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Industrial relations: social dialogue under strain in Europe says new report – frequently asked questions

(see IP/13/321)

What is "social dialogue"?

In general, "social dialogue" refers to discussions, consultations, negotiations and joint actions involving organisations representing the two sides of industry (employers and workers). It can take place at all levels (company, sectoral, regional, national, European) and either take the form of a bipartite dialogue between employer and trade union organisations or a tripartite dialogue involving public authorities . At European level, bipartite social dialogue takes place at cross-industry level and within sectoral social dialogue committees, while the Tripartite Social Summit for Growth and Employment (that precedes the March and October European Council meetings) is the main forum for tripartite dialogue (see MEMO/13/224).

What have been the main outcomes of European social dialogue during the past two years?

The social partners at European level have achieved numerous tangible results during the last two years. During 2012, four sectoral social dialogue committees agreed on binding agreements. For two of these, on working time in inland waterways transport and on protecting occupational health and safety in hairdressing, the social partners have requested implementation by EU legislation according to Article 155 of the Treaty on the Functioning of the European Union (TFEU). The Commission is currently assessing these requests. The social partners in the sea fisheries sector are also expected to ask for legislative implementation once their agreement on the Work in Fishing Convention is finalised. The fourth agreement, on minimum requirements for standard player contracts in the professional football sector, is being implemented autonomously by the social partners.

Besides these agreements, the social partners have adopted more than 70 joint texts concerning a wide range of topics. The economic crisis, restructuring, green growth, working conditions, and skills and training measures constituted the main focus. The social partners also continued their work on capacity-building, especially in the more recent Member States.

The first meeting of the newly created European sectoral social dialogue committee for food and drink industry also took place in 2012. This brings the number of committees to 41. The food and drink industry had been the last industrial sector that was not covered by a European social dialogue committee. European sectoral social partner organisations and the Commission are also working on the creation of three further sectoral social dialogue committees in sports and active leisure, ports and the graphics industry.

What is the Industrial Relations in Europe report?

The *Industrial Relations in Europe 2012* report provides an insight into recent developments in the collective relationships between employers, trade unions and public authorities across the EU. The report combines both quantitative and qualitative analysis and includes contributions from high-profile European industrial relations researchers. It examines social dialogue and industrial relations at various levels: local, company, regional, national and European. The Commission has published this report every two years since 2000.

The 2012 edition focuses on social dialogue in public administration, education and healthcare and on industrial relations in the Central and Eastern European Member States. Additional chapters cover social partners' involvement in the process of greening the economy and the reforms of pensions and unemployment benefits. The report also chronicles recent developments in European social dialogue and European labour law.

What are the recent developments in social dialogue in the public sector?

The economic and financial crisis has put industrial relations in the public sector under strain. Governments have targeted the public sector, which employs about a quarter of the EU's workforce, as a key sector for adjustment, promoting reallocation in favour of other sectors. Measures have included pay cuts, pay freezes and job reductions, while in some cases these measures included reforms of collective bargaining systems where they were seen as part of the problems to be addressed.

The effectiveness and efficiency of public expenditure has been under close scrutiny and the role of key stakeholders such as public sector trade unions has been challenged. In response to the public debt crisis, the approach of national governments to the public sector has been to dramatically accelerate and intensify structural reforms and the methods chosen to implement decisions have often excluded social dialogue. This has resulted in more conflictual social dialogue in many countries.

Why have industrial relations become more conflictual in many countries but not in others?

There two main reasons why industrial conflicts were more widespread in some countries and less pronounced in others. Firstly, the economic and financial crisis has affected different Member States in quite different ways. The most conflictual relations can be found in general in those countries that implemented the most thorough reform programmes at a very fast pace and without an effective social dialogue. This was the case in some of the countries benefitting from an EU-IMF assistance programme, but also in several countries in Central and Eastern Europe, where some reforms undermined the consensus which is needed for effective involvement of social partners in the process of adaptation to change.

