



European Foundation for the Improvement of Living and Working Conditions

Social dialogue in times of global economic crisis



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Research project: Social dialogue in times of global economic crisis

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Luxembourg: Publications Office of the European Union, 2012

ISBN 978-92-897-1068-8
doi:10.2806/34759

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Printed in Belgium

PRINTED ON ELEMENTAL CHLORINE-FREE BLEACHED PAPER (ECF)

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Executive summary

Introduction

The principle of social dialogue is a fundamental part of the European Union and its constitution, enshrined in Articles 154 and 155 of the Treaty on the Functioning of the European Union (TFEU). It has long been viewed as one of the important mechanisms for the design and implementation of policies, especially in the field of social and employment policies.

European social dialogue has been a key layer of European governance ever since the Social Protocol was enforced in 1993 by the Maastricht Treaty, which established the autonomy of the European social partners and created a number of shared responsibilities with the political actors to co-define 'Social Europe'.

This study maps, examines and assesses the various responses of social dialogue to the global economic crisis throughout Europe, analysing:

- the role that social dialogue has played to cushion the impact, and overcome the negative effects, of the crisis;
- the outcomes of social dialogue in terms of the measures negotiated, and agreed by the social partners, at the various levels of the European industrial relations system;
- the effectiveness and sustainability of the outcomes of social dialogue in response to the crisis.

Policy context

This study focuses on the period from the onset of the crisis in 2008 through to mid-2010. The research therefore examines the impact and consequences of the global financial and economic crisis and not the subsequent public debt crisis. The study aims to map and analyse the outcomes, or in some cases the absence of outcomes, from social dialogue arising in response to the crisis throughout this period. It examines the extent to which the social partners were involved in the introduction of measures to mitigate the effects of the crisis, and the effectiveness and sustainability of social dialogue in responding to crisis.

Key findings

A key determinant in the success or failure of social dialogue is the extent to which **government lends its support** to the process and the degree to which relationships between the actors, pre-crisis, were coherent and legitimised. The study also demonstrates that the national political context in which the social partners operate contributes significantly to the approach of the parties to social dialogue, as do their internal strategies and the relationships between the various partners. It confirms that the Member States' institutional industrial relations environment contributed to the success or failure of social dialogue, and that a wide range of institutions and relationships have been well and truly stress tested. Overall there appears to be a converging trend in Europe which demonstrates that the social partners were either invited by their governments to participate in discussions or even invited by their governments to launch their own specific initiatives.

The crisis did not create an evolutionary environment in which the actors were able **to innovate** and to establish new forms of social dialogue. Equally, the crisis did not prevent the creation of innovative outcomes. A number of short- and long-term solutions were introduced in countries where they had never been tried before, such as the implementation of short-time working for the first time in nine Member States.

In **well organised sectors**, the social partners helped insulate them from the effects of the crisis on the wider economy generally.

The outcomes of social dialogue throughout the crisis tended to be largely **integrative rather than distributive** in nature. Negotiations between the social partners tended to focus upon employment issues such as training and job security, particularly through short-time working measures, rather than on the traditional subject of pay. The trade-off needed for integrative bargaining appeared to be readily granted by workforces that were willing to forgo income for guarantees of employment security.

The present global economic crisis has tested the durability of all national industrial relations systems. Even in those countries with a long history of social partner collaboration with government, negotiations often failed to secure consensus and a common approach as to how the crisis should be dealt with.

Countries with strong social dialogue tended to enjoy better cooperation between the state, employers and their employees. However, it was at sectoral levels where there had been a long history of consultation and collaboration that social partners' discussions generated the most positive outcomes.

Nevertheless, it is clear that in some areas social dialogue has been weakened where the impact of the crisis accelerated pre-existing challenges such as the coherence between the various levels of social dialogue, a decrease in trade union membership and density, and the power of unions to negotiate.

An increase in unilateral decision-making by governments on issues affecting the public sector, and the increasing decentralisation of collective bargaining at the company level, both illustrate the challenges presented by the crisis. In most countries, unions had two contrasting roles to play: they were the social peacekeepers in the private sector, reducing the number of strikes at company level and persuading workers to take a pragmatic view of cost-cutting measures; in the public sector, however, they were often the coordinators of strong and widespread opposition to governments' austerity measures.

The crisis presented an opportunity to develop new forms of social dialogue to better address the key issues, although these opportunities were not always exploited.

Policy pointers

- While the crisis did not generate an innovative environment, in some countries the crisis challenged the pre-existing forms of social dialogue, encouraged the social partners to respond and did, on occasions, create the opportunity for the social partners to break from the traditional forms of social dialogue in countries.
- Social dialogue in the majority of European Member States resulted in the introduction of short-time working arrangements, a measure in which the social partners invested heavily. This typically required the agreement of both social partners and even sometimes government support when subsidies were needed to fund training or to top up workers' lost income.
- The process of social dialogue has proved to be a legitimate vehicle for overcoming the impact of financial crises. Yet although social dialogue has proved to be a key tool in overcoming the crisis and maintaining stability in Europe's industrial relations systems, it has been weakened where there were pre-existing challenges to coherence between the various levels of social dialogue.
- While the research clearly demonstrates interaction and a degree of coordination between the social partners at national level, both horizontally and vertically, there is little evidence to suggest coordination from the national to EU level and vice versa.

Introduction

Context

The hypothesis underpinning this research on ‘Social dialogue in times of global economic crisis’ is twofold. First, the social partners have been involved in the decision-making process and the implementation of anti-crisis measures throughout the crisis at different levels. Second, the cushioning of the effects of the crisis was more effective in those countries with strong social dialogue.

Where the social partners were involved, this was achieved in two ways: the social partners signed formal agreements as a result of collective bargaining; but they have also been engaged in informal dialogue between themselves and also with their governments in order to negotiate and influence the contents of anti-crisis programmes delivered by Member States. In both cases, the objective sought by the social partners was to contribute to improving the situation of employees and workers across Europe.

This study focuses on the period from the onset of the crisis in 2008 through to mid-2010. The research therefore examines the impact and consequences of the global financial and economic crisis. The research analyses the extent to which the social partners have been actors throughout the process of the introduction of measures designed to mitigate the effects of the crisis. It aims to map and analyse the outcomes, or in some cases the absence of outcomes, from social dialogue arising as a consequence of the crisis throughout this period.

The current public debt crisis has created yet further challenges for the social partners that will need to be addressed specifically, but their analysis is beyond the scope of this report.

Objectives of the study

This study maps, examines and assesses the various responses from social dialogue to the global economic crisis throughout Europe by analysing:

- the role that social dialogue has played in lessening the impact and overcoming the negative effects of the crisis;
- the outcomes of social dialogue in terms of the measures negotiated and agreed by the social partners at the various levels of the European employment relations system;
- the effectiveness and sustainability of social dialogue responses to the crisis.

Finally, the findings of the research will be illustrated by case studies undertaken throughout the research project.

To evaluate whether or not the crisis fostered or undermined the role of social dialogue between the social partners, culminating in the establishment, the strengthening or weakening of bipartite or tripartite structures and overall policy coordination, the research also examines the variations in the behaviour of the social partners across, and within, Member States, and the extent to which common trends can be observed.

In addition, to enable a thorough analysis of practices among the social partners, the report also considers the extent to which the crisis has led to either the reform or the re-enforcement of traditional institutional structures.

The research also attempts to assess outcomes, such as the contents of agreements.

We highlight the various activities undertaken by the social partners during the crisis, focusing research on the collective agreements concluded by the social partners that were intended to mitigate the impact of the crisis.

Collective agreements are understood as an agreement concluded between, on the one hand, single employers or their organisations and, on the other, organisations of workers such as trade unions, as a result of collective bargaining. Collective bargaining is understood as ‘the process of negotiation between unions and employers regarding the terms and conditions of employment of employees, and about the rights and responsibilities of trade unions. It is a process of rule making, leading to joint regulation.’¹

In addition, the study also attempts to demonstrate how active the social partners have been during the crisis, by highlighting their involvement with and their support for economic, employment and social policies intended to limit the effects of the crisis on labour markets and workers. We therefore also refer to outcomes of formal dialogue that were approved by the social partners but which did not necessarily lead to the conclusion of a collective agreement.

The methodology used in the research project is based on three types of activity:

- a literature review of numerous books, reports and articles on social dialogue and the crisis (see references and bibliography below);
- national reports on social dialogue throughout the crisis, which were carried out by the national experts in 13 countries;
- 13 case studies undertaken at the following levels:
 - transnational (ArcelorMittal-EMF agreement on managing and anticipating change, November 2009);
 - cross-sector (Poland: autonomous talks between social partners, 2009; Austria: national agreement on short-time work, 2009; Italy: agreement on temporary agency workers, 2008);
 - sectoral (Germany: metalworking industry agreement in North Rhine-Westphalia, 2010; Netherlands: construction sector agreement on anti-cyclical training measure, 2009; UK: finance sector task force in Scotland, 2009);
 - regional (Andalusia: Seventh Andalusian Social Concertation Agreement, 2009);
 - company (Bulgaria: Carlsberg; Belgium: Magotteaux; Hungary: Hungarian Central Bank; Sweden: a manufacturing company;² Romania: CFR Marfa).

Analytical framework

The creation of what is now commonly referred to as European social dialogue has been accompanied by a growth in the number of stakeholders with an interest in the outcomes of such discussions. The result is that social dialogue is now a multi-level and multi-actor polity, influenced and shaped by a plethora of inter connected bodies and processes.

1 As defined in the Industrial Relations Dictionary, Eurofound, <http://www.eurofound.europa.eu/areas/industrialrelations/dictionary/index.htm>

2 The company interviewed requested anonymity.

This research aims to determine the extent to which the crisis has influenced this area of national and European work and how effective social dialogue at European and national level has been in producing sustainable anti-crisis responses, and whether or not the crisis itself has altered the discussions and negotiations between trade unions and employers in the long term.

The authors of the present report have focused on two main elements of social dialogue:

- Those agreements arising from collective bargaining, understood ‘as the process of negotiation between unions and employers regarding the terms and conditions of employment of employees... about the rights and responsibilities of trade unions [which] is a process of rule making, leading to joint regulation.’³
- The results of the involvement of the social partners in the definition of economic, employment and social policies intended to alleviate the consequences of the crisis. The involvement of the social partners at the national level in this respect has been varied and quite well developed, including circumstances in which the parties merely gave their support for matters such as common initiatives and joint declarations. Although the study includes a number of examples of this type of involvement, the considerable activity of social dialogue and its complexity make it impossible for the authors to examine it exhaustively.

The crisis creates a situation where the balance between change and inertia within industrial relations systems in Europe is at stake, challenging the further development of social dialogue across the Member States. However, social dialogue is embedded in national historical and institutional patterns that can be identified as ‘a build-up of behavioural routines, social connections and cognitive structures’ (Page, 2006) that have created the social dialogue process and outcomes. The crisis has challenged this continuity by creating a situation where social partners have had to mobilise to respond to it.

The question addressed in this research is whether the crisis has reinforced the development of social dialogue in Europe, or whether social partners have not been able to deviate from their traditional trajectory. This research attempts to explain how successful or unsuccessful social dialogue has been at producing responses adapted specifically to the crisis, and to identify the conditions that have contributed to such success or failure.

In the context of the path dependency theoretical approach, we analyse the extent to which social dialogue responses have been constrained by the various actors’ national context, or how far social partners have been able to innovate. We look both at the spheres of social dialogue – whether they expand or contract – and at the counter-crisis measures agreed upon.

The underpinning hypothesis for this is the institutionalist analysis of change suggesting that changing opportunities and challenges do not necessarily lead institutions and their agents to respond in innovative ways. ‘Path dependency highlights different dynamics, namely the imprinting of present and future realities by former decisions and solutions’ (Sydow et al, 2005). We therefore analyse whether, in the exceptional context of the crisis, the bounded rationality of social dialogue actors has led them to resort to familiar solutions rather than innovative ones. Indeed, in an uncertain environment, it is well understood that actors tend to place a greater reliance upon existing rules and procedures and tried and tested formulas rather than new solutions with unknown consequences and effectiveness (March and Simon, 1958).

3 As defined in the European Industrial Relations Dictionary, Eurofound, <http://www.eurofound.europa.eu/areas/industrialrelations/dictionary/index.htm>

Sydow et al (2005) suggest that path breaking is possible when put under stress by external forces such as the reallocation of resources, the introduction of social interventions that place pressure on the existing system, or when 'new' knowledge or perspectives are delivered by external actors.

By using the path dependency approach, we deepen our analysis and examine the components of the social dialogue responses to the crisis, examining paradigms such as their successes and failures, cooperation and conflict, decentralisation of social dialogue, and the endogenous and exogenous factors that might explain the diversification of social dialogue across the Member States.

Contextual factors at national level

1

Following the model presented by Glassner and Keune (2010), this research has identified two specific exogenous factors that may explain the timing of responses from the social partners; the economic structure, including the scope and time frame of the crisis, and the pre-crisis characteristics of European labour markets.

Endogenous factors, on the other hand, include the industrial relations systems themselves and the degree to which the social partners were previously involved in the development of economic and social policies. These factors may go some way towards explaining the capacity of the social partners in mobilising their own internal strategies, and their previous experiences of dealing with economic, employment and social policies in cooperation with their governments.

Exogenous factors

The economic structure, scope and time frame of the crisis

Both the scope and the severity of the crisis have been more profound than those of previous crises in Europe since the Second World War. Moreover, this global crisis both affects and is itself affected by the process of economic globalisation and as a result has touched all economic sectors in Europe, although the timing and severity has varied from country to country. For instance, while Member States such as Ireland, Italy, and the Baltic States felt the impact of the crisis in Q2 of 2008, the impact on others was delayed until later that year. In states such as Bulgaria, Greece, the Netherlands, Romania and Slovakia the impact of the crisis was not felt until the beginning of 2009, while Poland is the only European economy to have maintained a positive growth in GDP at the time of this research.

It is clear that although the consequences of the global crisis were initially economic, such as falls in output or GDP, the social impact represents a huge challenge for the social partners, although often delayed and of varying degrees of intensity. The consequences of the crisis for the social sphere presents the social partners with two related, but distinct, problems – mitigating the negative impact of the crisis on workers and companies, and preparing the labour market for the economic recovery that it is hoped will follow.

Several examples taken from the case studies carried out for this research reveal the importance of exogenous factors on the way social dialogue was undertaken. A good illustration is the ArcelorMittal case study (see Box 1, p. 17). The company was affected not only by the economic crisis, but also by the supply and demand of steel, which is heavily influenced by factors such as fluctuations in international exchange rates and creates competitive pressures within the European steel market. While there is fierce competition between countries, similar competitive pressure exists across sites within the ArcelorMittal group. Particular attention has been paid by the social partners to the dynamics of the Brazilian and Chinese markets and led them to consider ways of maintaining European competitiveness. Management and labour are convinced that the competitive asset of the group's European plants lies in the quality of their human resources and of social dialogue, both seen as vital to motivating staff and retaining a responsive and adaptable workforce. This approach, together with the strength of the existing social dialogue, explains the need by the social partners to conclude an agreement on anticipating future changes in the sector.

Other factors, such as the level of growth, industrial specialisation and production also help explain the wide variations of the impact of the crisis on European economies. In some countries economic growth before the crisis was focused within specific sectors, or within specific geographical locations, and in some cases the impact of the crisis was greater in these areas than elsewhere. Due to the

central role played throughout the crisis by the financial sector, states with a greater reliance on this area for growth experienced a relatively harsher impact, and this is particularly evident in the UK. Although the construction sector provided the bulk of growth for the local economy in Andalusia (Spain), and for the national economy in Ireland, it was also the first sector to suffer from the crisis, resulting in a collapse of the regional economy in the former and a national recession in the latter. These examples demonstrate the fragility of such strategic decisions, and this dynamic is particularly pronounced when we consider sectoral and regional variations.

The degree of labour market vulnerability

The degree to which Europe's labour markets withstood and adapted to the deep-seated changes triggered by the crisis can also help explain variations in interventions by the social partners. As Carley and Marginson (2010) observe: 'Cross-country differences in the economic and employment context are likely to be one source of variation in the policy responses advocated by the social partners at national level.' Indeed, while onlookers may ask whether the initial shock of the crisis served to highlight the weaknesses within these systems, only more recently has the robustness of Europe's labour markets and employment relations systems been revealed, as the impact of state intervention on unemployment has been evaluated. While it is clear that a variety of outcomes have resulted from employment and unemployment rates combined with the composition of the labour force and employment practices, it is perhaps impossible to identify precisely the factors that prevented an even greater recession across Europe.

Prior to the crisis certain vulnerable groups of workers, such as older workers, the young, the low-skilled and those with 'precarious' employment contracts, had lower job security. Others, such as the long-term unemployed and economic migrants, faced difficulty integrating with the European labour market. Evidence suggests (Berthoud, 2009; Eurofound 2009) that those who were already vulnerable prior to the crisis have been badly affected. However the authors also suggest that while women, older people, disabled people and those already living in deprived areas are not necessarily more likely to experience the negative impact of the crisis, it has compounded their difficulties. Older workers are, for instance, often the first to lose their jobs without being prioritised for subsequent support, and are then forced to compete alongside much younger people for fewer employment opportunities as unemployment rises.

Initially, most anti-crisis measures sought to support 'at-risk' permanent workers so as to preserve the workforce for the upturn. Only after this group had been offered support did initiatives then seek to address the negative effects of the crisis on groups that had been vulnerable before the crisis, and whose contracts of employment were among the first to be terminated. This has meant that the possibility of reintegrating vulnerable workers into the labour market is, at best, uncertain and will depend to a great extent on the success of the job creation process in the aftermath of the crisis.

It is often assumed that it is difficult for trade unions to offer these groups adequate support. Increasing deregulation of the employment relationship and the fragmentation of labour markets, so that many workers tend to see themselves as individuals rather than organised collective entities, has also affected groups of vulnerable workers with specific difficulties. The operational characteristics of labour market institutions within different countries also influence the ability of unions to formulate specific responses to crises. A fundamental issue is the degree to which this crisis exacerbated existing challenges faced by Europe's labour market institutions. It could be suggested that the crisis was a stress test for these institutions and the way in which they respond to crisis.

An important dimension of the role of the social partners ought to be highlighted here; in a number of countries, as part of their role as stakeholders of public employment services (PES), social partners have a vested interest in the operation of their national PES and the extent to which they can maintain their operational effectiveness throughout the duration, depth, and breadth of the crisis. It is therefore important to identify and evaluate those factors that have enhanced the capacity of these institutions to react in a timely and effective manner.

Meanwhile, in countries where a reduction in the number of workers was more difficult because of more active social partners and or greater social protection, employers' responses tended to be determined by longer-term considerations. The typical employer response was to adjust working time (integrative bargaining) and give less consideration to redundancies.

Endogenous factors

The industrial relations systems

The degree of impact and the ability of industrial relations systems to overcome the fallout from the crisis varied from country to country, and a number of country-specific factors help explain this variation.

Beyond these country-specific variations, a number of common trends ought to be emphasised. Trade union density in Europe has been decreasing for some time, leading to an unfavourable environment for social dialogue in the absence of formal representation channels. This in turn has reduced the legitimacy of the actors and their ability to negotiate and enforce agreements, which in recent years has been compounded by the decentralisation of collective bargaining in many Member States. When the crisis struck, as a result – and in contrast to previous recessions – the infrastructure of social dialogue across a number of countries was relatively weak and unable to produce a coherent response. This throws into question the capacity of national and European systems of industrial relations to adequately deal with not just the impact of the crisis, but to oversee recovery and a return to growth in a coordinated and systematic fashion. In addition, where there is an uneven distribution of power among the social partners, there is a greater tendency towards concession bargaining as the bargaining power of one partner decreases.

In addition to the level of social dialogue, the degree to which it is institutionalised also influences its outcomes. A good example is given by the Austrian case study, where the social partnership system, itself an outstanding feature of the country's industrial relations, is based on close, frequent and voluntary cooperation between employers, employees and the state. Austria is one of the countries in which corporatist structures are most highly developed and so influence the likelihood of successful negotiations between employers and unions in a crisis.

A further demonstration of the influence of a historical commitment to social dialogue at company level is that of Carlsberg in Bulgaria. Here social dialogue is perceived to have an important role in issues such as employment, wages, health and safety and social policy. The fact that social dialogue within the large Bulgarian breweries was already well developed before their privatisation and the onset of the crisis simply increased the likelihood of productive and successful engagement during it.

As previously mentioned, the European social partners operate within increasingly fragmented labour markets which reduces their capacity to represent the interests of a heterogeneous workforce. In addition, it is also worth considering the extent to which action is impeded by fragmentation and

division within the ranks of both employer and employee organisations and by their responses to government proposals. The specific nature of industrial relations machinery in each European country may well have affected the capacity of social partners to genuinely engage. As a result, the crisis appears to have created a new focus on the ability of Europe's social partners to effectively participate in social dialogue. These issues, and the growing importance of the role of a European and transnational response to crisis, have created a fresh impetus for the social partners to establish new governance frameworks.

In many countries, initial government reactions were positively welcomed by the social partners and it appeared that all actors felt an urgent need to prevent the escalation of the crisis. This prompted a media rhetoric of compromise among the social partners and a degree of acceptance, by both sides, that the traditional adversarial relationship had to be put aside. Initial discussions were based on cooperation and partnership. However, as the crisis continued, and possibly as the extent of its scope, depth and duration became clear, the social partners began to move back towards their usual path-dependent positions. In addition, contradictory views within the union movement produced internal divisions which, in some cases, resulted in their withdrawal from negotiations or, worse, in refusal to sign agreements with employers, as seen in Italy.

