners in France are members of a trade union in 2013, 8.7 per cent in the private sector and 19.8 per cent in the public sector.

Trade union membership in the private sector is proportional to the size of enterprises. It is 5 per cent in enterprises of less than 50 employees, 11.5 per cent in enterprises between 50 and 199 employees and 14.4 per cent in enterprises with 200 or more employees.

Trade union membership is not the only representation mechanism available.

Enterprises of 11 or more employees are required by law to establish a formal employee representation. This employee representation is organised through elections. In addition trade unions can nominate a union delegate in each enterprise. Over one-third (37 per cent in 2010) of enterprises of 11 to 19 employees have established such a representation arrangement, 76 per cent in enterprises of 20 or more employees and 96 per cent in enterprises of 50 or more employees. The latter enterprises are required by law to establish an enterprise committee which is informed by management and consulted on a range of topics.

In enterprises of 11 and more employees, workers are represented by either a trade union delegate or an elected staff delegate, who can be member or not of a trade union, or both.

There are five representative trade union organisations in France, having secured at least 10 per cent of the votes in industrial elections at the enterprise level and 8 per cent in branches and nationally.

Industrial elections were held in 2016-17 which put the Confédération Française Démocratique du Travail (French Democratic Confederation of Labour- CFDT) ahead with 26.4 per cent of the votes, followed by the Confédération Générale du Travail (CGT) with 24.9 per cent and Force Ouvrière (FO) with 15.6 per cent. The Confédération Générale des Cadres (General Confederation of Executives- CGC) and the Confédération Française des Travailleurs Chrétiens (CFTC) obtained each around 10 per cent of the votes.

These five trade union organisations are divided ideologically, politically and historically.

To be valid a collective bargaining agreement has to be signed by organisations representing at least 30 per cent of the votes of the respective electoral colleges, and not opposed by 50 per cent or more of employees or enterprises covered by the agreement.

There are three main employer organisations, Movement of Enterprises of France (MEDEF) is the largest federation of employer organisations. Confederation of Medium-Sized Enterprises (CGPME) speaks for small businesses; and Union of Agricultural Producers (UPA) for self-employed artisans. There are in addition several organisations representing agricultural producers.

The levels and contents of collective bargaining

There are three major levels of collective bargaining: a) national inter-sectoral agreements which cover most private sector wage earners (some 25-40 agreements per year in recent years); b) industry agreements (also called sectors or branches, some 1,000 agreements per year); and c) enterprise agreements (some 36,000 agreements per year).

National inter-sectoral agreements cover a wide range of topics. These agreements can be initiated by the Ministry of Labour, or by one of both of the social partners. These agreements, their procedures and content, suggest a great flux between government initiatives and genuine collective bargaining. In recent years such national agreements have addressed broad issues of modernisation of the labour market, of social dialogue or narrower ones such as reforms to unemployment insurance, responses to the 2008 crisis, employment and competitiveness, vocational training.

For instance following a national inter-sectoral agreement on employment in January 2013, a new law was adopted introducing the essence of the agreement into the labour code. The text details conditions under which working time and wages can be temporarily adjusted in enterprises facing difficulties in order to protect employment.

In August 2015 a law was adopted on social dialogue and employment following a social conference organized earlier in the year. The law aims to streamline the exercise of social dialogue in enterprises, introduces an obligation of three annual consultations in enterprises, respectively on strategic orientations, on the economic and financial situation, and on working conditions and employment. The same law introduces bipartite regional inter-industry committees to facilitate social dialogue in small enterprises, concerning some 4.6 employees. A new law amending the labour code was adopted in 2016 amid significant opposition from the trade unions. The law aims to further decentralize collective bargaining with greater autonomy of the parties to negotiate working time and wages.

Approximately a third of industry and enterprise agreements refer to wages, followed by framework conditions of collective bargaining (13 per cent), pensions (11 per cent) and training (10 per cent). Wage negotiations are less numerous on account of low growth and low inflation in recent years, but also of the shift of wage negotiations to enterprise agreements.

Wage negotiations are heavily influenced by government adjustments to the minimum wage, following consultations with the social partners. Some 11 per cent of wage earners in 2015 earned wages equivalent to the minimum wage. However the adjustments of the minimum wage, decided by the government, plays a key role in wage negotiations for earners close to the minimum wage. The minimum wage is 63 per cent of the median wage in 2013.

The multiple levels of bargaining also implies that wage bargaining is relatively uncoordinated. One consequence is that wage formation is rather insensitive to the level of unemployment. As an illustration real wages have continued to grow at 1 per cent or more annually throughout the crisis years.

Social dialogue responses to the crisis

Between 2008 and 2015 no less than 25 agreements were signed by the social partners, although not all trade unions have signed up to these agreements. In January 2009 an agreement is signed on improving funding for life-long learning measures, especially directed at low-skilled and at unemployed. In July 2009 an agreement is negotiated on an extension of short-time work benefits to 1,000 hours per employee per year at 75 per cent of the gross wage. In October 2009 an agreement is reached on minor improvements in the payment of partial unemployment benefits. In May 2010 an agreement is reached on additional support for unemployed having exhausted their statutory rights.

The boundaries between bi-partite and tripartite negotiations is blurred in France. In most cases negotiations are held between the three parties and the financing arrangements combine Government financing with the unemployment or training funds managed by the social partners.

Next to these national cross-sectoral agreements a large number of enterprise as well as sectoral agreements have been negotiated. For example in the chemical industry a collective agreement was signed on working time arrangements in September 2009. The agreement details benefits for employees on short-time work.

In the metalworking sector a national sectoral agreement on emergency measures was signed in May 2009 to safeguard employment and develop skills and qualifications.

Germany

Recent economic and labour market trends

As a major export economy, the 2008 crisis hit Germany strongly with GDP declining by over -5 per cent in 2009. However it also recovered more quickly than others. Over 2013-15 real GDP growth averaged 1.3 per cent and the forecast for 2016-18 is for an average growth of 1.8 per cent. The economy will be powered by domestic consumption and investment, especially in construction over the next few years. The huge current account surplus Germany has accumulated (over 8 per cent of GDP in 2015), should gradually abate as domestic consumption gains traction.

At close to full employment, wages have started to increase again, following a long period of stagnation. Real wages rose by 1.9 per cent and 2.8 per cent in 2014 and 2015 respectively, whereas the average growth was only 0.5 per cent over 2008-13. Significant real wage growth will contribute to boost domestic consumption as well as imports and reduce the export surplus.

Employment rates are relatively high at 75 per cent in 2016Q3 (and 71 per cent for women). Employment rates for young persons are also relatively high (46.4 per cent) and for older workers (55-64 years) at 68.9 per cent.

Unemployment dropped below 5 per cent in 2015 (1.7 million persons, of which 41 per cent in long term unemployment) and is expected to remain so in the next few years. The economy is very close to full employment partly because the population has stopped growing for over a decade. It will decline significantly in the near future.