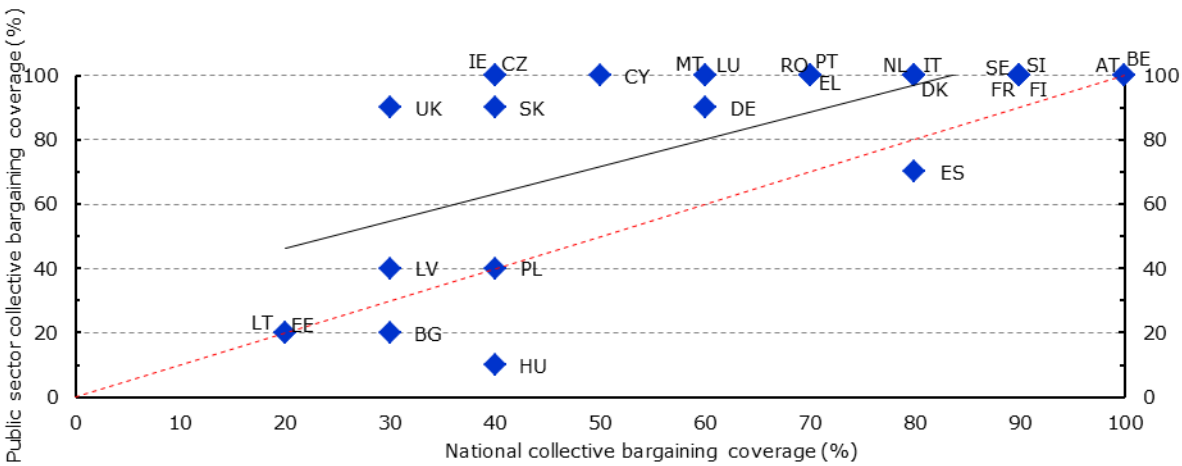
Secondly, as was already the case in the first phase of the crisis in 2008-10, the countries in which social dialogue is well-established and industrial relation institutions are strong, are generally those where the economic and social situation is more resilient and under less pressure. This situation also reflects historical patterns of industrial relations in individual countries. The evidence shows that strong industrial relations institutions and well-structured social dialogue can produce positive economic and social outcomes and contribute to resilience.

How many workers in the public sector are covered by collective agreements?

Industrial relations in the public sector are characterised by differences in employment status, with some workers enjoying tenure and life-long careers while the right to strike and bargain collectively can be limited. Nevertheless, in the public sector the collective bargaining coverage is higher than in the private sector and social dialogue is generally more centralised.

The bargaining coverage rate indicates how many employees are covered by collectively bargained labour agreements. In most Member States, this rate is significantly higher for public compared to private sector workers. In the Czech Republic, Slovakia, Ireland, the United Kingdom and Cyprus, the difference between bargaining coverage in the public sector and the whole economy is particularly large. In twenty Member States at least 90% of public sector workers are covered by a collective agreement. By contrast, across the whole economy only six Member States have an equally high bargaining coverage of around 90%: Belgium, Austria, Sweden, Slovenia, France and Finland.

Chart: Public sector and national collective bargaining coverage



Source: National collective bargaining coverage: J. Visser, ICTWS database 3.0. Public sector collective bargaining coverage: Adam (2011)

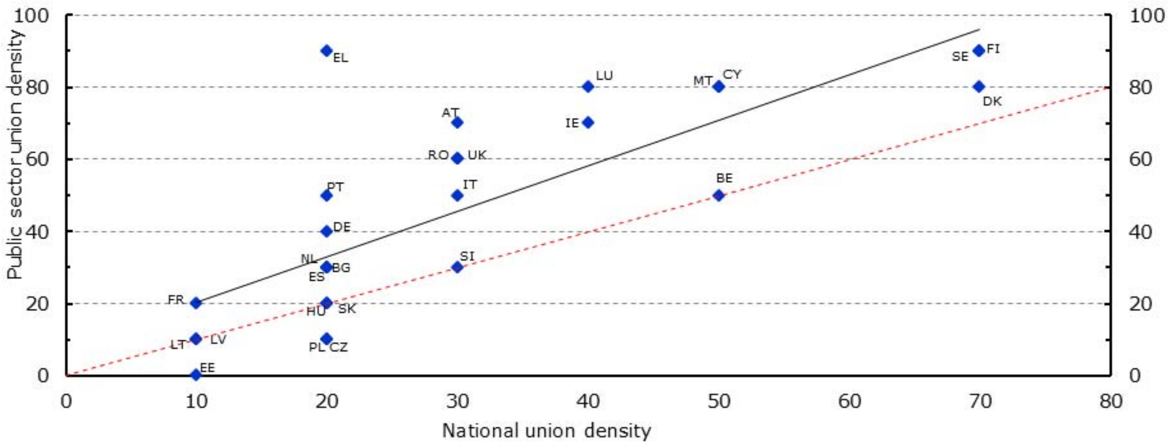
Note: The dotted line is the 45 degree line which indicates points where the two percentages are equal. The solid line is the least squares regression line indicating the average relationship between the two.