Traditional tensions between the social partners, new tensions arising from the crisis, and internal divisions among trade unions are all important factors that can help to explain different social practices and outcomes across Europe.

It is also true that the internal strategies of both trade unions and employers' organisations have influenced negotiations. A change of paradigm can be observed in relation to the issues on which negotiations took place throughout the crisis. Whereas pre-crisis collective bargaining focused on wage increases, collective agreements concluded during the crisis placed an emphasis on employment protection leading to integrative outcomes.

The involvement of the social partners in the creation of economic and social policies

It could be argued that there is a correlation between the evolution of an industrial relations system and the involvement of the social partners in the formulation of economic and social policies. In most European countries the traditional industrial relations model includes a tripartite body at the national level and/or the presence of social partners in the management of PES and the management of unemployment insurance funds. Other bodies, such as social and economic committees, offer a formal space in which the social partners can contribute to discussions and decisions in relation to public policies. The degree of involvement of the social partners within the state machinery varies enormously – in some cases this involvement is superficial, and in others the partners are fundamental players. Before the crisis, the degree of genuine involvement of the social partners in the formulation of economic and social policies varied widely; throughout the crisis the extent of their involvement could have influenced the degree to which they were involved as genuine players. Interestingly, in countries where the role of the social partners could be classified as less developed, they were given an elevated role.

The point at which the social partners were involved in the formulation of crisis-related programmes also varied from country to country. The general tendency of national governments at the onset of the crisis was to act alone, and only to involve employer and worker organisations in crisis discussions at the national level as the crisis deepened. When it became clear that the impact of the crisis necessitated the introduction of potentially unpopular measures, so 'the need to gain

support for these policies and to share responsibilities became a very strong motivation resulting in many cases in a more positive attitude towards social concertation' (Rychly, 2009). In such cases social dialogue became instrumental in mitigating the effects of the crisis. However, this does not mean that all governments refused to seek the involvement of their social partners at an early stage. Those that previously undertook regular discussions with social partners introduced the crisis in early discussions at the national level. It is unlikely that governments could foresee the length and depth of the crisis and Rychly observes that this perhaps explains why some were so unprepared to negotiate with the social partners.

The principle of social dialogue is a fundamental part of the European Union and its constitution, as enshrined in Articles 154 and 155 of the Treaty on the Functioning of the European Union (TFEU). It has long been viewed as one of the important mechanisms for the design and implementation of policies, especially social and employment policies.⁴ European social dialogue has been a key layer of European governance ever since the Social Protocol was enforced in 1993 by the Maastricht Treaty, which established the autonomy of the European social partners and created a number of shared responsibilities to co-define ‘Social Europe’ between them and the political actors.

Capacity of social dialogue to respond to the crisis

The concept has been reinforced and strengthened by the Tripartite Social Summit for Employment and Growth and the social dialogue committee at cross-sector level, and with the creation of 41 sectoral social dialogue committees. As a result of its bipartite and tripartite organisation, European social dialogue has generated discussions, consultations, negotiations, common actions, joint statements, good practices and binding agreements in the fields of employment and social policy. Since its inception European social dialogue has produced both successes and failures.⁵ Nevertheless, negotiations are considered to be at the heart of European social dialogue and are regarded as the most effective way to resolve issues relating to work organisation and employment relations. This process has also evolved to offer greater autonomy for the social partners. The signing of four autonomous agreements on telework in 2002, stress at work in 2004, violence and harassment at the workplace in 2007 and social inclusion in 2010 saw national social partners or Member States themselves implement the European framework agreements in line with national practices. The system of industrial relations at the European level is unique, complex and is permanently evolving. The global economic and financial crisis represented a unique test of the capacity of European social dialogue to generate practical solutions to a variety of Europe-wide challenges. How those challenges were met deserves deeper analysis. For instance, did social dialogue produce new responses, and to what extent was social dialogue mobilised at the EU level during the crisis?

An analysis is also required of the extent to which European social dialogue itself was affected by the crisis. We need to examine how far it influenced national social dialogue, and vice versa.

European cross-sector social dialogue

Impact of the crisis

While it is clear that the crisis compelled the European social partners to react and to adopt certain positions, it also influenced their day-to-day functions in two ways.

- First, the crisis created a new context within which all current and short-term discussions and negotiations were firmly rooted, influencing the subjects and outcomes of ongoing negotiations.⁶

4 As the European Commission put it in 2002, ‘As a driving force for modernisation of the European economy and the European social model, the social dialogue holds a crucial, unique position in the democratic governance of Europe’.

5 Successes include the agreements resulting in Directives, for example on parental leave in 1995 revised by the social partners themselves in 2010, on part-time work in 1997 and on fixed term employment in 1999. Failures include the lack of agreement on European works councils in 1993 and on information and consultation in 1997.

6 Examples of ongoing negotiations influenced by the crisis: the third autonomous joint work programme 2009–2010; the framework agreement on inclusive labour markets drafted in December 2009 and accepted on March 25 2010; the revision of the pre-existing 1995 framework agreement on parental leave in June 2009; a joint recommendation for the post-2010 Lisbon Strategy by creating a working group – which first met in February 2010.

- Second, it appears that the crisis has produced two outcome-related scenarios. In the first, certain forces appear to compel the European social partners to take more unambiguous and clear-cut positions, resulting in some cases in more difficult negotiations. In the second scenario, the social partners have either managed to conclude negotiations and produce a generally positive outcome (see above), or their discussions broke down and ended in deadlock.⁷

The crisis has had a direct impact on European cross-sector dialogue and has altered the focus of the social partners, at times prompting them to accelerate the process of negotiation towards convergence, and yet in other situations creating strong and opposing tensions.

Defending common interests

Since the outbreak of the crisis, the social partners have made proposals about how to deal with its effects and how to support the recovery, and have reacted to the policies launched by the European Commission.

At the onset of the crisis, reacting to the European Economic Recovery Plan, they defended their common interests, such as the need for the coordinated action across Member States, and for an economic and fiscal stimulus to support the recovery. Some also talked of the importance of considering climate change as an essential element in any recovery process. Discussions among the social partners resulted in a number of common policy approaches developed by both BUSINESSEUROPE and the ETUC (European Commission, 2010c, p. 79). The scope of the crisis and the need for urgent action created some common ground between the European social partners.

The 'Small Business Act' initiated by the European Commission in June 2008 prompted the ETUC and UEAPME to launch a joint project 'to revise, adjust and update their partnership' (ETUC-UEAPME, 2009) specifically to address the situation faced by SMEs as a result of the financial and economic crisis, focusing particularly on the 'silent restructuring' they experience during such crises and on the role that pluralistic and diverse social dialogue should play at the national level.

European social partners maintain traditional positions

Despite reaching some consensus on the European Economic Recovery Plan, the social partners failed to produce a joint declaration. Indeed, while at first the crisis may have been seen as an opportunity 'to do things that they couldn't do before',⁸ the subsequent reality was that, perhaps due to the severity of the crisis, it created an environment in which their differences prevailed, and pre-existing divergences intensified. The European social partners tended to revert to their more traditional positions and these became, if anything, more polarised. Whereas BUSINESSEUROPE continues to support the principles of the market, the liberalisation of services, structural reforms in different areas (European Reform Barometer, BUSINESSEUROPE, 2009) and cost reduction, the ETUC focuses on associated social risks, on workers' rights and incomes and on Europe's welfare systems. ETUC also called for European days of action on 14 and 15 May 2009, organised across four European cities (Madrid, Brussels, Paris and Prague), demonstrating the distance between their position and that of BUSINESSEUROPE.

⁷ This is illustrated by the talks launched on a 'Joint declaration on action to address the current financial and economic crisis' to be delivered at the Tripartite Social Summit of March 2009 which failed in the end because of tensions between employers supporting a reduction in labour costs and the trade unions promoting the maintaining of social security systems.

⁸ Quotation adapted from the statement of Emmanuel Rahm, President Obama's Chief of Staff, November 2008.

Tensions were also visible as the parties discussed the Joint Report on Restructuring (submitted by Aritake-Wild) which the ETUC had refused to endorse. On a political level, although a pan-European coordination of recovery plans was necessary, national initiatives prevailed.

European sectoral social dialogue

To what extent is it possible to argue that European sectoral social dialogue has been organised differently to cross-sector dialogue? While the European social partners failed to produce joint initiatives at cross-sector level, some sectoral actors did successfully manage to coordinate their responses to the crisis.⁹ With the exception of the joint declaration adopted in March 2009 by the chemical sector,¹⁰ other common initiatives failed to arrive at any concrete or specific measures for their members. Various joint statements or joint declarations¹¹ did attempt to develop a number of mutually acceptable solutions to contribute to the recovery. For example, all of these documents expressed concern about the probable deepening of the crisis and therefore called upon public authorities at the European, national and sectoral level to act in three areas:

- to increase European and national public financial support;
- to provide more investment for the infrastructure;
- to provide support for training and qualifications to retain skilled workers.

The crisis was at the heart of discussions within the European Social Dialogue Committees which, despite the lack of concrete actions or binding agreements, resulted in the creation of a number of common positions. At the very least, these discussions raised awareness of the problems and difficulties being experienced by workers and their employers. Just as in cross-sector dialogue, the activities of all European sectoral social partners were influenced by the crisis, either directly or indirectly.

Transnational social dialogue

Although transnational dialogue may involve inter-country or inter-regional social dialogue, there is insufficient data available to measure the extent of discussions at these levels. However the company level is important for transnational social dialogue via European works councils (EWCs), for which

⁹ This was the case in the chemical sector, in the construction industry, road transport, commerce, public services (regional and local government), live performance, inland waterway transport and the furniture sector.

¹⁰ These principles were intended to avoid redundancies through the use of temporary lay-offs, short-time working and training (ECEG-EMCEF working group, education, training and lifelong learning: Joint declaration, March 2, 2009; ECEG-EMCEF joint declaration on the global economic crisis, May 13, 2009).

¹¹ The authors of *Benchmarking working Europe*, (ETUI, 2010b) emphasised the following European sectoral joint positions (p. 80):

Construction sector: EFBWW-FIEC Declaration: The global economic crisis and its consequences for the European construction industry: positive measures and concerns of the European Social Partners EFBWW and FIEC, June 30, 2009; EFBWW-FIEC Joint appeal: Emerging from the crisis: fostering growth and jobs for a sustainable construction industry, January 1, 2010;

Road transport sector: IRU-ETF statement on the economic crisis, May 14, 2009;

Chemical sector: ECEG-EMCEF: Joint declaration on the global economic crisis, May 13, 2009; ECEG-EMCEF working group, education, training and lifelong learning joint declaration, March 2, 2009;

Commerce: Euro Commerce, Uni-Europa Commerce: Economic crisis: joint reaction of the social partners for commerce, December 18, 2008;

Furniture industry: Joint declaration of the European social partners of the Furniture industry, EFIC UEA and EFBWW calling on the European and national authorities to support the industry and its confrontation with the economic crisis, November 18, 2009;

Public sector: CEMR-EP-EPUSU Joint message, February 27, 2009;

Live performance sector: EATE and PEARLE: The impact of the financial crisis in the live performance sector: Joint statement by the European sectoral social partners ahead of the Employment Summit 7 May 2009, May 6, 2009.

some data exist. It is suggested by the authors of the present report that EWCs may represent an important tool for stimulating cross-border cooperation between social partners, particularly during the crisis. But we question whether they have the capacity to create the appropriate environment to allow employee representatives a major role in the defence of workers' rights and interests when restructuring is underway during a crisis.

As institutions, EWCs were born out of the controversy caused by cases of cross-border restructuring which demonstrated that the information and consultation rights that workers had within national boundaries ceased to exist beyond them. This was highlighted by high-profile cases such as the 1993 decision of the American domestic appliances manufacturer Hoover to relocate production from France to Scotland, resulting in the closure of the company's French site (EIRR, 1993).

The main objective of the legislation which established EWCs was to offer employees of transnational companies an information and consultation mechanism, particularly on restructuring matters. However, evidence suggests that EWCs often fail to provide sufficient time and space for genuine information and consultation. It is relatively rare for EWC agreements to stipulate sufficient time for meaningful consultation or for the EWC's views to be taken into account. Discussions with EWC members¹² identified four key characteristics of good EWC practice.

- A strong employment relations culture and active trade union involvement in EWC business and practice, including support from sectoral trade union organisations and their involvement in the development of concepts and strategies for EWC agendas and policies.
- Active support from the company's EWC headquarters for representatives and for their active involvement, which should include language training, special training programmes, joint workshops, guidance manuals and EU-funded projects.
- The integration and embedding of EWC practice in local industrial relations structures and institutions, namely company-wide information, consultation and negotiation processes, integration in other forms of employee representation, participation and social dialogue, reporting and communication processes.
- A participative management culture and active involvement of management representatives in EWC practice, for example through joint preparation and feedback meetings.

These four elements represent the key endogenous factors that can support the activity of a EWC during a restructuring exercise. But as the frequency of restructuring inevitably rises during any financial crisis, tensions between the social partners at all levels are exacerbated, and this has made it even more difficult for EWCs to contribute to the overall restructuring process.

Indeed, throughout the crisis, four main trends in the role of EWCs¹³ were observed. The first two demonstrate the ability of EWCs to react to restructuring announcements and to mobilise workers to defend their jobs. The final two highlight the limitations of EWC action and, although these limitations existed prior to the crisis, show how they were compounded by the urgency of the crisis.

12 In the framework of a European project called REDITER co-funded by the European Commission, ASTREES organised workshops with members of different EWCs which enabled the authors of the present project to collect opinions and points of view. Training workshop organised in Paris on 30 September – 1 October 2010.

13 Carley, M. and P. Marginson, 'Negotiating the Crisis: Social Partner Responses', Industrial Relations in Europe 2010 report, 2010; ETUI, *Benchmarking working Europe*, Brussels, 2010; REDITER project carried out by ASTREES in 2010.

- The crisis led many EWCs to take joint positions on the restructuring process and to make counter-proposals within transnational companies,¹⁴ some of which led to positive outcomes in a number of national sites.¹⁵
- Restructuring announcements in many cases led EWCs to organise days of action at the European level.¹⁶
- The crisis compounded the difficulties many EWCs face when informed and consulted. This has been a recurring complaint from members of EWCs and, although not new, its significance has grown due to the increased volume of restructuring across Europe.
- Available data shows that only two transnational social dialogue institutions¹⁷ produced agreements with employers on emerging challenges, suggesting that EWCs have proved ineffective in dealing with the impact of the crisis or influencing responses to it.

Due to its crisis-related context, this research will pay particular attention to the agreement between ArcelorMittal and the EMF, which produced short-term responses to the crisis and also incorporates longer-term human resource strategies.

Box 1. Agreement signed between ArcelorMittal and the EMF on managing and anticipating change (November 2009).

Context: the difficulties within the European steel market caused by the crisis led to ArcelorMittal's decision, in 2008, to mothball 15 of the company's 25 blast furnaces in Europe because of the collapse in the demand for steel. However, despite a statement to the press by the CEO that closures were to be temporary, workers feared they would be permanent. This tension put pressure on management and the trade unions to begin negotiations. The transnational agreement which now covers the various companies within ArcelorMittal's European operation was not signed by its EWC but was directly negotiated at the European level with the EMF. This enabled the inclusion of a larger number of countries than the nine represented in its EWC, thereby integrating countries without a council seat, such as Greece, and without EU membership, such as Bosnia and Turkey.

Exogenous factors: increasing competition in the steel market; temporary closure of more than half the company's European furnaces; management and employees' representatives willing to discuss ways of preserving the company's human resources assets in Europe.

Endogenous factors: a long tradition of social dialogue created an environment in which management and the employees' representatives could discuss the crisis and anticipate further changes.

14 Examples are Schering Plough, Deutsche Post DHL, Thyssen Krupp, Hewlett Packard and EDS.

15 Examples are given by Whirlpool where an agreement was reached with the management to accompany the redundancies in Italy in December 2009 or by Corus where following the announcement of a restructuring process and a proposal of the EWC a joint management-union task force was set up in UK to work out alternative options.

16 For more details of concrete examples see European Commission, 2010c, p. 108.

17 The first, signed between General Motors Europe and its EWC in January 2009, set minimum standards of reductions in working time for all of its European sites. The second, signed by the ArcelorMittal and the EMF on 'managing and anticipating change' in November 2009 focused particularly on promoting training and the employability of employees. General Motors EWC signed an agreement with the management in May 2010 on the management of a restructuring plan affecting Opel/Vauxhall. (European Commission, 2010c, p. 102).

Success of the negotiations: the negotiations between the EMF and ArcelorMittal led to an agreement on managing and anticipating change, by first implementing short-term measures to maintain jobs and purchasing power and secondly, by designing measures to reinforce skills, adapt qualification, deal with strategic issues to maintain jobs in Europe and create a new social dialogue arena beyond the borders of countries currently covered by the EWC. This success is largely due to the shared desire of the negotiators to find solutions.

Path dependency and innovation: the tradition of social dialogue at ArcelorMittal and increasing competition in the steel market produced two distinct outcomes: first, reactive measures to mitigate the immediate effects of the crisis and, second, innovative compromises for long-term measures to anticipate future change and to stimulate competitiveness. These outcomes are largely a result of workforce adaptability and the strengthening of social dialogue.

Source: case study carried out by Christophe Teissier and Rachel Guyet, 2009

This agreement is also significant because it goes beyond the duty to inform and consult employee representatives on the company's EWC by extending representation to countries that have no automatic right to seats on it. The agreement also creates a new platform for national-level social dialogue which is bound to have a profound impact upon the role of transnational social dialogue.

This agreement shows how a company's long-established industrial relations pattern has the potential to create consensus even in times of crisis. In 2008, the company signed a worldwide agreement on health, safety and security, demonstrating the willingness of management and trade unions to reach agreement. This kind of success has created a relationship between management and trade unions based on respect, trust and exchange and has helped both parties to launch negotiations in tense and difficult times. The agreement is innovative, given its anticipatory element, and this spirit of innovation can be attributed directly to the crisis. However it is clear that social dialogue is a key part of the company's strategy to boost competitiveness, although the ultimate success of the agreement will depend on how it is implemented.

While EWCs seem to be an obvious tool for transnational social dialogue, it is clear from our research that the crisis has compounded the difficulty many councils have had in getting timely information about restructuring measures and being given adequate time to respond. The language barrier may have been a problem, since all documentation provided to EWCs must obviously be translated for their various members. The current crisis has, however, exposed the way in which the necessarily slow-moving operation of a multinational, multilingual committee makes it difficult for the councils to formulate timely coherent and well thought out responses. In the context of a rapidly evolving economic landscape, decisions by employers are taken quickly and the result is that employee representatives may not have the opportunity to influence decisions, even though their input would be particularly significant during a major economic crisis. The result of this seems to have been that, on the whole, EWCs reacted defensively to restructuring proposals by employers and were unable to seize the opportunity to act in a strategic and proactive way. The European Trade Union Institute also suggests that some of the crisis-related issues that EWCs were asked to consider exceeded their competencies or demanded resources they did not have.¹⁸

¹⁸ 'There seems to be some evidence that [EWCs] have sometimes become overwhelmed by issues that exceeded their information and consultation competences and the tools and resources available to deal with them'. ETUI(2010b), p. 4.

Even so, a number of EWCs at multinational companies undergoing crisis-response restructuring have been able to act and defend workers at the European level, as was the case at General Motors.

Synergies across different levels

Our research next asks whether it is possible to conclude that in European-level social dialogue, there are horizontal synergies between cross-sector, sectoral and company-level discussions, and vertical synergies between the European and national levels. This is a complex question and one to which our attention now turns, initially examining the limits of this system.

- European social dialogue involves various actors, all influenced by their own national institutions and interests. Despite the existence of some interaction, such as in the agreement on telework (Welz, 2009), the opportunity offered by the crisis to create greater synergies and coherence seems to have been missed, particularly at the cross-sector level and between this and the sectoral level.
- The majority of the joint texts concluded between the social partners' and the positions taken are not binding, thus limiting their impact at the national level.

The European social partners have been seeking solutions to mitigate the negative consequences of the crisis at cross-sectoral and sectoral level. At the European level, however, no binding text was agreed between the partners and after expressing some common opinions on the need for coordinated action at the European level, their positions quickly diverged, only to converge again at the cross-industry social dialogue committee discussions about the need to support economic recovery.

The European social partners remain important actors in the construction and consolidation of the European model. The autonomous Framework Agreement on Inclusive Labour Markets, published by the social partners in March 2010, is an example of the possible synergies between them.

Areas such as skills and training, health and safety, mobility, gender equality and new forms of work are areas where the European social partners play a key role in promoting new approaches that ultimately trickle down to the lower levels of social dialogue. Such a common approach is particularly important within the framework of the Europe 2020 Strategy, which indeed emphasises the role of social dialogue in delivering its objectives.

Despite the limitations of EWCs mentioned above, it is highly likely that their actions have the greatest potential to influence the national level, and this has been demonstrated throughout the crisis. Indeed, in responding to the challenges confronting workers of transnational companies, they have more opportunity to directly influence social dialogue at the national level.

The texts produced by the European social partners, whether at cross-sector or sectoral level, can show national social partners how pressure can be brought to bear on European and national policy decision-makers. However, our research appears to confirm that the coordination between the European and the national level has been weak throughout the crisis. Even so, it would be unwise and incorrect to evaluate the effectiveness of European social dialogue only in relation to highly visible outcomes such as framework agreements. The role of social dialogue also ought to be evaluated on its capacity to offer space for debate and disagreement, representing a European platform on which the national actors can participate in a collective learning process.

