



Council of the  
European Union

Brussels, 5 March 2015  
(OR. en)

6913/15

SOC 159  
EMPL 80  
ECOFIN 192  
COMPET 111  
IND 34  
MI 149

#### COVER NOTE

---

From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
date of receipt:	4 March 2015
To:	Mr Uwe CORSEPIUS, Secretary-General of the Council of the European Union
No. Cion doc.:	SWD(2015) 57 final
Subject:	COMMISSION STAFF WORKING DOCUMENT Industrial Relations in Europe 2014

---

Delegations will find attached document SWD(2015) 57 final.

---

Encl.: SWD(2015) 57 final



Brussels, 3.3.2015  
SWD(2015) 57 final

**COMMISSION STAFF WORKING DOCUMENT**

**Industrial Relations in Europe 2014**

## **Executive summary: Industrial Relations in Europe 2014**

Every two years the services of the Commission's Employment, Social Affairs and Inclusion DG present an edition of *Industrial Relations in Europe*, which provides an overview of major trends and developments in the collective relationships between workers, employers and their respective representatives, including the tripartite dimension where public authorities at different levels are involved. This 2014 edition is the eighth in the series.

An industrial relations system based on social dialogue is the cornerstone of the competitive social market economy that inspires the European social model. *Industrial Relations in Europe 2012* concluded that the impact of the sovereign debt crisis and the budget consolidation pursued in a wide range of European countries put social dialogue under strain in various ways. This edition reaffirms the conclusion that industrial relations in Europe continue to change, but it also raises the question about which changes are temporary and which are likely to be permanent. The jury is still out on the shape that post-crisis social dialogue will take. Industrial relations in Europe are at a crossroads.

As recognised by the Treaty on the Functioning of the EU and the Charter of Fundamental Rights, the diversity of national systems shapes the system of industrial relations in the EU. There is no superior 'model' of industrial relations which would set the standard for all Member States. Many of the changes observed during the crisis are part of longer-term trends in industrial relations in response to a rapidly changing socioeconomic environment. They include a slow but steady decline in the percentage of workers whose wages are set by collective agreement, and the decentralisation of bargaining structures from national or sectoral multi-employer negotiations to individual firms or workplaces.

The completion of EMU in the late 1990s had a profound impact on labour markets and industrial relations systems in the EU. Under a unified monetary policy, labour markets became an important channel of adjustment to asymmetric shocks in the euro area. There is evidence that preparation for the requirements of EMU (the 'Maastricht criteria') was a major factor in the emergence of social pacts between social partners and governments in many EU Member States, some of which (e.g. Portugal, Spain, Ireland and Italy) did not have a tradition of such bargained corporatism.

However, once EMU was in place, and until the recent crisis, changes in national industrial relations systems still followed a country-specific pattern, largely driven by each country's traditions and practices in social dialogue as well as by the changing global economy. In most cases, the process of change gave the participants in social dialogue enough time and scope to gradually adapt to the changing socioeconomic and institutional context. In some countries, the social partners managed the decentralisation of collective bargaining by setting up coordination mechanisms between company and sector level.

The recent crisis has exposed flaws in the original design of EMU, which — while they did not cause the crisis — in part explain the severe impact of the external shocks on many EU Member States. The crisis also precipitated breaks in the speed and intensity of changes in industrial relations, as external constraints grew more important and the need to promote rapid change in framework conditions to boost potential growth became more urgent. Compared to

the years before the crisis, industrial relations have changed in different ways, faster and more frequently.

The European Union introduced a comprehensive package of measures to improve European economic governance and strengthen the coordination of economic, budgetary and employment policies across all Member States. The European Semester operates in a circular manner starting with the Annual Growth Survey, setting out the broad EU economic policies, the national reform programmes presented by the Member States, the Commission proposals to the Council on country-specific recommendations, and the Commission assessment of the actions taken at national level in response to these recommendations including through Commission opinions on draft budgetary plans. The new governance framework has influenced social dialogue at national level. At European level, it has led to discussions about the level to which social partners should be involved in European macroeconomic governance and the extent to which national wage (bargaining) developments — a core issue of national industrial relations systems — should be raised at EU level.

A number of country-specific recommendations addressed certain aspects of national wage-setting systems and therefore touched upon a core component of national industrial relations. The goal was to point to the need for greater flexibility in wage adjustment in countries with large internal or external imbalances, and so support adjustment processes. Decentralisation of collective bargaining was seen as a measure to better align wages with productivity at local and firm level.

In Member States receiving financial stability support, the need to implement reforms very quickly (including changes to wage-setting systems) to stabilise the fiscal and economic situation left little scope or time for consulting national social partners and/or consensus-building. The Commission continually stressed the importance of social dialogue and of respect for national circumstances and practices. Still, the crisis situation combined with certain industrial relations traditions was an unfavourable setting for social dialogue, leading to increasing conflict between the social partners and between trade unions and public authorities. The quality of social dialogue therefore became a key subject for discussion. Recent attention to the social dimension of EMU, stressing the need to restart collaborative social dialogue at EU and national level, seems to provide new prospects for industrial relations under EMU. This has been backed up by renewed emphasis on the dual role of wage developments, not only as a factor of competitiveness, but also in supporting demand and reducing inequality, especially at the lower end of income distribution.

While the past two years raised concerns about the state of industrial relations in Europe, the evidence of the most successful EU Member States suggests that well-structured social dialogue contributes to coping with complex socioeconomic changes required in a modern economy. As in previous years, the verdict is unambiguous: countries with strong social dialogue institutions are among the EU's best performing and most competitive economies, with a better and more resilient social situation than most. These examples point to the viability of a 'high road' to international competitiveness that harnesses the problem-solving potential of social dialogue. Such a strategy is based not only on the cost of labour but also on non-wage factors in competitiveness, such as the quality and reliability of goods and services and a trained and educated workforce. The present report documents concrete examples of the social partners' contributions to social and economic progress, such as their efforts to help overcome the unacceptably high levels of youth unemployment. This reaffirms the importance of social dialogue as a cornerstone of Europe's social model and of the competitive social market economy.

*Industrial Relations in Europe 2014* concludes that the challenge is to find the right mix of continuity and change in industrial relations systems in order to adapt to the context of EMU and a fast-changing globalised world. In countries with weak industrial relations institutions, social partner organisations and social dialogue structures need to be strengthened and their capacity to anticipate the necessary changes increased. Continued analysis of the evolution of national industrial relations systems, such as done through the present report, is therefore required.

With the most acute phase of the crisis over, as Europe charts a course back to growth, the effect of the crisis on industrial relations so far can be assessed in the context of Europe's evolving EMU. This is the task that *Industrial Relations in Europe 2014* has set for itself. Chapter 1 provides an overview of the principal quantitative trends in industrial relations indicators across the EU. It includes an update on two topical issues reported on in the 2012 report: recent social dialogue developments in the Member States of Central and Eastern Europe, and trends in the public sector. Chapter 2 looks in more detail at wage-setting institutions, some of which have been transformed in the last decade. The chapter also highlights some basic empirical evidence of recent developments in collective wages and productivity. Chapter 3 focuses on the industrial relations systems of the five countries having received some form of financial stability support — Greece, Ireland, Portugal, Spain and Cyprus — and examines the interplay between external and internal constraints in the profound transformation of social dialogue in each country. Chapter 4 analyses the challenges faced by the social partners in trying to address the issue of youth unemployment, highlighting the main policy positions, action and initiatives undertaken by the social partners at national and EU level. The report concludes with a round-up of developments and responses in European-level social dialogue (Chapter 5) and a description of the principal developments in European labour law (Chapter 6). The first four chapters are based on drafts by external contributors. The final two chapters are written by Commission services.

## **Chapter 1 — Developments in European industrial relations**

This chapter investigates the main changes in industrial relations actors and processes both before and during the crisis. In particular, it attempts to say how far recent developments in industrial relations are a continuation of long-term trends, or whether they were prompted or precipitated by the crisis.

Overall, the structure and composition of social partner organisations have been relatively stable in the last few years, but this is in itself a striking development. In most countries, the long-term trend of steadily declining union density slowed significantly in the first years of the crisis as employment and trade union membership both fell in roughly similar proportions. Whether this development will continue as employment recovers is not clear. The long-term stability in the density of employers' organisations continued.

By contrast, in the crisis years there were profound changes in industrial relations processes. Collective bargaining structures were further decentralised and collective bargaining coverage fell in many countries — in some southern European countries to unprecedented levels.

Both decentralisation and the decline in bargaining coverage were clearly visible trends even before the crisis. They are part of wider long-term changes in societies and economies, chief among which is the increasingly global nature of competition. What has changed since the crisis is the speed and degree of the changes that have occurred. There are two main reasons

for this. First, stricter regulations and changing practices made it increasingly difficult to extend collective agreements to a wider share of employees. Second, the effects of new regulations in several countries on the (non-) continuation of collective agreements upon expiry, combined with economic uncertainty, reduced collective bargaining coverage through delays in negotiations leading to stalemates. In addition, new clauses in collective bargaining systems increasingly enable companies to opt out of higher-level collective agreements, accelerating the trend towards decentralisation.

The chapter argues that these changes were responses to both internal and external factors. Some national actors took initiatives which were then adapted to fit a changing socioeconomic context. Where dialogue among the social partners was difficult, there was external pressure leading governments to act in response to recommendations from the Commission, the European Council and other international organisations. In countries with a financial assistance programme, the national authorities negotiated with the European Commission, the European Central Bank and the International Monetary Fund on structural reforms to be implemented, including in the labour markets, as part of a comprehensive set of policies to help rebalance the economy and increase growth potential. Many aspects of the policies included in the conditions set for financial assistance, including regarding industrial relations systems, were not set out in detail but left to the discretion of the countries receiving financial assistance.

While internal change explains the long-term transformation of national industrial relations systems, external pressures explain the recent and profound changes that mark a significant shift from past trends. Neither is independent of the other, however, since they are both responses to changes and trends in the international economic system and in society. Moreover, power relations and institutional factors shape the relationship between the two levels. While industrial relations changed throughout the EU, the scale and speed of change varied significantly between Member States, particularly after 2008.

## **Chapter 2 — The evolution of the crisis - developments in wage-bargaining systems**

Collective bargaining is a key feature of industrial relations systems, as the main instrument used by employers and trade unions to jointly regulate the employment relationship. For workers, collective bargaining protects them by setting comprehensive minimum standards and by limiting managers' prerogative to decide unilaterally on employee tasks and work organisation. For employers, collective bargaining represents a useful way of saving transaction costs by applying uniform standards to the workforce, and of reducing industrial conflict. Multi-employer bargaining reduces the scope for competition on labour costs, which can be valuable when bargaining covers all the main domestic competitors in a certain sector, especially those with limited exposure to global competition.

However, as competition has become increasingly global in nature, multi-employer national wage bargaining is less able to protect against competition on labour costs. Between workers and employers, bargaining represents a primary factor in the conflict over how to distribute the added value produced by economic activities. For individual workers, wage bargaining offers some degree of protection against labour market fluctuations, while collectively for workers it constitutes a way to express solidarity with other workers in the same branch by setting wage floors which apply to different groups of workers with different productivity levels. However, because it maintains wage levels above the level that would prevail without collective intervention, it encourages the segmentation of labour markets, as employers may resort to alternative forms of employment not covered by the collectively agreed conditions.

This chapter examines the different wage-setting institutions in the EU and analyses whether collective wage bargaining has experienced a significant transformation in the latest decade. As emphasised in chapter 1, the economic crisis accelerated the long-term tendency to decentralise wage-bargaining institutions, especially by allowing more derogations to sectoral standards in lower-level agreements. However, although national patterns vary, decentralisation in many cases is still embedded in coordinated collective bargaining systems. In a context of decentralised bargaining, coordination enables social partners to consider macroeconomic objectives and the possible spill-over effects of wage developments. The chapter provides an overview of initiatives to coordinate wage bargaining across national borders.

