European Foundation for the Improvement of Living and Working Conditions

Social dialogue and the recession

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Wyattville Road, Loughlinstown, Dublin 18, Ireland. - Tel: (+353 1) 204 31 00 - Fax: 282 42 09 / 282 64 56
email: postmaster@eurofound.europa.eu - website: www.eurofound.europa.eu

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Introduction

While the global economic crisis that began in 2008 affected some European countries earlier than others, and with varying degrees of intensity, by the end of 2009 all Member States had been affected. Most commentators agree that it is too early to draw any conclusions on the effect of social dialogue on the crisis, and even more so regarding the effect of the recession on social dialogue. During 2010 and 2011, Eurofound intends to carry out more research on these questions.

This paper aims to give a flavour of the latest developments across Europe and inform policy makers of topical issues. It will present measures taken in response to the recession (both employment market measures and financial stimulus packages), outline the extent of social partner involvement, and the actions taken so far by the social partners. According to the European Commission, there is still room for policy learning across Member States (European Commission, 2009c p. 42). The material for this report has been gathered mainly from Eurofound's European Industrial Relations Observatory (EIRO) and from its European restructuring monitor (ERM), and is supplemented by findings from desk research. Material was gathered from the end of 2008 until August 2009 while the data processing phase took place over two months in September and October 2009.

Responses to the crisis

Member State governments and social partners have responded to the crisis so as to minimise its negative consequences for the economy and the labour market.

According to the European Commission, nearly 300 different measures have been taken across the EU in terms of reform of the employment market (European Commission, 2009a, annex 1, p. 2). Although the crisis is now entering its second year, it is still too early to evaluate with certainty what effects these measures have had. The crisis is still not over but the contraction of gross domestic product (GDP) in some major economies seems to have ended. However, unemployment is still growing and no recovery is in sight (European Commission, 2009a, p.3).

It does appear that those countries that have actively implemented such measures as working time flexibility, short-time working and temporary lay-offs have been able to limit the extent of redundancies. For instance, Austria, France, Germany and the Netherlands – which have all used combinations of these measures (Eurofound 2009b p. 3) – have experienced a less dramatic increase in unemployment than many other Member States. Furthermore, the European Commission in its Communication stresses the effectiveness of these types of measures, especially when they are combined with training and financial support for income loss (European Commission 2009a p. 3).

According to the Organisation for Economic Co-operation and Development (OECD), the ability of the developed countries to establish in appropriate measures to moderate the effects of the crisis is 'a major achievement' (OECD 2009 p. 9). The OECD however is very clear in emphasising the need for further policy actions. As regards the labour market, it recommends that unemployed persons be kept in close contact with the labour market, to ensure that unemployment does not turn into structural unemployment (OECD, 2009 p. 9).

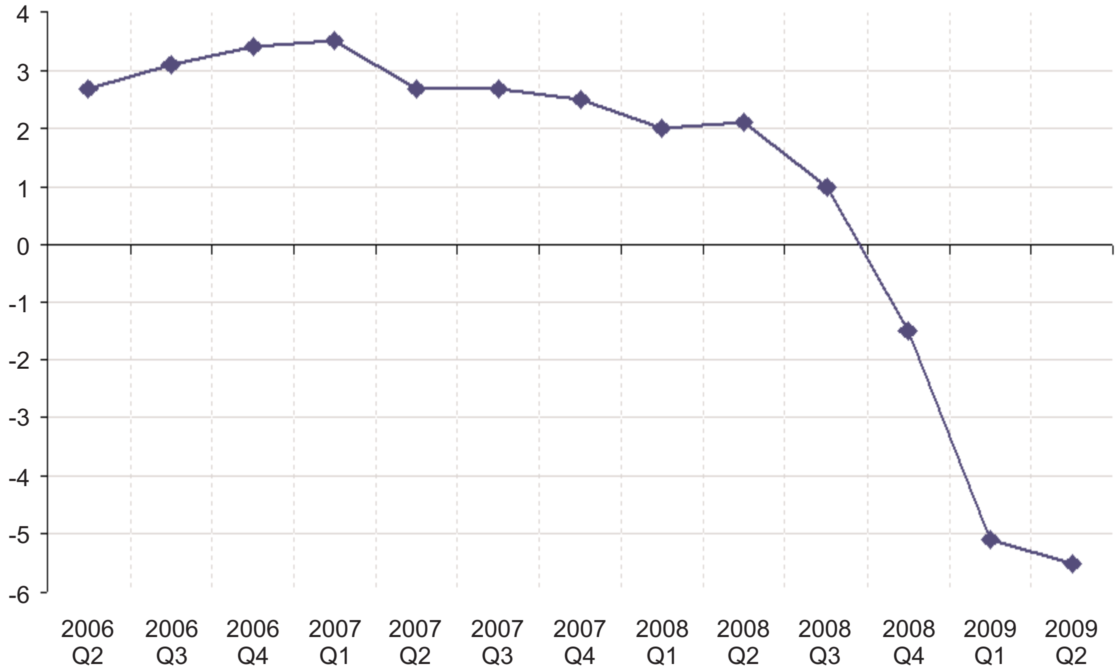
As emphasised in a number of studies, a measure is more likely to be successful if there is a broad involvement of social partners, at both the national and company level (European Commission, 2009a, annex 3 p. 19; Eurofound 2009b p.15; Rychly, 2009 p. 25–28).

The involvement of the social partners is important for a number of reasons. When it comes to upgrading skills and matching labour market needs, social partners have the most in-depth knowledge, and the practical experience, of what skills are needed on the labour market, and where gaps can be filled. In other cases, the measures that need to be taken may not be popular, requiring a degree of sacrifice; social partners can appeal to their broad support base to take part in these types of measures for which their involvement and support is crucial.

1 European economic background

The recession has hit Europe hard. Figure 1 traces the development of GDP over the past three years. During the last year, the economy has gone from steady growth to a severe contraction of GDP in the EU. The EU average contains highly varied statistics from different Member States. In the second quarter of 2009, the EU average is minus 5.5% compared to a year earlier but the Member State numbers range from -20% in Lithuania to +1% in Poland (Eurostat 2009).

Figure 1: *Percentage changes in GDP rates*



Note: *Data are calculated as chain-linked volumes (i.e. data at previous year's prices, linked over the years via appropriate growth rates). The growth rates are calculated from raw data and with respect to the previous year (Q/Q-4).*
Source: *Eurostat 2009, Quarterly national accounts.*
http://epp.eurostat.ec.europa.eu/portal/page/portal/financial_turmoil/financial_turmoil_and_statistics

The economic turmoil has brought challenges of various kinds to the EU and its integration project. One challenge is to keep the policies in different Member States coordinated and to avoid protectionist measures. Although some early tensions between countries were apparent, it seems that protectionism has generally been avoided (ETUI, 2009d, p. 5). The recession has hit nearly all sectors, but to a varying degree. The automotive industry and the construction industry were hit particularly hard in the beginning of the crisis. The crisis has also hit different Member States differently; while this calls for country-specific measures in different countries, it does not exclude the need for coordination (European Commission, 2009c, p. 10). Coordination has mainly been channelled through the European Economic Recovery Plan (EERP), which was launched in November 2008 by the Commission.

Member states' budgets under the crisis

Many countries have tried to stimulate the economy in order to restore confidence. The Keynesian budgetary principle of stabilising the economy regained importance through the crisis. There are different ways in which this can be implemented. One is to increase public investment and thereby pump in money into the economy, in such areas as infrastructure and education. This is the preferred option of the trade unions. Another is to lower taxes, and thereby release funds for consumption and company investments. Employers are seemingly more in favour of this option.

Nonetheless, the social partners have indicated a common interest in the types of measures that combat recession: both sides want to see more done by government, which why there has been such broad support for most anti-crisis packages.

In Belgium, the social partners have agreed to provide employees with so-called ‘ecocheques’, which are exempt from taxes and social security contributions and can be used by the employee to buy environmentally friendly consumer goods. The tripartite intersectoral agreement in the country also agreed to raise the value of the widely used lunch vouchers (BE0904029I)[1]. In Sweden, taxes were reduced early on in order to boost employment. The social partners were not involved in the decision-making process; while the employers were very positive about the measures, the trade unions were more sceptical (SE0810039I). The Swedish government has also tried to counter the effect of the crisis by granting additional funds to local government for public sector investments and additional funding for labour market initiatives (SE0905019I).

Spain launched a stimulus package with a range of measures, including increased public investments in infrastructure and construction, an investment fund of €8 billion and a fund of €3 billion to stimulate employment (ES0902049I).

For most countries, it has not been possible to implement fiscal stimulus measures to stabilise the markets. Nearly all Member States have been forced to make cuts in their budgets. The Baltic states are prominent examples of this: for instance, Latvia has experienced pressure from the IMF to downsize its budget in order to remain eligible for receiving loans. Its budgetary measures have included raising taxes, reducing pensions, lowering the salaries of teachers and public administrators etc. (LV0907019I, LV0810039I). These budget cuts have resulted in protests – for instance, those mobilised by the Free Trade Union Confederation of Latvia (LV0906039I). However, the state budget was revised after lengthy discussions and a final agreement between the government and the social partners.