The reason why collective bargaining coverage is normally higher in the public sector in comparison with national figures is twofold. First public sector industrial relations are more centralised than in other sectors of the economy because central state authorities are involved in collective bargaining and often prefer to keep control over public sector employment issues for the whole country. Secondly, public employers have been historically more predisposed to recognising trade unions as partners in regulating employment issues compared to private-sector employers.

How many public sector workers are unionised?

Union density is the most common indicator of union strength, indicating the percentage of workers that are members of a trade union. The chart below clearly shows that in the majority of the Member States the public sector is more heavily unionised than the rest of economy. This is particularly the case in Greece where public sector union density is more than four times higher than the national figure. Significant differences between the public and private sector can be also identified in Austria and Luxembourg. Only in the Czech Republic, Estonia and in Poland is union density slightly lower in the public sector than across the whole economy.

Chart: Public sector and national union density



Source: National union density: J. Visser, ICTWS database 3.0. Public sector union density: Bordogna (2007), Adam (2011), Visser (2011), Brandl and Traxler (2012)

Note: The dotted line is the 45 degree line which indicates points where the two percentages are equal. The solid line is the least squares regression line indicating the average relationship between the two.

While unions will most likely remain stronger in the public sector than in the private sector in the future, the combination of demographic trends with austerity policies which lead to a shrinking public sector is likely to further reduce trade union density in services overall in the coming years. Therefore the impact of the crisis on industrial relations in the public sector is severe, particularly for trade unions.

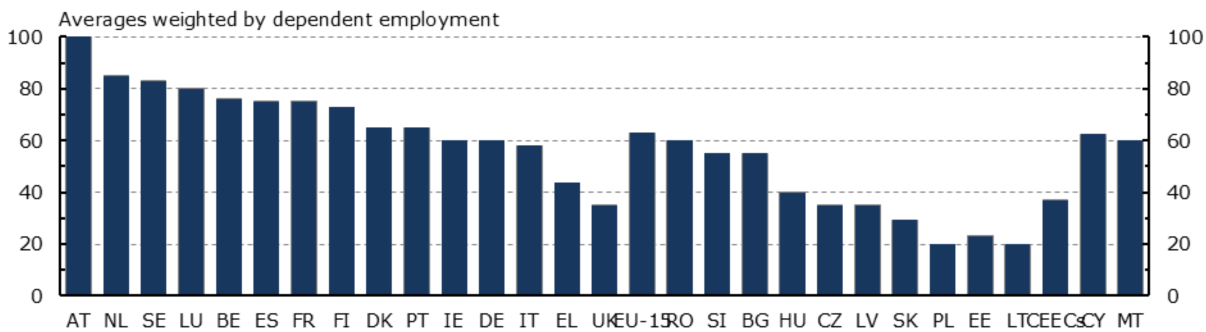
What is the state of social dialogue in Central and Eastern Europe?

Industrial relations institutions and practices in the countries of Central and Eastern Europe (CEECs) are quite heterogeneous. With the noticeable exception of Slovenia, the CEECs generally lack established employers' associations, have weaker trade unions and a faster erosion of trade union density, no tradition of bipartite multi-employer collective bargaining, persistently lower bargaining coverage, and formal tripartite consultation between the social partners and government that partly substitutes for under-developed sector-level collective bargaining systems.

In a number of these countries, crisis responses are generating increasingly conflictual industrial relations. The report concludes that there is a need to revitalise national industrial relation systems and to support their actions in order to promote and restore consensus to ensure the long term sustainability of the economic and social reforms underway.