The legitimacy and role of European social dialogue was questioned a number of years ago and the management of the crisis has introduced the issue yet again and, to a certain extent, increased its relevance.

If synergies do exist at the European cross-sector level, they appear to be more developed at the European sectoral level. A number of sectors have agreed joint positions in response to the crisis, some taking a common position on the need for employee representatives to elicit and communicate the views of workers in multinational companies. To promote the empowerment of workers in multinational companies, three sectoral European federations attempted to develop a common strategy. The European Metalworkers' Federation, the European Mine, Chemical and Energy Workers' Federation and the European Trade Union Federation for Textiles, Clothing and Leather sought to develop a more sustainable model for growth, requesting that the European Commission constructs an industrial policy accordingly. They also supported the idea of a European framework agreement on managing change, relying on the new recast EWC Directive to grant employee representatives the right to the necessary information on companies' future projects and investment so that they can consider the possible impact on employment. This new common initiative (Liaisons sociales Europe, 2011) demonstrates the relevance of such interventions at the transnational level to promote joint solutions for all workers employed by the same group of companies. They are vital for achieving the EU 2020 Strategy's objective of smart, sustainable and inclusive growth.

Finally, the crisis has revived the debate about managing restructuring at the European level, abandoned in 2003 when the social partners failed to fully endorse proposals drawn up then. In March 2011, the Commission launched a consultation process with the European social partners on the management of company restructuring.

Responses of the social partners at national level

This research next examines whether the crisis has reinforced pre-crisis, path-dependent trends in social dialogue or generated newer, non-traditional approaches, and asks how widespread these might be given the different institutional and economic contexts of Member States. After mapping the responses of social dialogue at the various levels, the extent to which the various actors were mobilised is examined, and then whether they were able to move beyond traditional constraints and institutional patterns. This examination is undertaken at the cross-sector, sectoral, regional and company levels.¹⁹

Outcomes of cross-sector social dialogue²⁰

At this stage of the research, the authors focused on practices between social partners which resulted in national collective agreements.

The social partners also contributed to the development of solutions by cooperating with their governments to broaden and enhance public, economic, employment and social policies intended to mitigate the consequences of the crisis. This type of solution represents an additional category of social dialogue that must also be mapped by this research.

The mapping of collective agreements and collaborations with policy-makers will demonstrate the important role of the social partners throughout the crisis, and the various ways in which they were able to influence policies and support workers. However the mapping exercise also demonstrates that in those countries where social partners' collaboration with government remains less developed, they were nevertheless involved in discussions about anti-crisis packages. As one study (ILO, 2009c) observes: 'The social partners have tried to contribute to the formulation of anti-crisis programmes and packages and to find creative solutions to limit the impact of the crisis in terms of job losses and enterprises bankruptcies.'

Here, two different trends can be observed. In some cases, the initial impact of the crisis prompted responses characterised by consensus between the actors, due to the urgency of the situation, which resulted in immediate anti-crisis agreements. In others, the initial response was hesitation and a failure to appreciate the severity of the crisis. While agreements were concluded, they were only reached after a much longer negotiation period.

The process of social dialogue has varied throughout the crisis and is demonstrated by the number of successful negotiations leading to formal agreements, or to agreed solutions with governments and, finally, by the number of unsuccessful negotiations (European Commission, 2009c).

Spain is a very good illustration of the initially more hesitant response to the economic crisis. In 2009 negotiations between trade unions and the employers' organisations ended in deadlock and the social partners were unable to conclude an agreement. However, in 2010 negotiations resumed and an unprecedented three-year agreement was signed. In contrast, in Bulgaria where the social dialogue landscape is in a state of flux and is less developed than in older Member States, the social partners took a proactive position and urged the government to act, concluding an anti-crisis package containing 59 measures on 30 March 2010. In November 2010, the Bulgarian social partners signed one national agreement covering home-based workers and another national agreement on telework. These agreements were developed by a working group responsible for developing anti-crisis programmes, and were extended to cover other sectors by the Ministry of Labour and Social Policy

¹⁹ The regional level is hard to map since data are fragmented and not always available. But a short section is nevertheless dedicated to this level.

²⁰ See annex 3

through legislation, representing a first for this approach in Bulgaria. This example illustrates how the crisis has created opportunities for some social partners to become more involved in the creation and the terms of reference of economic and social policies.

Social dialogue led to agreements in many Member States, despite the tensions and difficulties between the social partners and between the social partners and their government, as the following examples illustrate.

Belgium: the difficult economic climate led to an intensification of consultation within the Works National Council, which resulted in the conclusion of an exceptional cross-sector collective agreement on the ‘contribution to the restoration of confidence’ in December 2008. But in 2010 the Belgian social partners found it hard to reach agreement, which was unusual considering the strong tradition of social dialogue in Belgium. Negotiations to extend the temporary unemployment programme for white-collar workers were blocked by trade union opposition, increasing tensions between the social partners and the government.

Bulgaria: the trend of so-called ‘continuous job creation’ in Bulgaria slipped into reverse towards the end of 2008. The Bulgarian social partners found themselves in a completely unique situation at the onset of the crisis, as employers laid off workers after many years of employment growth. The election of a new government in July 2009 combined with the impact of the crisis created momentum for social dialogue at the national level, and by the autumn of 2009 anti-crisis measures were already being discussed. These discussions focused on 93 measures, 43 of which were proposed by the government and 50 by the social partners. Lengthy and controversial discussions produced the ‘Agreement on the anti-crisis package containing 59 measures’, endorsed by all parties on 30 March 2010 (European Commission, 2010).²¹ Further agreements were concluded in late 2010, which saw the introduction of the principles of flexibility and security for home-based workers and teleworkers.

Czech Republic: the impact of the global crisis was felt in the Czech Republic in 2009. Anti-crisis measures became the subject for tripartite negotiations within the Economic and Social Council, and of discussions between employer organisations and the trade unions. In August 2009, the government invited the social partners to discuss a new strategy to reduce unemployment by reducing working time or introducing short-time work and state-subsidised employment. This initiative was warmly received by the social partners. In the summer of 2009 they and the government discussed the alleged abuse of flexible forms of employment. In order to reduce the national deficit the government proposed a draft budget for 2010, which included relatively drastic cuts in public sector pay and employment. This triggered severe criticism from unions in the sector and, eventually, many of the proposed cuts were rejected by the country’s parliament. The government continued to persuade the social partners to accept its anti-crisis policy in 2010 and in February 2010²² the government and the social partners reached an agreement on 38 short-term measures to deal with the economic crisis, accepted by the government in April 2010 after the social partners expressed dissatisfaction with the implementation process. Shortly before the parliamentary elections in late May 2010, a new deal was concluded comprising 13 measures to stimulate economic recovery, employment growth and the prudent management of public spending.

21 <http://www.eurofound.europa.eu/eiro/2010/04/articles/bg1004019i.htm>

22 <http://www.eurofound.europa.eu/eiro/2010/02/articles/cz1002039i.htm>

Estonia: after a long debate between the social partners and the government, a tripartite agreement was signed in March 2009, the first of its kind. Its objectives were to maintain employment levels and it represents a first step towards more flexible employment systems counterbalanced by improved social security schemes.

France: the first crisis-related agreement was signed on 8 July 2009, to manage the effect of the crisis on employment. This agreement was complemented by further agreements on 2 October 2009, on short-time working, and a cross-industrial collective agreement in May 2010 for the unemployment insurance scheme that created a joint social investment fund to coordinate training and up-skilling, to be managed by the social partners and the government. This example illustrates the capacity of the social partners to overcome their traditional confrontational relationship, although these tensions returned when discussions about raising the state pensionable age began.

Latvia: an agreement – the first of its kind – was signed in June 2009 to reduce the country's public sector deficit. This followed the granting of foreign financial support at the end of 2008 to stabilise the Latvian economy. A compromise was reached to freeze public sector wages, compensated by an increase in social security payments. Social dialogue with the government was variable, alternating between cooperation and confrontation.

Lithuania: economic growth and labour shortages between 2004 and 2007 had increased the influence of trade unions and improved social dialogue, as unions fought for better working conditions for their members. But Lithuania was hard hit by the crisis, resulting in sharp increases in unemployment and a large public deficit. Austerity measures introduced by the government in 2009 triggered strong protests from the trade unions. After months of opposition, a national agreement on economic and social policies was signed at the end of October 2009 for a period of two years. The agreement covered issues such as tax, public spending, public sector pay, cuts in social security benefits, public sector reform, economic stimulus measures, energy policy, education and training, health care and measures to counter the country's informal economy. This agreement was the first of its kind.

The Netherlands: negotiations took place between the social partners and government, and between the bipartite Labour Foundation and the government, leading to an agreement signed in October 2008 to shore up wages and prices. This was complemented in March 2009 by a National Crisis Social Pact, concluded by the Labour Foundation in cooperation with the national government. This is an example of both collective bargaining and cooperation being important responses to the crisis.

Box 2. The social pact in the Netherlands (2009)

Context: the pact was negotiated between the Labour Foundation (composed of employers' and employees' national social partner organisations)²³ and the government in March 2009. The process was both bipartite and tripartite, involving initial agreement on a series of anti-crisis measures between the social partners. With this package in place they then negotiated with the government over the public initiatives required. In return for introducing publicly funded measures, the government sought contributions from the social partners such as public-private cooperation, combining public and private funds for sectoral training and developments governed by sectoral social partners, and sectoral initiatives focusing on vulnerable groups of workers.

23 Employers organisations VNO-NCW and MKB Nederland, trade union confederations FNV, CNV and MHP.

Success of the negotiations: the parties also agreed that the social partners would be given a maximum of six months to agree an alternative to the government's decision to raise the state pension age to 67 over the next few years. In the tripartite Social Economic Council (SER), the 'third' party is a group of independent experts from science, politics and other organisations nominated by the government. The SER had the authority to devise alternatives to the government pension proposals if they offered identical savings. Although such a deal seemed possible, the employers pulled out of the discussions one day short of the six-month deadline because they no longer believed a compromise was achievable. This was a big blow for social partnership. The trade unions blamed the employers, and future cooperation was in jeopardy. The government then began considering an amended version of its original proposal. However, with the fall of the government in April 2010, national social partners resumed their discussions and reached an agreement on the pensions issue in June 2010. This has since been supported and adopted by the new government.

Path dependency and innovation: the pact created a government-funded tool, Part-time unemployment benefit, (PTUB), to prevent job losses for a fixed period during the economic downturn. PTUB helps employers keep their skilled workers on the payroll with a temporary part-time unemployment benefit to help compensate workers for the loss of between 1% and 50% of their working hours. The workers' representatives, in most cases the works council (*instemmingsrecht*), have to agree to the use of PTUB. In December 2009, 3,800 companies had made use of it for a total of 40,000 employees. By March 2010, approaching the end of the scheme, 36,000 employees were in receipt of PTUB. The government, under pressure from the social partners, decided to continue the scheme until July 2011. The indirect and long-term effects of the scheme still have to be evaluated in depth, such as the survival rate of companies, innovative company restructuring programmes, the long-term labour market opportunities for employees retrained through PTUB, and the role of workers' representatives in co-managing this process.

One of the initiatives introduced is the creation of 33 regional mobility centres covering the entire country. Stakeholders are the UWV (the unemployment office) and UWV Werkbedrijf (the employment office), and mostly knowledge centres, local and provincial communities, educational institutes and their supporters, temporary agencies, career centres and re-integration companies. In the first four months of 2010, 4,200 people had been guided through job-to-job transition without becoming unemployed in the process. A further 4,055 were helped into a new job within three months of becoming unemployed. In the nine months that the centres operated in 2009, the total number of people passing through the scheme was about 100,000.²⁴ However it appears that the numbers of successful interventions are growing slowly and are now a substantial part of the work of UWV. The centres were due to close in 2011 under the provisions the social pact, but their functions are being integrated into the public employment service.

Source: Wim Sprenger, expert for the Netherlands who delivered information on social dialogue in times of crisis in the Netherlands, 2010.

Poland: in 2009, for the first time in the recent history of Poland, the social partners launched talks to discuss ways of responding to the crisis. Whereas trade unions feared the prospects of mass redundancies, employers predicted a large wave of bankruptcies. Consequently, all central-level social partners joined forces to devise a programme to both protect jobs and support companies. This led to

²⁴ Press communication SZW 8 June 2010.

the signature of an 'anti-crisis package' in March 2009. The government took a unilateral decision not to fully translate the measures into legislation, in turn creating tensions between the social partners and the government. Nevertheless, so much agreement between the social partners in the first place has been an important and constructive step for social dialogue in Poland. In other countries, initially successful social dialogue alternated with strong opposition, resulting in the failure of negotiations.

Finland: the social partners signed an agreement at the beginning of 2009 on welfare and employment issues in line with the programme put forward by the minister of finance'.²⁵ But then tensions and disagreements began to appear within the ranks of the social partners, or between the social partners and the government. Talks failed to create a possible inter-sectoral framework to organise lower level negotiations, a central feature of the Finnish industrial relations system, and employers withdrew from these cross-sector talks. Additional tensions appeared when trade unions decided to confront the government's unilateral decision to raise the retirement age from 63 to 65 years of age. This led to 'the presidents of three trade union confederations (SAK, STTK – Finnish Confederation of Salaried Employees – and AKAVA – Confederation of Unions for Academic Professionals in Finland) [accusing] the government of abandoning the traditional tripartite process and the possibility of a general strike was threatened'.²⁶

Greece: tensions between all parties escalated to levels unimaginable prior to the crisis, as the government introduced austerity programmes to cut wages in the public sector and several general strikes were organised. In July 2010 the social partners did sign a national collective agreement on working conditions, but the deepening public debt crisis and further austerity measures revived tensions between the government and Greek society, expressed in recurring general strikes.

Hungary: despite the creation of a tripartite, publicly funded vocational training and education programme and the support offered by the social partners, tensions were clearly visible between the trade unions, employers' organisations and government. On 6 March 2009 an agreement was signed by the government and the employers on the scope, objectives and principles of negotiations about the social and economic situation, and on the measures to be adopted by the government. However, the trade unions failed to reach a common collective position and two union confederations refused to sign the agreement. The government's 2009 budget failed to secure consensus and the annual wage negotiations, begun in October 2009, failed to produce a new agreement. The social partners and government eventually agreed on a minimum wage for 2010 and recommended wage increases to maintain the purchasing power of net wages.

Ireland: a national pay agreement was concluded in September 2008, and was due to be revised in 2009 but the employers withdrew from these negotiations. Negotiations were deadlocked and the agreement suspended. Further tensions emerged when the government decided to freeze public sector pay until finally, in June 2010, a protocol was agreed which emphasised the importance of preserving jobs and employment.

Italy: both social dialogue and collective bargaining were characterised by tensions. A framework agreement for the reform of collective bargaining was signed on 22 January 2009, establishing an income policy, strengthening company-level collective bargaining, creating the possibility of the adoption of 'opening clauses' to increase work flexibility and productivity, and limiting union powers

²⁵ <http://www.eurofound.europa.eu/eiro/2009/02/articles/fi0902029i.htm>

²⁶ <http://www.eurofound.europa.eu/eiro/2009/03/articles/fi0903019i.htm>

to strike at the company level. It was not signed, however, by the largest trade union confederation, CGIL. Around 60 national collective agreements have been signed since on the basis of this new framework but severe tensions remain among the three main trade unions over the role of the country's collective bargaining system, and the mechanisms needed to manage the crisis. An agreement signed at the national level covering temporary and agency workers is worth highlighting, given the fact that this group of workers tend to be the first affected by the consequences of a downturn, being more easily dismissed and having less employment protection than permanent workers.

Luxembourg: social dialogue in Luxembourg, a country known for its strong tradition of social partnership, faced harsh challenges throughout the crisis. Although emergency anti-crisis measures, created by the Tripartite Coordination Committee, were agreed in January 2009, two important events demonstrated a break from the consensual model of industrial relations. First, in May 2009, although large-scale industrial action is rare in Luxembourg, trade unions organised a demonstration to protest against threats to dismantle the social security system. Second, in the late spring of 2010 the parties to tripartite negotiations were unable to reach a consensus as the unions disagreed with the government's proposal for the reform of index-linked salaries arguing that they were a key component of the country's social model. However, a number of studies suggested that the index could present a barrier to the country's competitiveness. In the summer of 2010, the employers' umbrella organisation, the Union of Luxembourg Enterprises, proposed a number of reforms of the industrial relations model and of the accompanying labour legislation to improve the system's flexibility, saying this was a key demand for the continuation of the tripartite partnership.²⁷

Slovenia: since 1993 Slovenia had seen a series of national social pacts between the social partners and the government, but these came to a halt at the beginning of the crisis. Proposals to create a new form of social dialogue were put forward to the new government elected at the end of 2008, but it was agreed that discussions over the crisis were more urgent. A reform package was prepared by the government and in December 2008 the Slovenian government and the social partners in the Economic and Social Council of Slovenia (ESSS) reached a consensus on all areas of the package of measures.²⁸

Spain: bipartite and tripartite social dialogue in Spain has produced alternating consensus and disagreement, success and failure throughout the crisis to date. Following the production by the social partners of a general declaration of intent to counter the crisis in 2008, social dialogue between trade unions and employers' organisations reached deadlock in 2009. The parties were unable agree on 'reference wages' for collective bargaining. Fall in demand and consumption created a significant threat of deflation and while employers were unwilling to forecast the distribution of productivity profits, the trade unions refused to relinquish wage increases to maintain the purchasing power of their members. Finally, given the difficult situation created by the non-renewal of collective agreements and the country's worsening economic situation, the social partners began to negotiate an agreement on bargaining. In February 2010, a bipartite inter-professional agreement for employment and collective bargaining for the period 2010–2012 was signed, seeking to strike a balance between wages and employment. It embodies a commitment to increasing employment and, at the same time, to protecting workers' salaries. However, it was not possible for the social partners to conclude a tripartite agreement with the government and the disagreements between them and the government peaked in a general

27 <http://www.eurofound.europa.eu/eiro/2010/07/articles/lu1007021i.htm>

28 Eurofound, European Industrial Relations Dictionary, Slovenian Industrial Profiles.

strike organised on 29 September 2010, the first since 2002. Finally, the deadlock between the social partners was broken and a three-year framework agreement was concluded at the end of 2010.

In other countries social dialogue created no official collective agreements. However the social partners offered important and influential contributions and support to government programmes.

Austria: the social partners approved the government's recovery programme and enabled short-time working to be implemented from February 2009 onwards. A traditional feature of Austrian employment relations is close and frequent consultation between the social partners and this has been strengthened by the current government, composed of both the conservative People's Party and the Social Democratic Party. This close path-dependent relationship has produced a renewed short-time working agreement which includes reductions in working time with further/higher education provision for affected workers.

Cyprus: the government's anti-crisis package was approved by the social partners in November 2009.

Denmark: the social partners proposed four initiatives to support employees threatened by job loss that were subsequently endorsed by the government.

Germany: the government's stimulus packages of 2008 and 2009 were supported by the social partners, as were short-time working arrangements.

Malta: consultations led to the production of seven key priorities to deal with the crisis.

Portugal: initiatives taken by the government on employment and social benefits were welcomed by some trade unions and criticised by others, and conflict prevailed at the beginning of 2010, culminating in calls for a general strike in March.

Romania: the social partners pressured the government to extend its temporary unemployment measures and negotiated a new law on public sector wages. In 2008, however, a tripartite agreement was signed covering the minimum wage, which the new government refused to recognise.

Slovakia: parallel governmental accords with the social partners were signed in 2009.

The crisis did not modify the industrial relations system in either Sweden or the UK and as a result no agreements were signed in these countries at the national level.

Outcomes of sectoral social dialogue

It is difficult to find comparable data at the sectoral level, and where this is possible the statistics are rather fragmented. But the existing data do reveal that there were variations between the impact of the crisis in different sectors across Europe. This can be explained by the fact that sectoral level social dialogue is not a feature of all Member States' industrial relations systems, and because responses to the crisis varied considerably from sector to sector. For example, sectoral social dialogue barely exists in the UK, and across Europe generally industrial sectors were affected to a much greater extent than others, especially manufacturing. The impact of the crisis strongly influenced the pattern of subsequent negotiations and their outcomes, as did traditional, country-specific, practices. Pre-existing characteristics ensured that sectoral dialogue was limited to those countries where it already had an important role in the collective bargaining process. Many sectoral agreements have focused on employment issues, for example on short-time working arrangements, and more agreements were concluded in the manufacturing sector, particularly in the automotive sub-sector

and in the metalworking industry than in the private services sector. In fact, according to Glassner (ETUI, 2009): 'The limited role played by collective bargaining in dealing with the crisis seems to be characteristic of the service industries in general and of the banking sector in particular.'

A number of successful sectoral level negotiations are highlighted in the following cases, but represent only a handful of the total cases at the sectoral level.

In the food sector in **Finland** a collective agreement was signed in May 2010 to maintain workers' purchasing power in return for greater working time flexibility.

In the chemical industry in **France**, a collective agreement was signed on working time arrangements in September 2009. The agreement includes an increase in the benefits paid to employees and training during short-time working periods for all workers in the sector.