In Lithuania the government has also been forced to make budget cuts, including an effort to reduce salaries among public-sector employees. However, this measure did not meet with the approval of the social partners, the Lithuanian Trade Union Confederation (LPSK) initiating a hunger strike in order to stop the wage cuts. The protest succeeded, the proposals for wage cuts being withdrawn and revised and the government promising that any such measures would be negotiated with the trade unions in the future (LT0907029I). The disappointment over the lack of dialogue in Lithuania had been evident as early as January, when trade unions staged a protest rally. The trade unions wanted all new measures and proposals to go through the Tripartite Council (LT0902019I).

The Irish government was forced to present an emergency budget in April 2009 in response to the crisis. It included such measures as tax hikes, reduced social welfare in a range of areas, such as childcare supplement, scrapping of the Christmas social welfare bonus, and an increase in social insurance paid by employers. The budget was met with harsh criticism from the Services, Industrial, Professional & Technical Union (SIPTU) and the Irish Congress of Trade Unions (ICTU), who argued that the budget’s priorities were misguided and excluded a social partnership agreement. The budget was well received, however, by the Irish Business and Employers Confederation (IBEC) (IE0904019I).

[1] The codes in brackets (e.g. LT0907029I) refer to EIRO news updates, which are accessible online. Simply enter the code in the search window at **http://www.eurofound.europa.eu/eiro/index.htm**

in February 2009, the Slovenian government concluded – with the public-sector trade unions – an austerity pay deal, which reduced wage growth from 9.9% to 7.1%. This is part of a bigger plan to reduce public spending on wages in Slovenia, including such measures as reducing bonuses and gradually reducing the workforce. The measure was agreed on through social partnership and hence enjoys support from all social partners, who see it as a sign of the flexibility of social dialogue (SI0903029I). In Greece, financial guarantees were provided by the government to ensure the viability of the banking system and the economy as a whole. Additionally, a pay freeze in the public sector and in public sector pensions was introduced. However, it has been more difficult for the government to gain support for this measure, which – it is believed – could save €300 million and so reduce the public deficit. The Confederation of Public Servants has been highly critical of the measure and staged a general strike on 2 April 2009 to protest against it (GR0905069I).

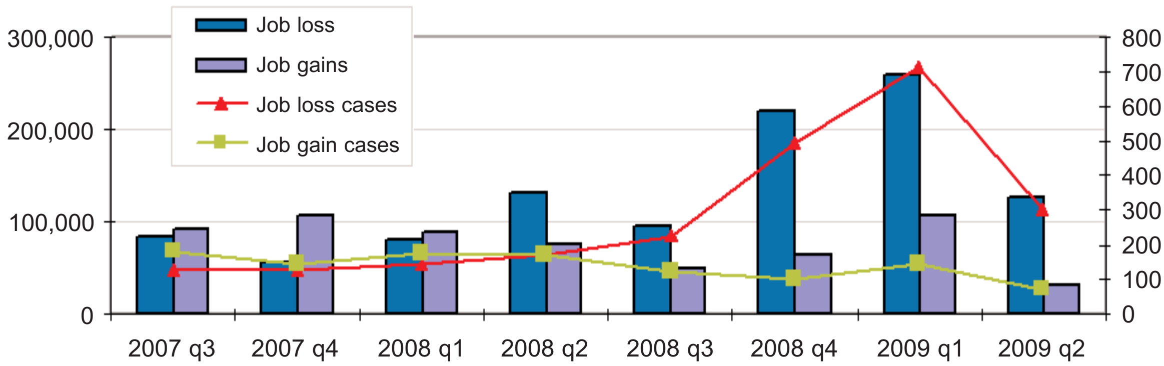
Impact of recession on the labour market 2

GDP data shows a dramatic fall since 2007; however, the deterioration in the labour markets became evident only in 2008, reaching a peak in the first quarter of 2009. In the first quarter of 2009, Eurofound's *European Restructuring Monitor quarterly* recorded the highest number of announced job losses since it started monitoring restructuring in the EU in 2002. The number of job losses was not as high in the second quarter of the year, but unemployment still increased in all countries except Austria (Eurofound 2009b, p. 3).

The ERM recorded 219,390 announced job losses across the EU in the first quarter of 2009 and 124,888 announced job losses in the second quarter. The highest number of job loss was announced for the automotive sector, retail, financial intermediation and manufacturing of machinery. High losses in the education sector were announced in the second quarter of 2009. Interestingly, the retail sector also recorded the highest number of job creation leading to a net gain of jobs in the first quarter of 2009 (Eurofound 2009a, p. 9; Eurofound 2009b, p.10).

Unemployment is an indicator that lags behind falls in output: companies prefer to implement other alternatives before they lay off workers (Rychly, 2009, p. 23). As can be seen in Figure 2, it was not until the fourth quarter of 2008 that job losses really took effect.

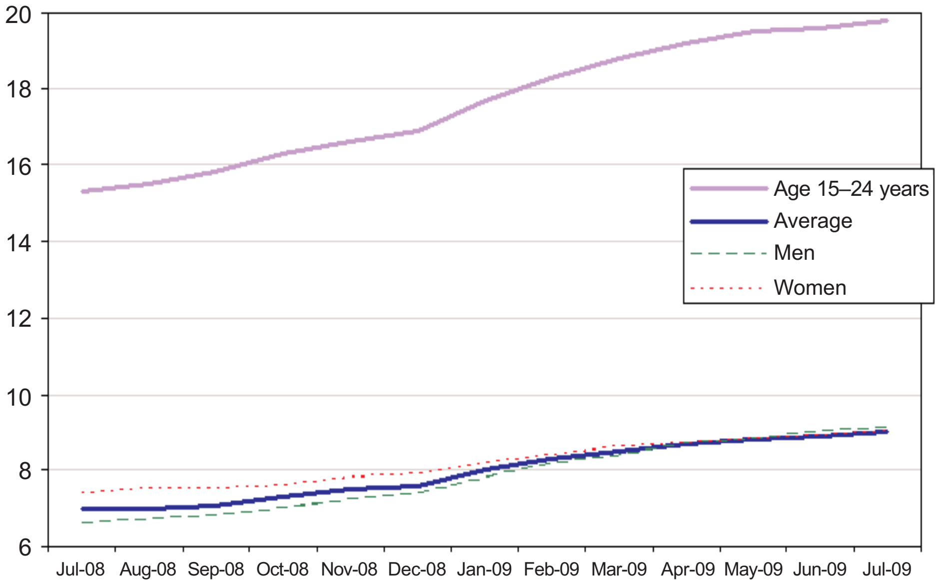
Figure 2: *ERM job losses and gains, 3rd quarter 2007–2nd quarter 2009*



Note: *The left vertical axis measures the number of job losses and job gains, the right the number of job loss/gain cases. Each case corresponds to one company or plant notice of losses or gains.*
Source: *Eurofound, 2009b*

Figure 3 indicates, using the monthly statistics provided by Eurostat, that unemployment in EU was rising fast until at least July 2009. Since July 2008, total unemployment increased by almost two percentage points in EU27, corresponding to five million more people in unemployment in July 2009 than a year earlier.

Figure 3: *Monthly unemployment rate, July 2008–July 2009 (%)*

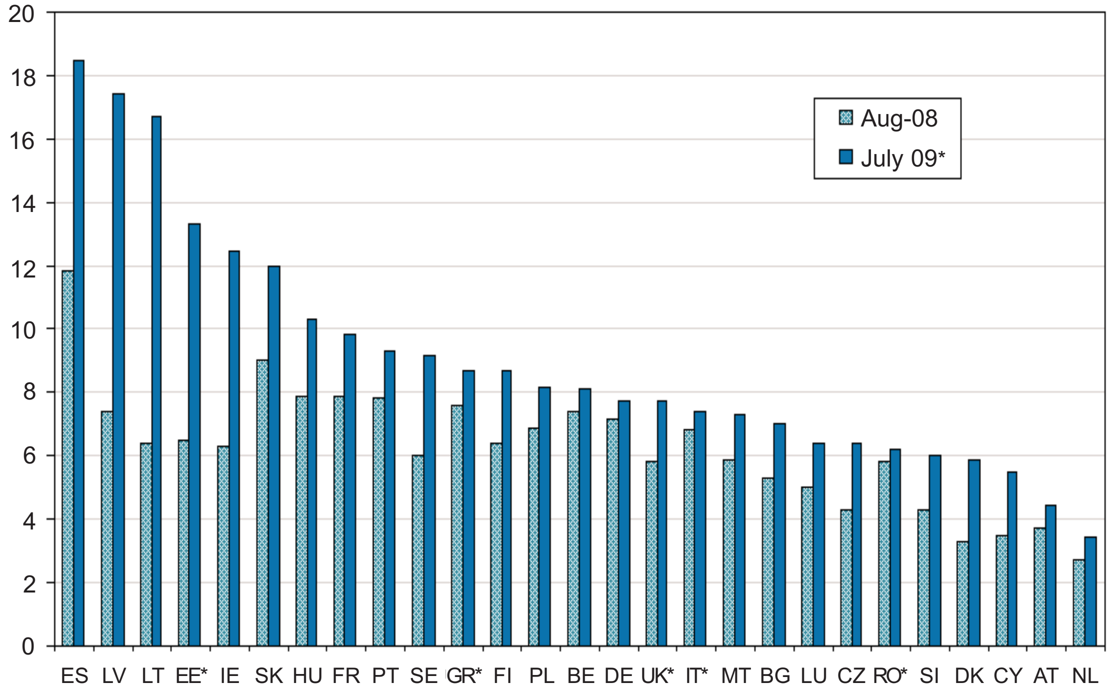


Source: *Eurostat 2009, Labour Force Survey*

The rise in unemployment has hit gender and age groups differently. So far, more men than women have been made redundant, male unemployment increasing by 3.9 million between July 2008 and May 2009, compared to 1.7 million among women (Eurostat, 2009). This has minimised the difference in unemployment that existed earlier as seen in Figure 3. Young people have been hardest hit by the recession. Over the past year, the youth unemployment rate in EU27 has increased from 15.3% to 19.6% – a more rapid increase than that experienced by the rest of the population.