As a high-wage economy Germany has been able to maintain its competitiveness through two mechanisms. One is real wage restraint, negotiated and accepted by the trade unions since the early 2000. Wages have in fact barely increased in real terms since then, save as of 2014. The other is the increasing use of non-standard forms of employment in low productivity sectors such as retail trade, but also in high-productivity ones, through the use of temporary agency workers, working alongside core workers, albeit under very different conditions. This situation has confronted the trade unions with a difficult dilemma: protect employment of core workers, yet at the cost of an increasingly dual labour market.

During the height of the crisis the protection of employment, including through significant reductions in working time and in wages, was the main strategy, continuing an earlier trend. Since 2010 the situation has evolved and a number of developments clearly show that trade unions have decided to address head-on the dual labour market. This has implied negotiating better terms for the less protected workers, but also improvements, including in wages, for core workers.

Social dialogue is highly institutionalized and relies on and generates a high degree of trust.

Trade union representation

In 2012 20.6 per cent of all employees were members of a trade union, up from 18 per cent in 2006. Membership is higher in larger enterprises (39.9 per cent) and lower in small enterprises (15.5 per cent).

There are two main confederations, the German Trade Union Confederation (DGB) with 6 million members, of which a third are women, (2014) and the The German Civil Service Federation (DBB) with 1.3 million members (and 43 unions) mostly public sector employees.

Unions are organised on an industry basis, although through various mergers this is less so today.

Within DGB, IG Metall is the largest union with 2.3 million members, larger than its original membership in the metalworking industry. United Services Trade Union (Ver.di) is the second largest with 2 million members, mostly in the services sector. The unions enjoy considerable autonomy by design and in practice,

Employers are represented by one main umbrella body, the Federal Association of German Employer Associations (BDA).

Collective bargaining

Some 57 per cent of employees are covered by a collective bargaining agreement in 2013. This share has been sliding downwards over the last decade. Over 80 per cent of workplaces with 500 or more employees are covered by an agreement whereas only 26 per cent in enterprises up to 9 employees. The coverage is slightly lower in East Germany relative to West Germany.

Collective bargaining is conducted at industry level and by region. However there are few regional variations as these tend to align on the lead region in each industry. In fact the trend in collective bargaining is traditionally set by IG Metall and closely followed by other agreements. However there is greater diversity observed today as various arrangements have introduced greater flexibility.

Collective bargaining agreements can legally be extended, although this is exceptional. In 2014 a new law made the conditions for extension more flexible ("in the public interest") with a view to facilitating extensions to in particular non-standard workers.

One reason for the decline in the coverage of collective bargaining agreements is the ability, more frequently used today, of employers to opt out of an agreement, or to relinquish membership in an employers' organisation. Another development is the ability of works councils, who do not have authority to negotiate collective agreements, under so-called opening clauses, to negotiate terms that are less favourable than those of the industry-wide agreement, in order to better reflect the situation of a specific enterprise. This is seen as an important element of flexibility.

Works councils

Works councils are employee-only bodies elected by all employees in a workplace or enterprise. The councils are the natural place for elected employees to discuss among themselves workplace matters. Their role covers information and consultations on the strategy and achievements of the enterprise as well co-determination rights in specific areas of working conditions, including training, safety and health and some working time matters. Works councils meet regularly with the employer.

Works councils are not trade union bodies and cannot negotiate collective agreements, although trade unions are largely represented on these councils. Works councils can negotiate agreements with employers on matters not covered by a collective agreement. Almost all large enterprises have a works council whereas in smaller ones it is less the case. In total 43 per cent of all employees are covered by a works councils.

By law large enterprises must provide seats on company boards to employee representatives, which most often are trade union delegates, with equal rights of participation and decision. One-third of board seats in enterprises of 500-2000 employees and one-half of seats in larger enterprises are thus held by union representatives. However not all enterprises abide by this arrangement.

Vocational training

Over 60 per cent of enterprises provide initial vocational education and education for apprentices under the dual (vocational education schools and in-work training) system. Two-thirds of the workforce has a vocational degree. Youth unemployment is and has been low in Germany for a long time. A major reason lies with the ease of the transition into employment following vocational education. The dual system relies on close collaboration and active participation of regional governments responsible for public vocational schools and apprenticeships which call on both employer and trade union participation in design of the curricula and operation of the system. This is another area illustrating the close cooperation between the social partners.

In 2014 rather exceptionally a tripartite agreement was signed to further strengthen the vocational training system in order to increase the number of apprenticeships on offer in enterprises as well as measures to enhance the interest of the young in these training opportunities.

Social dialogue responses to the crisis

In November 2008 and January 2009 the Federal Government took a series of measures to uphold the economy and the labour market. These measures were widely consulted with the political parties and with employers' and workers' federations. The key measures concerning the labour market extended the existing short-time work schemes modifying the eligibility period (from 12 to 18 months initially then up to 24 months), the part-time unemployment benefit for those working shorter hours, and the reimbursement of 50 per cent of social security contributions for all workers on short-time work, as well as increased funding for training schemes.

The agreement was not a formal one. However the measures were subsequently taken up at sectoral levels, the standing bipartite negotiating level, as well as at enterprise level through the works councils. The sectoral agreements are often also regional ones, complemented by local enterprise level agreements. Each agreement draws on the broad measures identified at the federal level, and adapt these to the particular circumstances of the sector and/or the enterprise. As such the autonomy of the works council as the pre-eminent negotiating body is maintained. Over three per cent of wage employees were on short-time work in 2009.

Whereas collective bargaining traditionally focused on wage settlements, during the 2008-09 crisis, priority was given to employment stability. The logic that prevailed was that the crisis would be short, and that the priority of enterprises was to retain skilled labour, in an overall environment of mounting shortages of labour.

As an example, in February 2010 the metal and electricity industry signed an agreement in the state of North Rhine-Westphalia. The agreement included all the elements mentioned above, yet gave the local social partners a degree of discretion in applying the employment security and flexibility measures.

Trade union responses to the weakening of collective bargaining

Collective bargaining coverage is on a declining trend. Coverage has been generally weak in some economic sectors (retail trade in particular) and for some categories such as part-time work (less than 20 hours per week) and temporary agency work. In addition the number of posted workers (imported by a company, often a sub-contractor, operating in a host country) has seen a rapid rise in some industries such as construction and food processing. The union response has been several.

First the trade unions accepted to back a minimum wage to better protect hourly pay of poorly organized workers. This was accepted by the government and introduced in January 2015, with an increase in January 2017 to euros 8.84 per hour.

Second, trade unions launched a campaign in 2008 to better protect temporary agency workers in the metal industry. Other unions have launched similar campaigns. The lead motto of these campaigns was "same work = same pay". In 2010 an agreement was reached in the steel industry in one region, copied in others, providing temporary agency workers the same pay conditions as core workers.

Third, trade unions have stepped up organizing campaigns directed at the specific groups of workers in order to provide better tailored services and increase membership. One such campaign was directed at temporary agency workers and another at posted workers.

These strategies point to a significant shift in trade union attitude. Rather than attempting to restrict the use of on-standard employment, unions now campaign on including such workers under equal pay and conditions.