In the metalworking sector in **France**, a national sectoral agreement on emergency measures was signed in May 2009. The agreement was signed by four trade union federations, CFTD, FO, CFE-CGC and CFTC, and the employer organisation UIMM. The agreement was concluded in the context of the financial crisis and proposes solutions to safeguard employment and to create employment for those looking for work, but it also seeks to preserve jobs within companies so that they can continue to produce and innovate. Behind the agreement is the concept of using the crisis to develop the skills and qualifications of employees so that companies can be prepared for recovery when it comes.

The agreement can be categorised as path dependent since it focuses on the professional integration of the young, especially those from problem urban areas. It shows the ability of the social partners to mobilise and support both companies and employees during a difficult economic period. According to *Revue Sociales*, it is estimated that the agreement has trained 123,600 employees in 9,100 companies during the first year of its implementation, enhancing the competences of workers. According to UIMM, 32,500 young people gained an apprenticeship contract in the same period. The fixed-term agreement was extended until 30 June 2011 because of its initial success.

In the metalworking and electricity sector in **Germany**, an innovative agreement was signed in February 2010 in North Rhine-Westphalia that has led to improved coordination within the metalworking sector and in the region. The main points of this example are presented in the Box 3.

Box 3. Metalworking industry agreement in North Rhine-Westphalia, Germany (2010)

Context: the metal and electro-industry (M+E) in North Rhine-Westphalia (NRW) consists of several lines of business, such as automotive, metal processing and mechanical engineering. These are innovative areas of economic activity, and the region has been highly dependent on them for the success of its local economy. It was therefore particularly vulnerable when the economic crisis caused a sharp 20% decrease in demand for the products of the M+E sector, putting 150,000 jobs (of 700,000 in NRW) at risk. The collective agreement signed in February 2010, *A Future in Work (Zukunft in Arbeit)*, can be regarded as a product of the negotiations between the two social partners, the employers' association METALL NRW and the sectoral trade union IG Metall. Although there was some disagreement between the social partners, no industrial action was taken. After only two rounds of negotiation, an agreement was concluded for the M+E sector in February 2010. Efficiency, transparency and comprehensibility made a contribution to the high level of acceptance on both sides.

Exogenous factors: the steel industry has experienced serious hardship in recent years. In February 2010 the board of the IG Metall NRW officially decided to enter into early negotiations with the MET-employers, i.e. the employers of the metal and electric engineering industries. These negotiations were different from the usual discussions because of the impact of the economic crisis and for the first time in its history, IG Metall did not begin negotiations by making a wage claim and threatening industrial action. This was taken as a significant message that demonstrated the union's willingness to focus on crisis management in the metal sector.

Endogenous factors: German social dialogue relies heavily upon consensus and co-operation. Most agreements are concluded at the sectoral level, which usually occurs at the regional level, or *Länder*. Social dialogue in the metalworking and electricity sectors is well structured and well established and, given the difficulties facing the sector as a result of the crisis, IG Metall created a crisis intervention task force. Its function was to build up a consulting network to support companies in times of crisis. In February 2010, A Future in Work was agreed and signed by IG Metall and METALL NRW.

Path dependency and innovation: the traditional approach of the employers', and employees' organisations to build agreement by consensus was evident in this response to the crisis, as was the traditionally transparent and high-trust approach throughout negotiations. If anything, the crisis intensified social dialogue and created a better information and consultation process with the federal government about adapting the existing labour market instruments to counter its impact. North Rhine-Westphalia illustrates the consensual and short-term process of reaching a successful agreement with an effective outcome based on shared interests of both sides of industry.

The agreement was innovative because it contains an element of bilateralism, focusing on working hours and training in equal measure. It is not binding for the whole sector, but represents a voluntary agreement at the company level that the management and works council members can call upon when national labour market instruments are insufficient.

Source: case study carried out by Jörg Weingarten and Tim Pixa, Germany, 2010

Prior to the crisis, **the Netherlands'** construction sector had been afflicted by a labour and skills shortage. While the crisis solved this problem in the short term, as the sector shrank in response to the financial squeeze, the social partners recognised the possibility that the sector would have no labour reserves to meet the demands of any future economic upswing. In 2009, an agreement put the Anti-Cyclical Training Programme into place which encourages employers to train staff rather than make them redundant by offering reimbursement for training fees and wages. Two other innovative aspects of the agreement are a modular approach to vocational education, and the agreement's reach to SMEs (often overlooked in social partner discussions). Negotiations took the usual Dutch route, discussions between the social partners and with government.

In the metalworking sector in **Sweden** an agreement was signed in spring 2009 for blue-collar workers and includes initiatives to reduce working time, promote training and reduce wages, with redundancy a last resort.

In the finance sector in **Scotland** an initiative was agreed between the social partners to deal with the fall-out from the crisis in the banking sector. This sectoral level approach is considered innovative in the UK, where there are very few sectoral social dialogue activities. As a result, it has been studied by the researchers of this project. In the UK, trade unions are generally considered to be pressure groups

representing narrow interests, rather than organisations with a valid role to play in the political and policy-making system and an adversarial relationship between them, employers and governments tends to prevail. Although the union movement is not usually met with as much resistance by a Labour government (a party that the unions founded and continue to support financially), in England and Wales they are not seen as social partners. However, in Scotland there appears to be a different political attitude to the role of trade unions and, while employers may remain unwilling to involve them in policy-making, Scotland's political and employment relations infrastructure makes it relatively easy to bring together actors to discuss government policy objectives. This enables discussions between the actors representing trainers, employers, employees, funders, and regional and economic development agencies to be convened more quickly and directly. The social partners have acted to connect those workers facing redundancy with employers within the same sector looking to recruit. This is innovative in the UK in the sense that these initiatives are taking place at the sectoral level. The crisis may have also presented trade unions in Scotland with an opportunity to engage in genuine social dialogue, although this may be unsustainable in a country where sectoral social dialogue is rare.

A number of negotiations at the sectoral level also failed to produce outcomes, as illustrated by:

- the Metalworking sector in **Austria**, where negotiations on working time were abandoned due to the lack of consensus on employers' demands for increased flexibility, and unions' demands for working time reductions;
- the health care sector in **Estonia**, where cuts in public spending resulted in protests organised by the trade unions, although they failed to influence government decisions.

In countries where sectoral collective bargaining is present, the sectoral social partners intervened in two ways:

- by concluding specific crisis-related agreements on employment issues. The most common responses from the sectoral social partners include short-time measures to protect employment and workers' income. The first category of responses include traditional measures such as the extension, or introduction, of short-time working arrangements, often combined with up-skilling improving and releasing employees to work elsewhere. In the second category, agreements provide compensation for employees on reduced working time;
- through the traditional collective bargaining rounds, covering issues such as wages and working conditions, adapting the contents of these agreements to fit the context created by the crisis. This included, for example, the implementation of early retirement schemes, the provision of severance payments in the event of redundancies and postponing wage increases. In Germany the sectoral social partners in the metalworking industry introduced opening clauses in their agreement to enable cuts in wages.

Social dialogue activity at regional level

In the context of territorial social dialogue, the researchers sought to examine the regional level of social dialogue in order to analyse the extent to which regional social partners produced solutions to the crisis. The difficulties of finding data for social dialogue activity at this level has prevented a further analysis. Nevertheless, a number of regions across Europe have been involved in developing recovery plans at this level, and have created economic development plans and improved the support available for training. This level of activity is particularly pronounced in France, where the country's

regions have the power to intervene in fields of public policy, especially in economic development and training. To counter the crisis, a majority of French regions have developed their own regional recovery plan, including economic development and employment responses mainly based on stimulating access to training for young people and adults. On the whole, where such plans were introduced, they were supported by the social partners and their support was clearly therefore part of the process. However, there is no evidence that the social partners across Europe introduced negotiations at the regional level.

Noteworthy examples of social partner involvement at the regional level include an initiative from the Biella region in Italy, in which 'the Italian integrated territorial approach based on the involvement of social partners and local authorities at regional or provincial level' facilitated the restructuring of the textile sector, in the words of the European Monitoring Centre on Change (Eurofound, 2009c).

The Spanish researcher within the project drew attention to the important steps taken by the social partners in the construction sector of Andalusia, one of the European regions most severely affected by the crisis. The region's social partners and public authorities concluded the Seventh Andalusian Social Concertation Agreement. Although the regional actors were important to this process, the negotiations took place elsewhere. The social partners have a long tradition of social dialogue in this autonomous Spanish region and their involvement in the development of economic and social policies is fundamental. Despite tensions between *national* social partners, and the difficulties experienced regionally during collective bargaining over wages and annual working time, the work of the regional social partners ensured a successful outcome. The resulting agreement was signed in November 2009, just before the deadlock in social dialogue at the national level, demonstrating the unusual nature of Andalusian regional social dialogue.

The contents of this agreement cannot be considered as innovative, but unlike the sixth agreement, it covers all areas of economic and social policy, and it links both short-term measures to fight the recession and long-term developmental measures. This represents a shift in paradigm, combining reactive and proactive measures, although it is a long list of measures with hoped-for outcomes rather than a collection of initiatives intended to have a concrete impact.

Due to the absence of data for social dialogue at the regional level, extensive analysis of activity at this level would require in-depth research on the issue and is therefore beyond the scope of the current research.

Social dialogue activity at company level

Fragmented data makes it difficult to provide a general overview of the practice of social dialogue at company level. However, Eurofound's EMCC has studied a number of companies and represents an important source of information at this level. The industrial relations report published by the European Commission in 2010 (European Commission, 2010c) also presents a list of manufacturing companies where agreements have been signed.²⁹ Limited evidence of company-level agreements or conflict can also be found where media reports have highlighted the outcomes of workers' responses to restructuring announcements. These published documents reveal that the social partners at company level, particularly in the manufacturing sector, have been active in their efforts to deliver specific

²⁹ In the appendix of chapter 3 a table provides 'Company level crisis response agreement in manufacturing'. See p. 121-124. (European Commission, 2010c).

solutions in affected companies. At the company level, trade unions, workers, management and the State have all carried a share of the burden brought about by the crisis.

Company-level agreements were fairly widespread in Europe throughout the crisis due to the urgent need for rapid responses, which ultimately compelled both management and trade unions to seek effective remedies. According to Glassner and Keune (2010): 'The company level has become the main arena for social partner action in order to deal with the challenges of the crisis.'

Numerous companies sought to save costs by reducing employment levels, and this was often the main topic of negotiations. In a number of cases the social partners attempted to negotiate compensation for the affected workers. Company-level agreements were often a product of concession bargaining, the most numerous examples of which were agreements on shorter working hours with a corresponding reduction in wages in return for a guarantee of employment security. However, there is evidence that sacrifices were demanded of workers with no accompanying guarantee by their employer to maintain jobs.

A presentation of five in-depth company case studies follows to illustrate the main findings in relation to our analytical framework. They are:

- MNB, the National Hungarian bank;
- a manufacturing company in Sweden;
- Magotteaux in the steel sector in Belgium;
- Carlsberg in the food sector in Bulgaria;
- CFR Marfa, a public railway company in Romania.

The sectoral spread of these case studies ensures that both the private and the public sectors are included in our analysis. They demonstrate the following characteristics of crisis-driven social dialogue.

- Many responses to the crisis through social dialogue have been agreed and introduced at the company level.
- There is a prevailing decentralisation of negotiations between unions and employers towards the company level.
- Although statistically unrepresentative, both the Belgian and Hungarian company case studies that follow reveal attempts by management to circumvent the trade unions by organising direct informal dialogue with individual workers.
- There is a trend towards concession bargaining, with many examples of employers gaining flexibility in working time and wages, in return for job security.
- There is an increasing trend for employers to gain workforce flexibility to the detriment of job security for workers.

Carlsberg, Bulgaria

Social dialogue at Carlsberg's operation in Bulgaria is both path dependent and, when compared with the general industrial relations pattern in Bulgaria, innovative. Carlsberg's collective agreements

and social activity plans were implemented and respected during the crisis, compared to many that are signed but never fully implemented. Social dialogue continued throughout the crisis at Carlsberg Bulgaria and it was seen as an opportunity to strengthen cooperation between management and trade unions, to improve communication between the three trade unions, and to reassure employees and limit rumours about company's difficulties by keeping workers well-informed. A collective labour agreement was signed in 2009 at company level, as was a social activity plan. Although the agreement was not signed in 2010, it was nevertheless adhered to.

The case study demonstrates the capacity of trade unions and management to maintain social dialogue and safeguard employment despite the company's market being severely affected by the downturn.

Magotteaux, Belgium

The case of steel manufacturer Magotteaux in Belgium also shows how social dialogue at company level can be respected and maintained during a severe economic downturn. A restructuring process divided into several phases was launched by the company's managers, starting with an extraordinary works council meeting. It involved FGTB-SETCA (Union for Professional and Managerial Staff and White-Collar Workers of the General Labour Federation of Belgium) to inform workers' representatives about the restructuring. A general assembly was then organised to inform workers who reacted calmly to the announcement of the necessary cost-cutting plan. During the three-month information and consultation process that followed, workers' representatives made counter-proposals to the measures put forward by the company and finally concluded an agreement for both the company's blue- and white-collar workers in 2009. This smooth process of social dialogue was consistent with the national tradition of social dialogue in Belgium, where legislation obliges the company to inform and consult, and by the existing cooperative culture between management and trade unions in the company. After the agreements were signed, formal social dialogue was complemented by small meetings to keep the workforce informed.

The Hungarian Central Bank

The Hungarian Central Bank (MNB) is a not-for-profit national institution. This case study demonstrates how management, unsatisfied with the outcomes of formal social dialogue, can attempt to circumvent trade unions by consulting directly with its employees about cost-cutting measures.

Box 4. *Magyar Nemzeti Bank in Hungary (2008)*

Context: the crisis had a profound effect on the banking sector in Hungary, including the Hungarian Central Bank (*Magyar Nemzeti Bank*, MNB). The union density rate at MNB is 30%, which is twice the national average. Negotiations on cost-cutting proposals were held between December 2008 and January 2009 and led to some concessions by the workforce on financial compensation and possible lay-offs, and flexible working time arrangements were introduced.

Exogenous factors: the crisis impacted not only directly Hungary's private banking establishments but also the state's central bank.

Endogenous factors: before the crisis, the relationship between employees' representatives and the management of MNB was good, based on cooperation and close relationships, regular information sharing, collective wage bargaining, and collective agreements covering all employees.

Path dependency and innovations: the cost-saving project launched by management changed the pre-crisis methods of consultation. Management were not happy with the results of the traditional social dialogue process and then decided to launch a process of direct consultation with employees. Thus, social dialogue at MNB has experienced a radical change: from formal social dialogue to informal direct discussions. Negotiations held between December 2008 and January 2009 bypassed the social partners and resulted in direct concessions from the workforce (e.g. flexible working time arrangements). The measures taken within the formal and informal social dialogue enabled the company to both save jobs and to carry out the planned cost savings programme. The crisis represents a radical shift over the issue upon which trade unions negotiate – in the past they negotiated over wages, now they had to negotiate just to save jobs

Source: case study carried out by Csaba Makó, Miklós Illéssy, Péter Csizmadia and Katalin Bácsi, 2010

The automotive sector, Sweden

The fourth company-level example is in Sweden's automotive sector in Sweden and illustrates how the country's traditional framework of social dialogue has been used to manage the restructuring process. The manufacturing company studied was the first in which a local crisis agreement was negotiated on the basis of the central collective agreement. Agreements for blue-collar and white-collar workers represent a compromise between trade union and management demands. Trade unions accepted a reduction in working hours and wages provided that there were no dismissals for the period covered by the agreement (from 1 April to 31 December 2009) and that the revision of wages was postponed. The process of social dialogue has not changed because of the crisis and the government has not intervened. The central agreement allows for local agreements to be negotiated. The trade unions were consulted throughout the restructuring process, accepting wage cuts to save jobs, and the workforce supported the measure. The wage reduction does, however, raise questions about how wages will be set in Sweden in the future.

CFR Marfa, Romania

The fifth case study focuses on Romania's public railway company, CFR Marfa, where the crisis increased pressure to restructure. It illustrates how a government can unilaterally impose change on a workforce, while also demonstrating the capacity of trade unions and management to reach agreement on how to preserve jobs.

Box 5. CFR Marfa, Romania's public railway company (2009)

Context: CFR Marfa is a public railway company that has been undergoing restructuring since the beginning of the 1990s. The announcement of further cost-saving measures by the government, as a result of the crisis, led to negotiations with trade unions. Negotiations became increasingly tense and the government resorted to collective dismissals as the main cost-saving measure despite trade union opposition. Difficult negotiations drawn out through the first half of 2009 postponed the signature of the annual collective agreement until June.

Exogenous factors: CFR Marfa was created from the transformation of the railway transport sector initiated at the beginning of 1990s supported by EU Directives. Even before the crisis there were structural difficulties within the sector, such as low investment in infrastructure and the increasing competition from road transport, and financial losses in 2008 worsened over the following 12 months. The government's view was that the company had too many employees and that wages were too high. Trade unions argued that the government's discriminatory taxation and institutional environment had made it difficult for CFR Marfa to compete with alternative road and private railway freight transport.

Endogenous factors: traditionally collective bargaining had taken place between the company's three representative trade unions and the management. Compared to other parts of the public sector in Romania, these negotiations had been considered to be honest and cooperative, leading to agreements that were honoured. However, the signing of a collective agreement depends on the budget of the minister of finance.

Path dependency and innovation: social dialogue during the crisis followed the traditional institutional and legal framework and so the announcement of cost-cutting by the government due to the impact of the crisis led to negotiations with trade unions. However, there was one important innovation in the common position adopted by the company's management and trade unions to preserve as many jobs as possible, and CFR Marfa was the first public company to negotiate a reduction in the number of jobs through voluntary redundancies, new legislation for compensatory benefits in case of dismissal and protection measures for vulnerable groups of workers. But negotiations became increasingly tense and the government sought to make collective dismissals the main source of cost savings.

In the end, the government was not satisfied with the solutions favoured by either the unions or the management and took a unilateral decision to carry out dismissals in 2010, cutting 6,380 jobs and planning further dismissals for 2011. The implementation and impact of the agreement have therefore been limited due to the government's unwillingness to support the outcomes of social dialogue.

Source: case study carried out by Laurentiu Andronic, 2010

Analysing national social dialogue across Europe

Mapping social dialogue has revealed a variety of characteristics, trends and patterns that the authors will analyse in the following section of this report.

The key findings from this process are as follows.

- The mapping exercise has clearly demonstrated that the various levels of social dialogue have all played a role, with more or less success, in producing responses to mitigate the consequences of the crisis through the traditional collective bargaining process or by signing specific crisis-related agreements.
- However, the exercise has also revealed important differences across the Member States, characterised by the success or failure of social dialogue.
- Important variations between sectors have been identified by the mapping process, particularly in relation to the manufacturing sector where, compared to the public sector, the social partners have been more proactive and involved in seeking solutions through negotiation
- The research has revealed a mix of path-dependent trajectories and innovation through either the process of social dialogue or its outcomes.
- Company-level social dialogue throughout the crisis can be characterised by pragmatic activity that, in some cases, can be described as concession bargaining often accompanied by the decentralisation of negotiations.
- There have been relatively few innovative outcomes as a result of social dialogue in the crisis. Pragmatism prevailed and, in many cases, delivered solutions adapted to the specific national or sectoral contexts.

From these findings we are able to identify two types of responses to the crisis.³⁰

Two types of response to the crisis

Two types of measures to alleviate the impact of the crisis were supported by trade unions. The first focused on avoiding redundancies and the second on mitigating the effects of redundancies.

The avoidance of redundancies included measures such as short-time working schemes in various forms in different countries, and temporary lay-offs. In addition, early retirement schemes were also supported by unions, but used only as a last resort when restructuring led to job losses. Despite their usage and popularity, early retirement schemes are not sustainable in the long term because of Europe's demographic trend towards a steadily shrinking workforce and an increasing number of pensioners. As a result, early retirements have been less frequently sought throughout this crisis than has been the case in previous downturns. However, they still have appeal as short-term cost saving devices. In **Ireland** for example, the government included this measure in its emergency budget, aimed specifically at public sector workers (Eurofound, 2009e). Interestingly, the same report shows that in a major downturn, men under 55 are as vulnerable as those over 55. There is no evidence that early retirement schemes have any effect on job losses.

The second type of response to mitigate the effects are divided between negotiations over severance pay, for which there is still a large demand from workers, and agreements reached between trade

³⁰ See table in annex 4

unions and employers to support a return to the labour force for those made redundant. These agreements have taken various forms due to diverse national institutional settings – for example job to job transition (in the **Netherlands**), transfer companies (in **Germany**), job security councils (in **Sweden**) and work foundations (in **Austria**). These measures were often accompanied by offers of counselling, redeployment measures, reskilling and information on job vacancies. However, it is worth noting the absence of any initiatives to improve the tools or mechanisms to secure the transition of professionals from one job to another, particularly during restructuring (European Commission, 2010a). The full range of responses can be found in the *European Commission's Industrial relations in Europe, (2010)*.

Throughout the crisis, specific groups of workers were confronted with particular difficulties, such as maintaining employment or gaining access to the labour market for young people. The crisis has reoriented employment measures primarily towards those in employment, through short-time working arrangements and training, marking a shift in short-term policy target groups. As a result the most vulnerable groups of the population who experience the most difficulty integrating into the labour market were not part of the discussions of social dialogue although these difficulties were taken into consideration in some agreements signed at the national and sectoral level by the social partners.

Success or failure?

A number of countries concluded collective agreements in response to the consequences of the crisis, while others failed to do so. A number have managed to conclude agreements as part of their regular wage bargaining rounds, while a limited number have been able to agree crisis-specific measures in cooperation with the social partners.