Government intervention in wage-bargaining institutions has increased in recent years, as adjustments in the labour market and in wage patterns became increasingly important in the context of an internationalised economy and especially of EMU. Governments played the key role in shaping changes to wage-setting mechanisms, as part of wider reforms to economic policy and labour market institutions in response to the crisis and global economic change. Autonomous, bipartite decisions by social partners played a much smaller role. While EU policy tools such as the country-specific recommendations also suggested reforms to collective wage-setting institutions, it was national governments that drove the transformation (with the notable exception of countries receiving financial stability support, where national authorities gave commitments on reform under the EU/IMF programme; see chapter 3). This is not so surprising, given that the EU's powers in labour market matters are limited and respect for the diversity of national industrial relations systems is enshrined in the Treaty on the Functioning of the EU.

The chapter finds that the economic crisis had a clear impact on collective real wages. In most cases, real wage trends substantially slowed down and sometimes turned negative. Only in a handful of cases did wages maintain a significant rate of growth or accelerate. The highest collective wage growth was found in eastern and central European countries, where a process of catching up with 'European wages' may be in place, although differences remain large. The chapter also finds a high correlation between collective wage growth and productivity trends in the pre-crisis period, although real wage increases were often below productivity gains. By contrast, in the recent period, real collective wage growth more often exceeded productivity increases, partly as a result of an unexpectedly low inflation that has not been taken into account in bargaining. As a result, collective bargaining was able to protect employees' incomes to some extent by containing the impact of the crisis on wage levels. A number of research results have now shown that the crisis put significant pressure on wages, with wage restraint contributing greatly to redressing macroeconomic imbalances and restoring competitiveness.

### **Chapter 3 — Industrial relations in Member States receiving financial stability support**

Starting in 2010, first Greece and then Ireland faced a severe debt and fiscal crisis. In 2011, the debt crisis spread to Portugal, with Spain's and Cyprus' financial sectors affected in the course of 2012. While all these countries experienced weak economic growth and increasing unemployment, Ireland, Spain and Cyprus were also experiencing a banking crisis. To address these acute challenges, all five countries have implemented far-reaching structural reforms and fiscal consolidation programmes. The rationale is that reining in the sources of debt and

deficit, and so restoring stability in the banking sector and market confidence creates the conditions for a return to growth and employment creation.

In Cyprus, Greece, Ireland and Portugal governments were priced out of international bond markets and had to request financial loans to fund their public sector and to recapitalise financial institutions. As a condition of the loans, national governments gave official commitments to international lenders, represented by the European Commission, the European Central Bank and the International Monetary Fund, that they would carry out policy reforms. Spain received a specific form of temporary financial assistance from the European Stability Mechanism (ESM) to repair its financial sector, and the government's reforms were monitored by the European Commission.

Before the crisis, the five countries concerned had a fairly stable collective bargaining system, mostly at central or sector level except for Cyprus. Tripartite social pacts were a key characteristic of industrial relations reform in all of them apart from Greece, before the Eurozone crisis. Nonetheless, for different reasons, none of the five countries effectively managed to internalise and adapt to the need for increased adjustment capacity in the context of the EMU and loss of exchange rate flexibility. Despite active attempts at aligning wages more closely with productivity and at making labour markets more flexible all of these countries experienced deterioration in the real exchange rates and growing divergences in the capital and current account.

The crisis-induced reform programmes introduced wide-ranging changes in many areas to restore the potential for growth and jobs and enhance fairness. The industrial relations system itself, or at least some of its elements, were seen as part of the problem to be addressed in response to the crisis. Regaining price competitiveness was considered essential to sustained recovery of the economy and of employment. The effect on national industrial relations institutions was significant: sectoral collective bargaining, tripartite cooperation mechanisms, wage setting institutions and rules governing industrial conflict were all subject to reforms. The Memoranda of Understanding (MoU) agreed between the governments of Greece, Ireland, Portugal and Cyprus and the EU/IMF all refer to the explicit need for consultations with the social partners in the implementation of the national reform programmes, and some make explicit reference to tripartite agreements. However, even if the European Commission continually stressed the importance of social dialogue and of respect for national circumstances and practices, the practical result was an unfavourable setting for social dialogue, leading to increasing conflict between the social partners and between trade unions and public authorities. This was illustrated by complaints to the International Labour Organisation (ILO) and the Council of Europe and by the European Parliament's very critical assessment of respect for social rights under the EU/IMF programmes.

The rationale for reform is to give firms more scope to adjust to changes in economic conditions, allowing better alignment between wages and (firm-level) productivity and therefore strengthening price competitiveness and promoting labour reallocation. In practice, this meant a shift to decentralised bargaining, at company level. However, none of these countries have established works councils or inclusive negotiating systems at company level so, in practice, decentralisation of wage setting often weakened collective bargaining systems, at least in the short term. This effect is borne out by the steep decline in collective bargaining coverage in the countries under study between 2008 and 2013 (see chapter 1).

The impact of regulatory changes on wage levels and competitiveness in the countries under analysis will have to be closely monitored. Unless social dialogue structures are adjusted to



combine decentralised bargaining with sufficient coordination mechanisms at higher levels, there is a risk that labour market regulation through social dialogue and tripartite governance will become seriously weakened, with a return to excessive legislative intervention in wage setting, characteristic of the early period of industrialisation. This could reduce the potential for labour market institutions to mediate conflict, distribute income, and build alliances among interest groups.

Beyond changes to the wage-setting mechanisms, governments in the countries under study carried out a range of wider labour market reforms in response to the crisis. These included reducing the minimum wage, relaxing employment protection legislation and cutting (or freezing) wages and jobs in the public sector (see *Industrial Relations in Europe 2012*, European Commission 2013). In countries receiving financial assistance, the Commission and other international organisations have pushed for social dialogue on the key policy choices facing them. The countries themselves are ultimately responsible for involving social partners in the formulation and implementation of reforms. This was not always successful, nor was it always possible: enacting urgent measures aimed at restoring competitiveness and growth, as well as stabilising financial markets, was often given a priority over finding consensus with social partners.

The frequent lack of effective social dialogue departed from a tradition of social pacts and tripartite cooperation between government and social partners. With the exception of Portugal, for labour market reforms, and Ireland, for public sector changes, the crisis therefore appears to have weakened existing institutions for tripartite consultation. As a result, the role of (unilateral) state action in industrial relations has increased considerably since 2010, and social dialogue played a significantly less prominent role in the design of structural reforms and fiscal consolidation plans than it did in the first phase of the crisis in 2008 and 2009 (see *Industrial Relations in Europe 2010*, European Commission 2011).

As countries are slowly exiting the crisis, some governments have recently started to refocus on institutions for social dialogue and tripartite cooperation in order to promote consensus with social partners on the most pressing labour market challenges and to promote stability and peace. For instance, Greece has reactivated the employment council and the social protection council, both of which are tripartite. Authorisation of collective dismissals in Greece is now referred to the tripartite supreme labour council for an opinion. The Portuguese Government has made efforts to maintain a permanent channel of communication with the social partners and set up a tripartite Centre for Labour Relations. In Cyprus, tripartite partners emphasised the important role of the Labour Advisory Board. However, it is clear that the crisis has fundamentally altered industrial relations systems in the five countries. However, given that social dialogue is still considered vital to addressing labour market challenges, wage setting and competitiveness issues, it remains to be seen in the future whether the countries' collective bargaining structures will regain strength, or whether they have been weakened in the longer run. The answer to this question may vary considerably from country to country.

#### **Chapter 4 — Industrial relations and youth employment**

Youth employment and the problems that young people have in making the transition from education into the labour market are some of the most pressing social policy issues of our time and one that will reverberate down the generations unless action is taken. This chapter

aims to illustrate the current state of the labour market in relation to the employment rate and unemployment rate of young people. In particular, it examines the challenges that the social partners face in trying to improve access to the labour market for young people. It also aims to set out the main policy positions, actions and initiatives undertaken by the social partners.

Although youth unemployment is a structural problem for the EU, it is clear that the crisis has exacerbated an already difficult unemployment situation for young people. According to the figures from Eurostat, which refer to December 2014, the unemployment rate among the under-25s in the 28 countries of the EU was 21.4%, more than twice as high as the 9.9% recorded for the working population as a whole. Youth unemployment is particularly high in countries such as Spain (51.4%), Greece (50.6% in October 2014), Croatia (44.8% in the fourth quarter of 2014) and Italy (42.0%). By contrast, the rate in Germany and Austria is 7.2% and 9.0% respectively.

While EU-level policymakers can provide a framework within which stakeholders can try to take mitigating action, the social partners can use the structures at their disposal, such as social dialogue and collective bargaining, to try to make a difference. Indeed, they have been given an opportunity to do this under the Youth Guarantee, which encourages a partnership approach to national implementation. The extent to which social partners are involved in contributing to the development of policies and their implementation is, however, variable, and the impact is difficult to measure.

The EU-level cross-sector and sectoral social partners have made agreements and recommendations for their member federations and other stakeholders and have encouraged debate and showcased good practice. This includes the EU cross-industry social partners' framework of actions on youth employment, concluded in June 2013.

The reach and impact of EU-level measures at national level and the extent to which they can foster dialogue and collective bargaining in Member States depend on the strength of social dialogue and collective bargaining traditions, the relationship between the social partners and, crucially, the extent to which state backing and funding is available. It is probably too early as yet to assess whether any of the social partners' actions and initiatives have been able to make a real difference, particularly as there is a recognised lag between economic and labour market developments. Nevertheless, the EU's overall youth unemployment rate started decreasing in the final quarter of 2013. It is, of course, difficult to say whether targeted action has contributed to this decrease, or whether it owes more to the economic recovery which is now making itself felt in some Member States.

There is no easy solution to the complex problem of youth unemployment, composed as it is of many interlocking issues that require coordinated action from different types of stakeholders, such as education providers, vocational training organisations, those involved in matching skills demands to supply, and labour market policymakers. Therefore, beyond the action that social partners can take through individual or bipartite action, at all levels they also have a central role to play in addressing the youth employment challenge in cooperation with a wider array of stakeholders.

## Chapter 5 — European social dialogue developments 2012-2014

This chapter provides an overview of developments in European social dialogue from September 2012 to December 2014, with a focus on the outcomes of EU-level industrial relations.

In recent years, European social dialogue has taken place in a very challenging socioeconomic context: since 2008, Europe has experienced a crisis, with high unemployment, growing disparities between Member States, and major concern for social cohesion. As was shown in *Industrial Relations in Europe 2012* (European Commission 2013), the second phase of the crisis, in particular, put national industrial relations systems under severe strain. Moreover, there is much less confidence in the process of European integration, particularly in the countries under assistance. The last two years' developments in European social dialogue need to be considered in this context.

The strain on social dialogue felt in several Member States has left clear marks at EU level, too. The number of agreements resulting from EU sectoral social dialogue appears to have stopped rising, at least temporarily. Moreover, major questions have been raised about the uneven implementation of autonomous agreements at national level. There are still substantial differences between national industrial relations systems, especially in collective bargaining coverage, and these affect national social partners' capacity to implement such agreements effectively. On this point, Chapter 1 showed that recent developments in national industrial relations systems — particularly in Member States where they were quite weak even before the crisis — are not very promising.

Nonetheless, European social dialogue has continued to show signs of resilience. Important steps have been taken to strengthen social concertation in new processes such as the European Semester. European social partners at cross-industry level addressed the challenge of youth unemployment and made steady progress in developing a joint in-depth employment analysis. The creation of two new sectoral social dialogue committees, and steady progress in a test phase for a third sector, show that employers and trade unions are still interested in engaging at European level. Through joint opinions and declarations, the two sides of industry continued to provide valuable input and expertise in Commission initiatives and policy processes at national level. Through tools and joint projects, European social partners share expertise and best practice to build capacity at European and national level.

European social dialogue currently stands at a crossroads. The key Treaty provisions on social dialogue were introduced at a time when employment and social legislation was the major instrument of EU action that concerned the social partners. The last decade has seen different developments: First, since 2000, policy coordination has become an increasingly important instrument of EU action in social policy. This has prompted new developments in EU social dialogue (now incorporated into the Treaty) to promote concertation between EU institutions and social partners, such as the Employment Committee (EMCO), the Social Protection Committee (SPC) and, at the highest level, the Tripartite Social Summit. Second, the more recent introduction of new forms of macroeconomic governance through the European Semester also touches upon core questions of employment and social policy, raising questions about the most appropriate way of involving social partners in the EU-level discussion. Building on the gradual shift towards more EU-level tripartite concertation, a consensus has emerged on the need to further strengthen the involvement of social partners in EU governance and to reinforce existing fora of social dialogue. As a result, during the past two years the Commission put forward proposals on strengthening the role of social partners in

EU macroeconomic governance and the European Semester, and on revising the Council Decision on the Tripartite Social Summit to bring it into line with the institutional changes of the Lisbon Treaty, especially the creation of the post of permanent President of the European Council.