Indonesia

Recent economic and labour market trends

The economy has performed robustly since 2000, on the back of the commodity boom and through rising manufacturing exports. Between 2000 and 2010 the economy expanded at an annual average rate of 5.4 per cent, similar to the rate achieved over 2010-15. Growth rates of 4.9 per cent and 5.3 per cent are projected for 2016 and 2017.

With rising income per capita, employment is declining in agriculture and rising in manufacturing and services.

Employment has been growing at an average annual rate of 1.6 per cent, with wage employment rising at a rate of 1.9 per cent for the decade ending in 2015. The employment rate for men was 79.5 per cent and 47.6 per cent for women in 2015. In 2008-09 informal employment grew rapidly and formal employment temporarily declined.

Wage employment accounts for some 40 per cent of total employment in 2015. However the share of regular wage employees earning above the minimum wage and receiving social security benefits is estimated at less than half. A variety of wage employment situations exist, such as contract workers, outsourced workers and casual workers where minimum wages are usually not observed and few non-wage benefits are provided.

Wage employment has been rising faster than total employment, yet within wage employment the share of non-permanent workers have less job security and protection and lower wages has been rising. By implication more wage employees are recruited under non-permanent contracts. Part of the reason may lie with severance and associated payments that are linked to permanent contracts.

Real wages increased by an average of 1.8 per cent over 2013-15 and 2.8 per cent over 2008-12.

Poverty has declined rapidly to 11 per cent in 2013 from 24 per cent in 1999. A combination of employment generation, especially outside of agriculture, social programmes and wage increases explain this trend. However income inequality has risen strongly over the same period.

Trade union representation

Labour law clearly provides for the right of workers to establish and or join trade union organisations of their own choosing. Reflecting the geography and administrative structures in the country trade unions are organised at national, federal and local levels. There are some six trade union confederations, 61 trade union federations and over 11,000 local and enterprise-level trade unions. There are three large trade union confederations. The largest is the Confederation of All Indonesian Workers' Union (KSPSI) with 16 trade union federations, over 6,000 unions and some 1.6 million members; followed by The Indonesian Trade Union Confederation (KSPI) with 8 trade union federations, some 1,100 unions and 0.8 million members; and the Indonesian Workers Welfare Union (SBSI) with 8 trade union federations, 1,300 unions and 0.2 million members.

By law a trade union can be established in any enterprise with 10 or more workers.

Trade union density (per cent of wage employment) has been declining and reached 7 per cent in 2012.

There is one main employer confederation, The Employers' Association of Indonesia (APINDO), representing the interests of employers in Indonesia.

Collective bargaining

Collective bargaining is mainly organized at enterprise level. Several unions can co-exist at the enterprise level. Unions with a least 50 per cent of members in the enterprise can conduct negotiations which when concluded are legally binding. Those unions with a lower membership can form a coalition either with the majority union or by joining forces with other unions, provided they reach the 50 per cent membership threshold.

The collective bargaining coverage rate is estimated at 14 per cent in 2012. If this rate is applied to the share of

permanent wage employees who represent about half of all wage employees, then approximately 28 per cent of regular wage employees are covered by a collective bargaining agreement. Employees covered by such agreements tend to be permanent employees fetching wages above the minimum and with social security benefits. Annual collective agreements tend to reproduce the prevailing benefits established in the labour legislation and to follow the increases in the minimum wage. The competition from non-permanent wage employees whose short-term contractual situation prevents them from joining trade unions and benefitting from a collective agreement may explain this.

The labour law also provides for the establishment in enterprises with 10 or more employees of company regulations, when the enterprise has not negotiated a collective agreement. The company regulations are meant to recall the duties and benefits of employees. Some degree of negotiation is involved although again these tend to reproduce existing labour legislation.

Several tripartite councils exist in Indonesia, both at the national level and at the provincial level. In addition to the wage council mentioned above, they cover industrial relations disputes, occupational safety and health, vocational training, and productivity. These councils enable the government and the provincial authorities to maintain an ongoing open dialogue with employers and workers and to regularly exchange views and monitor trends.

Minimum wage negotiations

Indonesia has a complex system of decentralized minimum wages at the provincial level. Up to 2015 these minimum wages were established by tripartite wage councils. With weak collective bargaining coverage, negotiations over the minimum wage provided a lively forum for the exercise of tripartism.

In 2015 the government introduced a new formula to adjust the minimum wage based on a combination of inflation and GDP which will de facto pre-empt the role of bargaining over the minimum wage. The trade unions have strongly opposed this decision. One reason behind the government decision is that the minimum wage had been rising much faster than average wages. In 2015 the minimum wage had climbed to 82 per cent of the average wage, up from 58 per cent in 2001. Actually this rise may reflect more the poor performance of average wages, consequent to low collective bargaining coverage and weak bargaining power, than the rapid rise of the minimum. A revision of the new mechanism is due by 2020.

Social dialogue responses to the crisis

In February 2010 the government and the social partners opened a discussion on an Indonesian Jobs Pact modelled after the ILO's Global Jobs Pact. The Indonesian Jobs Pact was formally adopted in February 2011 by the national tripartite institution. The pact covers the period 2011-14 and addresses four main areas, namely job creation, industrial relations, labour productivity and social protection. The Pact is a programme directed at the longer term labour market challenges of the country rather than an emergency response. The Pact seeks to promote infrastructure investment and to support the development of small enterprises. It emphasizes the development of vocational training as well as the extension of social security. It provides for several labour regulation reforms in severance payments and in employment protection. The Pact also provided for a monitoring and evaluation mechanism.

Challenges

The low level of trade union membership is a major challenge. Several trade unions have started to organize temporary workers by establishing sector-based unions, such as in construction and transport and in export processing zones. The objective is to provide such workers with some if not all of the benefits enjoyed by more permanent employees. Some successes have been noted although the challenge remains significant.

In 2004 the government introduced a plan to extend social security coverage in order to gradually achieve universal

social protection. The trade unions played an important role in mobilizing for this reform. However implementation has lagged and only some 38 per cent of wage employees benefit from some social security benefits.

As in other countries there is a lively debate in Indonesia over employment protection legislation and the minimum wage. The social partners take an active part in this debate.

Italy

Recent economic and labour market trends

The economy is only slowly recovering from the 2008 crisis. Real GDP growth is set to reach 1 per cent over 2016-18 following a decline of -0.3 per cent in 2013-15 and -1.5 per cent during 2008-12. Household consumption is the main driver of growth. Labour productivity is chronically weak and has been growing at 0.1 per cent over recent years.

Persistent high unemployment is set to continue with an average rate of 11.6 per cent over 2016-18 against 12.6 per cent over 2013-15. Unemployment is even higher in the southern regions and significantly lower in the industrial north. In 2016 Q3 the aggregate unemployment rate (15-64 years) was 11.1 per cent; youth unemployment (15-24 years) at 34.5 per cent, and young adults' unemployment (25-39 years) at 21.1 per cent.

