Industrial Relations in Europe 2010 report

What is the 'Industrial Relations in Europe' report?

The Industrial Relations in Europe report provides an overview of major trends and developments in the relationship between employers and trade unions across Europe. It combines factual information with in-depth quantitative and qualitative analysis of current issues in industrial relations at company, sectoral, national and European level. The report has been published every two years since 2000.

The 2010 edition of the report provides a comprehensive analysis of industrial relations throughout the recent crisis, illustrating how employers and trade unions coped with the turmoil, affected its course and influenced outcomes in the period between 2008 and 2009. A separate chapter analyses the responses of social partners to economic restructuring related to climate change mitigation policies. The report also includes information on developments in European social dialogue and labour legislation.

How did social dialogue in Europe fare in the face of the crisis?

On the whole, industrial relations in Europe have shown to be robust under strain and have been vital in mitigating the effects of the recession, although not to the same extent in all countries. As the economic crisis spread and affected most Member States in 2008 and early 2009, a consensus developed between social partners in many countries on the need for rapid action to preserve employment and to stimulate the economy. This concerted action by employers, trade unions and governments allowed Europe overall to weather the crisis better than feared and to minimise job losses. Together with monetary and fiscal stimulus policies, negotiation and consultation involving the social partners have played a significant role in limiting negative social consequences. As the chart shows, employment dropped far less dramatically than economic activity. This picture is not uniform across the European Union, however.
Which solutions were found through social dialogue?

Several types of solutions to managing the employment consequences of the crisis were found through dialogue between trade unions, employers and governments. Most noteworthy are the measures designed to reinforce the internal flexibility of companies, allowing them to weather the crisis while preserving employment.

Among these are:

- The introduction or extension of short-time working schemes, allowing for temporary reductions in hours worked;
- Employee leasing arrangements, allowing for a temporary redeployment of workers into activities less affected by the crisis;
- The promotion of the occupational and geographic mobility of workers;
- Reinforced and expanded training programmes.

Social partners also had recourse to traditional concessionary bargaining in the crisis. Workers agreed to concessions in wages or working conditions in exchange for employment guarantees by management.

In which countries did social dialogue find these solutions?

At national level, cross-industry agreements in response to the crisis were signed by the social partners or by the social partners and government in 11 Member States: Belgium, the Netherlands, France, Spain, Poland, Estonia, Latvia, Lithuania, Bulgaria, the Czech Republic and Slovakia. In six of the new Member States (Poland, Estonia, Latvia, Lithuania, the Czech Republic and Slovakia), this was the first time that social partners signed such agreements at national cross-industry level. In a further 7 Member States, the social partners were involved in designing specific public policy measures, most often short-time working schemes: Germany, Luxembourg, Slovenia, Italy, Austria, Denmark and Finland.
At sector and company level, additional specific crisis-response agreements were signed between management and trade unions. Most of these agreements can be found in manufacturing, especially metalworking and the chemicals industry, and in Italy, Germany, France, Spain, Denmark, Sweden, the UK, Poland and the Netherlands. There seem to have been few social partner agreements of this type in the Member States of central and south-eastern Europe.

**Where did social dialogue fail to find solutions?**

In six Member States, unsuccessful negotiations were held over a national cross-industry agreement to tackle the effects of the crisis: Hungary, Ireland, Luxembourg, Slovenia, Spain and Finland. In Spain, social partners were able to overcome the problems that had prevented an agreement in early 2010, while in Luxembourg, Slovenia and Finland, the social partners continued to be involved in public policy measures such as the short-time working schemes. Social dialogue to address the crisis at the national level did not succeed in Hungary and Ireland, the latter of which has now broken with a previous 20-year old tradition of tripartite national social partnership agreements.

**Why has social dialogue been more successful in some countries rather than others?**

Two factors shaped the extent to which agreement was possible between social partners in the face of the crisis. The first was the nature and depth of the recession and the size and scope of the resulting challenges. The second relates to the traditional strength of the national industrial relations systems, which vary widely between Member States. While there is no straightforward pattern of association, in countries where the crisis was most severe, disagreement tended to dominate. In countries with traditionally strong industrial relations institutions, such as in Germany, but also in some of the new Member States where the crisis was less severe, such as in Poland, a considerable degree of policy consensus between the social partners was able to emerge. In general, the success of the solutions framed by social dialogue underlines the long-term benefits of well structured industrial relations systems.

**What about social dialogue in the public sector?**

The crisis-induced increases in public debt led several governments to adopt fiscal consolidation programmes affecting the public sector. Public sector wages were frozen or cut to different degrees in Belgium, Slovenia, Estonia, Latvia, Lithuania, Romania, Bulgaria, Greece, Hungary, Ireland, France, Italy, the Netherlands, Portugal, Spain and the UK. With the exception of Belgium and Slovenia, these measures were imposed rather than negotiated between employers and trade unions. Protest by public-sector employees followed in a number of counties, including public-sector strikes in France, Greece, Ireland, Italy, Portugal, Romania and Spain. As the debate about the distribution of the costs of the crisis continues, there is further potential for social conflict arising from the impact of the cuts in public expenditure, especially in the absence of effective social dialogue. There is also a gender dimension to consider: While the first phase of the crisis was felt most in the private sector and affected men proportionally more than women, public sector cuts tend to affect women more than men due to the structure of employment in the sector.
In which countries is social dialogue strongest?