The weakness of social dialogue in CEECs is highlighted by the low degree of organisation among employers. The employer organisation density rates show the percentage of employers, weighted by employment size, that are members of a representative organisation.

Chart: Employer organisation density rates in the EU

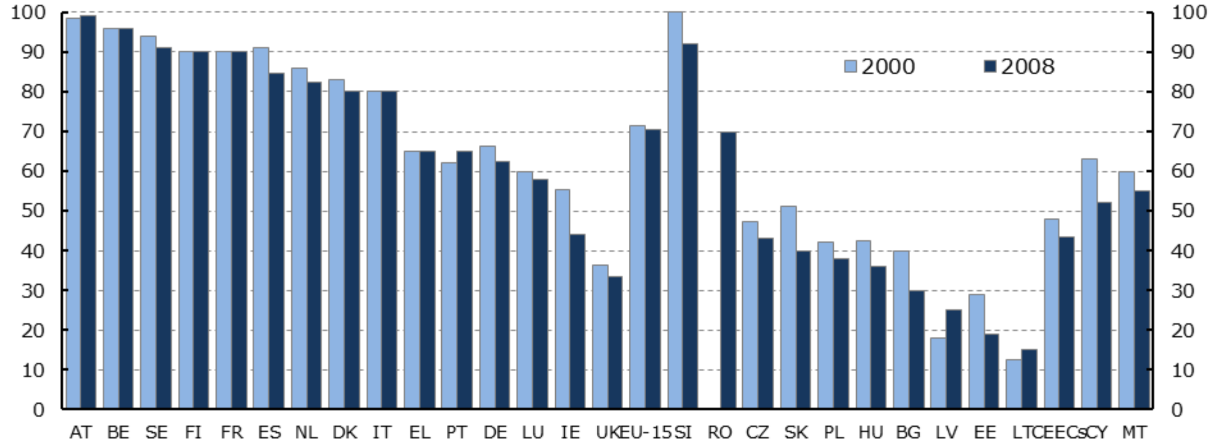


Source: ICTWSS database version 3.0 (2011)

Note: FI: data 2006; CZ, LT and RO: 2007; BE and SI: 2009

Employer organisation density is closely related to the collective bargaining coverage rate. In the EU-15, 70% of workers are covered by negotiated agreements, whereas in the CEECs this figure is only 44%. The bargaining coverage also shows the diversity in the region with less than 25% of employees covered in the Baltic states, 35-45% among the Visegrad Group countries (Czech Republic, Hungary, Poland, Slovakia) and Bulgaria, and 70% and more for Romania and Slovenia.

Chart: Adjusted bargaining coverage, 2000-2008



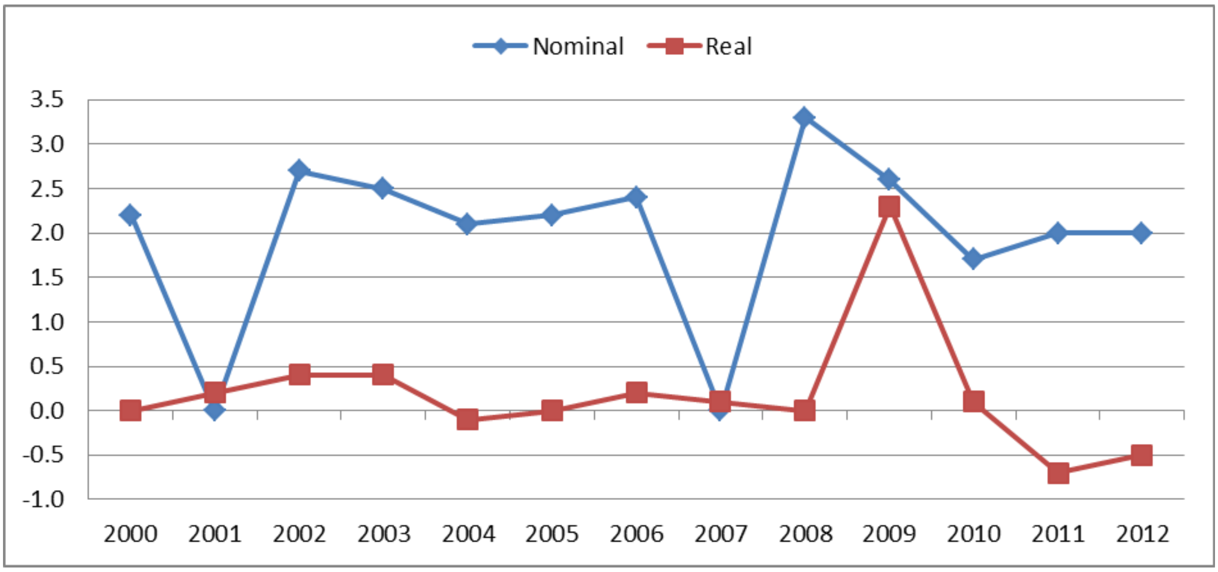
Source: ICTWSS database version 3.0 (2011).