In 2014, some 26 per cent of youth aged 15 to 29 years were neither in education nor in education or training. As a result Italy trails other countries in the level of skills, well below the average in the region. The share of under-qualified workers is also very high.

Employment rates are low. Less than one woman in two is in employment, and less than 6 youth in ten.

The working age population at 39 million has stopped growing for several years now and will soon start to decline.

Wages have been heavily impacted by the crisis. Over 2008-12 real wages grew by -1.2 per cent on average and by 0.3 per cent during 2013-15. Real wages grew by 1 per cent in 2015.

The labour market is characterized by stark duality between temporary and part-time jobs, filled by youth and lower skilled, counting for approximately one-third of all jobs, and permanent contracts better protected by legislation. This duality impacts flows into employment as well as wage formation and skills levels.

Trade union representation

Trade union representation is fragmented. There are three main trade union confederations, Italian General Confederation of Labour (CGIL), the largest with 2.7 million employed members, followed by Italian Confederation of Workers' Trade Union (CISL) with 2.3 million employed members and Italian Labour Union (UIL) with 1.3 employed members. Total membership is much higher as close to 50 per cent of declared members are pensioned members. CGIL is the largest body in manufacturing industries and CISL and UIL are more active in the public sector. Each confederation is organised by industry or sector.

Trade union density, counting employed members only, is approximately 36 per cent in 2013. Membership has been increasing slightly in recent years. In the public sector there are over 300 trade unions in total, often representing specific occupations or categories, including at the regional level.

General Confederation of Italian Industry (Confindustria) is the main employer confederation.

In January 2014, Confindustria, CGIL, CISL and UIL signed a cross-sectoral agreement establishing new rules on representativeness. In order to participate in national collective bargaining, trade unions must have at least 5 per cent of all trade union members and of the votes obtained by the same unions in the work council elections. National cross-sectoral agreements are binding if signed by trade unions reaching a representativeness level of 50 per cent +1 and if approved by the majority of workers through a referendum.

Work councils

At each workplace in enterprises of 15 or more employees, a work council is elected by all employees. Nominations are made by the trade unions provided they have received at least 5 per cent of the votes in any preceding election. In effect the work council is a union body. However several unions usually sit on any work council.

The work councils are tasked with representing workers, negotiating with the employer and reviewing the employment and working conditions in the enterprise. The work council must be informed in cases of collective dismissals, significant changes or decisions in the enterprise or any other matter concerning working conditions.

Collective bargaining

Collective bargaining is normally conducted at industry level by industry unions and employers and in enterprises. At times local and regional agreements are also negotiated. A series of changes have been gradually introduced since 2008 in order to introduce greater flexibility and decentralization of collective bargaining.

An agreement in 2009, not signed by the CGIL, establishes that industry agreements run for three years; pay increases are linked to the European forecast of the harmonised consumer price index excluding energy; and that enterprise bargaining links pay to productivity improvements observed in the enterprise. Working time matters are normally dealt with at the enterprise level.

A further agreement reached in 2011 and re-confirmed in 2014 stipulates that enterprise agreements cover matters delegated to it by industry agreements and in ways foreseen in the industry agreements. That is enterprise agreements can modify the terms of an industry agreement only if the latter specifically provides for this. Matters dealing with work performance, working time and work organisation, if not addressed in industry agreements, can be negotiated at the enterprise level.

Trade unions are required to submit their claims six-month before the end of the agreement and employers must respond within 20 days. Strikes are not allowed during the last six months of the agreement and in the month during which it expires.

Following several conflicts between the automobile manufacturer FIAT and the unions, as well as conflicts between the unions, FIAT left the employer confederation Confindustria on the grounds that it wanted to introduce greater flexibility in pay and working time arrangements. FIAT had since signed new agreements with some of the trade unions.

Collective bargaining coverage is high at close to 100 per cent on grounds of extension mechanisms which are almost de facto decided by the labour courts. However coverage is somewhat higher in enterprises with 50 or more employees and lower in enterprise with less than 49 employees.

Some 30 to 40 per cent of enterprises are concerned so far with specific enterprise-level collective bargaining relative to national industry-wide bargaining.

There is no minimum wage although national industry collective agreements extended to all workers set de facto a minimum. More recently there have been discussions of the merits of introducing a minimum wage.

Social dialogue responses to the crisis

During the height of the crisis in 2008-10 the main instrument used was the Wage Guarantee Fund. In an agreement signed in February 2009 the government and the regional governments were able to use these funds to finance partial unemployment as well as training measures for those workers on short-time work. The social partners were actively consulted at the regional level to implement the scheme. In 2009 some one billion hours of work were financed by the Wage Guarantee Fund and 1.2 billion hours in 2010. In 2009 over 3 per cent of the wage employees were on short-time work schemes.

Alongside these employment-safeguard measures the dominant theme of social dialogue has been reforms to the practice and levels of collective bargaining.

In January 2009 a tripartite framework agreement was reached reforming collective bargaining. The agreement gives priority to enterprise-level collective bargaining, paves the way to “opening clauses” allowing for lower conditions, and limits the recourse to strike action.

A direct outcome of these reforms are the changes adopted at the FIAT plants of Pomigliano (Naples) and Mirafiori (Turin) in 2010. The agreement were agreed by the unions, except FIOM-CGIL, and subsequently approved by the workforce in a referendum called by the management. The agreements include the company’s departure from the main employers’ body and the creation of new national and sectoral agreements (including those which govern workers’ representation in the workplace); the reduction of rest breaks at work; greater flexibility in working time, shifts and overtime; and strong limitations on the right to strike. In return, FIAT has promised to safeguard both plants, investing in innovation for production and development over the next five years. This is a typical example of concession bargaining.

Another reform was adopted in June 2012 introducing changes to dismissal rules, raising the cost of flexible employment contracts and limiting the duration of unemployment benefits.

In 2014 a Jobs Act was adopted which introduced a number of significant changes.

A first measure extended the duration of fixed-term contracts from 12 to 36 months, suppressing gap periods, and allowing for more fixed-term contracts to be renewed, all while limiting the share of fixed-term contracts within a single enterprise.

A second measure eliminated Article 18 of the Labour Code, which allowed reinstatement in cases of unfair dismissal. Reinstatement is now assessed by a judge and can be replaced by an indemnity.

A third measure established a new open-ended contract with incremental protection. During the first three years, dismissal is facilitated with severance pay increasing with seniority.

A fourth measure extended the benefit period of unemployment insurance to two years from one year previously. A National Employment Agency (ANPAL) bridging unemployment with training was also established.

Alongside the Jobs Act, the government eliminated in 2015 employer social security contributions for three years for all new hires with open-ended contracts. This measure was extended in 2016 for new hires on permanent contracts exempted from 40 per cent of social security contributions for two years.

Together these reforms seek to lower the protection provided through legislation to those in employment and to increase the support offered through policy measures to those seeking employment.

Japan

Recent economic and labour market trends

Japan experienced a deep recession in 2008-09 with a peak to trough decline in GDP of over 8 per cent that lasted over five quarters. Yet, a distinguishing feature of the Japanese economy combined negative GDP growth without a spike in unemployment relative to some other countries. This was expressed by considerable labour-hoarding in lieu of outright layoffs and, as a consequence, a downward levelling of productivity.