The cross-industry social partners clearly differ in their views on the causes of the crisis, the appropriate policy responses to it, the fiscal consolidation programmes, the macroeconomic policy mix and the contents of structural reforms. Views clearly differ, too, in the regulatory field, as shown by the failure of the social partners to agree on a revision of the Working Time Directive and their entrenched opposing views on the need for further social regulation at EU level. Employers are increasingly pointing to competitiveness challenges and the need to reduce labour costs, simplify labour legislation and increase external flexibility. Unions emphasise the non-labour-cost aspects of competitiveness, the positive role of wages in aggregate demand and the relevance of improving the quality of work and investment in skills. These divergences have been reflected in a number of debates between workers, employers and public authorities across Europe. In some Member States, these debates have led to agreements which have contributed to shaping policy reforms. In other Member States, and at EU level, however, the trend has been towards increasing conflict and tensions.

Despite these efforts to promote the role of social partners, as mandated by the Treaty, the turbulence of the crisis is having a noticeable effect on the relationship between the social partners and the Commission, as well as with other EU institutions. Trust would seem to have been at a premium recently, with a number of contentious issues causing conflict in settings like the Tripartite Social Summit. This includes discussions on macroeconomic adjustment programmes, country-specific recommendations, alleged interference with collective bargaining at the national level, the focus of the Commission's regulatory fitness programme, the Commission's strategic framework for health and safety, and the Commission's assessment of EU-level social partner agreements where the signatories have requested implementation by Council directives.

Under the political programme of President Juncker, with its focus on social dialogue, the Commission has started to work on relaunching and strengthening the dialogue with social partners.

## **Chapter 6— Review of European labour legislation 2012–2014**

This chapter provides a comprehensive overview of the developments in labour law at EU level during the past two years, including health and safety at work. These developments in European labour legislation came against the backdrop of the crisis, which significantly worsened the employment situation and reduced living and working standards in particular as regards vulnerable categories of people. In response, and in line with the Europe 2020 strategy for smart, sustainable and inclusive growth, the Commission continued to work to improve job quality and working conditions as well as the functioning of the labour market.

In May 2014, the European Parliament and Council adopted an Enforcement Directive, aimed at improving the protection of posted workers while ensuring a level playing field in the single market.

Also in 2014, the Council agreed on a Directive on working time for mobile workers in inland waterway transport, which implements through EU legislation an own-initiative agreement between the European social partners in this sector. The agreement, reached in 2012, sets minimum rules on working time for passenger or cargo transport ships in inland navigation across the EU.

Following a Commission proposal, in March 2014 the Council adopted a Recommendation on a Quality Framework for Traineeships, aimed at enabling trainees to acquire high-quality work experience under safe and fair conditions, and at increasing their chances of finding a good quality job. In April 2014, the Commission adopted its proposal for establishing a European Platform to enhance cooperation in the prevention and deterrence of undeclared work.

In the area of health and safety at work and following an evaluation of the European health and safety strategy (2007-2012) and a public consultation, in June 2014 the Commission presented a new EU Strategic Framework on health and safety at work 2014-2020. The framework aims to improve implementation of existing health and safety rules, to improve the prevention of work-related diseases, and to take account of the ageing of the EU's workforce.

Two directives on health and safety at work were adopted: the first concerns minimum requirements on the exposure of workers to electromagnetic fields and the second covers the alignment of five occupational health and safety Directives to the EU Regulation on the classification, labelling and packaging of chemical substances. In addition, the Commission adopted a Decision aligning the functioning of the Scientific Committee on Occupational Exposure Limits (SCOEL) with the Commission's rules on expert groups.

The Commission pursued further its work aiming at evaluating and reviewing the current EU labour law, in line with the Europe 2020 strategy and 'smart' regulation principles. In particular, it concluded the 'fitness check' on three information & consultation directives, and found that these directives are broadly fit for purpose, i.e. are relevant, effective, coherent and efficient. Work is under way on the review of the Working Time Directive, and on the ex-post evaluations of the Fixed-Term and Part-Time Work Directives and the Written Statement Directive. A comprehensive evaluation of 24 EU directives in the area of health and safety at work is ongoing, with results expected at the end of 2015.

## **1. Chapter 1: Developments in European industrial relations**

*Based on a draft by Barbara Bechter and Bernd Brandl (University of York)*

*This chapter presents an up-to-date picture of industrial relations in the EU and discusses significant developments that have occurred, considering them in the context of changes to industrial relations taking place over the longer-term. Some changes that we are currently witnessing have been shown to be rooted in trends that began long before the economic crisis, but which have, sometimes, been intensified by it, whereas other developments have been directly induced by the crisis.*

### **1.1. Introduction**

Significant changes have been seen in industrial relations over the past decade. Many of these developments are part of longer-term trends affecting the institutions and processes central to industrial relations — trends caused by a rapidly changing socioeconomic environment. A number of distinct long-term trends can be identified at EU level, but there continues to be considerable variation between the developments seen in individual Member States.

The change in the economic situation that has occurred since the beginning of the crisis is clearly the main contextual factor influencing recent developments in industrial relations in Europe. Some of these developments were already analysed in the 2010 and 2012 editions of industrial relations in Europe (European Commission, 2011, 2013). This edition uses new data and evidence to map the evolution of the crisis and its impact on industrial relations,<sup>1</sup> with particular attention given to the changes taking place in European economic governance.

The impact of the crisis has varied across Member States, but, throughout the EU, the institutions and processes central to industrial relations have faced serious challenges. Economic growth has remained low or negative in some countries, whilst others have already seen their economies start to pick up. Nevertheless, growth in employment has generally remained sluggish, with labour markets reflecting the levels of spare capacity in the economy. Record youth unemployment rates in some countries (Spain and Greece), shifts in the

---

<sup>1</sup> The main data sources used for this chapter are the Institutional characteristics of trade unions, wage-setting, state intervention and social pacts (ICTWSS) database (Jelle Visser, 2015), for main industrial relations indicators, and Eurofound publications on developments in industrial relations (Eurofound, 2014) and wage-setting (Marginson and Welz, 2014).

structure of employment across different occupational groups and sectors, an increase in temporary employment and the spread of alternative forms of employment (Eurostat, 2013; European Trade Union Institute, 2014; European Commission, 2014) have combined to create a new socioeconomic environment, thus changing the context to industrial relations.

Throughout the crisis, policies in place at EU level — including Europe 2020, the new system of European economic governance, and the financial assistance programmes set up for certain Member States — have influenced the processes shaping industrial relations and their outcomes. Both of these factors — the new economic context and system of governance — have brought about changes in industrial relations.

It is not yet clear whether the crisis has been the cause of permanent changes in the way industrial relations institutions across the EU operate. The economic downturn and the fiscal consolidation that followed it may have accelerated a number of trends which predate the crisis, including the decentralisation of bargaining structures (Broughton and Welz, 2013). Studies which cover the period since 2011 emphasise the radical changes in industrial relations resulting from both the financial assistance offered to certain Member States and the growing pressure that measures introduced at EU level put on national industrial relations systems to shift towards decentralised bargaining and to limit extension mechanisms (Schulten and Müller, 2013; Schulten, 2013). Other analyses suggest that the substantial transformation of the underlying national industrial relations systems that we are now seeing may be due to the accumulation, and recent acceleration, of a series of incremental changes (Visser, 2013; Marginson, 2014).

This chapter is divided into two main sections, one focusing on the actors in industrial relations (1.2) and the other on the processes that shape industrial relations and their outcomes (1.3). The chapter compares developments seen since the beginning of the crisis (2008) with the preceding period (from 2000). Sections 1.2.1 and 1.2.2 present the respective structural and organisational characteristics of trade unions and employers' organisations in Europe. Section 1.2.3 looks at the role of trade unions and employers' organisations in public policy-making and their interaction with the state, the third actor in industrial relations. The following sections analyse the differences and similarities in the collective bargaining systems found in different Member States, in terms of the current trends seen in bargaining coverage,

centralisation and coordination (1.3.1) and the representation of employees at the workplace (1.3.2). Section 1.4 presents a summary and conclusions.

## **1.2. Actors in industrial relations**

Previous reports have discussed both stylised facts defining the fundamental characteristics of actors in industrial relations and current trends observed in their organisation and activities. The organisational characteristics of both trade unions and employers' organisations vary significantly across EU Member States. Nevertheless, one common trend seen in almost all countries is that trade union membership is experiencing a long-term decline (Schnabel, 2013) while employers' organisations have more or less maintained their level of membership, when measured relative to their potential membership, i.e. their organisational density has remained fairly constant.

The organisational density of employers' organisations and trade unions has not, however, been stable in all EU Member States. Significant differences can be seen between countries, both in the change in the density of employers' organisation and in the level of unionisation. The organisational density of both employers' organisations and trade unions also varies across sectors within individual countries (Bechter et al., 2011), particularly between the public and the private sectors (see box 1.1 for updated information on industrial relations in the public sector). There continue to be significant differences between industrial relations in the pre-2004 Member States and the Member States having joined the EU since 2004 (see box 1.2 for updated information on industrial relations in these Member States).

The next section discusses the current characteristics of the actors in industrial relations across the EU, examining whether trends have persisted and stylised facts remained valid, or whether the new context in which actors are having to operate has led to a change in long-term developments.

### **1.2.1. Trade unions**

The density, organisational structure and role of trade unions continues to vary significantly between EU countries, as has been the case for a number of decades. Some Member States have highly concentrated and consolidated trade union systems, with only a small number of different confederations and unions, whilst in other countries, systems are more fragmented.



Similarly, some countries' trade unions concentrate on their role in collective bargaining, while in other Member States, trade unions have a broader function — they are involved in public policy-making, via their representation in tripartite bodies, and are consulted by state authorities on economic and social policy issues.

### **The structure of national trade union systems**

Trade unions are organised in very different ways in different EU countries. The number of trade unions involved in cross-industry social dialogue ranges from just one confederation in Ireland and Latvia to twelve organisations in Italy (Pedersini and Welz, 2013). The absolute number of organisations can, however, give a misleading picture of the actual level of fragmentation of the system, as in some countries the system is dominated by one large confederation that covers the majority of unions, such as the German Confederation of Trade Unions and the Greek General Confederation of Greek Workers.

The number of trade union confederations is relatively low in the Nordic countries, and the way in which the trade unions are split between the confederations also reflects an occupational specialisation: manual workers, non-manual workers and higher-skilled workers are each represented by their respective unions. Trade unions in southern European countries, on the other hand, tend to group together according to their political allegiance, although political and religious rivalries have weakened in the recent past. The trade union pluralism seen in some central and eastern European countries is the result of trade union renewal after the economic and political transition of the 1990s (Pedersini and Welz, 2013). It can also be the case in some countries that trade union confederations represent particular sectors or industries, or different regions or language groups. Several of these divisions may be observed in the same country simultaneously (Visser, 2015).

While the number of trade unions affiliated to the country's largest confederation varies widely across Member States, in the vast majority of countries the number of trade unions has fallen as a result of mergers (European Commission, 2011; Broughton and Welz, 2013). This process of merging individual trade unions and restructuring the union system is usually motivated by the wish to maintain membership levels and increase efficiency. The tendency to consolidate in this way has been present for almost as long as trade unions have existed. There is evidence of recent restructuring and reorganisation of trade unions, in the wake of the

crisis, in several countries, including Hungary, Portugal and Italy (Eurofound, 2014; Eurofound 2015).

Some countries have addressed the issue of the fragmentation of trade unions by introducing new legislation making the criteria for trade unions to be considered ‘representative’ for the purpose of participating in social dialogue stricter. France amended its legislation in 2008, increasing the minimum level of support that trade unions require: they now need to win 10 % of the votes at company level and 8 % at sector level to be considered representative. Bulgaria introduced amendments to the labour code in 2012, tightening the criteria for legal recognition of a trade union and/or trade union confederation at national level. Croatian legislation on trade unions was also revised in 2012. Trade unions must now enforce higher minimum requirements for becoming a member if they wish to be able to act as a confederation, the effect of which has been to reduce the number of trade unions (Fulton, 2013).