Figure 4 shows how unemployment rates grew from August 2008 to July 2009 in each Member State. Spain, the Baltic States and Ireland experienced rapid increases in their rates of unemployment, from already high levels. Sweden and Denmark have also seen their unemployment rise by more than the EU average. Unemployment is increasing in all Member States, though at a slower pace in Germany, France, Austria and the Netherlands, where short-time working, partial unemployment and other forms of working time flexibility have facilitated the labour market in adjusting to the recession (Eurofound 2009a, p. 3–4, European Commission 2009b, p. 4).

Figure 4: *Unemployment rate, August 2008 and July 2009, EU27 (%)*



Note: *(For EL, IT and RO, the blue bars represent March, for UK May and for EE June 2009)*
Source: *Eurostat 2009, Labour Force Survey*

Although it is too early to assess the final effects of policies across Europe, it is clear that the increase in unemployment would have been even bigger if the social partners and governments in the 27 Member States had not taken measures to prevent job losses. These measures will be examined in the next chapter.

3 Maintaining employment in time of crisis

There are many reasons to act decisively to limit the effect of the crisis on the employment market. Unemployment has severe social consequences – increased poverty and political tensions as well as the risk of a vicious circle in the whole economy. Unemployment leads to decreased demand and confidence, which may lead to slower production; as a result, companies may seek to adopt strategies to reduce costs, including labour costs. These negative consequences are particularly connected to long-term unemployment (European Commission, 2009c, p. 35).

What is an innovative measure in one country may be established practice in another, thereby not being sufficiently new to receive attention in this report. In Belgium and Denmark, for instance, temporary unemployment as an alternative to redundancies has been an established practice, the use of which has increased significantly during the crisis (BE0904019I, DK0903021I). While governments and social partners increasingly look at examples of best practice from other European countries, all measures must be adapted to fit in a particular national context.

The measures introduced across Europe over the course of the crisis include:

- short-time working arrangements, and concessions for the same;
- pay freezes and/or adjustment of wages in conjunction with short-time working;
- flexible pay;
- concessions for short-time working;
- pay freezes in exchange for employment guarantees;
- voluntary and involuntary redundancies (in some cases, with agreed re-employment within a certain time span);
- training;
- partial and early retirement;
- cuts in extra payments or bonuses.

The three types of measures that have been broadly used in many Member States will be examined below – short-time working, skills upgrading and security and minimum wages.

Shorter and more flexible working hours

Eurofound’s European Industrial Relations Observatory (EIRO) monitors developments in working time across Europe on a regular basis; findings in recent years indicate some stability regarding the duration of working time in the collective bargaining round. However, towards the end of 2008, the enforced reduction of working time moved on to the agenda as company order books shrank and the economic situation worsened. Short-time working increasingly was introduced in many countries, either with or without collective bargaining. The sectors most affected were manufacturing – particularly the automotive industry and its suppliers.

Many Member States have introduced measures to reduce working time as a means to maintain employment. Terminologies used in the Member States may vary, as identical measures are named differently. In broad terms, there are two different types of measures: temporary lay-offs and short-time working.

A temporary lay-off usually means that a worker is laid off for a pre-defined period, with or without public support or compensation. Short-time working means that workers work fewer hours per week in order that labour costs be reduced.

Short-time working has been used as a labour market tool to secure employment, accompanied by subsidised labour costs and to some extent by training. The European Commission has pointed to the importance of providing incentives for training along with short-time working measures. Training is essential for maintaining employability, and one important way to achieve that is to provide training while the workers are still in employment.

Germany's new rules on short-time working took effect 1 February 2009, through a government rescue package worth about €50 billion. Companies are granted allowances (*Kurzarbeitergeld*) when implementing short-time working. The employee gets 60% of the income lost due to short-time working (or 67% for employees with children). In Germany, the number of short-time workers reporting to local employment agencies rose from 137,000 in November 2008 to 700,000 in February 2009. With the new rules, employers can also be reimbursed for their social security contribution, provided that they provide continuous training for the short-time workers (DE0904039I). In Spain, the government has allocated funds to enable those temporarily unemployed to collect unemployment benefits. Companies that reduce employees' working hours instead of dismissing workers are rewarded with lower social security payments (ES0902049I).

Some countries reformed their labour market regulations, with social partner support, either in general terms or at sectoral level. Austria is one of the countries to have reformed its labour market in order to cope with the economic crisis. The new rules enable wider use of short-time working, as both employers and trade unions agree that flexible short-time working arrangements are the most efficient way to keep workers in employment. The new rules come from a joint amendment drafted by the social partners and were subsequently, in February 2009, endorsed by the parliament (AT0903029I). The scheme benefits from public support that is extended if the employer provides training. Also in Lithuania the Labour Code was amended following support from the Tripartite Council of the Republic of Lithuania. The changes include more flexibility regarding fixed-term contracts, more rules concerning overtime and part-time work, but not short-time work or temporary lay-off (LT0904019I). In neighbouring Estonia, employers can introduce shorter working hours where workers receive unemployment grants for three months during a one-year period. This new measure was passed through a tripartite agreement reached in March 2009 (EE0905019I).

The Netherlands introduced a crisis team consisting of representatives of the social partners to deal with the modernisation of the labour market in order to avoid redundancies, and the already existing temporary unemployment benefits system was extended, enabling companies to temporarily put workers on shorter hours and allowing workers to receive unemployment benefits (amounting to 70% of the wage) for hours not worked. Employers must provide training (NL0812019I, NL0901049I). Similarly, temporary unemployment is common in Belgium, but it only applies to blue-collar workers. Social partners have tried in vain to reach a deal extending the practice to white-collar workers. In Belgium, these two types of workers are under different statutes. It was not until the government stepped in that all partners could reach an agreement in April 2009. Collective bargaining was however the chosen path for reducing working time in Belgium. The agreement concerns companies under financial difficulties; employers believe that this will prevent dismissals (BE0906029I).

France has had in place a system for partial unemployment, and through social dialogue this has been extended during the crisis. The social partners in France accepted the roll-out of a reduced working hours allowance put forward by the government. The allowance supplements the contractual partial unemployment benefit, which was amended in December 2008, under certain conditions. The government took the initiative to draft an amendment to the existing rules, which was thereafter agreed with the social partners on an extraordinary meeting on 15 April 2009. The government has contributed with additional funding for the workers affected by the partial unemployment measure. CFDT (*Confédération française démocratique du travail*, **CFDT**) was supportive of this agreement while CFTC (*Confédération française des travailleurs chrétiens*, **CFTC**) had some concerns regarding the impact of the actions. CGT (*Confédération générale du travail*, **CGT**) was the only union not to sign the agreement. The Movement of French Enterprises (*Mouvement des enterprises de France*, **MEDEF**), stated that – with the December agreement – 'companies have made a major effort and taken responsibility'. Overall, the agreement is seen as a success. Figures show that during the last quarter of 2008, close to 146,000 employees were made partially unemployed in France, three times more than during the previous quarter (FR0905029I).

The Polish anti-crisis package drafted by the Tripartite Commission includes several measures for maintaining employment, including subsidising employment as an alternative to group dismissals, banking of working hours and more flexible working hours in general (PL0906019I, PL0902019I). However, these measures have not yet been implemented, and at the time of writing, some uncertainty surrounding this still prevails.

In Denmark, the use of work-sharing has increased dramatically during the crisis, and it has reduced the number of necessary redundancies. However, in Denmark, work-sharing that involves public funding for the working time lost for the worker can only be applied for a period of 13 weeks; this can however be extended to a maximum of 26 weeks in line with sectoral agreements. Both the trade unions and employers have criticised this and demand its extension to 18 months, as is the case in neighbouring Germany. While the government took initiatives to support employees, it did not revise the rules for work-sharing, contrary to the expectations of the social partners (DK0903021I). The new sectoral collective agreement in the Danish financial services sector introduced 'individual flexible working time'. Employees may vary their weekly hours up to a total of 42.5 hours, as long as the standard 37-hour week is maintained on average over a 12-month reference period, given that a local agreement is concluded (Carley et al, 2009, pp. 16–17).

Many sectoral agreements in Finland seem to follow the same model of flexibilisation of working time as in Denmark; for instance the 2007–2008 agreements introduced more flexible working time models, extended the reference periods used for variable hours schemes and created working time banks. Similarly, many agreements in Italy increased the levels of flexibility. In Romania, sectors such as construction, transport and mining introduced working time arrangements that differ from the statutory rules. Overall the issue of flexibilisation of working time was not a prominent one in the 2008 collective bargaining round, but it has been used by certain enterprises as a means to address the crisis.

Enterprise level

In most countries where the practice of short-time working has been used, all usage of shorter working hours, temporary layoffs and similar measures must be agreed on by the local partners at enterprise level. Listed below are some prominent cases of this type of bargaining.