Unemployment went from about 4 per cent in 2007/08 to its peak of 5.5 per cent in 2009, and, since then, has been trending downward to its current level of 3.5 per cent.

Labour hoarding was in fact encouraged by the Government through its Employment Adjustment Subsidy in the crisis, which subsidized the wages of employees whose working time was no longer needed in the collapse of demand, but who remained employed nonetheless.

It is nonetheless the case that Japan has not totally avoided the problem of obsolete skills. Long-term unemployment in Japan remains at 1.5 times its pre-crisis level. That said, with a tradition of lifetime employment that still prevails at least in the large Japanese firms, labour hoarding characterized the principal coping response to the crisis. And this, arithmetically, results in flat productivity growth.

In 2016, real GDP grew at a rate of about 1 per cent, with a similar forecast for 2017, while unemployment is around 3.0 per cent. One striking feature of Japan is that its population is in absolute decline, having fallen about 2 per cent over the past decade.

Characteristics of Japanese Industrial Relations

Japan is noted for its system of enterprise-based trade unions and enterprise-based bargaining. There is no tradition of agreements at the industrial or national levels. The main trade union federation, Japan Trade Union Confederation (JTUC-Rengo), comprises about 6.8 million members. Union membership density has seen a considerable decline from 29 per cent of the workforce in 1980s to approximately 18.5 per cent today. Enterprise trade unions are affiliated with industrial unions, themselves members of Rengo, but this architecture of trade unionism does not translate into agreements beyond the enterprise level. Union density equates closely with collective bargaining coverage.

On the employers' side, the main organization is the Japanese Business Federation, or called Nippon Keidanren. There are other worker and employer organizations in Japan, but Rengo and Keidanren are the peak organizations in labour market governance.

In wage bargaining, the annual "Spring Offensive" or Shunto remains intact and while this is nominal coordination for wage movement in the economy, it does not necessarily govern wage bargaining outcomes at the enterprise level.

Japanese industrial relations are notoriously non-confrontational. Not only would there be little correlation between the economic health of the enterprise and the size of its workforce, it is also still the case that Japanese firms are characterized by a relatively closed internal labour market. In other words, at least in large firms, the tradition of lifetime employment continues to prevail in Japanese firms. A corollary of this is that senior management –up to and including the Chief Executive Officer (CEO)– is likely to have come up the ranks from when they were union members themselves. This reinforces a certain affinity or identity of interests between labour and management.

Social dialogue responses to the crisis

As a consequence of its traditions and structures, Japanese collective bargaining produces more consensus than division between labour and management. Evidence of this is that trade union wage demands at the outset of negotiations tend to differ little from the final wage settlement. The major adjustment to the crisis through social dialogue thus took place at the micro level, where employment stability was the paramount objective, and wages and working hours were the adjustment variables, again, with the support of the Government in subsidizing employment stability.

In March 2009 an agreement on Job Stability and Employment Creation was reached between the Government the social partners which identified broad measures to be implemented at enterprise level based on consultations between management and workers. The main aim of the agreement was to preserve employment stability. The "common understanding" between the Government, Nippon Keidanren, the Japan Chamber of Commerce and Industry, the National Federation of Small Business Associations and JTUC-Rengo states explicitly that government,

labour and management, are agreed to work in unison for realization of employment stability and job creation.

The tripartite understanding dealt with five priority areas:

- Further promotion of employment maintenance through a “Japanese-style” form of work-sharing, including short-time working subsidized by the Government, temporary unemployment instead of lay-offs, and temporary transfers of redundant employees in one firm to other firms that had demand for their labour,
- Enhancement and strengthening of employment safety nets, such as vocational training, job placement services, and so on. To facilitate job-sharing, training should be provided by Japan’s public employment service, “Hello Work”,
- Stability of livelihood for those with employment difficulties during the period when they are receiving vocational training, and realization of employment for the long-term unemployed. The intent was to provide livelihood support for those ineligible for unemployment benefits, such as “freeters” or non-regular job-hoppers,
- Job creation, with a focus on occupations and industries of future demand, such as healthcare or the environment,
- Wide dissemination of the tripartite agreement, and the commitment of each party to the roles each has agreed to assume in this agreement.

There does not appear to be a thorough evaluation of the results of this tripartite agreement. It is nonetheless important as an example of the consensual diagnostic of the labour market problems in the crisis and, as important, a consensual approach to what needed to be done.

Short-time work was extensively used in Japan in 2008-09 with close to 3 per cent of all employees resorting to it in 2009.

Some Challenges

While the mainstays of the Japanese industrial relations system have remained relatively unchanged, the Japanese labour market has not. The growth of agency workers or sub-contracted workers has grown significantly in Japan to reach close to four million workers or 1 per cent of the workforce in 2007. Many of these agency workers were laid-off during the crisis yet they have only limited access to unemployment benefits. This also explains why the overall unemployment rate rose so little.

The labour market is characterized by considerable dualism between regular and non-regular workers. The latter face significantly lower earnings, social protection and benefits and act as an adjustment variable in case of downturns in the business cycle. This entails a number of consequences.

With a declining unionization rate, the coverage of collective bargaining has also dwindled so that today less than 20 per cent of workers benefit from collective bargaining. Excluded from it are most of poorly paid workers and those in precarious employment. Mainly active in large enterprises and in the public sector, the Japanese labour movement is now increasingly seen as the voice of relative well-off workers, which is a far cry from the traditional role that the Japanese labour movement used to fulfil.

Through collective bargaining structure and simple tradition, the contribution of social dialogue to crisis recovery occurred at the enterprise level. However the remaining 80 percent of the labour market fared, it was not the consequence of social dialogue.

Republic of Korea

Recent economic and labour market trends

Perhaps because armed with the experience of the Asian Financial crisis of 1997, the Korean response to the Great Recession was swift and ultimately effective in a relatively rapid timeframe, with a return to growth already in the first quarter of 2009, and sustained thereafter. Counter-cyclical fiscal policy was strongly employed, support to SMEs was emphasized, as well as exchange rate support through swap arrangements with China, Japan, and the US. In the fourth quarter of 2008, economic growth had plummeted to -4.7 per cent. The 2008 crisis had hit through two major channels, a financial crisis and a significant trade recession in one of Asia's classically export-oriented economies. GDP growth had returned to a positive 3.4 per cent by the third quarter of 2009. In recent years, growth has been subdued -2.5 percent in 2015 and 2.6 per cent in 2016, with a forecast unlikely to improve significantly in 2017.

The country has, among OECD countries, the highest share of non-regular, temporary, and contract labour in its labour force. One-third of workers in total wage employment are in non-regular statuses (contingent, part-time, temporary, contract work) earning only 62 per cent of the wage of regular workers and facing far worse working conditions. Non-regular employment is dominated by women, low skilled and elderly workers. It is not an exaggeration to consider the labour market as a dual labour market, divided between a shrinking share of regular and protected employment in large companies (chaebols) and in public-sector entities, surrounded by a greater share of lower wage and lower security workers on the fringes. The country has a high share of ageing workers as well as a low youth employment rate.