### **Trade union membership and density**

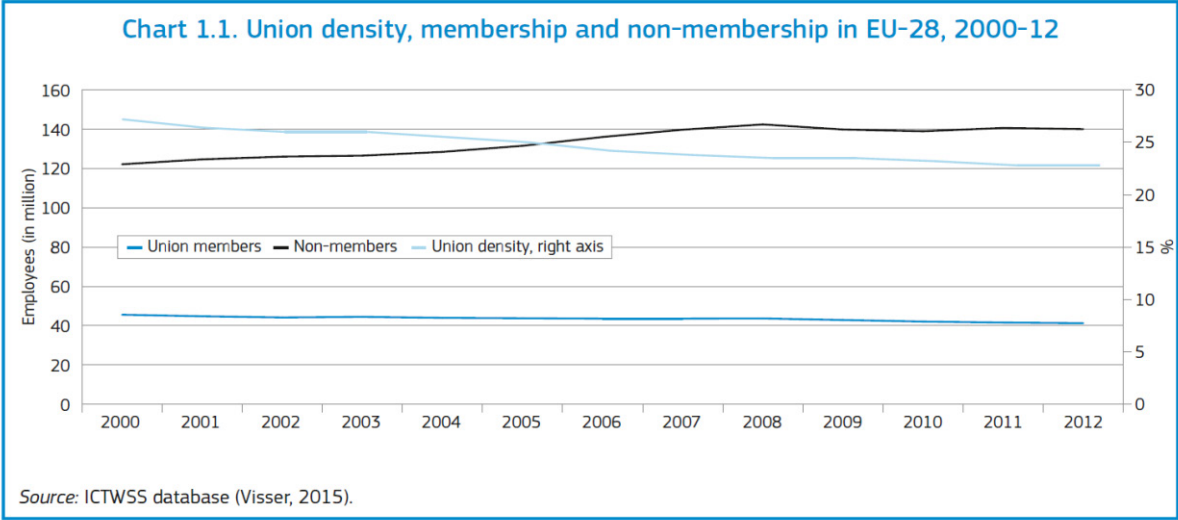
Trade union density is the proportion of all wage and salary earners in employment who are members of trade unions<sup>2</sup>. The majority of European countries have seen a steady decline in trade union density since the 1980s (European Commission, 2009, 2011 and 2013; European Trade Union Institute, 2014). There are a number of possible explanations for this long-term trend, and consistent patterns have allowed stylised facts to be identified. The decline in trade union membership has been mainly concentrated in the private sector, particularly in the services sector, with unionisation remaining significantly higher in the public sector in most countries (see box 1.1 for analysis of the proportion of employment provided by the public sector). At workplace level, there is a positive correlation between the level of trade union membership and the size of the establishment, measured in terms of the number of employees. A trade union’s presence and visibility at the workplace remains an important factor in determining membership levels, as it is often through this on-the-ground presence that trade unions are able to recruit and retain members. These two factors are closely linked, as trade union presence is more common in larger establishments. As regards individual workers,

---

<sup>2</sup> Based on net trade union membership, i.e. total or aggregate trade union membership minus members who do not belong to the active, dependent and employed labour force (i.e. retired workers, self-employed, students and unemployed).

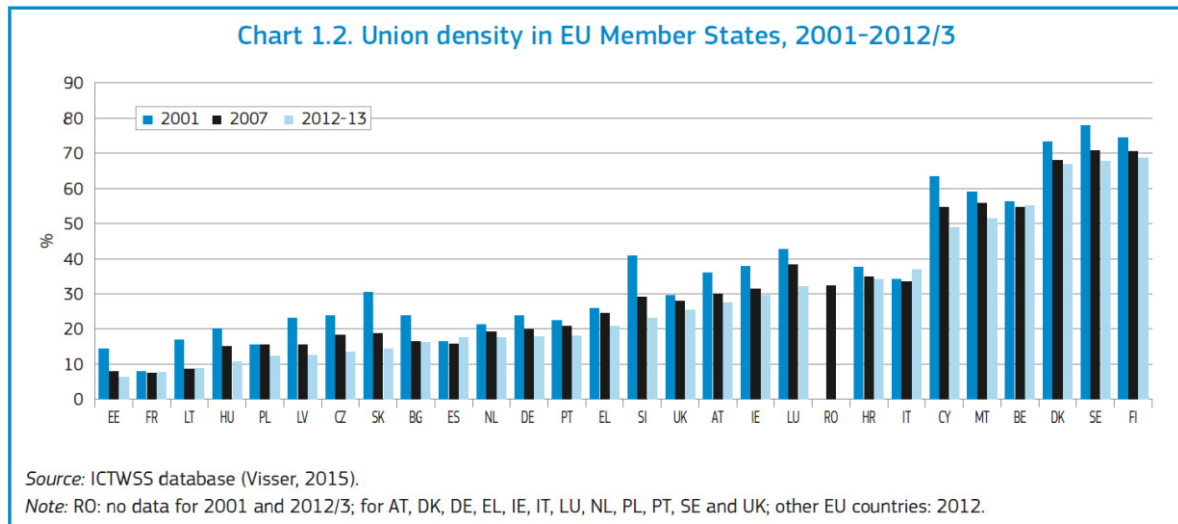
employees with fixed-term contracts and part-time workers are less likely to be members of trade unions than are full-time workers and those on open-ended contracts. Based on the evidence available, there does not appear to be a common trend across countries in terms of the link between gender and trade union membership. It can, however, be seen that younger workers are less likely to join trade unions than are workers in older age groups (see chapter 4). The overall decline in trade union density can be considered as part of a broader trend towards individualisation and reduced political participation, typified by the declining voter turn-out seen in many western societies.

Finally, in recent decades, unemployment has tended to exert downward pressure on trade union membership (and to a lesser extent density) in the majority of Member States. Belgium, Denmark, Finland and Sweden are notable exceptions to this trend. In these four countries, trade unions are, to varying extents, involved in the provision of unemployment benefits. This institutional set-up, known as the Ghent system, is considered the main reason for the high and relatively stable trade union density in these Member States (Schnabel, 2013). By contrast, the fall in trade union density has been particularly steep in central and eastern European countries since the transition to new economic and political systems that took place in the early 1990s (European Commission, 2013). Chart 1.1 shows the change in trade union density in the EU as a whole between 2000 and 2012.



Between 2000 and 2008, the fall in trade union density at EU level was essentially driven by a steady increase in the number of people employed and not members of a trade union, combined with a stagnant or slightly declining number of unionised employees. The dynamics

have changed somewhat since the start of the crisis. The fall in the number of unionised employees has accelerated since 2008, while total employment numbers dropped initially following the onset of the crisis, before levelling out. As a result of these two trends, the decline in trade union density appears to have slowed, at least temporarily.



The trend seen in the majority of Member States is similar to that observed at EU level: a decline in trade union density over the whole period, with the rate of decline slowing in later years. There are a few notable exceptions, where the fall in density has been steeper since 2007 than before the start of the crisis (Luxembourg, Malta and Poland, and, to a lesser extent, Greece, Portugal and the United Kingdom). In Italy and Spain, by contrast, trade union density has increased slightly over the period 2001 to 2012/13.

Recent trends in trade union density have clearly been influenced by the crisis, the effects of which are reflected in the relative changes in the number of employees and the number of trade union members. These developments can be explained by the varying impact of the crisis on different categories of workers. Many young people have delayed their entry into the labour market, or have been unemployed during the crisis, while employment among older age groups in the labour force has been stable or even growing. Together with the increased use of fixed-term contracts, and the continued expansion of part-time employment, this raises questions as to the developments in trade union density likely to be seen when employment levels recover.

While trade union density provides an indication of the strength of trade unions, it could be misleading to focus exclusively on this variable. Trade unions' influence relies on their role in the institutional framework. France is an example of a Member State with low trade union density but where trade unions are nonetheless influential. Importantly, collective bargaining coverage is more closely correlated with employer organisations' membership rates than with trade union density.

### **1.2.2. Employers' associations**

The nature of employers' associations — their organisational density, structure and role — varies widely across the EU. Associations representing their members' interests exclusively in their role as employers are the exception rather than the rule. The majority of associations represent the interests of business both in its capacity as employer and as producer. These associations, which integrate the functions of employer associations and business interest associations, are known as mixed associations. 'Pure' employer associations were more common in Europe around thirty years ago, but mergers with business interest associations and a decline in collective bargaining at national level has seen their numbers fall significantly. Employers can be members of several employers' organisations.

#### **The structure of employers' representation systems**

There are long-standing differences between the structure of employers' associations in different countries. Membership of employers' associations is generally voluntary, and mandatory membership usually only applies to certain types of employers, such as public sector organisations, specialised agencies and chambers of commerce, especially for SMEs (Pedersini and Welz, 2013). Austria is a notable exception to this, with membership of the general and sectoral sections of the Federal Economic Chamber being compulsory. Membership of certain chambers was also mandatory in Slovenia until recently. The law was changed for the Chamber of Commerce and Industry in 2006, and membership of the Chamber of Crafts and Small Business then also became voluntary in 2012, following a referendum held among its members.

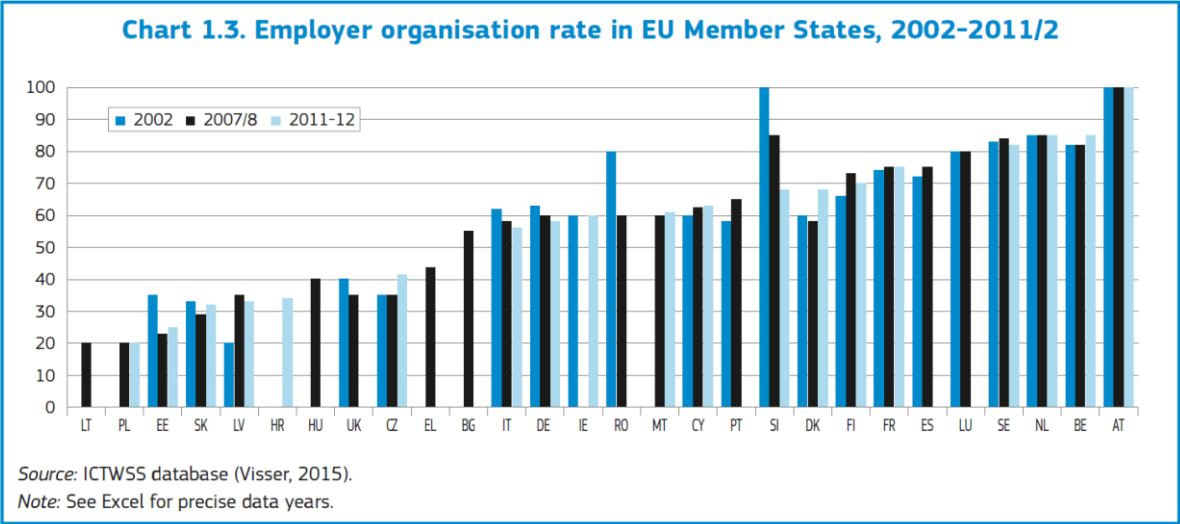
The countries with the largest number of employers' organisations involved in cross-industry social dialogue are Italy (fifteen) and Romania (fourteen). Cyprus, Croatia, Latvia and Slovakia have the fewest such organisations, with only two existing in each of these countries (Pedersini and Welz, 2013). More generally, pluralism usually indicates a differentiation of

employers’ associations according to different membership criteria, such as different sectors (public versus private), or employers of different sizes and types (crafts or cooperatives).

A substantial number of organisational changes have occurred in recent decades, with employers’ associations widening the scope of their activities and merging with other associations to produce new types of organisation (Traxler et al., 2007). The primary motivation behind such mergers is to maximise resources and avoid overlaps in associations’ areas of activity. There are indications that the restructuring of employers’ organisations has slowed since the start of the crisis, particularly during its early years (Carley, 2010). France, Italy and Malta are among the Member States that have most recently seen mergers or reorganisation of associations representing employers’ interests (Eurofound, 2014; Eurofound 2015).