In Germany, companies in the automotive industry have been among the most promient users of short-time working. Working time at the German car manufacturer Daimler was shortened by 8.75% for all 161,000 employees with corresponding decrease of pay. The earlier agreed pay increase of 2.1% was postponed. Daimler will save €2 billion in labour costs due to this deal with the company works council of 27 April 2009. The company in return granted a job guarantee, which can be changed at the earliest after the end of 2009 (DE0905039I).

The deal is connected to the new collective agreement in the metalworking sector that extends the federal rules concerning short-time work and allow the works council to approve such deals. This agreement in the metal and electricity industry in Baden-Württemberg, concluded in April, is arguably one of the most important collective agreements during 2009. The agreement enabled several big companies in Germany to make better use of short-time working, and with better security for the employees. Arguably, the agreement has saved tens of thousands of jobs – at least in the short run. The affected workers get compensation from public funds for part of the loss of income due to the short-time working agreement. In some cases, the employee can receive training during the hours not worked (DE0905049I).

Other German companies in the automotive sector have followed Daimler's example, or plan to do so. Of great interest is the deal at the car component manufacturer Schaeffler. Trade unions and the management signed an agreement on 26 May 2009 that precludes redundancies until 2010. In return, labour costs are to be reduced by €250 million in the company. This saving is to be reached through different measures, including:

- reducing working hours with corresponding adjustment of wages (expanding the use of short-time work);
- voluntary redundancies;
- partial retirement;
- cuts in one-off payments;
- establishment of transfer companies.

This agreement had broad support both from the main trade union, IG Metall and the Schaeffler group, and has arguably saved thousands of jobs at least in the short run (220,000 jobs were at stake according to the management) (DE0906039I).

Other ongoing Eurofound research tracks the progress of similar agreements in other high-profile cases in the automotive sector in Germany. In VW-Porsche and Opel, the tools used to address the current difficulties included short-time work and – sometimes – suspension of collectively agreed pay elements, especially bonuses. IG Metall has tried to combine short-time working arrangements with long-term initiatives, such as training and 'industrial democracy'.

In the UK, one of the world's largest manufacturers of construction equipment – JCB – has been hit by the crisis. The trade union GMB had in October 2008 to choose between redundancies or cuts in working hours and pay – a choice they left to the workers. There was strong support for cuts in working hours from 39 hours to 34 hours, which saved 350 jobs. The deal gained considerable attention, being one of the first in the UK, in enterprise-level industrial relations, to attempt to cope with the crisis (UK0811029I). Other interesting cases in the UK involved Jaguar Land Rover, where a pay freeze and a move to a four-day week in April 2009 was implemented in exchange for management guarantees not to resort to compulsory redundancies.

At the enterprise level in Belgium, working time reduction is put in place even when sectoral or national agreement have proven impossible to reach. It is often implemented through time credits, which increase flexibility for the employee while shortening total working hours and costs for the employer (BE0904019I). Also Maltese companies use working time reductions to cope with the crisis, but without support from the government: the employees get no compensation for the lost working hours. In a common proposal to the government early in 2009, all the major social partners in Malta called for support by the government to be able to extend the measure (MT0904029I).

Implementing shorter working hours measures is considerably more difficult in other countries. In Greece, for instance, where there is a law establishing and regulating the provisions of short-time work in times of crisis, the big aluminium company Alumil implemented a reduction of working hours to cope with the crisis. However the trade unions were very critical of the measure and occupied premises connected to the employer. The criticism is partly due to the fact that a company wishing to introduce shorter working hours must first negotiate with employee representatives, a process – the unions argue – that has not been followed in this case, and the measure can therefore be looked upon as more unilateral than bipartite (GR0905089I).

Also in Slovenia the shortening of working hours has been connected with some conflicts, both at enterprise level, for instance at the textile company Mura, and at national level. The measure was introduced in January 2009 and subsidises employees who have had their working time reduced. The short-time working rules in Slovenia compensate the worker with 85% of the lost salary – 50% supplied by the state and 35% by the employer (SI0903019I). In Ireland, at the Lufthansa plant near Dublin, it is still uncertain whether there will be an agreement for more flexible working hours that would protect 465 jobs, as there is still major opposition to the proposal among the workers. The workers are opposing the decreased opportunity of extra earnings for working overtime (IE0905019I).

Temporary layoff in Sweden

In Sweden, shorter and more flexible working time has not been as easy to implement as it has in Germany. Sweden had in place so-called 'lay-off pay' until 1995, when it was abolished despite loud protests from the social partners. In times of temporary downturn, the company could lay off an employee for 30 days a year and the employee got 100% compensation – 45% from the company, 45% from the state and 10% from employer organisations. Both the employers and the trade unions have voiced discontent over the fact that the employers no longer have this alternative to dismissal (SE0902019I).

However, the government has not been willing to reintroduce the temporary layoff. Therefore, the social partners have moved on through bipartite negotiations. The first and very prominent one was in the manufacturing industry, where a central agreement on temporary layoffs and training was signed at central level. The Union of Metalworkers (IF Metall) argued that 25% of their members risked unemployment, and stated that action had to be taken. Accordingly, an agreement was signed with the sectoral employer organisations in March 2009. The agreement allows shorter working hours – down to 80% of full-time with a corresponding uncompensated decrease in salary. It was groundbreaking in the Swedish context, and it received massive criticism from within the trade union movement, which criticised IF Metall for lowering wages (SE0903019I). Only two weeks after the agreement in March, the first local agreement was signed at Volvo; this saved 1,000 jobs, according to the social partners. Since then, the agreement was extended to more than 50,000 workers in August 2009, and has saved 10,000 jobs according to the employers and 12,000 jobs according to the trade union IF Metall. It allows the employer to decrease the working time to 80% with a corresponding decrease of pay. However, in the more than 400 local cases signed as a result of this agreement, the average decrease of working time has been 18% and the average decrease of pay has been 13% (Dagens Arbete, 2009).

The white-collar workers in the manufacturing sector are members of other trade unions (mainly Unionen) who are not obliged to follow the blue-collar agreement. In fact, Unionen has been highly critical of the agreement, and has refused to sign a similar one for their workers. However, it has now been concluded in the labour court that the local social partners can negotiate such an agreement at local level without the approval of the central social partners, and there is great pressure at many enterprises to do so (SE0904029I).

The truck manufacturer Scania wanted to sign a local agreement to enable short-time working; however, the local branch of IF Metall was not in favour at the beginning and then the company started giving notice to employees. This created discontent among the employees who were in favour of the proposal of a 20% cut in working time with a 10% cut in pay. A ballot was arranged that showed strong support for the proposal. Scania in return guarantees employment until the end of the year. The deal affects around 12,000 employees. About half of these will attend a training programme during the period (SE0906019I).

Upgrading skills

As mentioned above, several measures to reduce working time include incentives for training affected workers. The rationale is obvious: if the impact of the crisis on the labour market is sustained, no system of work-sharing can provide the ultimate solution for companies in difficulty. Therefore it is important to ensure the employability of the workers and the competitiveness of the companies, which need the updated skills of their workers so as to be prepared for a time when the crisis is over and the economic and industrial landscape is different.

One of the first governmental measures taken in Italy in dealing with anti-crisis measures was to establish a Fund for Employment and Training (IT0812029I). Also in Sweden training has received a prominent place in the government's anti-crisis efforts, although the trade unions argue that it is not enough (SE0905019I). In Bulgaria, the government allocated resources for the training of 150,000 people, both unemployed and employed (BG0812039I) and in Germany, the federal government has put aside €2 billion for continuous training for 2009–2010 (DE0904039I). Similarly, in Poland, the anti-crisis measures include the establishment of enterprise training funds (PL0906019I).

Estonia's tripartite agreement aims to reach the EU 2010 target of 12.5% participation in lifelong learning; however, the country is still short of reaching this goal. The agreement enables the unemployed to continue their training if they get a job, creates a new training vouchers system, and foresees more participation of the social partners to point out in which areas renewed competencies are needed. It has also been proposed that measures be implemented so that workers can combine part-time unemployment with training (EE0905019I).

The need for focused measures to maintain or increase investment in training is evident. For instance, a survey in the UK shows that 44% of enterprises have reduced investment in training for their workforce due to the crisis (UK0907039I). An unemployment package of GBP 500 million (€580 million) launched in January 2009 released extra funds for training and skill-raising activities among the unemployed (UK0902029I). The UK government has also put aside funds to enable everyone under the age of 25 to get training or a subsidised job place if they have been unemployed for a year (UK0904059I). The UK strategy for employment has been held up as an example of good practice by the Commission (European Commission, 2009c, p.43).

In Luxembourg, one of the oldest factories in the country, ceramics manufacturer Villeroy & Boch, is ceasing activity in Luxembourg in 2010 and has, in negotiation with the trade unions, initiated a redundancy programme. The programme contains extra leave for training and job-seeking as well as a redeployment unit, which will help workers find new jobs (LU0904029I).

Income security and minimum wages

A number of countries have focused on income security, through extending social benefits for the unemployed, for example. This has been the case in Portugal (PT0906029I), Latvia (LV0906019I), Poland (PL0906019I), the UK (UK0904059I), and Estonia (EE0901019I). Estonia is an interesting case: because of its clear aim towards flexicurity, the tripartite agreement has made it easier and cheaper to dismiss workers, at the same time as increasing unemployment insurance benefits.