Whether it was 1997 or 2008, the main effect on the labour market was not through unemployment. In the 2008 crisis, Korea practiced a form of job-sharing that succeeded in not separating workers' ties to the labour market. The unemployment rate has moved between 3 and 4 per cent between 2007 and 2012. It reached 3.7 per cent in 2016. It is also the case that the effects of the crisis were not reflected in employment rates, which remained quite constant over the period.

There were mild spikes in self-employment and in temporary employment in the years surrounding the 2008 crisis, but, again, these were mild, not dramatic.

Wages absorbed some of the impact of the crisis, especially in 2008 and 2009 with negative real wage growth of around -1 per cent and again in 2011. As of 2012 real wages resumed positive growth.

In sum, chaebols have lost none of their strength in the Korean economy, and a gulf, perhaps widening, between non-regular employment and secure regular jobs in chaebols and state-owned entities appears be entrenched.

Trade Union Representation

Korea is well known for its trade union "militancy", and it is perhaps well deserved since the "Great Struggle" of 1987, when trade unions won among other things historic wage increases following years of wage repression under the military government. The reputation for militancy has perhaps diminished over time, in direct proportion to trade union membership.

Peaking at close to 20 per cent of the labour force in the years surrounding 1987, trade union density in Korea today is close to 10 per cent, a level comparable with that of France or the United States. As legal extension of collective bargaining agreements does not occur in Korea, the trade union density rate is the equivalent of collective bargaining coverage.

The peak organizations in social dialogue are the Federation of Korean Trade Unions (FKTU), the oldest trade union federation in the country, pre-dating Korea's democratic reforms and surviving the same, and the Korean Confederation of Trade Unions (KCTU), founded in the mid-1990s as a militant competitor to the FKTU, viewed as far too compliant

to government and management preferences. The KCTU focused its organizing efforts principally on Korea's heavy industrial base. Today, membership is split roughly equally between the two federations, at approximately 700,000 members each.

On the employers' side, the main interlocutor is the Korean Employers' Federation (KEF), which, among several other employer federations, is the one devoted to industrial relations.

Collective Bargaining

Collective bargaining occurs at the enterprise or even workplace level. This is despite the longstanding interest of the two federations, particularly the KCTU, to move collective bargaining to the industry level. They have been frustrated in this endeavour, and it can be said that industry-level agreements (e.g. healthcare) are not only few, but lacking in much significance.

Trade unions bargaining at the enterprise level are usually rewarded by their cooperation with management, and it is, of course, at this micro level, where an identity of common interests is most likely to emerge. A legal change in 2012, whether advertently or inadvertently, further deflated federation hopes for industry-level collective bargaining. In return for allowing multi-unionism at the workplace, the law also introduced a winner-take-all, single bargaining unit representation rule. Winners of that contest are less likely to be interested in supra-enterprise bargaining.

Strikes even before negotiations were an often-used trade union strategy that has dwindled to near insignificance in recent years. In recent years public opinion appears to have grown antipathetic to trade union militancy. At the same time, trade unions appear to be suffering from an insider/outsider perception. Trade unions represent the labour elite – those who are regular workers in major chaebol firms, and whose wage bargains exceed those of the large number of unorganized, non-regular employees or employees in SMEs. This appears to be the current climate of industrial relations in Korea.

One new trend is the growth of "non-allied" trade unions, i.e. unions that are not affiliated with either of the major federations. They have grown up as new unions, or as unions that have disaffiliated largely from the KCTU. Their numbers increased significantly since 2005. This trend would appear to reinforce the enterprise-based focus of trade unionism in Korea.

Finally, it can be noted that in a climate of economic challenge and relative trade union fragility, major employers, the chaebols, have been able to advance an agenda toward greater labour market flexibility. The main features of this appear to be the paring to the core of the number of regular, full-time staff required, a gradual weakening of seniority-based promotions in internal labour markets toward more merit-based criteria, and increased recourse to outsourcing and non-regular employment.

Social dialogue responses to the crisis

Between 2009 and 2012 the government implemented a large fiscal stimulus programme equivalent to over 7 per cent of GDP. Half of the amount corresponded to tax cuts, some 20 per cent was expended on infrastructure investments, including green transportation networks, and 16 per cent went to labour market measures, including job training, job sharing, expansion of unemployment benefits and social assistance schemes.

In February 2009 the government negotiated a "Grand Social Consensus" with the social partners and civic groups. Based on this agreement, the government supported the social partners in job-sharing efforts, including expanding subsidies for employment retention and easing eligibility requirements. For example, subsidies for SMEs rose from two-thirds of wages to three-fourths of wages, while for large enterprises such subsidies increased from one-half to two-thirds of wages. Nearly 30 per cent of workplaces with 100 or more employees participated in the job-sharing scheme, which is estimated to have retained a minimum of 90,000 jobs.

Job retention efforts were complemented by measures aimed at direct job creation targeting about 810,000 beneficiaries. These measures included the “Hope Work” programme which aimed at providing temporary jobs to low-income households and supporting the recovery of local economies.

Challenges

Certainly the Korean trade union movement is alive and well and has an iconic status in the country’s transition from an autocratic to a democratic society. Perhaps the biggest challenge is the risk of being on the wrong side of labour market dualism. As noted, a substantial share of the Korean labour market consists of non-regular, less well paid, and less secured employment. A concerted effort by trade unions, including new ones, to organize those on the outside would seem a logical trajectory. The ILO has repeatedly called on Korea to amend its laws to bring them into conformity with fundamental labour standards and to improve the rights and protection of non-regular workers.

The composition of the Korean labour market is rapidly evolving toward a higher level of education and skills. This, too, represents a challenge to trade union efficacy and appeal.

Korea needs an industrial relations model that conforms to global product market dominance and those relatively disenfranchised in the domestic economy.

Netherlands

Recent economic and labour market trends

The small open economy was hit sharply by the 2008 crisis with GDP falling by close to -4 per cent in 2009 and again in 2012 by approximately 1 per cent. However the recovery has been rapid and real GDP growth is expected at 2.0 per cent on average over 2016-18 following 1.1 per cent over 2013-15. Household consumption and investment are the driving forces of growth in the near term, buoyed by rising employment and wages.

The unemployment rate peaked at 7.4 per cent in 2014, descended to 6 per cent in 2016 and will reach 5.2 per cent in 2017.

Part-time employment is high at over 15 per cent on average but over one-quarter for women in 2015. Self-employment (with no employees) has also sharply risen to reach 17 per cent of total employment in 2015 or over one million persons.

Real wages returned to positive growth in 2014 and 2015, respectively by 0.6 and 1.2 per cent, following several years of negative growth (-1 per cent on average per year over 2010-13). The outlook is for real wages to continue growing positively by over 1 per cent per year.

There is a minimum wage which is adjusted twice a year. In 2014 the minimum wage was 49 per cent of the median wage of full-time employees.