**Employers’ associations’ membership and organisation rate**

The employer organisation rate (or density) is the proportion of employees employed by firms that are members of employers’ organisations (i.e. the proportion of firms that are members of employers’ organisations, weighted by their size). The density of employers’ organisations has remained relatively stable over time (European Commission, 2011, 2013) although some variations can be seen between countries (see chart 1.3).



The most significant changes in the employer organisation rate occurred or started before the crisis, notably the decline in the rate seen in Slovenia (a result of the end of mandatory membership of the Chamber of Commerce and Industry in 2006) and Romania, and the large increase in Latvia between 2002 and 2008. While there is limited data available for more

recent years, rates appear to be generally very stable, with the exception of increases seen in Denmark and the Czech Republic.

### **1.2.3. Role of actors in public policy-making and their interaction with the state**

It is often the case that trade unions and employers' organisations play a role in public policy-making. They may be directly involved in the design and implementation of public policies through tripartite bodies, or may be consulted on policy issues by state authorities.

The involvement of social partners in public policy ranges from regular and institutionalised participation, such as is found in Belgium, the Netherlands, Austria and Slovenia, to the informal and ad hoc participation typical of France and Italy.

Social pacts and social concertation could be seen as useful governance tools in different economic junctures to support both economic adjustment and social cohesion. In the 1970s, consultation with social partners was mainly focused on policies to ensure price stability. A broad and influential strand of research, which had started with the seminal works of Philippe Schmitter (1974) and Gerhard Lehmbruch (1977), underlined that the institutionalised cooperation between peak social partner organisations and governments in certain economically advanced countries had produced better macroeconomic performance, notably in terms of lower inflation and lower unemployment, than in countries lacking such institutional arrangements. These positive outcomes were mainly interpreted as being linked to the ability of strong, central and inclusive trade union organisations to internalise the potential (negative) systemic effects of their actions and demands. They therefore had the capacity to moderate their wage requests, while governments integrated social partners in the design and implementation of social and labour policies, including welfare benefits.

Priorities changed over the following decades, with topics such as economic growth, employment and competitiveness becoming the main areas of discussion (Trebilcock, 1994; Brandl and Traxler, 2011). Social pacts accompanied many key reforms, especially of the pension system and the labour market in the context of the establishment of EMU (Schmitter and Grote 1997). However, the conditions which had supported the emergence of pacts in the previous decades had been eroded, most notably the possibility of a 'political exchange' between wage moderation and welfare expansion. Trade unions and industrial relations also appeared generally to be weaker.

Still, in the 1990s, social pacts and similar arrangements emerged in many European Member States, including in countries such as Ireland, Spain, Italy and Portugal, where this had previously been considered unlikely, given the organisational and political context (Fajertag and Pochet, 1997; Visser and Rhodes, 2011). While preparation for the introduction of the Economic and Monetary Union was by no means the sole cause of these developments, it was a factor, a number of pacts making explicit reference to the Maastricht criteria (Rhodes, 1998). A number of authors have argued that the governance functions of social pacts were subsequently incorporated into the institutions and procedures put in place under the Economic and Monetary Union (Hancké and Rhodes, 2005; also Traxler, 2003 and 2010), which would explain why they generally became less prominent in later years.

In the Member States which joined the EU after 2004, national consultation boards or tripartite councils were established either via tripartite agreements or by means of legal enactment (Marginson and Sisson, 2006, p. 141). The way in which these institutions came into being, with the possible exception of those established in Slovenia, was, however, quite different from that of equivalent institutions in place in the pre-2004 Member States (Hassel, 2009; Pochet, Keune and Natali, 2010; Traxler, 2010). On the whole, the social pacts and corporatist institutions representing business interests in the newer Member States had, during the years of the transformation of economic and political systems, mainly served to support government policies (Traxler, 2010: pp. 53, 62, 70, 74).

Since 2008, the development of common policies to overcome the crisis has become the priority (Glassner and Keune, 2010; Guyet et al., 2012; Duchemin and Weber, 2013; Søndergaard Laugesen et al., 2014). The early national measures were accompanied by social dialogue, notably in countries with established tripartite consultation practices and collective bargaining institutions, (Freyssinet 2010). Such developments were associated with the emergence of a new kind of ‘crisis corporatism’ through emergency pacts, for instance in Germany (Urban 2012).

In other cases, the formal status of existing tripartite bodies has been reduced (as has been seen in Hungary, for example), and the procedures and practices of these bodies have changed since the start of the crisis, such that negotiations have become more conflictual and increasingly unsuccessful. Moreover, there has been a shift in the issues under discussion, with reform of the industrial relations system itself becoming the main areas of focus. In view of this, it should be noted that governments in several Member States have become more prominent



actors in the field of industrial relations, and are making more frequent use of governmental prerogatives (Eurofound, 2014).

### **1.3. Processes**

Distinct types and forms of industrial relations processes are embedded in the national institutional framework of each country. These processes determine which and how many actors represent the interests of the employer and employee respectively, and at what level. This section examines the way in which social partners interact via collective bargaining, and discusses the different forms of workplace representation. It also analyses the extent to which collective bargaining processes are autonomous from the state.

#### **1.3.1. Collective bargaining**

Voluntary, free collective bargaining between employees' representatives, on the one side, and employers' organisations, on the other, is a fundamental element of European industrial relations. It exists throughout the EU, albeit in different forms, on different levels, and with varying relevance for the regulation of wages and living and working conditions. Since the start of the economic crisis, the new EU economic governance regime has emphasised the role of collective bargaining institutions in national wage-setting mechanisms.

#### **Collective bargaining coverage**

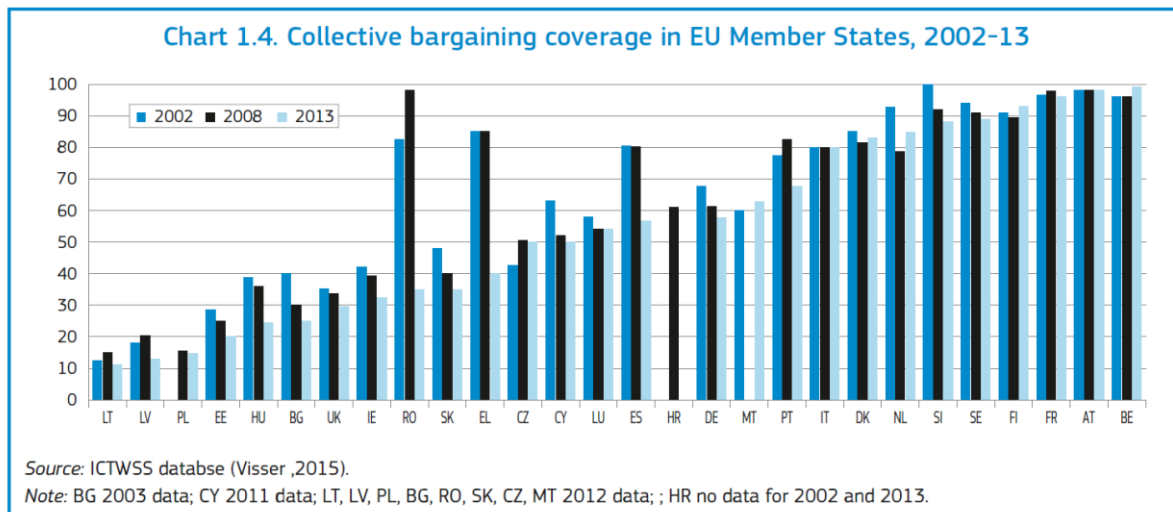
Collective bargaining coverage is the proportion of all employees covered by a collective agreement<sup>3</sup> (see chart 1.4). As illustrated in earlier reports on industrial relations in Europe, collective bargaining coverage is closely correlated with the level of employer organisation (European Commission, 2009, 2011, 2013).

Collective bargaining coverage has been in decline in the EU over recent years, falling from 68 per cent of workers in 2002, to just over 65 per cent in 2007, and further to 61 per cent in 2012. The decline can be seen to have accelerated since the beginning of the crisis. The situation changed most radically in Member States receiving financial stability assistance,

---

<sup>3</sup> Calculated as the number of employees covered by collective (wage) bargaining agreements as a proportion of all wage and salary earners in employment with the right to bargaining, expressed as a percentage. The data therefore take into account the possibility that some sectors or occupations do not have the right to bargain (by removing such groups from the total number employed) (see Traxler, 1994).

including Greece, Spain and Portugal (see chapter 3). The sharp decline in bargaining coverage seen in Romania is a result of major changes made to legislation on collective bargaining since 2011 (the Social Dialogue Act). The increase in collective bargaining coverage that occurred in Latvia and Lithuania between the early and mid-2000s has been offset by the decline observed since the start of the crisis.



### Extension mechanisms

One of the main reasons for the differences seen in collective bargaining coverage across the EU is the variation in legal regulations on the extension of collective agreements to a wider area of application. The extension of collective agreements is permitted in the majority of Member States but the extent and scope of the extension allowed, and the actual use of existing extension mechanisms varies between countries.

There are seven EU Member States where no legal mechanism exists for the extension of collective agreements: Denmark, Italy, Cyprus, Malta, Romania, Sweden and the United Kingdom. In Italy, however, judicial practice has traditionally identified minimum collectively agreed wages as a reference for assessing the fairness of wages in institutional disputes, thereby promoting the widespread application of minimum rates of pay. While many countries have a legal framework for extensions, the right to extend a collective agreement may be subject to specific requirements (relating to the minimum coverage rate of the agreement, or the representativeness of the signatories) and/or to state authorities being involved. In contrast, there are also countries (such as the Netherlands and Finland) where it is common for collective agreements to be extended, and others (Belgium, France, Luxembourg,

Austria and Slovenia) where collective agreements are automatically or almost automatically extended (Eurofound, 2013b).

Member States' basic legal frameworks for the extension of collective agreements remained stable for some time. In recent years, this has begun to change, with fundamental reforms being introduced in several countries (Marginson and Welz, 2014). Since 2008, Ireland, Greece, Spain, Portugal, Romania and Slovakia have all introduced reforms to their legislation. Although different in their details, these reforms have all led to a reduction in the extension of collective agreements. In Greece, the extension of collective agreements was suspended in 2011 until at least 2015. The 2011 Social Dialogue Act introduced in Romania stipulated that new sectoral agreements only apply to members of employers' organisations that are signatory to the agreement. Portugal significantly revised the criteria for the extension of collective agreements in 2012, such that the members of the employers' associations that recognise the agreement must collectively employ at least 50% of the workforce in the sector concerned, thus making the extension of most collective agreements very difficult. Court decisions in Ireland, where the use of extensions had been fairly limited, declared existing extension practices unconstitutional, although the government appears to be in favour of developing an equivalent system. Slovakia has changed its regulations on extensions repeatedly since 2008, both restricting and relaxing the criteria on different occasions (Eurofound, 2014).

In Germany and Bulgaria, the use of extensions had been fairly limited, but has increased since the crisis. The number of sectoral minimum wages declared legally binding has increased in Germany, while in Bulgaria, existing but previously 'dormant' provisions for extension have been being applied in certain sectors since 2010 (Marginson and Welz, 2014).

### **The duration of collective agreements**

The fact that no new agreement is reached when a collective bargaining agreement expires does not necessarily imply falling coverage, as there may be legal or contractual mechanisms ensuring that, in such circumstances, the previous agreement automatically remains in place, i.e. its validity is extended. Nevertheless, the automatic continuation of old collective agreements may see agreements becoming less favourable to the workforce, as the previous provisions on wages and working conditions do not necessarily reflect recent changes in the socioeconomic environment.

Estonia introduced a new law in 2012 replacing the automatic continuation of collective agreements after expiry with continuation conditional on the agreement of the signatories. In Greece, Spain, Croatia and Portugal, new laws introduced or shortened existing time limits on the continuation of agreements (Marginson and Welz, 2014) (see chapter 3 for details of the changes introduced in Greece, Spain and Portugal).