Despite more polarised positions than usual, the social partners succeeded after lengthy discussion to increase the nominal minimum wage in Hungary (HU0905019I). In Portugal, the government followed the social partnership agreement from 2006 and raised the minimum wage (by 5.6%) despite employer organisations' protests (PT0811039I). In Italy, the government has extended the social protection of vulnerable groups and workers in companies with economic difficulties (IT0812029I).

In 2008, before the crisis hit hardest, it was obvious in many countries that social security required reform in order to be able to cushion the effects of the crisis. A great deal of legislative action took place in many Member States during that year with regard to pension reforms, health insurance and other aspects of social security and unemployment insurance.

Minimum wages can also be used as a means to address the crisis and protect employees against poverty. The various benefits offered by the government during a crisis can be linked with minimum wages. When set at the right level with the consent of the social partners and taking into account the needs of the enterprise, the minimum wage can be a useful tool, which can meet the needs of both sides. Previous reports indicate that collective bargaining coverage, along with minimum wages, appears to reduce earnings inequality (European Commission, 2009d).

In many countries however, the trade union movement wants to see much more activity in this area (BG0906019I). As seen below, trade unions all over Europe have been mobilised to shed light on the social implications of the crisis. The European Commission Communication on different measures to support the real economy throughout the EU maintains that recovery policies should go hand in hand with the social policy goal of supporting the income of the most disadvantaged people (European Commission, 2009c). Assisting this group will in itself assist with stimulating aggregate demand, since this group has a high marginal prosperity to consume using its income. Therefore, support for this group is a desirable economic and social policy goal.

Collective bargaining and developments in pay 4

In many European countries, wages and working conditions are regulated through collective bargaining. When the economy is flourishing, the trade unions have a good bargaining position and wage increases are high. When the economy is in recession and unemployment is on the rise, such pay increases cannot be expected. Employers may attempt to lower labour costs when they face economic difficulties. It is therefore of great interest to see the early indications of how pay bargaining has been concluded during the crisis.

During 2008, there was still a clear trend of continued pay rises in collective bargaining in Europe, although in some countries, the increase was smaller than the previous year (Carley et al, 2009, p. 15). Clear falls in pay rises in 2008 were noted in five countries: Estonia, Hungary, Latvia, Malta and Slovakia. For Estonia and Latvia, it is worth noting that the drop took place in a context of an exceptionally high previous increase in pay (more than 22%).

Early signs at the end of 2008 showed a reversal in the trend of high pay increases; the final outcomes of the collective bargaining round for 2009 will only be seen at the end of this year. However, the agreements in spring 2009 point to a moderate wage increase in most cases.

The Belgian social partners signed an intersectoral agreement for 2009–2010 that seeks to address the economic crisis by limiting increases in net annual pay (in addition to indexation) to €375 over two years, as well as measures to protect workers' purchasing power, such as public transport subsidies and lunch vouchers (BE0901019I).

In Italy, the three main public trade union federations FP Cgil, FPS-CSIL and UIL-FPL signed a collective agreement for the public sector at local and regional level, which covers 500,000 employees; a similar deal was earlier concluded in the health sector. The two-year deal has agreed a general wage increase of 3.2%. A one-year collective agreement signed for workers in the leather goods sector in Austria increased wages by 2.2% (ETUI, 2009e). Earlier Austrian collective agreements include a 3.6% pay increase from 1 January 2009 and, in the fur and tanning sector, the one-year agreement stipulates a pay increase of 3.5% (ETUI, 2009b) In the private energy sector in Austria, the agreement contains a wage increase of 3.7% (ETUI, 2009a).

The pay deal in the Helios hospital group with 16,000 employees in Germany contains a pay rise of 3% in 2009 and 2.4% in 2010 (ETUI, 2009d). Around 700,000 regional government workers in Germany got a pay hike of 5.8% over two years in the agreement signed by Ver.di (ETUI, 2009b). In Slovakia, the new general agreement from 6 February 2009 stipulates that wage demands will not exceed productivity growth (ETUI, 2009a).

The public sector employees are worse off in countries with public finances in difficulties – for example, in Greece where the government decided on a pay freeze in May (GR0905069I, ETUI, 2009c). The Dutch unions in the public sector, ABVAKABO FNV, BVPP, CNV Publieke ZAAK and VPP signed an agreement with a gross wage decline of 15%, in exchange for a clause permitting dismissals (ETUI, 2009b). The Irish government decided to implement a public service pay freeze; furthermore, the private sector pay deal of a 3.5% pay increase was overstepped when the crisis hit Irish companies (IE0901039I).

With the economic and employment situation dramatically deteriorating in Ireland in 2009 the national pay agreement concluded by the social partners in September 2008 came under revision (with no sign of agreement at the time of writing).

The major media companies in Ireland face severe economic difficulties and have resorted to pay freezes, voluntary redundancies and even pay cuts to decrease labour costs. The media group Independent News and Media was the first to opt out of the national pay agreements and relinquished membership of the main employer organisation in order to be able to cut wages for better paid employees and implement a pay freeze for the rest of the staff. The employees are potentially compensated by a share option scheme. This move could have repercussions for the entire national pay system based on voluntary industrial relations (IE0901059I). Around 60%–70% of Irish employers have so far implemented a pay freeze (IE0907039I).

In Spain, the crisis has made it more difficult than usual to renew the multi-sector collective agreement (ES0902029I) but social partners have been engaging in regional and company level collective bargaining. In the Sony plant in Barcelona, the trade unions agreed in January 2009 to slightly increase working hours and to implement a pay freeze over the next two years to save around 200 jobs out of the workforce of 1,300. The agreement was groundbreaking in Spain and many other plants are trying to negotiate a similar deal (ES0902019I).

UK employers have taken a number of actions in order to decrease labour costs, including a pay freeze in 55% of companies, while 61% have implemented a recruitment freeze (UK0907039I).

The airlines have been severely hit by the crisis. Czech Airlines (ČSA) intended to dismiss 200 of its 4,700 workforce, but withdrew the dismissal when trade unions agreed to pay cuts of 6.5% (CZ0905029I). Also in British Airways pilots have agreed to cut wages (by 2.6% plus some allowance cuts) but a similar deal has not been concluded with other types of staff, and the trade union Unite argues that the company is using the recession opportunistically (UK0907019I).

The wages for the majority of Swedish employees will be settled during 2010 for a new three-year period, and the employer organisations have argued for a pay freeze, claiming that the employers cannot afford increases in labour costs. The trade unions argue that such a move would be disastrous for demand and purchasing power in the economy and thus will do more harm than good. Already a year before agreements are to be concluded in Sweden, the debate is fiercer than usual due to the crisis (SE0906029I). The same development is seen in Finland, where the employers want to abandon the current collective agreement from 2007, which – made as it was in an era of high economic growth – stipulates wage increases (FI0901029I). Instead, the employers have sought a pay freeze, for both existing collective agreements and for those that will be negotiated during 2009. The trade unions are calling for maintained purchasing power and moderate pay increases (FI0904019I). In 2008 the Finish employers opted for reforms in the system of wage formation asking for enterprise or workplace-specific wage rises, taking into greater consideration the economic situation of the individual companies.

Trade unions in the Dutch subsidiary of the global express mail delivery company TNT agreed to wage cuts of up to 15% in exchange for an employment guarantee, which excludes dismissals for the next three years. The agreement was made in the light of the threat to employment posed by increased competition following the liberalisation of the Dutch postal market. The alternative, according to the trade unions, was to put 11,000 jobs at risk in a highly competitive market.

The cases of Daimler and JCB mentioned in the previous section have also included pay freezes or pay adjustment clauses in the agreements reached.

All over Europe, many trade unions and works councils have found themselves having to choose between such measures as wage cuts, longer working hours, pay freezes, work-sharing or a reduction in the number of employees. If the employees agree on reducing labour costs through lower wages or longer hours, they often get some form of employment guarantee in return. Many enterprises have already been mentioned, such as the Sony plant in Barcelona or Scania in Sweden. Solutions such as these can be seen as a sign of the changed power relations between the social partners in times of crisis, when the employee representatives have a weaker bargaining position. Indeed, in some cases when the trade unions have chosen to turn the offer down, the employees have voted to overturn the decision (SE0906019I). There are clearly cases of concession bargaining that highlight the role that social dialogue and partnership can play in finding flexible, if not always easy, responses to seemingly intractable problems.

The crisis thus causes sufficient uncertainty among the employees to make them push their representatives to accept shorter working hours and pay. In the short term and during difficult times, concession bargaining can secure employment for employees and facilitate plans for financial adjustments, adaptation of production and strategies for new markets for the employers. In the long term, employment and competitiveness can be secured by joint efforts on both sides to modernise work processes, invest in training and innovation, and promote overall better working conditions

Industrial action

Any major economic crisis is bound to lead to some sort of societal dissatisfaction, either with the impacts or the proposed measures to address the problems. The first indications so far from the current crisis are that the public is not wholly in favour of the measures implemented to deal with the recession and does not always agree with the distribution of the costs (who is paying for the crisis or how the cost is distributed among different groups in the society). However, considering the scale of the crisis, industrial action across Europe has not been as widespread as in previous recessions. Having said that, a higher incidence of industrial actions has been noted in 2009 in some countries, such as Estonia and Lithuania.