'Only in a limited number of cases did social dialogue on anti-crisis measures result in the adoption of specific, fully-fledged tripartite or bipartite documents, legally binding only in very rare cases but always politically important' (Rychly, 2009).

Traditional rounds of collective bargaining on issues such as wages have been deeply influenced by the difficult economic situation, affecting the ability of the parties to negotiate a conclusion. This section of the report explains the difficulties of categorising country responses according to the traditional pattern of social dialogue. It is structured around three main elements that, collectively, offer an explanation of the successes and failures of social dialogue in the Member States.

- An initial focus on the influence of the exogenous factors of social dialogue.
- An analysis of the way in which various endogenous factors have contributed to success and failure of social dialogue, particularly examining the examples provided by the case studies carried out specifically for this research.
- A consideration of the role of the state as facilitator or barrier in the process of social dialogue.

Difficulties in categorising responses

Given the complexity of the context of the negotiations and country specific characteristics, it is difficult to categorise the successes and failures in terms of their key determinants. Moreover traditional categories of social dialogue, such as 'social partnership' or 'corporatism' fail to offer a full explanation as to why some negotiations succeeded while others failed. Instances of both success and failure can be found in those countries with a long tradition of social dialogue. There were successes in Belgium,

France, the Netherlands and Spain at bipartite level, but also in countries with a less robust tradition of social dialogue. In countries characterised by a very recent transition to a market economy, such as Bulgaria, the Czech Republic, Estonia, Latvia, Lithuania and Poland, the outcomes of negotiations often demonstrated the important role of government, with some being more open to discussions than others and some taking unilateral decisions. However, a similar trend of governmental unilateral intervention can be seen in countries where the social partners simply failed to reach agreement, for example in Spain, Finland, Ireland, Luxembourg and also Hungary and Slovenia. Spain's social dialogue throughout the crisis was characterised by periods of consensus and opposition, from a general strike called by the trade unions to a significant tripartite agreement on pensions.

It does appear that identifying the countries exhibiting a 'corporatist' or 'social partnership' approach demonstrates that both had their failures and success. What is noticeable in most of the countries in which the social partners failed to reach agreement is that social tensions were exacerbated by political difficulties and tensions increased among the social partners themselves, leaving them unable to develop common positions on crisis response, regardless of the institutional pattern within their countries.

In such circumstances, the relationships between the social partners and governments became increasingly tense, particularly when discussing the scope of austerity packages. In Hungary the problem was that regulation of the minimum wage was the responsibility of the tripartite institution, the National Reconciliation Council (NRC), while according to the Constitution only Parliament had the right to finally agree the measure and it was therefore necessary for Parliament to codify the activity of NRC (Eurofound, 2008).³¹ The concept of strong or weak social dialogue does not help to explain the successes or failures of social dialogue in this kind of situation, since it must depend on the internal relationships among the social partners, the degree of impact of the crisis and the type of relationships the social partners have with their government. Overall, 'Collective bargaining on a national level to prevent job losses has been successful in countries where the institutional foundations were sound, the social partners took their responsibilities seriously and governments offered the right kind of support'³² (ETUI, 2010b).

However, it should be noted that countries with a strong social dialogue tradition managed to overcome any difficulties and conclude agreements in 2010, as for example in Spain and Ireland.

But we must consider the extent to which the periods of opposition and consensus experienced throughout the crisis will have a further long term and profound influence on the industrial relations systems across Europe. In the event of a further prolongation of the current crisis or if recovery is slow, it is not clear what lessons will be learned from this process of social dialogue. Nor is it clear whether the scope of agreements, and their implementation, will remain unchanged.

The extent to which industrial relations are embedded within national institutions make comparisons difficult, where social dialogue has responded to a crisis affecting countries to differing degrees and

31 'In Hungary, new tripartite regional dialogue bodies were established to deal with training and development issues (HU08020491). However, tripartism proved controversial in Hungary throughout 2008. The government established the Economic Reconciliation Forum (Gazdasági Egyeztető Fórum, GEF), which broke with tripartite traditions as it involved mainly the government and business and reduces the trade unions role to simply one of consultation, which they have rejected (HU08100291). Furthermore, the laws underpinning the country's main national and sectoral dialogue structures were found to be unconstitutional (HU07010391), although these bodies continued to operate.' (Eurofound, 2008) *Industrial relations development Europe in 2008*, p. 25

32 ETUI, (2010b), p. 4

within differing time frames. However, cross-national analysis has revealed some general European trends when attempting to explain the success and failures of social dialogue.

Impact of exogenous factors on success and failure

Exogenous factors may explain failures of social dialogue in some countries. The economic consequences of the crisis represent an immediate explanatory factor. In a number of countries, such as Spain and Ireland, the impact of the crisis was felt first by the construction sector and this then led to a collapse in the housing market. The adjustment most immediately available to businesses in this sector was to shed temporary agency workers. Given the nature of their employment, the interests of this group of workers are not particularly well represented by trade unions and therefore their dismissals did not mobilise the unions. This only happened as the crisis deepened, and union members began to feel the effects.

However, given the overwhelming nature of the crisis, trade unions' demands for a fairer distribution of the burden went unheeded and conflict among the social partners and between the social partners and the government increased. In the case studies examined for this report, the crisis itself was the exogenous factor that was the key driver for the action of the social partners, whether it was at the national, sectoral, regional or company level.

The prolonged duration of the crisis also represents an additional influential, exogenous, factor. Initially the social partners in a number of Member States reached a consensus relatively quickly, either because governments were willing to consult or because of the urgent nature of the crisis. However, as the crisis wore on, the capacity for manoeuvre within negotiations began to diminish for both employers and unions, thus forcing all parties to compromise. Trade unions had to accept that many of their claims would not be met. Indeed, with the increasing pressure on companies and the public finances, the compensatory opportunities for workers decreased leading to rising tensions throughout many negotiations. The pessimistic prognoses for production and employment formed a backdrop to negotiations, as illustrated by the transnational discussions in ArcelorMittal (Box 1, p. 17), at the national level in the Polish agreement, at the sectoral level in the Dutch agreement (Box 2, p. 23) and the Scottish Finance Task force and at regional level in Andalusia. Company-level social dialogue was also influenced by exogenous factors forcing management and the trade unions to negotiate the contents of the rescue plans, as in the cases of Carlsberg Bulgaria, Magotteaux, MNB (Box 4, p. 33), in the Swedish manufacturing company and at CFR Marfa (Box 5, p. 34).

Another exogenous factor that influenced the success or failure of social dialogue is the extent to which welfare systems, particularly both passive and active labour market policies, were based on sound foundations prior to the crisis and the extent to which the social partners had been involved in their design and implementation, before and during the crisis.

Obviously the crisis, and its consequences on employment and unemployment, has added huge pressures to the public finances and welfare systems of many European Member States, which in some cases, even prior to the crisis, were already experiencing difficulties. However countries that had regularly invested in their labour market policies seemed to have a dramatically better capacity to respond rapidly to the crisis. These countries were able to introduce measures, appropriately targeted at workers as well as the unemployed, as opposed to measures exclusively focused on the unemployed before the crisis.

Impact of endogenous factors on success and failure

Endogenous factors also contribute to explanations of the success or failure of social dialogue. Long-term institutional social dialogue strengthened the resolve and cohesion of the social partners but did not entirely remove the typical conflicts of interest between them, as was seen in the case of Ireland, where tensions produced deadlock in negotiations on austerity measures. However, the long-term robustness of social dialogue in Ireland eventually reasserted itself and in 2010 the parties agreed and signed a protocol. Of course, the strength of social dialogue in Ireland will face its ultimate test as the country moves from the public sector crisis to a social crisis as services are cut and wages remain suppressed.

However the tradition of long-term institutionalised industrial relations by no means guarantees successful outcomes during a crisis. In 2008, at a relatively early stage in the crisis, the Belgian social partners signed a cross-sector collective agreement, which was followed by a failed attempt in 2010 to reach consensus contrary to the long-term tradition in the country. But overall the Belgian multi-level bargaining system has proved stable and has been able to adapt to the challenges of the crisis.

The crisis has tested the durability, balance, strengths and weaknesses of social dialogue across Europe. It must be noted that the impact of the crisis on the social dialogue framework can only be measured in relation to the situation of the industrial relations system prior to the crisis. In some countries dialogue was fragile and the crisis merely increased this fragility and made the necessary negotiations and financial adjustments more difficult.

A number of countries with traditional and sound foundations of tripartite social dialogue have intensified cooperation and partnership, for example **Austria** where social dialogue has been intense at both national and company level.³³ Here the social partners were able to take initiatives and the intensification of social dialogue was accompanied by a decreasing level of formality.

However, other countries which previously had solid traditions of cooperation and partnership have seen those relationships crumble under the pressure of the crisis, both with governments and among the social partners themselves. An example is **Spain** and the deadlock of tripartite negotiations at the beginning of the crisis, which led the trade unions to call for a general strike in September 2010. In **Portugal** too, a general strike was organised in March 2010 when the government proposed a public wage freeze. Competition between trade unions has sharpened and they have argued with each other in negotiations.

Finally, there are the countries that lacked strong social dialogue before the crisis, but which have nevertheless been able to use the concept extensively, especially at a bipartite level as in **Poland**, or at a tripartite level as in **Bulgaria**,³⁴ and in both cases it is interesting to note that the social partners were pro-active in urging the government to act.

The role of the state

The role played by governments and their relationship with their countries' social partners have been important factors in determining the legitimacy of social dialogue about crisis solutions. In countries

³³ Two labour market packages were agreed on in 2009 and companies negotiated and implemented agreement about short-time working arrangements with the national agreements leading twice to extend the duration of short-time working.

³⁴ In Bulgaria, intensification of social dialogue can be seen in the framework of the national tripartite cooperation council from autumn 2009 until spring 2010. But this equilibrium remains fragile.

where sound and solid relations existed prior to the crisis, the involvement of the social partners in the design of anti-crisis packages was obviously afforded greater legitimacy, although this did not prevent conflict. It did at least ensure that social dialogue was part of the solution-seeking process.

In some countries it is clear that despite good relationships between governments and social partners, some negotiations still failed, as in **Spain, Ireland and Luxembourg**.

In most of the countries in which social dialogue was successful, governments encouraged tripartite discussions and negotiations on anti-crisis measures, and this kind of consultation was a recent development in a number of countries such as **Bulgaria, the Czech Republic and Lithuania**.

Poland represents a unique case in which, for the first time, the social partners launched autonomous talks to counteract the poor macro-economic context. This broke with the traditional path dependency of the lack of social partner involvement in the country, and demonstrates how the exogenous pressure exerted by the crisis encouraged the social partners to act. Despite this, the Polish government did not respect the agreement concluded by the social partners.

This example shows how governments have influenced the outcomes of social dialogue throughout the crisis by their increasing tendency to ignore it and resort to unilateral decision-making, and this has been evident even in countries known for their solid tripartite social dialogue. It was particularly evident when it came to discussions concerning the public sector, wage-freezes or job losses.

A clear correlation can however be made between a lack of political will and the failure of social dialogue in the crisis, demonstrated by the case of the railway sector in Romania. The research suggests that the Romanian government disregarded the role of social dialogue by unilaterally taking the decision to dismiss 6,380 workers in 2010 with further dismissals planned for 2011. In this case it is suggested that the main cause of the failure of social dialogue was the lack of political backing by the government and its lack of interest in supporting social dialogue.

The role of government is particularly pronounced in this report's case studies, and in the Romanian and Hungarian examples, although there were consultations on government proposals, it was clear that there was little chance of influencing the government's position. Even when trade unions and employers agreed, governments sometimes refused to accept the outcome.

Path dependency or innovation?

It is clear that the crisis did not generate the necessary environment for the social partners to develop new methods of dialogue or responses.

Path dependency prevails

Despite the existence of some institutional innovations in response to the crisis, overall the traditional institutional patterns of European social dialogue prevailed and remain unchanged.

This is not to say that the behaviour of the social partners and the outcomes of social dialogue adhered to customary practice in all cases. In **Spain** and in **Ireland**, countries in which traditionally the social partners have reached agreement, our findings demonstrate a departure from path dependency. Employers and trade unions in both countries were unable to conclude an agreement on austerity measures, either with each other or with the government, resulting in deadlock.

The social partners in a number of countries did manage to reach agreement and our research has highlighted successful practices. The outcomes of social dialogue in the **Netherlands**³⁵ illustrate bipartite innovation, and the example of **France**³⁶ illustrates innovation through tripartite social dialogue. In **Finland**, the social partners, together with the government, introduced an innovative wage increase mechanism through which increases could be delayed or abandoned in certain circumstances. In **Poland**, the social partners have led intensive bilateral talks and reached agreement on an anti-crisis package representing a break from past practice. Unfortunately the agreed package was not fully incorporated into legislation. In **Slovakia**, an economic crisis council, comprising the social partners and government, was established and reached agreement on anti-crisis measures, and a similar approach saw equally positive outcomes in **Bulgaria**. In the two latter countries, and despite the creation of a new arena of social dialogue, the adopted measures are limited only to the crisis period and are thus unsustainable in the long term, and, despite their formal existence, their success is difficult to evaluate.

Path-dependent patterns of behaviour generated an environment throughout the ArcelorMittal-EMF negotiations that eventually produced innovative outcomes. Nevertheless, the agreement³⁵ concluded in November 2009 characterises a continuation, and a deepening, of the pattern of traditional social dialogue within the company, as opposed to a radical innovation. As Hyman (2010) observed, 'economic adversity gave management and workers a common interest in enhancing competitiveness' (Hyman, 2010b).

But path dependency and innovation ought not to be seen as mutually exclusive, as demonstrated by social dialogue in Andalusia. The social pact established in this region of Spain in 1993 has been uninterrupted since its conception. This policy has taken the form of seven main social concertation agreements signed between the Junta de Andalucía (the regional administration) and the most significant trade union and employers' organisations in the region (UGT-Andalucía, CCOO-Andalucía, CEA). Despite the relative and rather non-innovative nature of the agreement's contents, the pact does represent a strategic approach to social dialogue, innovative in itself.

Departure from path dependency

As the research has demonstrated, a break with the traditional path dependency approach that, at the same time, can be considered as innovative can be found both in countries with strong (robust, centralised and enforced) and weak (voluntarist and decentralised) industrial relations systems.

In countries with comparatively strong industrial relations systems, the results of social dialogue have tended to demonstrate the capacity of the social partners to adapt to challenges and to create innovative outcomes. In these countries our research has also revealed the capacity of the social partners to reach compromise (such as in the Netherlands or France).

In countries where social dialogue is considered to be weaker, the employment consequences of the crisis have challenged the status quo and produced an environment in which the historical lack of social partner involvement was reversed (such as in Poland or Bulgaria). The crisis also presented countries in this group with opportunities to intensify social dialogue. The Scottish case study, detailing the creation of a task force between the Scottish public authorities and the social partners

35 The social dialogue in the Netherlands led in March 2009 to the creation of 33 regional mobility centres managed on a bipartite basis.

36 French government and social partners have established tripartite committee to monitor the crisis and the launch in April 2009 of a social investment fund to coordinate action on training and reskilling managed on a tripartite basis.

to deal with the potential skills-flight facing the finance sector, demonstrates how the crisis created opportunities for innovation despite the voluntarist nature of industrial relations in the UK and the tendency for solutions to be market led.

In **Hungary**, the trade unions were excluded from discussions throughout the final phase of the crisis by the government and, despite this, flexible working time arrangements were introduced in eight companies, which itself can be considered as innovative in the Hungarian context.

Even among countries with a similar industrial relations system, such as those in central and eastern Europe, it is very difficult to make comparisons, but one common trend has emerged – the role of the social partners throughout the crisis became increasingly fraught in those countries where the government traditionally acts unilaterally. So, where the social partners were, at the start of the crisis, able to begin negotiations, as in **Poland**, or able to cooperate with the government in the creation of anti-crisis measures, as in **Romania**, eventually the respective governments tended to determine whether or not to adhere to the agreements concluded.

In **Romania**, while the overall process of social dialogue throughout the crisis was not characterised by innovation and took place within the country's traditional legislative and institutional framework, this example can be considered as innovative as it represents a rupture of path dependency. After a common anti-crisis programme in January 2009, the government introduced, a month later, a different set of measures containing an increase in social security contributions and a forecasted deficit of 2%. For more than a year other key measures were negotiated between the government and the social partners, but without a consensus being reached. However, the government eventually overcame the problem of opposition from trade unions by implementing reform without their support.

In **Poland** the government failed to implement the 13 recommendations of the social partners and instead came up with a different legislative programme. However the decision of the social partners in early 2009 to start bipartite negotiations is considered as innovative and marks a symbolic launch of genuine autonomous social dialogue in Poland.

Path dependency leading to innovative outcomes

Innovation through social dialogue can refer both to the practical outcomes as well as the strategic or political outcomes, and this is illustrated by the case of **Spain**. Generally, the contents of the agreement are not considered innovative. The innovation lies in the scope of the Seventh Social Concertation Agreement, which includes both economic and social policy areas and is important for combating the crisis and supporting long-term growth in the region.

The crisis has affected the contents of discussions, and their focus has now shifted towards creating and protecting employment rather than the quality of employment.

The Polish experience is a good example that illustrates that innovation and path dependency are not mutually exclusive. Social dialogue in **Poland** is not particularly well developed, not being institutionalised within the state apparatus in which economic, employment and social policies are developed. The crisis in this context was considered an opportunity for the social partners to influence the government's decisions and thus to begin a movement towards the institutional reform of social dialogue. However, this innovative aspect is contrasted with the government's path dependency in demonstrating a lack of interest in this form of decision-making and a preference for the usual unilateral government action.

Austria's short-time working case study illustrates the enduring power of path-dependent social dialogue. However, once more demonstrating the mutuality of these two concepts, the contents of the short-time working agreement are innovative, combining short-time working with training, education and flexicurity, and there is consensus between the social partners that it is highly effective and one which they intend to use in any future economic downturns.

Social partners in many European countries prefer to negotiate at the sector level and the level of activity or inactivity here throughout the crisis offers useful insights into the resilience of sectoral dialogue in dealing with an economic crisis. Our initial assessment suggests that the social partners maintained their discussions in those sectors where dialogue was established prior to the crisis. For example in Member States such as **France, Germany and Sweden** (metal sector), **Netherlands** (construction sector) and **Finland** (food sector) pre-existing sectoral social dialogue continued throughout the crisis. In those sectors where pre-crisis dialogue had been weak, was beginning to fracture or was starting to exhibit signs of decentralisation, such as in the print sector in the **UK**, the crisis appears to have exacerbated these pre-existing trends.

It is clear that where it did occur, sectoral level dialogue did tend to show path-dependent traits. Those sectors with the greatest activity – heavy industry linked to the automotive industry, construction and transport, and of course, given the roots of the crisis, the finance sector itself – had similar experiences. While it is clear that the degree to which individual countries were affected by the crisis has varied, nevertheless the severity of the crisis in these particular sectors did create demand for an urgent response.

There is a correlation between the extent of dialogue throughout the crisis and the volume of periodic restructuring undertaken before it. Restructuring within these sectors has become a continuous phenomenon due to their exposure to international competition and subsequent mergers and acquisitions. Through this process of 'permanent' restructuring, the social partners have gained considerable experience and have developed resources to better deal with the impact of change. It meant that they had well-established, well-organised and well-structured social dialogue and were therefore in a better position compared to mobilise internal resources when confronted with a crisis. The innovative collective agreements signed in the metal and electricity sectors in February 2010 between the social partners and the state of North Rhine-Westphalia in **Germany** are a good example of this. Not all responses to the crisis were defensive. Perhaps the most striking example among the sector case studies are to be found in **Germany** where the crisis altered the traditional approach of the some of the social partners and generated innovative outcomes. For the first time in the metal union IG Metal's history, its demands were not for a wage increases but for job security and flexibility. The agreements reached strengthen the role of local works councils and offers the local social partners a degree of discretion in applying certain elements of the agreement at company level. There was also a pilot agreement that can be voluntarily adopted by other states following its initial implementation in the region of North Rhine-Westphalia. A similar example of positive outcomes can be seen in the emergency crisis-related-agreement signed by the social partners in the metal industry in **France**.

The case studies from five **companies** produced two main categories of path-dependent/innovative outcomes.

- The first category includes company-level agreements where social dialogue has traditionally been underpinned by an environment of trust and cooperation and this has been drawn on to respond to the challenge of crisis. While the process itself may be regarded as one of path dependency,

the outcomes represent innovation. Despite some important differences in the way social dialogue has developed in the case studies, this mixture of path-dependent behaviour and innovative outcomes is represented by the Magotteaux case study in **Belgium**, the **Swedish** manufacturing company, Carlsberg in **Bulgaria** and MNB in **Hungary**.³⁷ The Swedish case represents a stable institutional pattern of dealing with restructuring. However, because it led for the first time to the introduction of such concessions as wage reductions, this cannot be considered as a 'positive innovation' since it may, in the long run, undermine the bargaining power of the trade unions.

- The second category involves cases where the durability of existing social dialogue was tested, represented by the Romanian case of CFR Marfa.³⁸ If the bipartite cooperation can be considered as a successful process, even one leading to common positions which can be considered as novel, the tripartite negotiations were difficult and tensions increased due to the increasing pressures on public finances.

In a number of companies there has been a deliberate strategy of establishing direct informal dialogue with their employees³⁹ in parallel with formal social dialogue, as at Magotteaux in Belgium and MNB in Hungary, and although agreements have been concluded with trade unions, the employer has also introduced informal discussions directly with the workforce.