The length of collective agreements is a further characteristic of national collective bargaining customs and practice. Collective agreements expire after around one year in most Member States, and are then renegotiated (European Commission, 2013b). The differences seen in the length and also in the average deviation of the length of collective agreements across sectors are due to country-specific traditions and norms, which have not changed significantly over time. Some deviation from the standard length has been seen since 2008 in a number of countries and sectors. In recent years, a trend towards shorter periods has been observed in several Member States, mainly as a result of uncertainty over economic prospects (Marginson and Welz, 2014).

### **Centralisation of collective bargaining**

The level of centralisation of collective bargaining systems measures the relative importance of the various bargaining levels within each national system. In recent decades, collective bargaining in the EU has been characterised by a continuing shift towards decentralised forms, with the company level gaining prominence vis-à-vis the sector and cross-industry level. Visser (2013) identifies several drivers of this trend, resulting from changes in economic structures. First, growing international economic integration has reduced the capacity of national-level sector agreements to take wages out of competition, thereby eroding one of its main advantages for employers (see box 2.1 for analysis of the coordination of wage-setting across national borders). Moreover, diversification in product markets may result in a growing gap between higher-level agreements and the market conditions experienced by certain individual companies. Economic actors need to be able to readjust quickly when market conditions are volatile as a result of the influence of global market developments. It is plausible that the response time for negotiations may be shorter at a decentralised level. Nonetheless, these considerations should be weighed up against the reduction in transaction costs and in distributional conflict that centralised negotiation offers

smaller firms. There is ongoing debate as to the relative merits of different wage-bargaining levels and structures (see chapter 2).

The centralisation of a collective bargaining system is assessed relative to the dominant level of bargaining, so that moving from the company or local level to the sectoral or national level represents an increase in centralisation. If, however, all or some of these levels are present in a multiple bargaining system then their relative importance in terms of their scope (the nature of their involvement), coverage (or reach) and hierarchy must be considered. In practice, if the higher-level collective bargaining covers the most important issues (such as wages and working time), applies to a large section of the national economy, and regulates in detail what can be negotiated at decentralised levels, then the system is centralised. The opposite is true where the main bargaining issues are covered by decentralised agreements, and where these agreements apply to a larger section of the economy and can operate largely independently of what is established at national, cross-industry or sectoral level.

The difference between collective bargaining systems based on multi-employer as opposed to single-employer bargaining results from the difference in the level of centralisation of such systems. Under systems based on multi-employer bargaining, trade unions mainly engage in collective bargaining with employer organisations, with the aim of signing agreements covering the whole national economy (including inter-sectoral agreements) or certain specific sections of the economy (sectors or occupational groups). Single-employer bargaining is where collective bargaining is carried out between trade unions and single employers, at group, company or plant level. While single-employer bargaining is characteristic of a decentralised bargaining system, multi-employer bargaining is a necessary aspect<sup>4</sup> of centralisation, to a varying extent. At the extreme end of the spectrum, highly centralised bargaining systems are based on single central agreements signed by national employers' associations.

In the majority of Member States, collective bargaining takes place either at the sector or the industry level, or at an intermediate level between the sector and the company level, or can alternate between these levels. As of 2013, collective bargaining at central level was

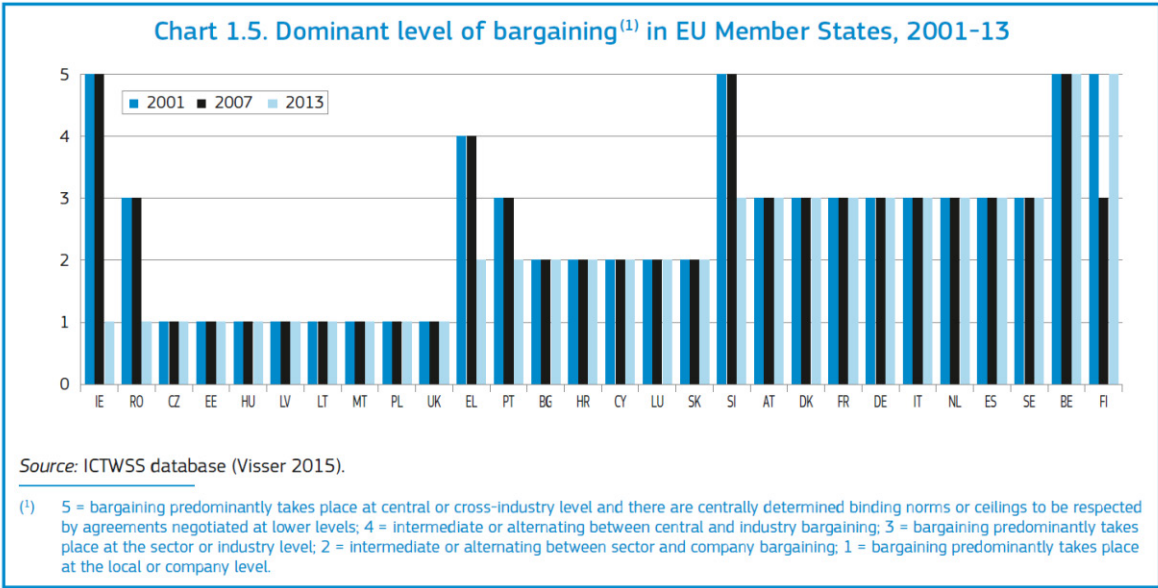
---

<sup>4</sup> Multi-employer bargaining is a necessary but not sufficient condition for centralisation, as the groups formed for the purpose of multi-employer bargaining may, for instance, not correspond to particular sectors.

predominant in only two countries, Belgium and Finland. Company-level collective bargaining was the main form of collective bargaining in the Czech Republic, Estonia, Ireland (as of 2009), Latvia, Lithuania, Hungary, Malta, Poland, Romania (as of 2011) and the United Kingdom.

The median level of centralisation has decreased slightly between 2007 and 2013 across Member States, with the predominant level of bargaining moving from the sector or industry level to an intermediate level between the sector and the company level, or to a level alternating between sector and company bargaining. Since the beginning of the crisis, the dominant level of collective bargaining has however become more central once again in Belgium (due to the role played by the government in the wage negotiations of 2011 and 2013) and Finland (as a result of the return to cross-sector wage agreements in 2011 and 2013).

Notable downward shifts, but for different reasons, have been observed during the crisis period. In Ireland, no new cross-industry social pact was signed in 2009, thereby ending a series of pacts concluded since 1987, and shifting bargaining predominantly to company level. A similar development was noted in Slovenia, where in 2009 the social partners failed to renew the cross-industry pacts that determine working conditions for sectors not covered by an agreement.



Romania amended its legislation in 2011 (the Social Dialogue Act), thus abolishing the cross-industry agreement, and replacing ‘branch agreements’ with more decentralised ‘sector agreements’. In practice, bargaining in Romania has since shifted predominantly to company level.

Marginson and Welz (2014) also report a notable trend towards decentralisation in Bulgaria, Greece, Spain, Italy, Cyprus and Austria.

### **Favourability principle, opening clauses and derogation mechanisms**

With multi-level bargaining structures becoming more widespread, the potential for implementing decentralisation in different ways and to different extents has grown. In recent years, many European industrial relations systems which traditionally relied on sectoral or cross-industry agreements have progressively created more space for decentralised bargaining, by inverting the hierarchy of levels (the favourability principle) and by including clauses which devolve the regulation of a number of issues to lower-level agreements (opening clauses) and clauses which allow lower-level agreements to derogate from the regulations set in higher-level agreements (opt-out clauses). The progressive broadening of the scope for decentralised bargaining has been seen to have eroded the formerly centralised systems (Marginson and Welz, 2014).

In the majority of EU Member States, lower-level agreements are not allowed to deviate from the wage and working conditions agreed at a higher level in a way which would be unfavourable to employees. A new law, the *Loi Fillon*, introduced in France in 2004 gave precedence to the company level on a number of issues (albeit not on minimum wages and job classifications) (Marginson, 2014). Since the start of the crisis, the favourability principle has been inverted in Greece, Spain and Portugal, in some cases temporarily (Marginson and Welz, 2014).

The national laws on wages and working conditions currently in place in Bulgaria, Germany, Ireland, Greece, Spain, France, Italy, Cyprus, Austria, Portugal, Slovenia and Sweden all include opening clauses. Portugal has allowed the use of opening clauses since 2012, when amendments to the labour code were brought in. In Italy, a cross-sector agreement on productivity wages concluded in 2012 provided for the extension of the scope of opening clauses relating to wages. Further notable developments were seen in Germany, Austria and

Finland, where one-off opening clauses were introduced for certain sectors in response to the crisis. Sweden brought in an opening clause in 2010, relating to negotiations over short-time working at local level (Marginson and Welz, 2014).

Significant changes to the legal framework, allowing companies to derogate from higher-level agreements, were made in Greece (2010), Spain (2010) and — for certain sectors — Ireland. Cross-sector agreements introduced in Italy (2012) and France (2013) made it possible for companies to opt-out from agreements on the grounds of economic hardship (in France, this was subject to the condition of there being no redundancies). These agreements were later enacted (and, in Italy, broadened) through legislation. Bulgaria, Cyprus, and Slovenia reported an increase in the use of existing opt-out provisions (Marginson and Welz, 2014). The possibility to derogate from agreements has in many cases existed for some time, but the number of companies making use of this has increased significantly in recent years, in part due to the fact that, since the crisis, more companies have faced economic hardship, which is the main justification for derogation.

### **Collective bargaining coordination**

Coordination refers to the relationships between the various bargaining levels (vertical coordination) or across different bargaining units at the same level (horizontal coordination). Unlike in the case of centralisation, there is no common long-term trend in coordination that could be said to apply to most Member States.

While collective bargaining coordination is a separate concept, distinct from centralisation, there is an important link between the two, as coordination becomes relevant only in bargaining systems which are not fully centralised. The higher-level agreement, as well as being an indicator of centralisation, is one of the main tools for coordination. It is, however, important to maintain a distinction between the two concepts, as decentralisation may occur in either organised or disorganised ways (Traxler, 1995; Traxler, Kittel and Lengauer, 1997). Moreover, coordination mechanisms can be based on different aspects of bargaining systems, namely: regulatory capacity, e.g. the norms set in higher-level agreements; organisational capacity, e.g. the control that central organisations can exert on lower-level bargaining units; or a combination of both, e.g. pattern bargaining, whereby a particular agreement sets the



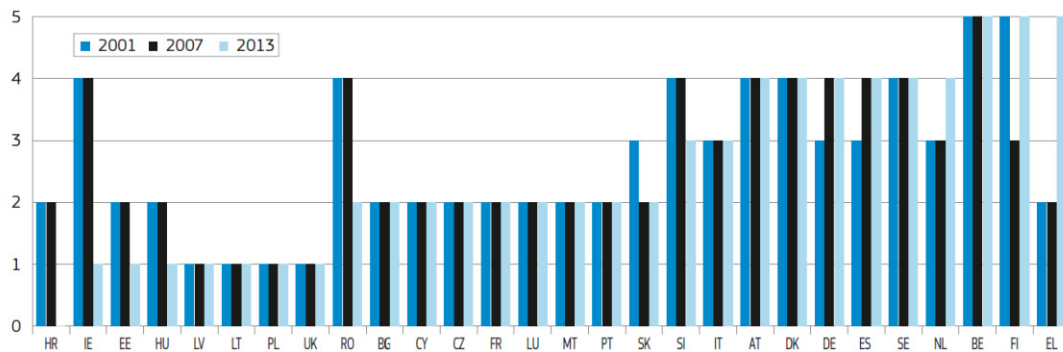
reference for subsequent ones. In certain circumstances, the state also acts to ensure coordination — through legislation or tripartite concertation (which would usually suggest a low autonomy of collective bargaining).

As shown in chart 1.6, there are three Member States where coordination is at the maximum level on the scale. This is, however, for different reasons in each case. In Greece, the sharp increase in the level of coordination seen since 2010 is a result of the wage freeze imposed under international pressure. Wage bargaining in Belgium, meanwhile, has remained highly coordinated in recent years, with the state playing an important role in setting ceilings for wage growth (under laws on competitiveness) and, in particular, imposing wage restraints in 2011 and 2013. In Finland, by contrast, the return to higher levels of coordination is linked to cross-sector wage agreements, which have provided a framework for subsequent sector and company negotiations. The situation is very different elsewhere, however: the collapse of social pacts in Ireland and Slovenia in 2009 triggered a fall in the level of coordination; coordination has also become far less common in Romania, as a result of legislative changes introduced in 2011.