Calls for industrial action usually focus on the social consequences of the economic crisis. ETUC is calling for ‘a new social deal for Europe’, focusing on job creation and investment.

A number of extreme actions, such as the occupation of premises or hunger strikes have been reported on the EIRO website. In Greece, for instance, the trade unions have occupied premises in pursuit of demands pertaining to working or social issues (GR0905019I). In Lithuania, the Lithuanian Trade Union Confederation (LPSK) initiated a hunger strike on 2 July 2009 in order to protest against wage cuts among already poorly paid public sector employees (LT0907029I).

Industrial action took place in the London Underground rail system in the summer of 2009 (UK0907059I). Likewise, the deadlock in the collective bargaining round resulted in strikes in Austria’s metal working industry during the autumn of 2008 (AT0810029I).

Recession can cause problems within trade unions in certain cases. In Italy, for instance, previous inter-trade union tensions led to industrial action. The General Confederation of Italian Workers (Cgil) refused to agree on the new collective bargaining system and organised a strike and a mass protest on the streets of Rome in April 2009 (IT0902059I, IT0905029I). The Confederation mobilised two general strikes in February and March to call for better wage increases than the 3.2% agreed by the other trade unions, arguing that the rise was inadequate in light of the rate of inflation (IT0902039I).

The European day of action (EU0906029I) triggered trade union mobilisation in a number of countries, either on that particular day, or shortly afterwards.

In Bulgaria, the Confederation of Independent Trade Unions (CITUB) organised a national protest rally in Sofia to emphasise its discontent with the government’s way of dealing with the crisis. The protest was caused by the government’s decision to freeze public salaries without consulting the social partners (BG0906029I). All the French trade union confederations backed mass demonstrations held on 26 May 2009, calling for greater government action to tackle the social and economic crisis (FR0906019I). In Luxembourg, the Luxembourg Confederation of Independent

Trade Unions (OGB-L) organised protests on 16 May 2009, in which seven other trade union organisations joined. The unions fear that the economic crisis might turn into a social crisis, and accordingly, there should be more focus on social issues in tripartite work to combat the crisis. The relations between trade union confederations and employer organisations in Luxembourg are said to have deteriorated, as the perspectives on the crisis and appropriate measures differ considerably (LU0904019I).

In Estonia, it has been the reform of the labour market shifting the balance between flexibility and security towards the former (according to trade unions) that led the trade unions ETTA, EAF and EAKL to hold protests and strikes in June 2009; the employers argue that the strikes have harmed social dialogue (EE0907029I).

Social partners and anti-crisis measures 5

In a number of countries, there has been extensive social dialogue with a view to producing anti-crisis recovery packages. In some countries, the government has proposed and implemented anti-crisis packages without the full involvement of the social partners. The national context and traditions have to be taken into account when assessing the involvement, as it is much easier to make use of well established institutions of tripartite social action in the face of a crisis, than to create it from scratch. Many of the countries with a broad and successful involvement of the social partners already had such well-established channels of dialogue.

The Netherlands was one of the first countries to initiate tripartite discussions to combat the economic downturn: meetings were held from March 2008 onwards to elaborate measures (Carley et al, 2009c). This is not entirely surprising, as the Netherlands has a long tradition of tripartite consultation. The Dutch cabinet's ambitious anti-crisis package of €6 billion was approved by the social partners after 'weeks of deliberation', and included investments in training, part-time unemployment, infrastructure, green energy investments and maintaining benefit levels (NL0904039I). As the crisis grew deeper in 2009 and additional topics rose up the agenda, such as the raising of the retirement age from 65 to 67, the Dutch tripartite concertation process was seriously tested. However, sectoral and company agreements were reached by collective, bipartite agreements. In both the Netherlands and Belgium (BE0901019I), the government packages were followed by sectoral bipartite agreements, in the Belgian case with measures partly funded by the government.

In countries where there has been a tradition of continuous discussion between the government and the social partners, anti-crisis packages were prepared and negotiated through formal and informal meetings. This group of countries comprises primarily Denmark, Finland and Sweden. With ongoing debates regarding the suitability and appropriateness of the measures, Swedish employers considered some of the measures as too focused on the public sector, while the trade unions argue that the measures are simply insufficient. The measures include increased funding to municipalities to avoid redundancies and funding for labour market initiatives (SE0905019I). While the Danish social partners had a different appreciation of the measures, they did agree on the need for the government to provide financial assistance to those sectors and companies most affected by the negative effects of the crisis. In both Sweden and Denmark, bipartite sectoral agreements providing some guidance for lower-level negotiations and company agreements were concluded as usual. The Finish social partners were overall in favour of the stimulus package put forward by the government (FI0902049I).

Spain is a country where social dialogue was used from early on to formulate joint principles between the government, the employers and the unions on how to tackle the crisis (ES0810019I). Despite certain difficulties at that level in reaching a universal accord, agreements concluded at regional and company were far more successful. In Portugal, the government had lined up tripartite discussions with social partners in 2008 to review the Labour Code. Major amendments to the Labour Code have been brought about during the course of this crisis, but not necessarily as a consequence of it. Tripartite discussions led to a revised Code adopted in the spring of 2009 (PT0906019I). Proposals regarding the effects of the global economic crisis in Portugal and its developments in economic and social terms were made by trade union confederations and employers' organisations to the government and negotiations were intensified due to the urgency of the economic situation in the country.

In Bulgaria, the government presented a package proposal, and had fruitful discussions of additional measures with the social partners before, during and after the elaboration of the proposal (BG0812039I, BG0902039I).

In Slovakia, social partners were involved from the beginning, partly through the establishment of the Economic Crisis Council (Hospodárska a sociálna rada SR). The Slovakian government adopted an anti-crisis package that was elaborated through the tripartite council. The package included the establishment of the Economic Crisis Council, consisting of representatives from the government, the National Bank of Slovakia, trade unions, employer organisations and banks. The purpose of the council is to suggest new measures to combat the crisis. But not only are the social partners involved in suggesting appropriate measures, the government has also reached an agreement with the trade union confederation KOZ SR on a ‘Memorandum on cooperation in solving the impact of the financial and economic crises on Slovak society’, containing strategies to create and maintain employment (SK0904019I).

The Slovenian measure to reduce public spending was agreed on through social dialogue and enjoys support from all social partners (SI0903029I). The Slovenian government established a ‘broad development dialogue’, and the Economic and Social Council of Slovenia (Ekonomsko socialni svet Slovenije, ESSS) played a particularly important role in developing anti-crisis measures, and reaching a broader agreement on the government’s proposed legislation (Carley et al, 2009, p. 36). In Malta, the Council for Economic and Social Development decided to hold monthly meetings to monitor developments and consider the action required (Carley et al, 2009, p. 36).

The UK has no central tripartite institution to discuss economic policy, but the social partners were included in a more ad hoc way in discussions with the government on how to tackle the economic downturn (Carley et al, 2009, p. 36).

The fact that governments do initiate high-level concertation mechanisms does not necessarily mean that the outcome is always fully endorsed by all parties. A group of countries – including Hungary, Poland and Lithuania – brought the issue of the crisis before tripartite councils. The Polish ‘Tripartite Commission for Social and Economic Affairs (Trójstronna Komisja ds. Społeczno Gospodarczych, TK) has drafted an anti-crisis package with 13 measures to combat the recession and its impact. Proposals have been submitted separately by trade unions and employer organisations. However, when the government submitted the final package for adoption by the legislature, it was not received with great enthusiasm; the trade unions opposed it because they argued that it did not mirror the tripartite proposals and the union Solidarity threatened to abandon tripartite concertation. There was a risk, according to the trade union, that the measures would be used too broadly and indefinitely due to the government’s revision of the anti-crisis package. The employers were more positive however (PL0907019I). It was hoped that after a couple of failed attempts to engage in similar tripartite dialogue since 1993, this time around it would be easier; it appears that building social partnership in the country would require further strengthened joint efforts on all sides (PL0906019I). In the same vein, the Hungarian government held early meetings with the social partners to discuss measures, but the social partners have continued to voice their discontent with the crisis management (HU0901019I). In Lithuania, the government initiated tripartite summits on the crisis, but after widespread protests (Carley et al, 2009, p. 36). The Tripartite Council of the Republic of Lithuania was subsequently entrusted to propose changes to the labour Code, implementing more flexibility in the labour market (LT0904019I).

Similarly in Latvia, where wide-scale cuts in retirements and public salaries have been agreed with the social partners, major social unrest and trade union protests still prevail (LV0907019I, LV0906039I). In Estonia, despite several attempts by the social partners, especially the employers, to initiate discussion of the appropriate response to the recession, the government was reluctant to start tripartite concertation (EE0811029I). However, in March 2009, an agreement was made on principles for maintaining employment. The agreement has a focus on lifelong learning and improved social security (EE0905019I).