Trade unions

The two main trade union federations are Netherlands Trade Union Confederation (FNV) with 1.1 million members in 2014, composed of 19 affiliates, and The National Federation of Christian Trade Union (CNV) with 0.3 million members with 7 affiliates. Another much smaller trade union, Trade Union Federation for Professionals (VCP), has a smaller membership (less than 60,000) mostly composed of professionals but a larger number of affiliates (some 50).

In 2014 five union affiliates of FNV decided to merge into one single affiliate in order to gain strength and better align negotiating positions.

Some 18 per cent of all employees are members of a trade union, higher among public employees (34 per cent) but much lower in hotel and catering for instance (7 per cent).

Collective bargaining

Dialogue and consensus-building is a cornerstone of Dutch society. Social dialogue and consultations between the social partners, with the government, parliament and political parties is a defining characteristic of the Dutch model.

Collective bargaining is mainly conducted at industry level but at times also at enterprise level. The latter is more the case in large enterprises, notably with multinationals. There are few rules governing collective bargaining. Some 700 industry agreements are concluded annually and some 500 enterprise agreements. Each agreement is negotiated separately but there is a high degree of coordination on wages and working hours. A large majority of employees are covered by industry agreements rather than enterprise agreements. However, there is a tendency for industry agreements to become framework agreements with greater autonomy given to enterprise agreements.

Collective bargaining agreements are binding on the signatories of the agreement. The employers who sign an agreement must provide the same terms and conditions to all employees, whether they are members of a trade union or not. The parties can ask for an industry agreement to be extended beyond the signatories if at least 55 per cent of industry employees are covered.

This mechanism explains why some 85 per cent of employees are covered by a collective bargaining agreement when only one in every five employee is member of a trade union.

Negotiations are normally concluded between January and April every year although agreements covering two instead of one year are today more common. Union negotiators tend to follow the recommendations of the trade union and of the federation.

Collective bargaining is coordinated. Every autumn the government meets with employers and trade unions to exchange views on the economic and social prospects.

In addition an independent consultative body comprising, with equal representation, the three largest trade union confederations (FNV, CNV and VCP), and the central employers' organisations called the Labour Foundation plays a critical coordination role. The Labour Foundation has several specialized committees (wages, social security, pensions) and makes recommendations to the collective bargaining negotiators in the sectors and advises in particular on issues that directly affect employers and employees, such as employment, working conditions and professional training.

The social partners in the Labour Foundation also regularly consult with the government on social and economic policy matters. At times, these consultations can lead to a Central Agreement with the government. Such an agreement can contain guidelines for collective agreements that are concluded by trade unions and employers, but may also include proposals for the revision of laws. A recent example is the Social Agreement agreed in 2013.

In addition a statutory and authoritative Economic and Social Council, composed of 11 employers, 11 workers and 11 experts nominated by the government, plays an important advisory role. The government seeks their views on all major economic and social policy issues. As such the Council plays an important role in shaping public policy.

Works Councils

A works council has to be established in all workplaces with 50 or more employees. The works council is the first worker representation mechanism. In practice a works council exists in 71 per cent of all enterprises of 50 or more employees, with almost all large enterprises (200 or more employees) having one. Some 16 per cent of enterprises between 10 and 49 employees have a works council. In small enterprises a personnel delegation mechanism exists which has some of the same attributes as a works council.

The number of seats on a works council rises with the size of enterprises.

Members of works councils are elected by all employees, normally for a period of three years. Works councils are not trade union bodies but most of the elected members are members of a trade union. Works councils meet on average once a month and with the employer once every 2-3 months.

Works councils have information, consultation and approval rights. They have to be informed of all major enterprise decisions and performance. Consultations are required on all issues that directly impact the workforce. The approval rights cover a range of employment and working condition issues from pensions, profit-sharing or savings schemes; hours worked and annual leave; salary and wage scales and job classification schemes; health and safety; recruitment, dismissal and promotion; training; staff assessment; social assistance for employees; consultation at shop floor level; the handling of complaints; the position of young workers in the undertaking; the holding of personal data on employees; and systems to check on the presence of employees.

An employer cannot introduce, change or end regulations on these issues without the approval of the works council unless they are covered by a collective agreement. If the works council fails to give its approval the employer can appeal to joint union management commissions set up in each industry, and then to the district court.

The law explicitly stipulates that works councils cannot negotiate basic wage and primary working conditions matters that are exclusively dealt with through industry collective bargaining between employers and trade unions, unless the agreement provides for more decentralized bargaining. In practice the situation is more fluid. Today more collective bargaining agreements leave space to works councils to negotiate further with the employer.

Social dialogue responses to the crisis

Under pressure of the social partners the Government adopted a special measure aimed at subsidizing short-time work, or partial unemployment, first from December 2008 to March 2009, then as of April 2009 up to December 2010, subsequently extended to July 2011. Among the main beneficiaries were older workers in manufacturing.

In March 2009 the social partners through their joint Labour Foundation agreed on giving priority to employment security and training over wages. The agreement called for wage moderation, at around 1 per cent in 2009 and no increase in 2010. In exchange the agreement called on the government to extend financing for short-time work, training measures and better protection of the more flexible workforce. In particular short-time work was explicitly linked to training opportunities. This agreement was immediately turned into a tripartite agreement with the support of the government.

In 2010 social dialogue turned back to the long-standing matter of the pension age, with an agreement to raise gradually retirement age to 66 years in 2020 and 67 years in 2025. As of 2011 the main topic of negotiations addressed the situation of temporary and part-time workers.

In 2013 a tripartite agreement (called Social Agreement) on labour market reforms was adopted which enabled the Government to table a number of bills passed subsequently by parliament in 2015. Three measures are noteworthy that broadly aim to improve protection of temporary workers whilst reducing the gap with permanent workers. The first is to reduce the use of temporary employment which is very high, by limiting to a maximum of three the number of fixed-term contracts a person can hold over a period of up to two years. The second aims to modify provisions in the termination of employment as well as in the calculation of severance payment, now capped and linked to tenure rather than age. Lastly unemployment benefits were reformed reducing the maximum duration from 38 to 24 months, although collective agreements can extend benefits beyond this period, and introducing the requirement of any person in unemployment for more than 6 months to accept any offer of work available.

South Africa²³

Economic and Labour Market Trends

To many South Africans the 2008 global financial crisis was something that was happening elsewhere. This view was prevalent even among those who lost their jobs but did not necessarily attribute this development specifically to the crisis.

There are reasons for this. At the onset of the global crisis, many South Africans, including politicians and government officials, did not believe that it would affect the country because the economic fundamentals appeared sound and the economy had stabilized with real gross domestic product (GDP) averaging around 5.5 per cent between 2005 and 2007. More importantly, South Africa has long been a country characterised by high levels of unemployment, poverty and inequality, hence, the crisis merely highlighted the vulnerabilities which already existed in the labour market since the apartheid era.

The seriousness of the recession only really hit home following the release of the first quarter growth figures in May 2009. What could not be ignored was the fact that by the first quarter of 2010, over one million jobs had been shed, further exacerbating the already high unemployment rate, and wiping out positive employment developments in the first decade of the new millennium.