Coordination is at fairly high, and stable, levels in Denmark, Germany, Austria and Sweden, where pattern bargaining prevails, and also in Spain, Italy and the Netherlands, whose systems are characterised by associational coordination and informal centralisation.

Among countries where company-level bargaining predominates, uncoordinated bargaining remained the norm in Latvia, Lithuania, Poland and the United Kingdom. Bargaining has also become more fragmented in Estonia and Hungary since the start of the crisis. While there are no examples of coordination increasing among Member States with predominantly company-level bargaining, the Czech Republic and Malta have broadly maintained their level of coordination, this being, in both cases, fairly limited and state-sponsored. Visser (2013) notes that bargaining coordination is positively correlated with trade union density and bargaining coverage, as there may be a stronger incentive for social partners and the state to coordinate bargaining under such conditions.

Chart 1.6. Coordination of wage bargaining in EU Member States, 2001-13



Source: ICTWSS database (Visser, 2015)<sup>(1)</sup>.

<sup>(1)</sup> Coordination of wage-setting, coded as follows: **5 = a)** centralized bargaining by peak association(s), with or without government involvement, and/or government imposition of wage schedule/freeze, with peace obligation (example: Sweden prior to 1980); **b)** informal centralisation of industry-level bargaining by a powerful and monopolistic union confederation; **c)** extensive, regularized pattern setting and highly synchronized bargaining coupled with coordination of bargaining by influential large firms. **4 = a)** centralized bargaining by peak associations with or without government involvement, and/or government imposition of wage schedule/freeze, without peace obligation (example: Ireland 1987-2009); **b)** informal (intra-associational and/or inter-associational) centralisation of industry and firm level bargaining by peak associations (both sides) (example Spain 2002-8; **c)** extensive, regularized pattern setting coupled with high degree of union concentration (example: Germany most years). **3 = a)** informal (intra-associational and/or inter-associational) centralisation of industry and firm level bargaining by peak associations (one side, or only some unions) with or without government participation (Italy since 2000); **b)** industry-level bargaining with irregular and uncertain pattern setting and only moderate union concentration; **c)** government arbitration or intervention. **2 =** mixed industry and firm-level bargaining, with no or little pattern bargaining and relatively weak elements of government coordination through the setting of basic pay rates (statutory minimum wage) or wage indexation (example France most years). **1 =** fragmented wage bargaining, confined largely to individual firms or plants (example U.K. since 1980). [Based on Kenworthy (2001a; 2001b) with some modification, and updated after 1999. Note that this is an indicator of the "degree, rather than the type, of coordination" (Kenworthy 2001a:78), (...) "based on a set of expectations about which institutional features of wage setting arrangements are likely to generate more or less coordination" (2001a:80).]

### 1.3.2. Workplace representation

As bargaining becomes more decentralised, increasingly occurring at company level, workplace representation gains in importance. Employee representation at the workplace level exists throughout the EU, but takes very different forms in different Member States, reflecting the varying national legal and institutional frameworks under which workplace representatives have different rights, competences, obligations and power.

#### The diversity of employee representation at company level

The variety of different forms of employee representation seen at company level is indicative of the range of industrial relations systems in place across the EU Member States. In addition, national systems for workplace representation vary in terms of the rights accorded to employee representatives and the level of involvement in negotiations on wages.

An important distinction can be made between single-channel and dual-channel systems for workplace representation. In a single-channel system, workplace representatives are elected and/or delegated by trade unions. This is considered to give them the right to represent all employees. In dual-channel systems, workplace representation can be completely independent

of trade unions, and employees are represented by a works council. In almost all countries with the dual system, the works council is, however, informally linked to trade unions in some way: either the works councillors are trade union members and/or trade unions support and supplement the activities undertaken by the works council. Systems for workplace representation vary significantly between Member States. Moreover, classifications of countries' systems may differ, according to whether one focuses on the company level (e.g. Eurofound, 2011) or takes into account interaction with higher levels (e.g. Visser, 2013).

Some form of workplace representation of employees now exists in all Member States, as a direct result of Directive 2002/14/EC of the European Parliament and of the Council on information and consultation of employees. There had previously been no form of workplace representation in several countries, including Bulgaria, Cyprus, Latvia, Lithuania and Romania. Eurofound's 2013 European Company Survey shows that the large majority (75 %) of employee representatives had received information on the company's financial situation and 80 % reported having received information on its employment situation.

### **The legal and organisational context**

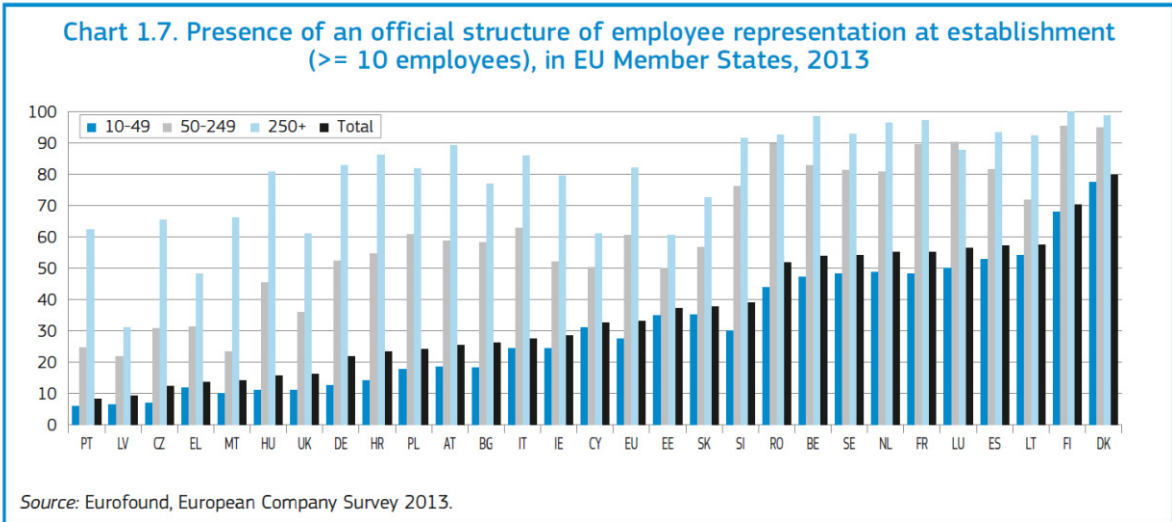
Directive 2002/14/EC on information and consultation of employees has significantly strengthened workplace representation. In the vast majority of EU Member States, legal support for either union or non-union workplace representation has been established and/or strengthened over the last decade. National laws set the minimum conditions to be met when setting up workplace representation structures and give criteria for assessing the representativeness of trade unions at workplace level. It is only in a small number of countries (Bulgaria, Ireland, Cyprus, Latvia, Lithuania, Malta and Romania) that workplace representation is mainly voluntary. Increasing the legal rights relating to workplace representation at EU level has ensured that works councils benefit from a minimum level of rights in all Member States.

Major legal initiatives relating to workplace representation have slowed since 2008. Some countries are still introducing changes to their legal practices and procedures, e.g. adopting minimum criteria or thresholds that work councils must meet in order to participate in collective bargaining. In Portugal, for example, these thresholds were first set in 2009, and

subsequently lowered in 2012. The organisational strength of workplace representation has started to fall recently in some Member States, most notably in Hungary. The introduction of a new labour code in 2012 has restricted the rights of work councils, including their right to be consulted on major issues affecting employment. In Slovakia, as of 2013 only trade unions are allowed to participate in collective bargaining.

New collective bargaining actors have emerged in several Member States. In Greece, a new legal framework granted ‘associations of persons’ the right to conclude agreements at the company level (see chapter 3). Similar changes, extending bargaining competence to non-union actors, have been observed in France (2008), Portugal (2009), Romania (2011) and Hungary (2012) (Marginson and Welz, 2014).

The proportion of employees covered by workplace representation varies considerably across the EU, as a result of differences in legal support, in the rights and obligations of workplace representatives, and also in company size (as there is less likely to be employee representation in smaller companies). In Denmark and Finland, over 60% of all companies with ten or more employees have an official structure of employee representation at the workplace level (either a recognised trade union, works council or another form of statutory representation recognised in that country) (see chart 1.7). In Latvia and Portugal, meanwhile, only a very small proportion of companies have any form of workplace representation.



## **1.4. Conclusions**

This chapter has discussed the way in which industrial relations processes and the actors involved in them have developed, looking at both changes which have come about since the start of the crisis and longer-term trends. The analysis presented has focused on the main characteristics by which these actors and processes can be measured or described, identifying specific changes having occurred to each. Further to this, this chapter has presented a comprehensive picture of the current industrial relations landscape in the EU. When discussing the changes seen in industrial relations, one of the main questions asked has been to what extent these recent developments are a continuation of long-term trends, whether they have instead been brought about by the crisis, or whether existing trends have been accelerated as a result of the economic situation experienced in recent years. Overall, almost all developments seen in collective bargaining (at least until 2011) can be shown to be the continuation of long-term trends that began long before the economic crisis. Industrial relations have, nevertheless, undergone profound changes during the crisis years.

The long-term trend of steadily declining trade union density slowed in most countries in the first years of the crisis, as employment and trade union membership both fell. Whether this trend will continue as employment recovers remains to be seen. The long-term stability in the density of employers' organisations continued. Overall, industrial relations actors have not experienced significant changes in recent years, but this in itself marks an important development compared to earlier periods, during which there was ongoing restructuring and a decline in trade union density was seen.

In contrast, the changes seen in industrial relations processes over recent years have been considerable. The trend towards decentralisation of collective bargaining has continued and accelerated (with the exception of Belgium and Finland). Certain Member States have experienced sudden and significant changes, resulting from the collapse of social pacts or amendments to legislation. In other countries, meanwhile, decentralisation has continued incrementally, with increased use being made of opt-out and opening clauses, and in some cases inversion of the favourability principle.

Collective bargaining coverage has decreased in many countries, and in some southern European countries to previously unseen levels. While bargaining coverage was already

declining and a trend towards decentralisation evident before the crisis, the speed and extent of these developments has altered dramatically. Two main reasons for this have been identified. First, stricter legal regulations and changing practices for extension have made it increasingly difficult to extend collective agreements to a larger proportion of employees. Second, new regulations on the continuation of collective agreements upon expiry have been introduced in several countries, which, together with the increased levels of uncertainty seen since the start of the crisis, have delayed negotiations, on occasion leading to bargaining impasses.

Ongoing trends in industrial relations reflect the way in which industrial relations actors (trade unions, employers' organisations and the state) are adapting themselves to the changing socioeconomic context, in order to align industrial relations to the needs of the economy and society. Other changes have been driven by political pressure, itself motivated by the current economic situation. The changes seen in some countries came as a result of external pressures, in particular policies set at EU level, including the advice communicated to Member States in the country-specific recommendations made under the EU's new economic governance regime, and/or EU reform programmes. It is not yet clear to what extent EU-level policies contributed to the changes seen in industrial relations. Various aspects of industrial relations systems have changed over recent years, and it is notable that these changes have been more divergent, and have occurred more quickly and more frequently than was the case in the years prior to the crisis.

Although the sovereign debt crisis has reduced the ability of national governments to expand public expenditure, social dialogue and concertation continued to contribute to cope with the crisis and restore economic growth in a number of European countries. Finland is a case in point as a two-year cross-sector wage agreement was concluded in 2011 to face the deepening of the crisis and in 2013, after difficult negotiations, a further two-year wage agreement was concluded, which further included a plan to negotiate changes in the social dialogue and collective bargaining system (Marginson and Welz 2014). In 2013, the Slovenian government and social partners agreed on a reform of employment protection legislation, with the aim of reducing labour market segmentation (Eurofound 2015). These examples show that social pacts and social concertation continue to be useful governance tools in different economic junctures supporting both economic adjustments and social cohesion.

## Acknowledgements

Roland Erne (University College Dublin) and Jelle Visser (Amsterdam Institute for Advanced Labour Studies) provided helpful comments and suggestions on an earlier draft of this chapter.