After proposals from the Romanian trade unions on how to tackle the crisis, the government invited the social partners to a meeting (RO0901029I). The social partners and the government subsequently agreed on an anti-crisis package in February 2009 (RO0902039I). In July, the government stated that 28 of the 32 measures were implemented and that the remaining four were under way (RO0907049I). The measures included increased funding for vocational training, injecting about €10 billion in infrastructure investments, and supplying credit to SMEs. Many of the measures are proposals from a trade union or employer organisation. Despite this package, neither the employers who call for more investment funds nor the trade unions have been satisfied and call for more actions from the government. The unions mobilised a protest rally with the aim of relaunching tripartite negotiation and a new social partnership with an anti-crisis focus. In May 2009, 8000 members of the National Trade Union Bloc (Blocul Național Sindical, BNS) protested on the streets of Bucharest, resulting in tripartite negotiations restarting five days later. Working groups with representatives from the social partners and the government were appointed with the purpose of amending labour laws (RO0906019I). The trade unions use ILO's global job pact (see ILO, 2009) to point out what direction measures to combat the crisis in Romania should take, and warn that mass public protests may result if the government does not take action in this regard (RO0907029I).

In spring 2009, the Greek government launched an ambitious programme to cope with the crisis, including measures on increased flexibility and security, training of workers in SMEs, subsidised jobs and support for hiring young workers (GR0905079I). The programme was preceded by proposals by the social partners, but their proposals were not included in it. The trade unions argued that the measures were not enough and that action should be taken to stop the employers from using the crisis arbitrarily to reduce the workforce. The employers were more positive, stating that the programme took the right direction.

The French plan of €29 billion was first presented on 2 February 2009 after almost unprecedented protests on the French streets in January mobilised by the trade unions (FR0902029I); it was then adjusted following proposals by the social partners. However, the social partners were still critical of the final package and again launched nationwide protests against it in April (FR0903029I).

Ireland is a special case, the tripartite negotiations having been ongoing since the Irish government realised the severity of the situation. At the time of writing, however, no agreement is yet in sight, the minimum wage being one of the stumbling-blocks (IE0906019I).

Social dialogue developments

During times of crisis social, partnerships are tested. Tensions between the two sides of industry are visible in some countries whereas smoother cooperation and joint agreements are pursued in others. Very often a mixture of both can be seen even within the same country, but at different levels. For instance, a particularly tense relationship may be evident between the two sides at the national and intersectoral level, whereas joint understanding and actions are visible at lower levels. Some early indications demonstrate that other levels of negotiation have appeared: the regional level in the Netherlands has gained importance, since it mobilised all the local actors in a coordinated effort to respond to a crisis of single industries. Similar cases in Italy were also reported but whether this becomes a significant bargaining level remains to be seen.

Here two developments in social dialogue are examined. There is a risk that economic hardship increases tensions between the social partners, since they have to cope with redundancies and downsizing in the enterprises. The employer organisations strongly argue for wage freezes and increased flexibility in many countries, while the trade unions strive for maintained purchasing power through moderate wage increases and they often emphasize the security part of the flexicurity concept, especially in times when many of their members are made redundant. This can be seen for instance in Spain, where social dialogue has reached a standstill due to opposing views on the distribution of the costs of recession: the trade unions seek a continued moderate pay increase, while the employers seek to minimise labour costs in times of financial hardship (ES0902029I). The common pattern is that the trade unions want to protect purchasing power to avoid deflation and to hold up consumption and hence provide a way to economic recovery. The employers are afraid that increased labour costs are a threat to the sustainability of companies and a road to bankruptcy and mass redundancies. The employer organisations in many countries (in Finland, for instance, FI0901029I) therefore suggest pay freezes, while the unions want to increase the minimum wage (as in Portugal, PT0811039I) and continue with moderate wage increases (as in the resolution of the congress of European Public Service Unions, EU0906049I).

The second main point of disagreement is that employers are keen to see measures aiming towards a more flexible labour market that enables them to adjust to the economic context in a timely fashion (as in the Czech Republic, CZ0905039I). The trade unions see this as a way of reducing labour market security 'through the back door' and instead call for measures to provide security to the employees affected by the crisis (as for instance in Bulgaria BG0906019I).

The third point where there is a disagreement between employer organisations and trade unions concerns the degree of state intervention required to combat the crisis. The trade unions call in general for a more Keynesian interventionist policy whereas the employer organisations argue for the removal of taxes and other obstacles for their businesses (UK0904059I, CY0901019I).

On the other hand, at national level, social dialogue is now regarded as more important in many countries. Governments seek broad support for their often unpopular measures to cope with the economic turmoil, and therefore turn to the social partners to boost the legitimacy of their policies (Rychly, 2009, p. 15 and p. 25). This seems to be the case in Slovakia for example, where the government has signed a cooperation memorandum with the trade union, perhaps to avoid an additional oppositional voice when implementing anti-crisis measures (SK0904019I).

In a recession, the interests of the social partners also tend to coincide to a greater extent than in expansionary times. The main interest in a recession is to keep enterprises in business and people at work. Sector collective agreement might therefore be easier to conclude, as in the retail sector of North-Rine Westphalen, where one of the briefest bargaining rounds in the German retail trade sector's history took place during the late spring of 2009 (DE0907029I).

It is also common in a recession for social partners to work bipartitely together to put pressure on the government to do more to ease the crisis. This has been the case in the severely hit Romanian chemical and petrochemical sector for instance, a sector in which mass redundancies are affecting several thousand workers (RO0901039I).

In France, following the successful implementation of the extended partial unemployment measure, the social partners argue that their role in the society, economy and labour market is central to the process (FR0905029I). Similarly in the Netherlands, both tripartite and bipartite relationships were described as having improved, since their interests coincide more in the economic downturn. The government and the social partners agreed on extending temporary unemployment benefits in November 2008 and in addition, the trade unions and the employers have made several proposals for other measures (NL0812019I). Similarly, industrial relations in Malta, which tend to be highly confrontational, have become more consensual in the recession (MT0904029I).

In Bulgaria the social partners have been able to reach collective agreements without too much trouble; this has been seen as a major success for autonomous bipartite social dialogue (BG0901059I).

In some countries however, the recession has eroded social partnership. Ireland, for instance, faces its biggest challenge ever, according to EIRO's national expert. Social partnership in Ireland has existed in its present form since 1987, and has been a big contributor to the economic success of recent years. However, the social partnership process broke down during the winter of 2008–2009 (IE0901039I). Despite several attempts to revive social dialogue, there has been no success yet, one of the main points of disagreement being the level of the minimum wage.

Czech unions have been very sceptical of Labour Code amendments, which they see as undermining employees' rights (CZ0905019I). Similar claims have been made in Greece, but there the trade unions invited the employer organisations to discuss the crisis and appropriate responses to it (GR0904019I). Despite this initiative, trade unions later accused employers of making use of the crisis (GR0905079I). According to EIRO reports, in Greece the crisis had no effect on trade union organisation. The social partners agree that public expenditure on infrastructure networks needs to be increased – mainly in sectors such as education, research, new technologies and in developing environmentally-friendly technologies with a view to strengthening companies' competitiveness.

The number of labour disputes in Estonia taken to the labour dispute committees increased dramatically during 2009 – an indication of the recession's impact on labour market relations (EE0906019I). The minimum wage, usually negotiated upwards from 1 January each year, has proved more contentious during the recession, with employers wanting to keep labour costs down so as not to force companies into bankruptcy. The trade unions on the other hand try to protect purchasing power, but do now agree to wait and see how the employment market responds to the crisis (EE0902039I). The effect of the crisis in Estonia has already begun to emerge, according to Eurofound's national correspondent, with declining trade union density and more difficulties in reaching collective pay agreements in 2009 than before (EE0902059I).

At the EU level the two social partners – the European Trade Union Confederation (ETUC) and BUSINESS EUROPE – took early policy initiatives to limit the impact of the crisis. ETUC has called for coordinated action and leadership and coordination of policies at European level, urges governments to take effective measures, and advocates a 'New Social Deal'. ETUC is particularly concerned about the social impact of crisis, as demonstrated in the number of jobs lost and wage freezes and cuts.

BUSINESSEUROPE recommends (BUSINESSEUROPE, 2009) that EU policies be strengthened around five mutually reinforcing 'pillars', aimed at:

- deepening economic integration and restoring financial stability;
- enhancing innovation, entrepreneurship, education and skills;
- putting modern employment and social policies in place;
- integrating energy, environmental and competitiveness policies;
- shaping globalisation and fighting protectionism.

6 Social dialogue in a time of crisis

What does social dialogue contribute to a country struggling in a recession? First, the social partners have the possibility to agree and negotiate measures to maintain employment. Social partners have been vital for Europe's employment, by enabling companies to cope with financial downturn without necessarily resorting to redundancies. Although unemployment is still on the rise, it appears that social dialogue has been a significant factor in containing the negative consequences of the crisis, keeping unemployment below the US level, for example. A number of sector- or company-specific measures have been adopted. Some of the most widely used practices during these difficult times are reduction of working hours or temporary layoffs and work-sharing elaborated mostly through bipartite agreements and to some extent through tripartite consultation. Companies that have maintained their workforce in one or another way will be able to use this human capital to take advantage of a future upturn, which would be more difficult if they were forced to rehire workers they had made redundant. However, some more vulnerable sectors and companies were already faced with structural problems before the downturn; in these, the crisis may leave a more permanent mark. In these companies, it is of utmost importance to increase employability through training, to ease the effect of a potential restructuring process or to prepare the workforce for the future. Work-sharing, while useful, carries the risk of delaying necessary restructuring in unsustainable sectors. However, by limiting the durations of all measures, and focusing on employability, the risk becomes more controllable.