While the global crisis was taking hold, the focus of many was elsewhere – on the 2010 Soccer World Cup and changes in political leadership within the ruling African National Congress (ANC). This change in political leadership, observers argue, impacted on the workings of government from the time of the ANC's national conference in Polokwane until after the elections in 2009. Effectively during this period there was a political hiatus until the new government came into power.

Current unemployment in South Africa is high, at 36.3 per cent (World Bank), and the GDP growth rate, at 0.7 per cent annually, is quite flat (Statistics South Africa -STATS SA).

The Post—Apartheid Institutions of Industrial Relations

Labour market institutions are characterized by the decisions taken in the aftermath of the first democratic elections of 1994 which sought to promote the role of the social partners (government, labour and business) in the governance of the labour market with a focus on self-regulation and more importantly, the role of social dialogue. This is reflected in the formation of tripartite bodies such as the Commission for Conciliation, Mediation and Arbitration (CCMA), the National Economic Development and Labour Council (NEDLAC), the Sector Education Training Authority (SETA), the Employment Conditions Commission (ECC) and on the collective bargaining front, bargaining councils – all managed by the social partners.

Trade Union Representation and Bargaining Structure

There are approximately two million trade union members in South Africa, and the peak trade union federation is Congress of South African Trade Unions (COSATU), itself, closely affiliated with the ruling African National Congress (ANC).

Collective bargaining takes place at various levels – sector, enterprise and plant. A key but not the only institution responsible for collective bargaining is the bargaining councils. Aside from bargaining councils, centralised collective bargaining also takes place in non-statutory structures such as those found in, among others, mining, automobile manufacturing, contract cleaning and private security. Bargaining also takes place at enterprise and/or plant level and where there is limited bargaining and union organisation, wages are determined through sectoral determinations which are promulgated by the Department of Labour following recommendations made by the ECC.

There are currently 47 bargaining councils covering an estimated 2.5 million workers in both the private and public

²³ This section is largely based on an ILO research paper, Renee Grawitzky, "collective bargaining in times of crisis: a case study of South Africa," Geneva, ILO, Industrial and Relations Dept., Working Paper no. 32, December 2011.

sectors (including national and local government). In recent years, there has been a growing importance of the public sector in collective bargaining and now more than 50 per cent of bargaining council coverage is linked to the public service (including local government).

Social dialogue responses to the crisis: the National Framework Agreement

South Africa's response to the global crisis began slightly later than other countries when the former President Motlanthe convened a meeting on 4 December 2008 of the social partners to discuss the challenges brought about by the global economic crisis. At the meeting the social partners agreed that overcoming these challenges would require a collective response to the difficult economic conditions facing the country.

This led to a relatively short but intense process which involved the parties trying to merge the different agendas of the respective constituencies. Government argued that the aim of the process was not to develop a new economic policy but a temporary intervention to deal with the consequences of the crisis. Despite last minute reservations and 13 drafts later, the parties finally presented a draft framework to the Presidential Working Group and the 'Framework Agreement for South Africa's response to the International Economic Crisis' was released on 19 February 2009.

Elements of the government's full response to the crisis had been included in the 2009/10 national budget which was announced in Parliament on 11 February 2009. Such elements included a commitment to increase public spending (linked to infrastructure programmes), boosting the existing Expanded Public Works Programme (EPWP) and exploring how the Unemployment Insurance Fund (UIF) could be restructured to provide extended benefits to the unemployed.

The key principles of the framework were to ensure that the burden of the economic downturn would not be placed on the poor and vulnerable, activities supportive of growth and decent work would be protected, and high levels of investment in public sector infrastructure maintained. The government decided to extend both its social security and social service commitments for vulnerable individuals and communities, while supporting particularly vulnerable communities with agricultural support schemes.

Formal sector workers facing job losses could get support from the UIF and the Training Layoff Scheme; and the state provided support to sectors in distress, including the motor and clothing sectors, while providing some relief to small enterprises in distress in the form of faster payments for government services, and initiatives aimed at increasing access to credit and providing more flexible repayment periods.

Implementing the National Framework Agreement (NFA)

The signing of the agreement was hailed as a major achievement and a model for other countries. However, its implementation was partly delayed by the elections so momentum only got going in some areas by June 2009. From July 2009 the newly established Department for Economic Development (DED) led the NFA's implementation. The Department convened eleven leadership teams consisting of the leadership of the social partners.

The implementation of the NFA was supposed to have been achieved in various phases and for the purposes of this study, the focus is on those interventions linked to collective bargaining, namely, the Training Layoff Scheme (TLS) (which formed part of one of a number of interventions of the employment task team) and assistance for distressed sectors.

The first phase of implementing the TLS required the establishment of a fund. The second phase required the setting up of the institution to drive this as well as ensuring the relevant institutions were set up to work together. The aim as highlighted in the NFA is *"in addition to other measures to avoid retrenchment, one further option that the parties will consider is training layoffs (...) for workers whose employers would ordinarily retrench them and which can be introduced on terms that would keep them in employment during the economic downturn but re-skill them as an investment for the future economic recovery."*

The scheme provided that for a period of three months workers could receive training and during that time the company would only have to pay the basic social package (among others, pension contributions). Employees would remain in employment and in addition receive half their salary up to a defined monthly maximum.

The scheme could be accessed through the CCMA or participating SETAs. An employer, trade union or employee could request the CCMA to facilitate the conclusion of a training layoff agreement; alternatively the parties can independently conclude such an agreement and submit it to the CCMA for confirmation that it complies with the agreed rules and procedures. About 200 CCMA commissioners were briefed and 37 were trained to facilitate training layoff applications. In order to increase uptake of the scheme, targeted workshops were held across various sectors and provinces by the DED. By August 2010, an estimated 6,083 workers were placed on training layoffs instead of being retrenched.

In parallel to the TLS collective bargaining councils negotiated a number of short-time work arrangements, especially in manufacturing and in mining. Short-time work was accompanied by training measures in some instances; in others reduced working hours went parallel with reduced wages and lower hourly rates. The automobile sector extensively used the TLS to train its workforce. A number of enterprises negotiated voluntary retrenchment measures. In the construction sector a job rotation scheme was agreed, whereby workers worked two-week shifts in turn.

An important element of negotiations dealt with the use of contract labour and labour brokers. Some bargaining councils obtained the complete ban of contract labour brokers; in others the use of contract labour was regulated, setting thresholds of a maximum of one-third of total employment, with a corresponding increase in permanent employment.

Role of the social partners in the NFA

Overall the take-up of the TLS was slow and its impact limited. As a new scheme the institutions took a while to disseminate the information and master its workings. Likewise collective bargaining played a limited role in protecting earnings and job security. While valuable negotiating experiences were gained, the capacity and resources of among the social partners was weak. Weaknesses include the lack of negotiating skills, the high turnover among negotiators and poor access to information and resources.

On the government side issues of coordination and implementation capacity hampered the application of the NFA.

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