Measures in the majority of agreements covered by this research do not represent a rupture with previous path-dependent responses to crises. The social partners have instead preferred to enact solutions that have been previously tried and tested, perhaps in an earlier period of restructuring. Measures supported by the social partners often refer to previous measures adapted to meet the specific challenges of the present crisis. This adaptation did not represent an opportunity for new and innovative actions, either in creating new arenas of social dialogue or in designing new measures. This path-dependent process reflects the theory of March and Simon (1958) which suggests that uncertain and unstable environments encourage actors to favour proven measures, not untested measures that may increase uncertainty.

Convergence towards short-time work

While the approach to social dialogue has varied, its outcomes share a number of similar themes in spite of the differences between national social security systems and labour market policies.⁴⁰

The social partners have played an important role in establishing and implementing short-time working arrangements. The partners influenced the components of this measure and helped introduce it through collective agreements. Indeed, short-time working arrangements are an established feature in many Member States and are frequently utilised during a downturn. The difference between this and past crises is the extent to which this measure has used by the social partners. Even in countries such as **Austria** where, despite its existence, this measure is seldom resorted to, short-time working has become the key instrument to counter the crisis as a direct result of social dialogue, used extensively to bolster job security and maintain employment while reducing the costs for employers. In addition,

³⁷ See the relevant boxes, p. 33

³⁸ See Box 5, p. 34

³⁹ A study carried out under the direction of V. Delteil in the multinationals in central and eastern European countries draw conclusions on this trend towards more direct discussions between management and workers.

⁴⁰ See annex 4

in a number of countries the state intervened to offer compensation to individual workers for the loss of their usual paid working hours.

Our research uncovered various approaches by Member States in the introduction of short-time working schemes (European Commission, 2010b):

In some countries, short-time working arrangements have been extended (for example in **Austria** where an extension for up to 24 months was agreed), widened to other target groups (in **France**), funded by modified benefit entitlements (in **Germany**, where short-time allowances were increased), or combined with training (**Wales in the UK**) where short-time working and training were introduced in the car industry).

Eight countries among the new Member States (**Bulgaria, the Czech Republic, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia**) and also the **Netherlands** amended existing short-time working schemes. However, these newer adaptations are often less generous in duration and benefits, but the changes are temporary and do tend to cover a greater number of employees. That so many countries used short-time working so widely and that other countries introduced it as the main 'shock absorber' illustrates a general awareness across Europe of its usefulness for avoiding redundancies in times of economic downturn. It also suggests that there was a conscious effort from the social partners to replicate the success of other countries by introducing this measure, demonstrating a degree of attempted convergence.

Another converging trend, although less widespread, was an attempt to link short-time working arrangements and training, such as in **Luxembourg**. However, there workers were expected to undertake training in their free hours, cited by the social partners as a reason for their negative perception of the results. The precise nature of this measure differed from country to country, and varied from flexible working time, as in **Poland**, to the 'flexi account' in **Slovakia**, and from work-sharing in **Denmark** and to part-time unemployment in the **Netherlands**. But all of these measures had one common objective, to preserve jobs and to combine short-time working with training to raise the competencies and skills of workers. In four countries, the combination of short-time working and training is in fact compulsory (**Czech Republic, Hungary, the Netherlands and Slovenia**).

Another feature shared by most Member States is their focus on short-term outcomes, on the assumption that the crisis is temporary. The majority of measures were introduced for a limited period of time only, generally until 2010. The **Netherlands** is an interesting example (see Box 2, p. 23). Here the social partners, together with the government, promoted a number of innovative measures, initially introduced for a limited period of time. However, there are now plans for the integration of the crisis-related measures into the country's public employment service.

Cooperation and conflict

Social dialogue played an important role as peacekeeper and social buffer by creating a joint voice to urge European institutions and national governments to act. Where the social partners were involved in the formulation of anti-crisis programmes, their involvement also served to legitimise actions taken by their governments. In some countries where the partners urged governments to act, the pressure they exerted led to a speedier implementation of anti-crisis programmes.

In **Denmark**, for example, despite disagreements between the social partners and the government, relationships are now considered more stable than during previous economic downturns. **Poland**

represents another interesting example where, according to the national statistics office, the economic decline in 2009 was matched by a drastic reduction in the number of strikes (12,765 registered in 2008 compared to 49 a year later). Trade unions appear to have shown restraint and an unwillingness to jeopardise companies' economic viability in the fragile economic environment. The Polish union movement was praised by the employers' organisations and the business community generally for its appreciation of the long-term implications of any demand that might hinder recovery.

But this process did not always take place without protests. Some common trends were seen across Europe. The positions of the social partners during the crisis can be divided into two phases in most countries, with only a few exceptions; an initial phase of consensus, both with the government and among the social partners, followed by a second phase of disagreement with the government and very often between the social partners, leading trade unions to call for strikes.

At first, given the scope of the crisis, actors cooperated. **France** is a good example where the traditional fractious positions among trade union organisations were abandoned when the crisis first hit the economy. However, conflict resurfaced among them and with the government later in 2009, leading to a confrontation over pension reforms. In **Estonia**, worsening relations between the social partners and deadlock in collective bargaining triggered industrial action and conflict. The 2009 strikes also involved a larger number of workers and establishments, probably due to the severity of the crisis in sectors such as construction and agriculture.

As the crisis wore on, social partners in most countries retreated to their traditional positions. As the impact on employment figures and public expenditures became apparent, strong disagreements flared between the social partners and the government, particularly in **Greece**.

Strikes were used by trade unions in many countries as:

- a tool to deter government from a particular decision, as in **Finland** when the government sought to increase the retirement age, or as in **Lithuania** where the trade unions fought the government's plan to reduce public wages;
- a protest against changes introduced unilaterally by the government to previously agreed measures, as was the case in **Poland** and **Estonia**;
- an attempt to break a deadlock in negotiations, as in **Spain or Ireland**;
- a political statement, as was the case in **Greece**.

Different types of conflict emerged between different partners over time:

- between trade unions and government, as in **Poland** where the seven representative social partners reached their own agreement on anti-crisis measures, and conflict was sparked by the government's refusal to accept the proposals;
- among the trade unions themselves, as in **Italy**, where the CGIL was the only union federation to refuse to sign the agreement on collective bargaining reform in January 2009;
- exceptional conflict, as in the case of **Belgium**, where the pre-crisis issue of whether white- and blue-collar workers should be covered by different agreements became entangled with the government's request of the social partners to find an agreement on three federal crisis measures, leading to deadlock on all fronts – between the social partners and between them and the government.

In most countries, the impact of the austerity measures on the public sector was met with strong opposition from the trade unions. In the private sector, unions were acting as social peacekeepers by reducing the number of strikes at the company level. In the public sector, the situation was very different.

‘Consensus between employer organisations and [trade unions] breaks down when it comes to public sector employment and state pensions’ (Eurofound, 2009a). This is a common trend across Europe reflecting the pressure that the crisis has exerted on public finances.

The public sector has been particularly hit by the crisis given the increase in public deficits that obliged governments to cut public services. This has generated strong disagreement among the social partners, with employers’ organisations supporting wage freezes and spending cuts, and the trade unions trying to safeguard employment and wages in the public services. It has also created increased opposition between governments and trade unions, leading to numerous strikes, as in **Romania** where strikes were called as a response to the government’s disregard for social dialogue.

The five case studies carried out for this research tend to confirm the initial hypotheses that where social dialogue has been carried out in a cooperative way, the volume of industrial action was lower. In the majority of case studies, due to the fact that the trade unions (and the workers they represented) were willing to make trade-offs, and were part of the negotiation process, the outcomes had greater legitimacy and therefore did not produce conflict. The only example in which unions resorted to industrial action was in **Romania**, in relation to a restructuring process in the public sector.

Decentralisation of social dialogue

This section examines the coordination between collective agreements reached at the national and sectoral level, and social dialogue practices at the company level. Using Glassner’s theory of multi-level bargaining (Glassner, 2010), two trends can be detected.

In those countries with multi-level bargaining systems, a dual process of social dialogue developed throughout the crisis. While it appears that a process of decentralisation has been underway throughout the crisis, it has been within the context of agreements concluded at the higher levels of social dialogue, leading to what is termed ‘organised’ decentralisation.

‘In general, where the countries with substantial sectoral and intersectoral bargaining are concerned, the negotiated responses to the crisis (...) tend to correspond to the concept of “organised decentralisation” (Traxler 1995), which is an on-going process in which higher level agreements set out the procedures and parameters for collective bargaining at company level’ (Glassner and Keune, 2010).

As national tripartite negotiations require time, and are often valid for a number of years, agreements concluded at this level tended to have a much more narrow focus, such as on short-time working. However, during the crisis, measures agreed at company level were more specific and were introduced rapidly, producing or reinforcing trends of organised decentralisation. This pattern was particularly true in countries such as **Austria** and **Finland**. In the latter, an agreement signed at the intersectoral level in August 2009 stated that pay increases would be agreed at the local level for the first year and then negotiated separately in subsequent years depending on the economic situation.

The second trend is, in contrast, a ‘disorganised’ decentralisation of social dialogue which was seen in countries where there is no tradition of multi-level bargaining. This kind of decentralisation leads

to agreements that are more likely to promote flexibility rather than employment security for workers. This was the case in **Hungary** where the role of trade unions within the new tripartite social body (the Interest Reconciliation Council) had been reduced, and so the company level became the main arena in which the crisis was addressed, especially in negotiations on redundancies.

In the **UK**, by 2011 the Scottish printing industry agreement had collapsed and, for the second consecutive year, the union and employer's body failed to conclude an agreement for the sector in England and Wales. The apparent demise of this agreement has already led to the decentralisation of collective bargaining to the company level.

Company-level social dialogue prevails in many of the New Member States, and our case study at the drinks company Carlsberg in **Bulgaria** tends to illustrate this point. While social dialogue at the national level in Bulgaria is considered relatively weak, Carlsberg's stable company-level industrial relations have protected its workers during a crisis. This case study shows how foreign investors can exert influence by transferring a new system of industrial relations to the companies they acquire.

Decentralisation of social dialogue is also illustrated by two of the other case studies, MNB and Magotteaux, where management used informal dialogue with the workforce to bypass the usual social dialogue framework. This shows how some employers have used the crisis to further individualise employment relations, and there is further evidence for this in a study by the French research centre of the Ministry of Labour (DARES, 2009) showing increased use of direct negotiations between management and individual workers by multinational companies in New Member States. The Hungarian and Belgian examples show that this trend also occurs in countries where social dialogue is well structured or where patterns of social dialogue are not so formalised. However, the Swedish case study suggests that informal company level discussions may have actually strengthened formal social dialogue, since the company was obliged to conclude a national agreement in order to introduce locally determined measures.

'Disorganised' decentralisation did not occur only in countries without multi-level bargaining. Even in countries with a tradition of multi-level bargaining, the crisis may have introduced the possibility of 'disorganised' decentralisation in the longer term, for example in **Ireland**, and where governments or social partners have chosen to disregard national agreements, companies may in future refuse to comply with them.

Prevailing pragmatism and concession bargaining

A general trend throughout the crisis is that social partners have reacted pragmatically, leading to concessions by the trade unions. 'Overall, pragmatism and adaptive reaction rather than systematic reflection have guided the involved parties' (ETUI, 2010b). In return for preserving jobs, trade unions and workers accepted reductions in working hours and wage-freezes, and in some cases wage cuts. The Swedish case study shows the readiness of workers and trade unions to make concessions in return for employment security, although this could be seen as a shift in the balance of power in the workplace. However, whether these concessions continue to be demanded by employers and met by trade unions is something further research ought to consider. **Sweden** may represent the best example of stable and prevailing pragmatism as a way of handling the crisis. The 'Swedish model of restructuring', characterised by extensive social dialogue and a well-developed system of outplacement services through job security foundations, has been rapidly mobilised.

The company case studies for this research demonstrate that workers' representatives were ready to engage in concession bargaining, particularly around working time and wages (see the following section on outcomes). At the beginning of the crisis and throughout, the positions of both social partners were clearly, if not predictably, defined. While employers sought cost reductions and increases in flexibility, the trade unions tended to support wage increases and safeguards to job security, yet the measures agreed upon by the social partners throughout have tended to produce balanced outcomes for each party, particularly for those in the private sector. They tended to be integrative so that both parties gained in some way.

Short-time working arrangements, for example, help reduce labour costs but, when accompanied by training measures, also help individuals maintain their skills, employment and enhance future employability. It has to be said that in the Swedish case study, this type of bargaining could be seen as evidence of a reduction in the power and influence of trade unions. '[Concession bargaining] could be read as evidence of trade unions' and works councils' weak bargaining position in a time of current economic hardship; however, cases of concession bargaining also highlight the role that social dialogue and partnership can play in finding flexible, if not easy, responses to seemingly intractable problems' (Eurofound 2009a).

The case studies carried out at transnational, national, sectoral, regional and company level illustrate that social partners, with national and regional public authorities and company-level management, tended to favour concession bargaining that puts employment at the core of their negotiations, mostly to the detriment of wage increases. The tense context of the crisis offered fertile ground for trade-offs, and most outcomes obtained through negotiations were a balance between the fear or threat of redundancy, and the necessary efforts required from all sides to maintain employment.

The readiness of the trade unions to alter their bargaining strategy was based on support from the work forces they represented, and the low level of company-level conflict suggests the support was readily available.

Integrative bargaining generated a more equitable distribution of the financial burden of the crisis between employees relinquishing income in return for job security, employers choosing to invest in skill-retention rather than shedding jobs, and governments that invested in public labour market programmes. In any other context, many of these outcomes would have been wholly unsatisfactory for the parties involved.

In the majority of cases, the most preferred adjustment mechanism was a reduction in productivity and an acceptance of wage moderation, as opposed to a reduction in costs, usually achieved by cutting jobs. Trade unions, traditionally at the centre of negotiations on employment issues, were ideally placed to offer such concessions. Another common trend in the choice of adjustment mechanisms was that in most cases short-time working arrangements were supported by public programmes.

Effectiveness and sustainability of social dialogue

The crisis exposed structural economic difficulties that existed prior to the crisis. As already discussed, the economic and employment structure of each country influenced the way the crisis affected Member States. While the crisis was often presented as the key cause of the recession's effects, in fact a wide range of issues formed significant links in this chain. These included the pre-existing polarisation of development across Europe, the uneven distribution of sectoral employment due to the disproportionate emphasis on certain goods and markets by some governments and employers (as, for instance, in **Slovakia's** automotive sector) and exposure to international pressures in the economy (**Sweden**). Weaknesses in innovation and investment in research and development, and the dependence of some countries on foreign direct investment (as in some central and eastern European states) all added a significant dimension to the impact of the crisis.

To address the crisis, recovery plans were supported by governments and social partners. However, none included deep structural reforms and, as a result, the impact of public financial support given to counter-crisis measures may be short lived. Even so, it is clear that social dialogue and public interventions were the main tools used to mitigate the effects of the crisis.

However a number of the consequences of the crisis can help evaluate the extent to which it created new challenges for social dialogue, its outcomes and its resulting measures.

Safeguarding employment

The crisis placed pressure on employment and the purchasing power of workers. This led the social partners and governments to negotiate to reach agreement on job security programmes and income support measures. Increases in the resources invested in these measures varied between Member States. 'The involvement of social partners in economic and social policy has been a feature of the 'European Social Model' and has made it possible for a number of countries to agree on a package of labour market crisis measures in a tripartite setting.' (Glassner and Keune, 2010)

The direct impact of these measures on the level of employment, unemployment and skill levels is very difficult to evaluate. Some statistics show that short-time working arrangements contributed to the safeguarding of jobs, but the issue is whether short-time working only safeguards jobs temporarily by postponing redundancies. The fact is that many training and reskilling initiatives introduced to maintain employment and to help individuals find new jobs were designed to adjust the supply side, adapting workers to the needs of the labour market. The impact of such outcomes is particularly difficult to measure and the link between the training pursued and the maintenance of employment, or the new job, is very difficult to ascertain. It can be said that these measures contributed to limiting the effects of the crisis in the short term. For a mid-term perspective, an evaluation of the evolution of the adaptability and employability of workers who attended training and skilling programmes during the crisis is required. A number of experts fear that the exit from the crisis maybe based on a jobless recovery, since its early phases will be translated first into an increase in the working time of those on short-time working schemes (European Commission, 2010b).

In **Austria**, social dialogue led to a relatively small increase in unemployment when compared to other European countries, which can be attributed to the introduction of short-time working through the negotiations of the social partners. These schemes have proved to be a highly efficient method of preventing unemployment and can now be considered key labour-market policy instruments in times of severe economic downturn.

However, in **Poland**, judging by the quantitative results of the major measures included in the anti-crisis legislation, their effectiveness has fallen short of expectations of both the target groups addressed by the social partners in the original agreement and, subsequently, in the anti-crisis legislation. The amendments introduced in the second half of 2010 with a view to enlarging the qualification criteria for the receipt of public finance apparently failed to achieve the desired effect. The only measure introduced by the legislation that appears to have generated a positive response in the labour market is the extension of working time, which allows for flexibility in working time at the company level through the mutual consent of the company and its employees.

In **Bulgaria**, the trade union representatives interviewed by the researchers agreed that the social dialogue undertaken at company level has been both effective and sustainable, and considered that the crisis had been an opportunity for the parties to better understand the importance of trust, communication and the need for agreement on important workforce issues.

Company strategies for managing human resources and internal labour markets were twofold. At the onset of the crisis employers sought greater external flexibility and thus the nature of temporary agency contracts was altered, acting as a short-term adjustment in accordance with the fall in production. As the crisis developed, companies pursued strategies to create greater internal flexibility, and social dialogue at company level generally supported this approach. Concessions were generally on the basis that austerity and flexibility measures were accepted by the workforce in return for employment security. The case studies at company level illustrate that there is risk of a long-term shift in the balance between flexibility and security at work. Even if the crisis has had a profound impact on the employment of temporary agency workers, and even if policy-makers have drawn attention to this section of the workforce (see the agreement signed in Italy), at the first sign of recovery employers have tended to prefer recruiting workers on temporary and/or fixed term contracts rather than creating permanent jobs. Therefore, in the longer term the impact of the crisis might be regarded as a catalyst for the shift from work stability to work flexibility, which may in turn undermine social dialogue in the future.

An example confirming this paradigm shift is provided by FIAT in **Italy**. New separate agreements at the FIAT plants of Pomigliano (Naples) and Mirafiori (Turin) were concluded in 2010. The agreements were initially agreed by all relevant unions, with the exception of FIOM-CGIL, and subsequently approved by the workforce in a referendum required by the management. Both agreements include: the company's departure from the main employers' body and the creation of a new body incorporating new national and sectoral agreements (including those which govern workers' representation in the workplace); the reduction of rest breaks at work; greater flexibility for the company in its use of working time, shifts and overtime; and strong limitations on the right to strike. In return, FIAT has promised to safeguard both plants, investing in innovation for production and development over the next five years (*Piano Fabbrica Italia*). This represents a typical case of concession bargaining, where the right to work is somehow exchanged for employment rights. According to the union federations CISL and UIL, the two FIAT agreements represent a new era of social dialogue in which decentralisation and derogation, through opening clauses, are no longer taboo subjects because they are compensated for by investment and social plan guarantees from the company. CGIL, however, insists that the agreements threaten the entire industrial relations system, establishing the prerogative of the company to abandon the employers' association and their system of agreements at all levels.

Drawing attention to vulnerable groups

The crisis did highlight the vulnerability of specific groups of workers not generally represented by trade unions, for example temporary agency workers and young people. **Italy** is one of the few countries to have addressed the specific problems facing the former group of workers. The measures introduced for temporary agency workers throughout the crisis do indeed represent innovation and have introduced a universal arrangement for them. The significance of this is that through collective bargaining the parties have extended welfare provision to this vulnerable group of workers. The precarious employment status of temporary workers is seen in the company-level case studies of Belgium and Sweden. In both countries the employers dismissed temporary workers as an immediate way of reducing the impact of the downturn on the permanent workforce. However, in Sweden the issue of temporary employment status was discussed between the social partners, both of whom felt the crisis did not present an opportunity to resolve this and that the status and use of temporary workers ought to be dealt with when the upturn arrives.

But a number of steps to give better protection to temporary agency workers have been taken in many countries, for example in **Austria**, where the crisis may have helped to highlight the need for the social partners to take such issues on board and to create an awareness of the needs of this specific group. Young people represent yet another group that was incorporated into social partner discussions during the crisis in a number of countries.

It is clear that the slow economic recovery will continue to have an impact on vulnerable groups of workers. Temporary agency workers are still considered as an obvious 'adjustment variable' in the current economic context, and the growing trend is for employers to employ workers on temporary contracts at the first signs of recovery. Eurostat reveals, for example, that in Germany temporary agency work represents 14.5% of the country's total employment which, although below the Euro zone average of 15.7%, has increased at a greater rate than the growth in overall employment (a 1.8% growth in temporary agency employment against 0.2% growth in full-time employment over one year, measured in Q2 of 2010). This is stark given that it has occurred in a country in which temporary agency worker employment was previously forbidden. Temporary work may be considered as positive if it supports individuals in their transition from education to work, but it may have negative implications if it traps workers, especially young people, in a cycle of work punctuated by regular periods of unemployment (European Commission, 2010b).