Public support has proven vital for the smooth functioning of shorter working hours and temporary layoffs. It has eased the burden of affected employees and employers, and has been in many cases linked to training. Notwithstanding the fact that in certain countries public support for such initiatives has been lacking, social partners at various levels have been able to put in place structures that are fundamental for maintaining employment. One example of such a development is the groundbreaking collective agreement in the manufacturing sector in Sweden.

Trade unions are often faced with the difficult issue of accepting poorer employment conditions in exchange for more security of employment. The fact that there have been so many local agreements at enterprise level throughout the Union proves that social dialogue is a powerful tool. However, there have been cases of failure as well, due in part to the weakness of certain structures. In such cases strengthening the capacity of social partners for autonomous dialogue and negotiation is critical. Once again it has to be emphasised that measures such as short-time working and temporary lay-offs can be seen only as temporary solutions.

The importance of social dialogue in times of crisis goes beyond maintaining employment. Governments throughout Europe have been forced to take sometimes unpopular steps in order to tackle recession, which can put social dialogue to the test. In Ireland, for instance, social dialogue has failed to provide the broad agreement on crisis management expected of it. This is due partly to the harshness of measures required but also to the different attitudes regarding the distribution of costs throughout the society. A broad agreement on an anti-crisis package, as could be facilitated by effective social dialogue, can ensure that the economy is stimulated in an appropriate and effective way and that adjustment of the labour market finds a good balance between security and flexibility.

Conclusions

Overall, the so-far limited evidence yields the following conclusions.

Employer and union approaches

There have been various views expressed within the EU Member States regarding the suitability of the measures that have been undertaken, as well as their effectiveness, duration, scope, etc. Even in well-functioning tripartite bodies there have been disagreements between the different sides regarding certain aspects of the measures. Solutions are not always easy to find in times of severe financial and budgetary crisis, particularly when substantial differences of opinion existed between the parties prior to the crisis.

Evidence from a number of Member States shows that trade union and employer organisations at cross-sectoral level prioritised actions that were designed to:

- halt recession;
- avoid the financial crisis becoming ultimately a social crisis;
- promote early recovery.

The latter has become a top priority worldwide. Projections from European and international institutions indicate that recovery might come in 2010 or 2011 (with variations between countries); much depends on the success of the measures taken. Whether the economic landscape and the rules of the game will be the same as before the crisis remains to be seen.

Tough choices facing governments

Many governments have been forced to make difficult choices regarding public spending. While substantial support has been provided, in the form of fiscal stimuli, little scope exists for further support because of shortfalls in revenues. At the same time, reducing public deficits in a socially responsible way is essential for restoring domestic and international confidence, making economies more sustainable, and ensuring social protection for an inclusive society. Also required is joint public and private investment in training the workforce for the future. An interesting development is that the role of government appears, once more, to be perceived as crucial. Calls upon governments to act have been made, particularly in the area of subsidies (i.e. retention of employees), social benefits, co-financing of training, wage guarantees, tackling unemployment and providing job search assistance.

Maintaining employment

It is also recognised that even when economic recovery begins, unemployment is likely to remain high for some years. The need for targeted education and training as well as employment programmes that offer value for money is becoming more apparent. A shared task for governments, employers and trade unions should be to halt any rise of unemployment, to promote active labour market policies, (particularly for the most vulnerable groups), help workers adapt to changes in the labour market and workplace through training and re-skilling, and promote greater investment in research and development (R&D). Many policymakers at national and European level have stressed the importance of training for workers: this is a crucial factor in the competitiveness of companies, requiring joint efforts from employers, trade unions and the support of government.

Experience at national level

Overall, there was a mix of tripartite and bipartite activities and agreements across Europe. The involvement of social partners is shaped by the different traditions, institutions and practices in each country.

The structures of industrial relations in the Member States, particularly coordinated bargaining, employee representation in the workplace, regular consultation on social and economic policies have been engaged to varied degrees and with varied success outcomes, according to the tradition of each country. Accelerating efforts to strengthen and build the capacity of social partners, where it is most needed, and to engage in collective bargaining and social dialogue is crucial.

Some countries have been more successful than others in involving the social partners in combating the recession. This has had a decisive impact in many countries – for instance, Austria, Belgium, Germany, the Netherlands and Slovenia. These countries have been able to implement timely and appropriate measures with broad support, thanks to the expertise and broad-based support enjoyed by the social partners.

The crisis has strengthened social dialogue structures but also tested others. A large group of countries including Austria, Belgium, Denmark, Finland, Germany, the Netherlands, Slovakia, Slovenia, Spain, and Sweden, despite the differences in approaches and harsh criticism often voiced by one or another side, demonstrates that the social dialogue structures in place have helped to overcome problems and build up consensus which is critical in times of crisis like this. By moderating the effects of the recession upon workers and citizens, the industrial relations system has helped to prevent an economic crisis becoming a social crisis. Among the new Member States, Cyprus and Malta experienced economic slowdowns, but interventions through tripartite or other advisory bodies have worked relatively well.

Another group of countries, including Greece, Estonia, Hungary, Ireland, Latvia, Lithuania, Poland and Romania, have faced great difficulties in creating a consensus for dealing with the crisis. The reasons for lack of consensus in Greece and Ireland may be different to those in the rest of the countries in this group; in the case of Ireland, where the social partnership had limited success in the 2008 and 2009 national negotiation rounds, the hard measures introduced found little sympathy among the public. The downturn – and the subsequent response measures – represents a hard landing for a country that experienced an economic boom over many years. Also, certain authors in Ireland argue that after 20 years of social partnership, the once dominant model of voluntarist workplace collective bargaining is being recast in a period of major economic turbulence (IE0907029I). In Greece, existing differences of opinion between the social partners and the government – in terms of a new framework for labour relations, the reform of the social security system, pensions, public debt etc. – made reaching a joint agreement difficult. In the rest of the countries in this group, the issue of the capacity of social partners' structures is becoming crucial: while a great deal of work has been done in building capacity, more needs to be done.

It is interesting to note that where differences of opinion made it difficult to reach a compromise at the cross-sectoral level, social partners at sectoral and company level have been able to conclude agreements and put forward measures with a view to saving jobs and ensuring company viability. This is the case in the Nordic countries, the Netherlands, Belgium and Spain. Both sectoral and company-level bargaining have worked reasonably well, thanks to the presence of sectoral coordination and the provision of clear guidelines to lower levels.

In Belgium, Germany, and the Netherlands, social partners responded jointly and fairly quickly and asked for support from the government. In eastern European Member States, tripartite or advisory councils played their role but the lack of strong sectoral level structures did not always make it easy to find common solutions (as was the case in Poland, Hungary, and Romania). However, Slovakia and Slovenia provided some very positive examples of social dialogue. Elsewhere, in France the state played a greater role (amid major protests by the trade unions) in orchestrating the national response to the crisis; in addition, the sectoral actions of the two sides of industry seemed to have worked fairly well.

On a number of occasions over the crisis so far, trade unions at different levels have been divided over what actions should be taken: in Sweden, for instance, company-level and sector-level unions differed in their opinions; in the Netherlands, differences were observed between the national and sectoral level (see above). However, the trade union movement overall does not seem to be seriously affected by the crisis. With the post-crisis challenges still to be seen, both employers and unions appear concerned about the new global order and its effects. For the trade unions the following issues are at the heart of their campaigns at national and European level: job losses, sustained wage constraints, social protection, training and re-skilling, challenging the governance of companies, public investments and a redefinition of social values for a social Europe. The employers prioritise industrial competitiveness, innovation, employment, climate change, well functioning and well-regulated financial markets, global financial stability, public debt and the ageing of the workforce.

The European level

The EU-level social partners shape industrial relations through policymaking or agreements. The European Trade Union Confederation (ETUC) has called for a new social deal in Europe and also is promoting the 'green agenda'. BUSINESS EUROPE recommends priority areas under a four-pillar strategy. Both sides have intensified efforts to prevent escalation of the crisis and restore the European economy. European social dialogue and Sectoral Social Dialogue have made a significant contribution. For instance, the European Chemical Industry Social Dialogue Committee issued a declaration in April 2009 on the global economic crisis.

> '*EMCEF and ECEG believe it is essential that all parties act now to help the Chemical Industry and the economy as a whole in order to overcome the crisis without giving up the essentials of either the free market economy or the European social model. Those developments which made the financial crisis and its effects in the whole economy possible must be identified and have to be changed. Here it is for the national governments, the European institutions and the global financial institutions to act.*' [2]

The EU has made a significant contribution to the overall response to the crisis response in a number of ways – for instance, coordinating national policies, providing funds and support, and creating new public and private partnerships to support people in the real economy. It has also helped simplify access to the European Social Fund, while the European Investment Bank has made it easier for companies in need, particularly small and medium-sized enterprises, to gain access to funding.

Looking forward

The fallout from the financial turmoil has hampered the access of companies, and individuals to finance and has led to some rethinking regarding regulation in the capital markets. It is the role of democracies to set the rules of the game, a role that should be strengthened before another financial crisis occurs. As Robert Reich (former US Secretary of Labour) has said, 'Capitalism has become more responsive to what we want as individual purchasers of goods, but democracy has grown less responsive to what we want together as citizens.' It is encouraging that global leaders have shown a commitment to address the issue of regulation, at both national and global level. It has to be analysed further what role social dialogue can play.

Stavroula Demetriades and **Mats Kullander**

[2] http://www.industrija.hup.hr/DisplayDocument.aspx?IDDocument=81

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