Given the large diversity of industrial relations systems in the EU, there is no universally agreed assessment of the strength or quality of social dialogue. Nonetheless, the percentage of workers in a given country that are subject to collectively negotiated agreements setting wages and working conditions is a useful indicator for cross-country comparisons. While in Austria, Belgium, Slovenia, Sweden, France and Finland, 90% or more of workers are covered by a collective agreement, in the Baltic states this applies only to a quarter of all employees or less. With the exception of Slovenia and Romania, all of the new Member States have collective bargaining coverage rates of around 50% or less, showing the relative weakness of social dialogue in those countries. Still, across the EU-27, two thirds of workers are covered by a collective agreement.

Collective bargaining coverage reflects the strength of the social partner organisations in each country, especially the organisation rate of employers. While Austria has a system of compulsory employer organisation, leading to an organisation rate of 100%, in Poland and Lithuania this rate only amounts to 20%. 

Source: J. Visser, ICTWSS database 3.0, 2010
Trade union membership depends on multiple factors, among them the services provided by unions for their members. Consequently, membership rates vary across the EU from almost 70% to less than 8% of workers. It is traditionally highest in the Nordic countries (Sweden, Denmark and Finland) and lowest in Lithuania, France and Estonia. These figures should be interpreted with caution, however, since in some countries support for trade unions at professional elections is much higher than trade union membership would indicate (such as in France). Aggregate trade union membership across the EU-27 has declined from 27.8% in 2000 to 23.4% in 2008.
What is "low pay" and how is it related to collective bargaining?

Low pay is defined as full-time employees in enterprises with 10 or more employees who are paid at, or below, two-thirds of the median wage in a given country. Low pay remains a serious problem in the EU and affects one out of every six workers in enterprises with 10 or more employees. The level of low pay is closely related to the level of wage inequality. In general, both are higher in the countries where company-level bargaining dominates and coverage of collective agreements is low; they are both lower in countries where multi-employer bargaining dominates and coverage rates are high. The most noticeable exception to this is Germany, where an above-average percentage of workers are affected by low pay.
What about relations between employers and workers at company level?

The report confirms that the longer-term trend towards the decentralisation of collective bargaining is continuing. Sector-level and multi-employer collective bargaining is being weakened in many instances, while single-employer negotiations and agreements are becoming more common. Relations between workers and employers at the company level are therefore gaining in importance.

The EU Directive establishing a general framework for informing and consulting employees (2002/14EC) sets out the basic minimum principles for employee involvement in a company. Within this framework a great variety of institutional structures exists among the Member States. The basic differentiation is whether employee representation proceeds through a trade union or is based on a construction that is formally independent from unions, i.e. the works council. Institutional differences also exist in the powers assigned to works councils, in particular whether the works council has only consultation rights, as established through the EU directive, or co-determination rights - that is, the right to decide jointly with management.

Within multinational enterprises there are two main forms of European-level employee representation. First, European works councils (EWCs) are standing bodies providing for the information and consultation of employees in EU-scale enterprises (Directive 2009/38/EC). Second, European Companies (SEs) have to comply with provisions for employee involvement, including in some cases board-level representation and/or European-level works councils under Directive 2001/86/EC.
What is the link between industrial relations and climate change?

The transition to a low-carbon economy creates winners, losers and pressure on many sectors and/or professions. Social partners are getting involved by influencing policy and lobbying, providing regulation through agreements and guidelines, and supporting the implementation of climate change policies and practices. What distinguishes social partners from other interest groups is their capacity to enter into agreements and commit their members to implementing them. Although collective agreements addressing climate change issues are as yet rare, workplace and company social dialogue on energy efficiency and saving as well as other green issues is spreading, including through some transnational agreements.

European social partners at cross-industry level and in a number of sectors have started to study these issues and to address them in their autonomous dialogue and in joint statements to the EU institutions. At national level, large differences remain between the social partners’ positions and actions in different Member States depending on the economic and social framework conditions in the country and on the organisation of industrial relations. High-quality industrial relations that are characterised by representative organisations with strong capacities and expertise; wide coverage of collective bargaining and social dialogue; strong employee participation at the workplace and relationships based on trust and mutual respect, can contribute to resolving a range of problems arising during the transition to a low-carbon economy, including restructuring, employment transitions and skills mismatches.

What are the main outcomes of European social dialogue?

A number of sectoral social dialogue committees have agreed on joint statements addressing the crisis, including those for the chemical industry, construction, road transport, commerce, live performance, regional and local government, woodworking and furniture sectors. The Cross-industry Social Dialogue committee did not manage to agree on a joint declaration because of fundamental differences of opinion about the causes of the economic crisis and the measures needed to address it.

European social partners have reached four binding agreements in the past two years. The Cross-industry Social Dialogue committee adopted a revised parental leave agreement that became an EU directive and signed an autonomous agreement on inclusive labour markets. The social partners in the hospitals sector agreed on a text for preventing sharps injuries, which has been implemented by Council directive, while the personal services sectoral social dialogue committee adopted an autonomous agreement for the implementation of European hairdressing certificates.

The vitality of European social dialogue was underscored by the launch of four new sectoral social dialogue committees during 2010 at the joint request of the respective employers’ organisations and trade unions. The new committees cover the European metal, paper and education sectors as well as central public administrations.