But despite the extent of segmentation and fragmentation within Europe's labour markets pre-crisis, the economic downturn has also deepened the disparities between 'insiders' – permanent workers – and 'outsiders' – vulnerable groups constantly attempting to enter the labour market on a permanent basis. These are temporary workers, young people, those with low level qualifications, older workers, migrant workers or people with disabilities, and this group represents an important challenge for social dialogue, raising the fundamental question of the extent to which their interests are or can be represented by trade unions. Most anti-crisis measures were oriented towards 'insiders', supporting the retention of employment and largely ignoring these vulnerable groups and increasing the disparity between them and those with secure employment. These vulnerable groups may experience still further adversity if the recovery fails to create jobs, and as governments reduce expenditure on labour market initiatives in response to the need to cut sovereign debt.

When the sectoral impact of the crisis is considered, it is clear that men were affected to a greater extent by unemployment than women and this contributed to a reduction in the gap between male

and female employment – a major priority of the EU 2020 Strategy. The strategy gives priority to achieving an employment rate of 75% across Europe by 2020, and this represents a greater challenge today, particularly for the integration of vulnerable groups, something that social dialogue has been presented as an important tool to achieve.

Labour market policies and public sector reform

As mentioned earlier, the consequences of the crisis on employment levels exerted pressure on the welfare systems of many European Member States, and there has been an observable variation between those states that had previously invested in their labour market policies and those that had not. Another key determinant of the rapidity and relative ease with which social partners and governments began discussions over the potential remedies at their disposal was the historic involvement of the social partners in the operation of the institutions at the heart of active labour market policies. In a number of countries the social partners were already experienced in operating within such measures and this contributed to the rapid implementation of job support measures, and probably to their success. The preparedness of the actors at the beginning of the crisis also played a role in determining the eventual outcome of negotiations, illustrated by the case of **Hungary** where trade unions and works councils had invested heavily in laying the foundations for dialogue prior to the crisis. In this case the use of experts to advise and support the social partners also played a significant role, as was the case in **Belgium**, increasing the cohesion of discussions.

So it is not surprising, then, that actions to weaken or undermine established such mechanisms tended to have negative consequences for the industrial relations system, and this is highlighted by events in **Denmark**. The Danish model of ‘flexicurity’, so often referred to as offering a balance between flexibility at work and security out of work, has been adversely affected by the changes brought in by the government during the crisis. This has resulted in a reduction of unemployment benefits, thus weakening the notion of security within the ‘flexicurity’ model. In general, adaptation to change is viewed as a positive process that introduces new elements constructed to meet a specific challenge and thereby enhancing the durability of the outcome. However, in the Danish case, adaptation of the previous model has been seen as regressive by the social partners. In **Sweden**, several collective agreements were signed at the company level, the outcome of which was to replace permanent employees with temporary agency workers, considerably increasing the numerical flexibility of the workforce but to the detriment of individual workers’ security. Where these agreements were introduced they were contested by the trade unions who viewed them as an attempt to circumvent the country’s employment protection act and to alter the power relations within the Swedish labour model. In contrast, the **Finnish** social partners and government referred to the principles of flexicurity, by agreeing the introduction of measures to both increase flexibility (more internal flexibility at the workplace) and security (mechanisms of wage increase, increase in pension, and improving access to unemployment benefit).

Countries that had failed to invest in their labour market policies prior to the crisis have faced greater difficulties in confronting the impact of the crisis on their labour market and have found it difficult to rapidly implement the outcomes of social dialogue. This is particularly evident in relation to training measures because the relevant training bodies and social partners had insufficient experience in this process.

Optimists could suggest that the crisis generated an environment in which the actors underwent a truly rapid learning process in the creation and promotion of labour market policies largely absent prior to the crisis. However, the resulting significant burden placed upon public finances across Europe

may well restrict resources for these support mechanisms and hinder the speed at which they can respond. This will have further knock-on effects, particularly on the relative power of the trade unions in negotiating wages in the near future.

Measures introduced to alleviate the pressure on public finances have themselves been the subject of fierce opposition, as highlighted by the public protests in **Greece**, the country's 2010 debate, and national demonstrations over the government's reform of the pensionable age in **France**. On 7 October 2010, the Confederation of Independent Trade Unions in **Bulgaria** called for a national protest against a proposed extension to the pension contribution period of three years. The agreement reached between the social partners in the **Netherlands**, through the Labour Foundation, raising the pensionable age to 66 years by 2020, is yet another example among many of the indirect impact of the crisis. It is to be expected that the resulting restructuring of the public sector, involving large job losses, will contribute to an increase in unemployment rates across Member States. The impact of loss of public support for labour market programmes and for businesses is likely to have a long-term effect on the global public finances of Member States and this may in turn affect the level of wages and public sector employment. This is particularly critical in countries such as **Romania** where areas of the economy remain nationalised. Indeed, the number of employees in the public sector in Romania decreased by 81,000 in the period December 2008–September 2010, and, according to the agreement with the IMF, a further 15,000 personnel are to be dismissed in 2011.⁴¹ The Romanian case study in the railway sector shows that despite agreements signed between management and trade unions at company level, the poor state of the public finances has prevented the implementation of all the measures agreed.

Stress test of social dialogue

Overall, the crisis can be seen as a process that revealed the true extent to which the actors were able to mobilise their resources to counter its impact. It was, therefore, a stress test for social dialogue, trade unionism and the institutions of industrial relations, both at the national and European level across Europe.

In *Benchmarking Working Europe* (ETUI, 2010b) authors highlight that 'industrial relations systems have been put to a test, and the evidence shows that while some have failed, others have stood up to it'. Social dialogue in most European countries is in a state of constant flux, and the crisis challenged its capacity to offer a genuine and democratic voice to employers and their workforces, and to their representativeness, density, coverage, methods and potential partnerships.

The way in which the social partners responded to the crisis has been a significant factor in legitimising their current and future roles and involvement, even in countries traditionally known for their strong social democratic model of industrial relations, such as **Sweden**, where a change in the level of social security contributions by the government had a direct impact on the reduction in trade union membership.

At this moment we are unable to calculate the extent to which the involvement of unions in negotiations about the crisis has ensured their survival in the long-term. **Hungary**, however, could offer hope for trade unions. Our case study shows that as a result of working with companies where the union had a presence to reduce the impact of the crisis, its membership has increased.

41 <http://www.ziare.com/articole/concediere+bugetari>

But it is also true that the general trend in recent years in a number of countries has been for employers to try to circumvent workers' representatives. Deadlock in negotiations experienced by countries such as **Ireland and Spain** has deeply scarred the social partners and workers. However, despite the difficult conditions and fears for the future of social dialogue, the social partners in Spain did finally conclude an agreement in February 2011 covering, among other issues, pensions, employment policies and collective bargaining.

In a number of countries where social dialogue has tended to be relatively weak, the impact of the crisis led the social partners to assert their status as the true representatives of both sides of industry. This was the case in **Poland**, for example, where for the first time the social partners launched autonomous talks that led to agreement. However, the degree to which this phenomenon is sustainable will be an important topic for further research in the future.

In terms of change and adaptation, the crisis served to accelerate the need for reform of the institutions of social dialogue to deal with current and future challenges. The crisis has demonstrated the extent to which the current model is able to cope, for example, with environmental issues. The European Union's institutions highlight climate change as a significant issue and a major theme of the Commission's 2020 Strategy. Despite this emphasis, the social partners and governments have failed to seize the opportunity to place this issue at the centre of social dialogue. Today the transition to a low carbon economy requires cooperation between all actors, and the social partners have an important role to play in employment and re-skilling.

Multi-level coordination

The mapping of social dialogue in times of crisis has shown that often all levels of social dialogue have been involved in seeking solutions to meet the challenges of the crisis.

'Sometimes, tripartite cooperation between the government and the social partners has been supplemented by bipartite initiatives taken by the social partners at industry and enterprise levels, aimed at reinforcing measures taken at the national level.' (ILO, 2009a)

As such the pattern of social dialogue has not been dramatically modified by the crisis. In the final analysis the crisis did not create the context for the introduction of innovation in the institutional patterns of social dialogue. An example of good practice of how to improve the coordination of social dialogue at plant, national and European level is represented by the transnational agreement between ArcelorMittal and the EMF. One of the aims of the agreement is to enhance the company's strategy by improving the coordination of national and European social dialogue. One of the direct achievements of this agreement was the implementation of national-level social dialogue in countries where social dialogue had hitherto lacked force, for example in **Romania**. Despite such practice at the European level, and following an examination of its general framework, the European architecture of social dialogue remains complex, is still evolving and is dependent on historical pathways and institutional patterns that makes coordination between the European and the national level a challenge.

An example of the difficulty in coordinating national and European social dialogue is given at the sectoral level by Eurofound: 'Concerning the capacity of the European sectoral social partners to represent national interests and coordinate national constituencies, each sector has its own specific dynamics in terms of potential coordination across countries. In each sector, the European sectoral social partners have to represent national member organisations which operate in different countries,

speak different languages and are subject to different socio-economic realities, objectives, types of structures and roles in their domestic systems of industrial relations.’ (Eurofound, 2009a)

At the national and sectoral levels pressure was exerted upon the social partners as a result of the challenges highlighted above. The decentralisation of collective bargaining towards company level confirms a trend which is shared by a number of European countries. An interesting element highlighted in one study (DARES, 2009) and particularly present in two of our case studies (Magotteaux in **Belgium** and MNB in **Hungary**), suggests that management has tended to utilise direct channels of dialogue with employees, avoiding trade unions. The evidence suggests that this process is present in, but not restricted to, those countries with traditionally weak multi-level bargaining systems.

Recovery and exit strategies

Across Europe there are some signs of an economic recovery, but the consequences of this for the region’s labour markets remain uncertain. If the crisis persists, the burden of both passive and active labour market policies on Member States’ public finances, company labour costs and workers’ wages may well have consequences in the long-term. A number of countries are institutionally ill equipped to create buffers in the event of a long-term economic downturn, and the **UK** is a case in point. Countries such as the UK, in which the level of public expenditure on passive and active labour market policies has traditionally been comparatively low, are currently making large cuts to the country’s public sector workforce and service provision, and this will undoubtedly have implications for social dialogue and overall economic performance and will require detailed examination in the near future.

One possible long-term effect of the crisis may manifest itself at the level of wage bargaining. The difficult economic context has created a strong downward pressure on wages in both the private and the public sector. In times of crisis, employer organisations have tended to exert pressure on wage negotiations in order to reduce wage increases or to freeze wages. Although the impact of the crisis on wages is not yet known, due to the duration of such agreements in a number of countries, for example **Lithuania, Malta, Latvia** and **the UK**, workers have witnessed a real reduction in their purchasing power as a result of wage freezes. However it is worth noting that, throughout the crisis, those workers whose wages were not negotiated through the process of collective bargaining have fallen faster than those of workers covered by an agreement, confirming the strength of collective bargaining to uphold wages even in a recession. The crisis has ushered in a development termed the ‘flexibilisation of wage setting’ (Eurofound, 2011) which allows the social partners at company level to suspend wage increases in times of economic difficulty, leading to concession bargaining at this level. According to one author: ‘In a number of companies, mostly in the automotive sector, in electro-technics and engineering, and in particular in Germany and the Nordic countries, collective agreements include opening clauses that allow for phased wage increases that may be suspended should the company face temporary economic difficulties’ (Glassner, 2010). Wage negotiations have been particularly tough across the public sector due to retrenchment measures introduced by governments, as has been the case in **Greece, Romania and Ireland**. Wage bargaining is therefore a source of conflict between the social partners and between the social partners and the government, and is a conflict that may well intensify in the coming period. The case studies carried out at company level show that employers have tended increasingly to favour flexibility rather than employee stability and this may have consequences for the stability of social dialogue itself.

Our investigation into ‘social dialogue in times of global crisis’ was formulated around two distinct, but connected, themes. Our initial enquiry sought to examine the extent to which social dialogue played a part in responses intended to alleviate the negative impact of the crisis. Our subsequent research and analysis sought to identify how far, if at all, the outcomes of social dialogue cushioned the effects of the crisis.

As a result of this research it is possible to draw two conclusions.

- The social partners have been active in both the decision-making process around the crisis, and its impact, and the subsequent implementation of anti-crisis measures at various levels.
- The ‘cushioning’ effects of anti-crisis measures were more effective in countries with strong social dialogue deemed by employers, trade unions and governments to be a legitimate mechanism for problem-solving and where the process is actively encouraged.

The conclusion that the social partners have been actively involved in the design of economic and social policies in response to the crisis is beyond doubt, and was relatively straightforward to assess. However, assessing the effectiveness of social dialogue was more problematic. The patterns of intervention have varied markedly between Member States due to exogenous factors such as economic structure, time frame, severity of the effects of the crisis, or labour market composition and its institutions. Also influential were endogenous factors, such as the traditional institutional pattern and trends of social dialogue, whether or not the social partners had had a role in defining public policies prior to the crisis and the strategies of the social partners throughout. All of these factors have affected not only the approach to social dialogue by the actors, but also in the outcomes of their discussions and negotiations. The same can be said for the success or failure of agreed measures. It should not be surprising therefore that the complex nature of social dialogue, combined with wide-ranging and varied endogenous and exogenous factors among Member States, has made our attempts at a comparative study of the responses to the crisis from the social partners across Europe extremely challenging.

What follows is an overview of our key conclusions.

Successes and failures

This study has attempted to examine the responses of the social partners, assess the implementation of agreed measures to counter the impact of the crisis, and to analyse their effectiveness and sustainability. If the prevalence and robustness of collective bargaining is taken as a key measurement of a national institutional framework of social dialogue, it could be argued that in many European Member States there is insufficient support for a process in which the social partners are deemed by governments to have a legitimate role in reacting to crisis and concluding agreements. This can be demonstrated by the fact that relatively few countries succeeded in concluding collective agreements at the national level. This presents all industrial relations actors across Europe with a fundamental challenge which, if unresolved, will prevent the creation of coherent and coordinated responses from the social partners to future crises and, given the downward trends in trade union membership and density, the absence of such support could prove disastrous in the event of a subsequent crisis for European industrial relation systems.

When examining the successes and failures of the discussions between social partners it is difficult to isolate the key determining factors that influenced success or failure. However, despite this opacity,

a key determining factor in the success or failure of social dialogue appears to be the extent of government support for the process. The robustness of agreements concluded between the social partners counted for little if there was no corresponding support or political will on behalf of the government, as in **Romania**.

Coherent and robust relationships between the social partners prior to the crisis made difficult discussions throughout the crisis all the more possible and positive outcomes more probable. In **Austria**, for example, time constraints increased the urgency of the negotiations, which generated pragmatic approaches from both parties. This appears to be because the need for quick responses was understood and that there was never any doubt between the social partners that they would eventually reach an agreement. Despite this mutual understanding, neither party was any less forthright in their demand to protect their respective interests. However, many of the social partner representatives had been involved in negotiations stretching back over many years, thus generating an atmosphere of mutual trust and respect. The strength of the relationship between the social partners in **Belgium** also contributed to their success in negotiating a collective labour agreement (CLA – a collective agreement between the employer and the employee's trade union representatives in which the provisions on the subject of salary and the terms of employment are established) at the sectoral and company level, and the inclusion of issues related to corporate social responsibility which was also an outcome of these discussions.

While national bargaining resulted in agreements in a number of cases, elsewhere they failed to produce consensus, as they did in some areas of sectoral and regional bargaining. It is not clear, therefore, that bargaining at a particular level had a greater or lesser chance of success than discussions elsewhere. It is also impossible to conclude that multi-level bargaining was a guarantee for successful collective bargaining outcomes during the crisis. While it is true that in some countries multi-level bargaining did succeed, in others it failed. Some countries with weak industrial relations had successful negotiations and others did not.

It is possible to conclude that the national political context and the internal strategies of the social partners, and the relationships between them, accounted for some part of the different approaches to their discussions. It is also possible to confirm that the institutional industrial relations environment within Member States contributed to the success or failure of social dialogue, and that a wide range of institutions and relationships have been well and truly stress tested. If we consider social dialogue in its broader meaning, it is clear that in all countries examined, the social partners have been directly involved in finding solutions through negotiations with their government, even in those countries with a relatively weak industrial relations system. Overall there appears to be a converging trend in Europe which demonstrates that the social partners were either invited by their government to take part in discussions or urged their governments to launch specific initiatives.

Prevalence of path dependency

Another key area of examination in this research was the extent to which the behaviour of the social partners and the outcomes of their discussions exhibited tendencies of path dependency. This meant examining whether or not historical trends were followed, or whether innovative approaches produced outcomes that were distinct and ground-breaking. Our key finding here is that on the whole, the crisis served to further entrench both pre-existing trends in social dialogue and its outcomes. The crisis therefore did not generate an environment in which the actors were able to innovate and to establish new forms of social dialogue. However, there were some countries in which the crisis did

challenge the pre-existing forms of social dialogue, did encourage the social partners to respond and, on occasions, created the opportunity for the social partners to break from traditional forms of social dialogue, such as in **Poland** where pre-crisis social dialogue was regarded as relatively weak.

Despite the general conformity in the approach of the social partners, the crisis did not prevent the creation of innovative outcomes. There are a number of examples of this: the case of **ArcelorMittal** where a combination of short-term and long-term solutions was implemented; the introduction of previously untested measures, such as the introduction of short-time working for the first time in nine Member States; and the implementation of wage cuts for the first time in the **Swedish** manufacturing company studied for this research.

Interestingly the research has also revealed that throughout the crisis, social dialogue exhibited a trend of path dependency at the sectoral level and, at the same time, has produced evidence that could be considered to represent an extension of the convergence continuum. For example, it is clear that in well-organised sectors the social partners insulated the industrial relations system from external forces created by the crisis, but cushioned the sector against its effects on the wider economy. The agreement between the EMF and ArcelorMittal is a good example of this, and represents a strengthening and renewal of existing social dialogue patterns within the metal sector. Even when the outcomes of social dialogue have been largely defensive in nature, the agreements concluded have permitted the social partners to preserve the sectoral characteristics of social dialogue, while preserving their capacity to act jointly to insulate the sector from the worst effects of the crisis.

Prevalence of concession bargaining

A further characteristic of the crisis concerns the outcomes of social dialogue, which tended to be largely integrative rather than distributive. Negotiations between the social partners tended to focus upon employment issues such as job security and training, rather than on the traditional subject of pay. The trade-off required by integrative bargaining appeared to be readily granted by a workforce willing to accept reductions in working time and income in return for guarantees of employment security. However, this appears to reflect the severity of the crisis rather than any strategic change in the position of trade unions. This approach, although popular and apparently effective, may yet present the social partners with difficulties post-crisis as employers seek to extend concession bargaining outcomes at the expense of security for workers, and forming a platform from which our future industrial relations systems may evolve yet further.

The main instrument: short-time working

Social dialogue in the majority of European Member States resulted in the introduction of short-time working arrangements, a measure in which the social partners invested heavily. This typically required the agreement of both social partners, and even the support of the state where the government was responsible for compensating the income of workers or for subsidising training. The key issue here is that although short-time working mechanisms existed across Europe prior to the crisis, their use increased dramatically as a consequence of the crisis, prompting their introduction in some countries. Nine Member States, mostly located in central and eastern Europe, used short-time working for the first time as a direct result of the crisis. A further 13 countries changed their existing short-time working arrangements.

It is difficult to evaluate the real effects of short-time working on the level of employment but the Employment Report 2010, published by the European Commission, estimates that such short-term arrangements limited the reduction of employment by retaining workers and enabled employers and their workforce to share the burden of the crisis equitably. Social dialogue at national, sectoral and company level has contributed to the practical implementation of this measure. In most countries the implementation of shorter working time measures was supported by the public authorities and was accompanied by training designed to upgrade the skills and qualifications of the labour market ahead of recovery. An important question is whether the recovery will be accompanied by the creation of new jobs or create the same employment levels seen immediately prior to the crisis.

Resilience of social dialogue

The national case studies undertaken for this research highlight the degree to which Europe's employment relations systems have overcome challenges thrown up by the crisis. Two important conclusions should be made at this point. While there can be no doubt that the present global economic crisis has tested the durability of all national industrial relations systems, all of the cases examined demonstrate clearly that despite variations across the region, the various European systems of industrial relations have weathered the economic and social impact of the crisis. However, even in those countries with a deep history of social partner involvement in discussions with government and employers, negotiations often failed to secure consensus to mitigate the negative impact of the crisis.

At the national level, there is evidence of a trend across Europe in which the social partners have either been invited by their government to participate in discussions, or themselves urged the government to launch initiatives. When the crisis first hit, there was initial cooperation, but the severity and longevity of the crisis undermined this and the social partners returned to their traditional entrenched positions, generating tension and conflict.

It is also clear from the research that social dialogue with trade unions was undermined in a number of countries by the action of employers. In some countries with robust social dialogue, for example in **Belgium**, or in countries with relatively weak institutionalised social dialogue, for example in **Hungary**, employers sought to introduce new channels of social dialogue by promoting direct dialogue with workers themselves. Such action also carries the risk of undermining the role of works councils. This move towards direct communication was found in only two company case studies, and should be given greater attention in research to find out whether this is a lasting or growing trend.

If social dialogue has proved to be a key tool in overcoming the crisis and maintaining stability in Europe's industrial relations systems, it has also been weakened by the crisis which has accelerated any pre-existing challenges to the coherence between the various levels of social dialogue, the decrease in trade union membership and density, and the power of unions to negotiate. An increase in unilateral decision-making by governments within the public sector and the increasing decentralisation of collective bargaining at the company level⁴² also illustrate the challenges presented by the crisis. In most countries, the trade unions' role differed between the private and public sectors. They coordinated strong opposition to austerity measures in the public sector and acted as social peacekeepers by reducing the number of strikes at company level in the private sector.