Note: % of employees covered. EU averages weighted by dependent employment. No data for Romania for 2000 - figure is assumed to be the same as for 2008 in calculating the CEEC average. Data for 2000 relate to 2001 for PL, HU and EE, to 2002 for PT, LV, LT, CY and MT, and to 2003 for BG.

How did collectively agreed wages develop in the euro area?

According to European Central Bank (ECB) data, during the 2000s the overall development of collectively-agreed wages in the euro area was relatively stable with only moderate increases. While nominal growth rates varied between 2.1 and 2.7 per cent, there was only a minimal increase in real wages. The year of 2008 was exceptional with real increases above 2%. During the last two years collectively agreed wages actually decreased in real terms as inflation surpassed modest increases in salaries.

Chart: ECB indicator of negotiated wages for the Euro area, 2000-2012 (annual percentage change)



Source: ECB, calculations by WSI
Note: real wages are adjusted by the Harmonised Consumer Price Index (HCPI)

Behind this rather stable picture for the overall euro area, national wage developments show some significant differences. In the period 2001-2010 the increase in nominal collectively-agreed wages varied between 23 per cent in Germany and 41 per cent in Spain. These differences were much less pronounced if compared in real terms (with a difference of only 10 percentage points). With the exception of Finland and Italy, real wage developments were below productivity growth.

How are social partners involved in unemployment benefit and pensions system reforms?

There are wide differences between national pension systems, but common to all are issues surrounding the perceived advantages and disadvantages of social partner involvement in policy formulation. There are clear advantages in encouraging the social partners to become involved in pension reform, linked to ensuring sustainable solutions. However, there are fears that the social partners may not be able to deliver the radical reforms that are needed in some cases.

The past few years have seen major opposition to pension reform plans, in particular to raising the retirement age, on the part of trade unions in many EU Member States. The employers' organisations were more supportive of pension reforms. Unions in Belgium, France, The Netherlands and Spain were involved in the reform process and managed to influence the final outcomes. In the other countries, unions were either not consulted, did not have an impact on reforms or the negotiations are still on-going.

How do social partners contribute to the greening of the economy?

As part of the Europe 2020 Strategy, Europe is working towards the transition to an economy that is more sustainable and less dependent on fossil fuels. The social partners' involvement in this transition has been gradually increasing, but much more still needs to be done. While some social partners initially were critical of the green growth agenda, the approach has now become more supportive and positive. Trade unions in particular have emphasised the need for a "just transition" linking environmental sustainability and social justice. The report concludes that reinforcing and promoting social partners’ activities at all levels (European, national, sectoral, regional and company level) is crucial for the successful transition towards a green economy.

Social partners are strongly involved in shaping the greening of the economy in northern and western Member States like Finland, Belgium and Germany. In a dozen European countries, including many more recent Member States, tripartite bodies have been established to discuss a common approach to climate change and to find negotiated solutions to the challenges posed by the transition. The report (Chapter 5) details particular cases where social partners have successfully contributed to greening the economy in the construction, energy, chemical and non-metal manufacturing sectors.

For more information

News item on DG Employment website:

http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=1856&furtherNews=yes

European social dialogue:

http://ec.europa.eu/social/main.jsp?catId=329&langId=en