Over the past decade there has been a decentralisation in collective bargaining across Europe, and this research sought to evaluate whether the current crisis had either slowed or accelerated this trend. It is

42 'With regard to the relative significance of bargaining levels, there were some continued signs of decentralisation in 2008'. (Eurofound, 2008, p. 8)

now clear from the research that the crisis did in fact accelerate this process of decentralisation, despite many initiatives at the sectoral, national or transnational levels. At company level in **Hungary**, as the social partners signed a collective agreement, the management sought to conclude complementary agreements (covering matters such as wages and bonuses) through informal social dialogue in the form of direct discussions with employees.

However, there are examples where the crisis has accentuated pre-existing weaknesses in social dialogue, adhering to path dependent pre-crisis trends. For instance, the UK printing industry has a long tradition of multi-employer bargaining but the sector's national agreements have been under pressure for some time and the crisis has exacerbated these tensions. The agreements between Unite the Union and the Scottish Print Employers' Federation, and the mentioned unions and the British Printing Industries Federation (covering England and Wales) have now collapsed. This suggests that where social dialogue at the sectoral level was weak prior to the crisis, the crisis acted as the straw that broke the camel's back.

The need for greater multi-level coordination

Social dialogue is considered one of the main pillars of the European social model and if the social partners intend to contribute to the attainment of priorities established by the Europe 2020 Strategy, reform of governance ought to be a serious consideration in this process. While our research clearly demonstrates interaction and a degree of coordination at the European level between the social partners, both horizontally and, with rather more difficulty, vertically, there is little evidence for coordination from the national to EU level. The authors suggest the reason for this is the complex architecture of European social dialogue, and the requirement at the national level for the social partners to interact with a large number of national member organisations, each with their own characteristics and set within their particular national systems.

The issues of sovereignty and the transfer of power from the national to the European level add a further dynamic to the process. The behaviour of the social partners is firmly rooted within historic and institutionalised practices, all of which make European coordination from the national level particularly challenging. This coordination usually takes place in a framework of committees whose decisions are often not binding, and implementation is largely dependent on the interest of national actors, resources available, the national legal and institutional framework and on both the capacity of the European social partners to strengthen their own legitimacy and to influence national actors to implement these decisions.

In summary, at the EU level, national actors can opt for a strategy of competition or one of complementarity, depending on the circumstances. While issues of a transnational nature are the subject of debate within European works councils, these bodies themselves offer both an opportunity to develop a common platform for exchange and a challenge to the coherence of European social dialogue.

The challenges provided by Europe's increasingly fragmented labour markets and climate change were not overcome during the crisis. This is perhaps unsurprising due to the severity and turbulence of the crisis, and perhaps due to a reluctance of the actors to break new ground during such a profound crisis. It will however be interesting to follow the evolution of social dialogue in Europe in the coming years and to analyse and evaluate the success of the strategies required to face these difficult, but necessary, challenges.

To conclude, our examination of social dialogue in times of crisis has tended to reveal that social dialogue has been mobilised as an instrument to provide solutions, but its nature and form varied considerably through time and across countries. It is clear that the responses from the social partners in many cases were proactive and positively directed towards securing employment and avoiding redundancies, while in others they were reactive and sought to merely limit the extent and the consequences of job losses. Social dialogue has been an important instrument which, in some circumstances, has been encouraged by governments to combat the negative economic and social consequences of the global economic crisis. 'Collective bargaining and interest representations have been used as tools to avoid the worst, which means redundancies, extensive job losses and company closures.' (ETUI, 2010b).⁴³

Clearly the challenges now confronting social dialogue are profound and it is not at all clear whether it withstand the further problems created by the consequences of critical levels of government debt in some Member States. The ability of social dialogue not just to withstand this seismic shift but to also play an active and positive role in tackling issues such as the inequities between 'permanent' workers and those on temporary contracts will be tested. Whether social dialogue is able to deal comprehensively with the particular needs of SMEs and their workforce and subcontractors is also a question that requires an answer. Can social dialogue make a coherent and comprehensive contribution towards the implementation of the EU 2020 Strategy?

The crisis was a missed opportunity for the development of new forms of social dialogue. Nevertheless, it did also represent a test for the legitimacy of European industrial relations systems. It is clear that the social partners will have opportunities – perhaps in the context of the current sovereign debt crises of a number of Member States – to counter the negative impact of economic crises across Europe in the future. Perhaps it will be possible for them to consolidate and strengthen the current body of social dialogue and, at the same time, enhance the legitimacy of their role as social partners.

⁴³ ETUI, *op. cit.*, p. 73

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Annex 1. Challenges exacerbated by the crisis in the Member States

Country ⁴⁴	Features and challenges exacerbated during the crisis
Austria	The social partnership industrial relations system and the powers of the trade unions depend on the political parties in power Generally the powers of the trade unions are strong and their positions taken into consideration Before the crisis social partners had issues with many common positions on European social model (October 2008), action plan on employment for older workers (April 2008), position paper on climate policy (April 2008), position paper on securing the future of the national health insurance (April 2008), role in implementing the amendment on the Working Time Act. The positions on working time flexibilisation have hardened with the crisis
Belgium	Institutionalised neo-corporatist industrial relations system managed on formal bi and tripartite co-decisions. The 'Group of Ten' played an important role in the responses to the crisis High membership rates partly explained by the fact that trade unions manage unemployment benefits gives them power Present challenge for the trade unions: lower the legal threshold of union representation in a company to widen consultation, fight for harmonisation between blue- and white-collar workers
Bulgaria	Need reform to better take into consideration the flexicurity approach in labour market measures Developing the social partnership together with public employment service applied to restructuring Low density of trade union membership and coverage of agreement
Cyprus	Fight against undeclared work
Denmark	How to defend the Danish flexicurity model when government cuts unemployment benefit and transfer the responsibility for the unemployed to the municipal level?
Estonia	Decrease in the union membership with a shift of bargaining power from trade unions to employers' organisations
France	Merger between unemployment insurance fund and labour offices Reform on pension scheme and age Tackling ever increasing segmentation on the labour market Necessity for social partners to find new governance frameworks General reform of public policies
Germany	Increasing polarisation of the German labour market Deterioration of collective agreement coverage Absence of a legal minimum wage and expansion of low wages
Greece	High public deficit Need to reinforce the economic model Increase in unemployment and poverty rates
Hungary	Structural weakness of the Hungarian development model Social dialogue still in construction at sectoral level, low level of collective agreement at company level (30–35%) with low coverage (30–40%)
Italy	Increase in flexible, atypical and precarious employment Revision of the collective bargaining system Revision of the unemployment benefit and social security system
Latvia	Unresolved legal framework concerning the involvement of social partners Low union membership (25%), low coverage of collective agreements (below 20%) Need to build capacity of social partners
Lithuania	Trade union membership lower than 15% Need to reinforce the capacities of social dialogue
Luxembourg	Consensual model of industrial relations Cross border workers need to be considered
Netherlands	Demographic change leading to shortages on the labour market More than 85% of the workers are covered by collective labour agreement although trade union organise one in five employees Disagreement between employers' organisations and trade unions about the level of flexibility of the labour market Conflictual item: pension age
Poland	High unemployment rate since 1991, important social and economic disparities, important emigration Public finances in crisis
Portugal	Established competition between the two main trade union confederations Fiscal crisis and high public deficit Risk of underground economy

44 For some missing Member States data could not be provided.

Social dialogue in times of global economic crisis

Country	Features and challenges exacerbated during the crisis
Romania	Formal coverage of collective agreement is 100% but no data on the effective coverage, trade union membership is about 50% but in continuous decrease Challenge of restructuring the state owned companies Public deficits and public cuts affecting public sector Need to strengthen tripartite social dialogue
Spain	Large number of micro-enterprises Low wages and polarisation of wage distribution Labour model based on job instability; low productivity and low wage employment providing great elasticity in the labour market, making employment the first variable of any adjustment. Reform of pensions and collective bargaining pending Fiscal crisis
Sweden	With the decision of the right wing government to reduce the daily unemployment payment and to increase individuals' fees to the insurance funds managed by trade unions, membership in both unemployment insurance funds and in trade unions decreased. This could result in undermining the Swedish model Support of the change in pension system
United Kingdom	Governance of collective bargaining relies on the strengths of the social partners Decentralisation of collective bargaining Trade union density lower than 25%, coverage lower than 33% Increasing work flexibility

Source: the authors of the report

Annex 2. Mapping of the social dialogue at national level

Country	Negotiation	Involvement of social partners in crisis solution	Crisis-related national collective agreement	Unsuccessful negotiations
Austria	Tripartite	Two economic stimulus packages in November 2008 and February 2009 implemented by the government with the social partners' consent. Bipartite agreement on short time work signed between the social partners, WKO, IV, ÖGB and BAK, thereafter endorsed by the Parliament on 26 February 2009		
Belgium	Tripartite		Exceptional cross sector collective agreement on 'contribution to the restoration of confidence', 22 December 2008	Unsuccessful negotiation on temporary crisis measures because of blocks about the conditions of a possible extension of the temporary unemployment programme to white-collar workers on 2 April 2009, but adoption by the government of three temporary crisis measures despite the disagreement of the 'Group of Ten'.
Bulgaria	Tripartite		Anti-crisis package of 59 measures on 30 March 2010	
Cyprus	Tripartite	Anti-crisis package of the government approved by social partners on November 2009		
Czech Republic	Tripartite		Agreement about 38 short-term crisis-related measures in February 2009, revised and included 13 points in April 2010	
Denmark		Four initiatives to support employees threatened by job loss launched by the government on the basis of social partners' proposals		
Estonia	Tripartite		Tripartite agreement on measures to maintain job in 2009	
Finland	Tripartite		Agreement on welfare and employment issues in 2009 in line with the programme put forward by the Minister of finance implemented to face the crisis.	Tensions between trade unions and employers' organisations and between social partners and government on the retirement age. Social partners were not consulted by the government. No agreement reached on the increase of retirement age
France	Tripartite and bipartite	Joint social investment fund between social partners and government to coordinate action on training and skilling	One crisis-related agreement signed on 8 July 2009 on managing the employment consequences of the economic crisis Agreement of 2 October 2009 related to short time work Cross industry collective agreement on May 2010	
Germany	Bipartite ⁴⁵	Social partners supported the two stimulus packages of the federal government in October 2008 and January 2009 Agreed measures on legal amendments on short time work		

45 Negotiations on collective agreements in Germany are always bipartite. But the trade unions and employers' associations were consulted by the German government before political decisions regarding public policy initiatives at federal level were taken in Germany

Country	Negotiation	Involvement of social partners in crisis solution	Crisis-related national collective agreement	Unsuccessful negotiations
Greece	Tripartite		National collective agreement on working conditions on 15 July 2010	Strong opposition to austerity measures, general strikes organised.
Hungary	Tripartite	Tripartite publicly funded programme on vocational training and education system supported by social partners		Although there were tensions among trade unions, this did not prevent unanimous opposition from trade union confederation to the increase of income tax, arguing that it would cut consumption and have negative effect on the economy
Ireland	Tripartite	Framework for stabilisation, social solidarity and economic renewal, January 2009 June 2010, protocol on the importance of maintaining employment	National pay agreement in November 2008 but the government decided to freeze public sector pay.	At the beginning of 2009 emergency social partnership talks between labour and management seeking measures to cope with the crisis failed to reach an agreement. In early February the government proposed a new pension levy for all public service workers, which the social partners opposed.
Italy	Tripartite		Framework agreement about the reform of collective bargaining system signed on 22 January 2009. It concerns the income policy, empowerment at company level collective bargaining, the possibility to adopt 'opening clauses' in order to increase work flexibility and productivity. Limitations in union power to strike at company level. Around 60 national collective agreements signed on the basis of the new framework rules	Not signed by the largest trade unions confederation CGIL. Increased tensions among the three main trade unions about the role and the perspective of collective bargaining system and how to cope with the crisis management policy. Fiat and metal workers' national collective agreements at the core of the new dispute.
Latvia	Tripartite	Measures were adopted either in consultation with social partners or in more confrontational and top down decision-making process	Agreement signed in June 2009 on freezing the wages of public sector employees, on raising some social welfare payments	
Lithuania	Tripartite		2009; social partners agreed on an anti-crisis package for two years	
Luxembourg	Tripartite	Emergency anti-crisis measures set by the Tripartite Coordination Committee in January 2009		Two important events show a break in the 'consensual model of industrial relations'. First, in May 2009, Luxembourg trade unions organised a demonstration to protest against the threat of the dismantling of the social security system, an unusual development in Luxembourg where large-scale industrial actions are relatively rare. Second, in late spring 2010, the tripartite negotiations were not finalised with a consensual agreement
Malta	Tripartite	August 2009; synthesis of the consultations around seven key priorities		

Country	Negotiation	Involvement of social partners in crisis solution	Crisis-related national collective agreement	Unsuccessful negotiations
Netherlands	Tripartite		October 2008: agreement on wages and prices March 2009: social crisis pact June 2010: general retirement provision and pensions will be pegged to rising life expectancy, reaching a retirement age of 66 in 2020	
Poland	Tripartite		Anti-crisis package in March 2009, but the measures proposed by the social partners and agreed during the negotiation phase were not fully adopted by the government	
Portugal	Separate proposals	2009: employment initiative by the government May 2009; decree law on extending social benefits welcomed by trade unions but criticised because considered insufficient to address the crisis		
Romania	Tripartite	Tripartite agreement on the minimum wage for the period 2008–2014, on 25 July 2008; not recognised by the new government (from November 2009) Anti-crisis programme introduced in January 2009 2010: negotiations about new legislation for public wages February 2010; under pressure from trade unions, the government extended temporary unemployment measures Memorandum about anti-crisis measures		
Slovakia	Tripartite			2008: failure of negotiations on the CAMPA, no further agreement signed and a general warning strike in the private sector went ahead on 12 March 2008, only the third time there had ever been this kind of industrial action in Slovenia.
Slovenia	Bipartite	The CAMPA is a national bipartite agreement on wage and other payment issues, the second in the row, after the first agreement of the kind, signed between employers' representatives and trade unions in 2006, the year when government withdrew from wage negotiations for the private sector on the national level. Previously, Slovenia had bipartite sectoral agreements and a national tripartite agreements or pacts, that provided for the general rules on wage adjustments, that had to be implemented also through the bipartite sectoral agreements. 2009: 'Law on partial subsidising of full-time jobs' and the 'Law on partial refunding of wage compensation for temporarily laid-off workers' introduced short time work arrangement and temporary lay-offs.	On 30 May 2008, the social partners in the private sector finally concluded the Intersectoral Collective Agreement on the Pay Adjustment Method, the Refund of Work-related Expenses and the Annual Leave Bonus (CAMPA)	

Country	Negotiation	Involvement of social partners in crisis solution	Crisis-related national collective agreement	Unsuccessful negotiations
Spain	Tripartite and bipartite	2008: General declaration of intent (to fight the crisis)	2010: Bipartite interprofessional agreement for employment and collective bargaining for 2010–2012	2009: Clear failure to reach agreements (both bipartite and tripartite) during the crisis, bipartite social dialogue blocked by the insurmountable differences between employers and trade unions, this blocked the bargaining process on wages.
Sweden	Bipartite	Crisis managed by social partners. The government has reduced its traditional labour market measures and emphasises instead measures in the economic policy.		
United Kingdom		Measures were taken but not within the framework of social dialogue		

Source: the authors of the report

Annex 3. Features of the working time arrangements

Country	Changes in existing short work arrangements	Introduction of new short time work arrangements	Features	Permanent/temporary arrangements
Austria	Changes made to short-time working support for the employers in February and July 2009		Extension of short-time work measures from 12 to 24 months (thanks to two labour market packages); incentive to combine short time work and training, increase in short-time allowance paid by employers, extended to all groups of workers except for apprentices and members of management (and no longer reserved for older workers), social security tax cuts	Some aspects are permanent, some are temporary changes until the end of 2010
Belgium	Temporary unemployment for economic reasons in October 2008		Changes brought to eligibility, coverage, duration and benefits paid by employers to employees, extended to atypical workers and to white-collar workers, incentive to combine short-time working with training, social security tax cuts	Until end 2010, and permanent extension to atypical workers
Bulgaria		Payment of compensation to workers and employees in the Industry and Services sectors who have been put on short working time from February 2009	Introduction of flexible working hours, unpaid leave for economic reasons, benefits paid to employees	Until end 2009 but possibility that it will continue in 2010
Cyprus				
Czech Republic		Partial unemployment benefit in February 2009	Provision of this wage supplement is conditional on the participation of employee in training	Extended to 2010
Denmark	Daily benefits for work sharing, changes brought in March 2009		Extension of the period and of unemployment benefit rules, more flexible access to work sharing	Until 30 April 2011
Estonia				
Finland	Unemployment compensation for short time working on temporary layoff, changes brought at the beginning of 2010		Changes in the duration and level of benefits; full unemployment benefit granted to employees for the days when they are laid off, suspension of the 36-month duration limit	Until 2 January 2011
France	Partial unemployment allowance, several changes in 2009		Increasing compensation benefits; raising of the upper limit of hours covered by public allowance; extension to new categories of population, especially atypical workers; social security tax cuts	Some aspects are permanent (rise in the allowance and government funding), some are temporary changes until end 2010
Germany	Short time compensation programme		New incentive provisions on training during short time work, increase in short time allowances, extended period of eligibility, social security tax cuts	Until end 2010

Country	Changes in existing short work arrangements	Introduction of new short time work arrangements	Features	Permanent/temporary arrangements
Greece				
Hungary		Short time work schemes introduced in 2009	Reduced working hours, benefits paid to employees, participation in training is partly compulsory when it is cofinanced by ESF and partly considered as an incentive, social security tax cuts	Until mid 2010
Ireland	Systematic short time working		A pilot 'Short Time Working Training Programme' linking training, short time work and benefits	Until 2010
Italy	Ordinary wage guarantee fund (CIGO) and extraordinary wage guarantee fund (CIGs) for employees hit by reduced working time		Extension of coverage of the wage supplementation scheme to companies and workers traditionally not covered, incentives to link the scheme with training financed by ESF	Until 2010
Latvia		'Professional training for part-time working persons' in September 2009	Incentive to link part-time work with training, partly financed by ESF	Until end 2010
Lithuania		Amendment to the Law on Employment promotion in April 2009	Possibility to link part-time work with public works and with training, benefits paid to employees, social security tax cuts	No end date
Luxembourg	Partial unemployment, changes brought in 2009		Changes in eligibility and coverage, in the duration, incentives to link this period of partial unemployment to training, social security tax cuts	Until end 2010
Malta				
Netherlands		Introduction of a temporary reduced working time on 1 April 2009 replaced by the Partial Unemployment Benefit	Compensation for the loss of income, compulsory link between short-time work and training	Until July 2011
Poland		Act on the alleviation of the impact of the economic crisis on employers of 1 July 2009 provides support for short time working and temporary lay-offs	Public funds compensate employees for reduced working hours, incentive to link this period with training	Until end 2011
Portugal	Short time working and suspension of employment contract, changes brought in 2009		Qualification-Employment Programme was introduced to offer training opportunities to employees in short time work, financial support to wage compensation	Until end 2010
Romania	Technical unemployment, changes introduced in the second quarter of 2009		No social charges for up to 3 months	End 2010

Country	Changes in existing short work arrangements	Introduction of new short time work arrangements	Features	Permanent/temporary arrangements
Slovakia		'Contribution to support maintenance of employment' provides support for temporary work reduction, introduced in first quarter of 2009	Wage compensation, introduction of flexi-account upon agreement with trade union at company level, social security tax cuts	Until end 2010
Slovenia		'Law on partial subsidising of full-time jobs' and the 'Law on partial refunding of wage compensation for temporarily laid-off workers' introduced short time work arrangement and temporary lay-offs introduced in 2009	Subsidy scheme for reduced working time, subsidy scheme for employees on temporarily forced leave, social security tax cuts, compulsory combination with training	Until end 2010
Spain	Temporary suspension or short time working, changes introduced by the regulation of the Collective Dismissal Procedure, part of 6 March 2009 package on labour market measures for sustaining employment and protecting the unemployed		No loss in unemployment benefits rights for employees in this scheme, social security tax cuts	Until 31 March 2010
Sweden				
United Kingdom	Short time working, no changes brought		An employee can receive contributions-based Job seeker's Allowance and is available for casual employment, social security tax cuts, flexible procedures	

Source: national expert report; European Commission, *Employment report, 2010*

European Foundation for the Improvement of Living and Working Conditions

Social dialogue in times of global economic crisis

Luxembourg: Publications Office of the European Union

2012 – 81 p. – 21 x 29.7 cm

doi:10.2806/34759

ISBN 978-92-897-1068-8

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Social dialogue is one of the cornerstones of social Europe and involves employers, workers and their representatives, and, in tripartite structures, also public authorities in the discussions and negotiations which shape social policy and industrial relations. The Treaty on the Functioning of the European Union makes it clear that the involvement of the social partners is a desirable element of the governance of the European Union while respecting the diversity of the national systems. This study seeks to establish how far Member States were willing or able to use social dialogue as a tool to mitigate the effects of the financial downturn in the wake of the profound global economic crisis which began in autumn 2008. It analyses where it was used, how effective it was and also identifies the factors that could make it more or less likely that the social partners would be involved in efforts to respond to the crisis.

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