## References

- Bechter, B., Brandl, B. and G. Meardi (2011), 'From national to sectoral industrial relations: developments in sectoral industrial relations in the EU Member States', Eurofound, Dublin.
- Brandl, B. and F. Traxler (2010), 'Labour conflicts: a cross-national analysis of economic and institutional determinants, 1971-2002', *European Sociological Review* 26(5), pp. 519-540.
- Brandl, B. and F. Traxler (2011), 'Labour relations, economic governance and the crisis: turning the tide again?', *Labor History* 52(1), pp. 1-22.
- Broughton, A. and C. Welz (2013), '*Impact of the crisis on industrial relations*', Eurofound, Dublin.
- Carley, M. (2010), '*Developments in social partner organisations — employer organisations*', Eurofound, Dublin.
- Duchemin, C. and T. Weber (2013), '*Social partners' involvement in pension reform in the EU*', Eurofound, Dublin.
- European Trade Union Institute (2014), '*Benchmarking working in Europe*', European Trade Union Institute, Brussels.
- Eurofound (2011), 'Employee representation at establishment level in Europe. European Company Survey 2009', Eurofound, Dublin.
- Eurofound (2012), '*Social dialogue in times of global economic crisis*', Eurofound, Dublin.
- Eurofound (2013a), '*Third European company survey: first findings*', Eurofound, Dublin.
- Eurofound (2013b), '*Sweden: industrial relations profile*', Eurofound, Dublin.
- Eurofound (2014), '*Impact of the crisis on industrial relations and working conditions in Europe*', Eurofound, Dublin.
- Eurofound (2015), '*Industrial relations and working conditions developments in Europe 2013*', Luxembourg: Publications Office of the European Union.
- European Commission (2009), '*Industrial relations in Europe 2008*', European Union, Luxembourg.
- European Commission (2011), '*Industrial relations in Europe 2010*', European Union, Luxembourg.
- European Commission (2013), '*Industrial relations in Europe 2012*', European Union, Luxembourg.
- European Commission (2014), '*Employment and social developments in Europe 2013*', European Union, Luxembourg.
- Eurostat (2013), '*Key figures on Europe*', European Union, Luxembourg.
- Fajertag, G., and Ph. Pochet (1997), '*Social pacts in Europe*', Brussels: ETUI.
- Freyssinet, J. (2010), '*Tripartite responses to the economic crisis in the principal Western European countries*', DIALOGUE Working Paper no. 12, Geneva: ILO.
- Fulton, L. (2013), '*Worker representation in Europe*', Labour Research Department and European Trade Union Institute, Brussels.

- Glassner, V. and M. Keune (2010), 'Negotiating the crisis? Collective bargaining in Europe during the economic downturn', ILO Working Paper No 10, Geneva.
- Guyet, R., Tarren, D. and C.E. Triomphe (2012), '*Social Dialogue in times of global economic crisis*', Eurofound, Dublin.
- Hamann, K., Johnston, A. and J. Kelly (2013), 'Striking concessions from governments: the success of general strikes in Western Europe, 1980-2009', *Comparative Political Studies* 46(1), pp. 23-41.
- Hancké, B. and M. Rhodes (2005). EMU and Labor Market Institutions in Europe The Rise and Fall of National Social Pacts. *Work and Occupations*, 32(2), 196-228.
- Hassel, A. (2009). Policies and politics in social pacts in Europe. *European Journal of Industrial Relations*, 15(1), 7-26.
- Lehmbruch, G. (1977), Liberal Corporatism and Party Government, in *Comparative Political Studies*, vol. 10, no. 1, pp. 91-126.
- Marginson, P. (2014), 'Coordinated bargaining in Europe: from incremental corrosion to frontal assault?', *European Journal of Industrial Relations* (forthcoming).
- Marginson, P. and C. Welz (2014), '*Changes to wage-setting mechanisms in the context of the crisis and the EU's new economic governance regime*', Eurofound, Dublin.
- Marginson, P. and K. Sisson (2006). European integration and industrial relations: Multi-level governance in the making. *ILRReview*, 59(2), 87.
- Pedersini, R. and C. Welz (2013), '*Representativeness of the social partners in the European cross-industry social dialogue*', Eurofound, Dublin.
- Pochet, P., Keune, M., & Natali, D. (Eds.). (2010). After the euro and enlargement: Social pacts in the EU. ETUI.
- Rhodes M. (1998), '*Globalisation, Labour Markets and Welfare States: A Future of 'Competitive Corporatism'?*', in Rhodes M. and Meny Y. (eds), *The Future of European Welfare*, London: Macmillan Press, pp. 178-203.
- Schmitter, P.C. (1974), Still the Century of Corporatism?, in *The Review of Politics*, vol. 36, no. 1, pp. 85-131.
- Schmitter, P.C., Grote, J.R. (1997), *The Corporatist Sisyphus: Past, Present and Future*, European University Institute Working Paper SPS No. 97/4.
- Schulten, T. (2013), Current Trends in Collective Agreed Wages and Wage Drift in Europe 2001-2010, WSI-Wirtschafts- und Sozialwissenschaftliches Institut, Policy paper of the Project: Collectively Agreed Wages in Europe (CAWIE).
- Schulten, T and T. Müller (2013), A New European Interventionism? The impact of the new European economic governance on wages and collective bargaining, in D. Natali and B. Vanhercke, editors, *Social developments in the European Union 2012*, Brussels: ETUI, pp. 181-213.
- Schnabel, C. (2013), 'Union membership and density: some (not so) stylised facts and challenges', *European Journal of Industrial Relations* 19(3), pp. 255-272.
- Søndergaard Laugesen, N., Demetriades, S. and A. Tassinari (2014), '*Role of social dialogue in industrial policies*', Eurofound, Dublin.
- Traxler, F. (1995), Farewell to Labour Market Organisations? Organised versus disorganised decentralisation as a map for Industrial Relation, in C. Crouch and F. Traxler (eds), *Organised Industrial Relations in Europe: What Future?*, Avebury, Aldershot, pp. 3-19.
- Traxler, F. (2003). Bargaining (de) centralization, macroeconomic performance and control over the employment relationship. *British Journal of Industrial Relations*, 41(1), 1-27.



- Traxler, F. (2010). Corporatism (s) and pacts: changing functions and structures under rising economic liberalism and declining liberal democracy. After the euro and enlargement: Social pacts in the EU.
- Traxler, F., Brandl, B. and S. Pernicka (2007), 'Business associability, activities and governance: the cross-national findings', in F. Traxler and G. Huemer (eds), *The handbook of business interest associations, firm size and governance: a comparative analytical approach*, Routledge, London, pp. 351-406.
- Traxler, F., Kittel, B, and S. Lengauer (1997), Globalisation, collective bargaining and performance, in *Transfer: European Review of Labour and Research*, no. 3, pp. 787-806.
- Trebilcock, A. (1994), '*Towards social dialogue: tripartite cooperation in national economic and social policy-making*', International Labour Office, Geneva.
- Urban, H. J. (2012). Crisis corporatism and trade union revitalisation in Europe. A triumph of failed ideas European models of capitalism in the crisis, 219.
- Vandaele, K. (2014), 'Ende des Abwärtstrends? Zur Entwicklung des Streikvolumens in Westeuropa seit Beginn der Weltwirtschaftskrise', *WSI Mitteilungen* 5, pp. 345-352.
- Visser, J. (2013), '*Wage bargaining institutions — from crisis to crisis*', Directorate-General for Economic and Financial Affairs, Economic Papers 488, Brussels.
- Visser, J. (2015), 'Institutional characteristics of trade unions, wage-setting, state intervention and social pacts (ICTWSS), an international database', Amsterdam Institute for Advanced Labour Studies (AIAS), Amsterdam.
- Visser, J. and M. Rhodes (2011), 'The Evolution of Social Pacts. Trajectories and Mechanisms of Institutionalisation' in S. Avdagic, M. Rhodes and J. Visser. *Social Pacts in Europe. Emergence, Evolution and Institutionalisation*. Oxford: Oxford University Press.

### **Box 1.1. Industrial relations in the public sector**

*(based on a draft provided by Lorenzo Bordogna, Università degli Studi di Milano)*

Public sector employment levels and wage and salary dynamics have been under strain in many EU countries since the onset of the economic crisis in 2008 (European Commission, 2011: Ch. 1, 2 and 3; European Commission, 2013: Ch. 3 and 4; Vaughan-Whitehead, 2012 and 2013). Although public sector employment relations continue to vary widely across Europe, with differences rooted in country-specific legal and institutional traditions, some trends towards convergence have emerged, both between countries and between the public and the private sector.

The crisis has been one of the main drivers of convergence in recent years, as a result of the strengthening of budget constraints and the pressures to reduce public expenditure. The main trends seen included: a return to unilateralism on the part of governments, which reduced the potential for different forms of social dialogue; a weakening of the special prerogatives of public sector employees, where they had existed; top-down wage-setting; and an overall reduction in the role of trade unions.

Another notable emerging development has been the exposure of public sector employment relations to external market forces, especially in the most financially vulnerable countries: ‘the crisis challenged the traditional configuration of public sector employment relations as sheltered from international market pressures, operating in a relatively closed environment mostly shaped by the regulatory power of the state and other domestic actors’ (Bach and Bordogna, 2013, p. 291). This development can be linked to a broader, pre-existing trend of introducing or strengthening private-sector-style human resources management practices in the public sector. Such practices include, for example, variable individual pay, performance-related pay, performance-based rather than seniority-based promotions and individualised career paths. While in some cases, these had been negotiated and introduced through social partner agreement, the crisis-related reforms brought in as a result of the crisis appear to have left little scope for such dialogue.

During the crisis, governments have acted to reduce expenditure, through wage freezes, wage cuts, reductions in staff and changes to pension arrangements. Moreover, working time has been reformed and work-organisation patterns revised in order to improve cost effectiveness. Such initiatives have been more extensive in some countries than others, and the impact on public sector employment relations has varied across countries. There is a clear link between

the severity of the crisis and the adjustment measures introduced in particular countries. More radical adjustments were implemented in Estonia, Ireland, Greece, Latvia, Lithuania, Hungary, Portugal and Romania. With the exception of Ireland, changes in public sector employment relations were introduced in these countries unilaterally by governments, without any significant social dialogue. In other Member States (Denmark, Germany, France, the Netherlands, Finland, Sweden and, to some extent, the United Kingdom) new measures were introduced along the lines of previous structural reforms designed to improve the efficiency and effectiveness of the public sector. These measures included pay freezes rather than pay cuts and limits on recruitment rather than reductions in staff numbers. In these cases, social dialogue has often been strained, but there have been more concerted efforts to consult and negotiate with the public sector trade unions. Italy falls between these two groups, being similar to the former group with respect to the lack of social dialogue in introducing reform measures, but closer to the latter as far as the nature of the measures implemented is concerned.

One of the main policies adopted by governments in order to contain or reduce the total public sector wage bill has been to cut the number of public sector employees, either via redundancies or by freezing turnover ratios. Over two thirds of Member States reduced staff numbers in the core public sector services (public administration, defence and essential social security services)<sup>5</sup> over the period 2008-13. Particularly substantial cuts were made in Latvia (where staff levels were reduced by 27%), but the numbers of staff employed in these core services also fell significantly in Belgium, France, Italy, the Netherlands, Portugal and the United Kingdom, all of which saw a reduction of between 10% and 15% between 2008 and 2013. The exceptions to this trend are Germany, Estonia, Croatia, Lithuania, Luxembourg, Hungary, Malta, Poland, Slovakia and Sweden, where staff numbers in core public sector services have increased, in some cases quite considerably. The largest increases were seen in Hungary (25%) and Slovakia (20%), but staff numbers also rose by between 10% and 13% in Estonia, Luxembourg and Sweden. Eight Member States (Belgium, Greece, France, Italy,

---

<sup>5</sup> As noted in the 2012 report on industrial relations in Europe (box 1.3 and p. 93-94), data based on a classification of activities can only serve as a proxy and not as an exact measurement of the public sector. Section O of the Statistical classification of economic activities of the European Community NACE Rev.2 (public administration, defence, compulsory social security) covers the core of the public sector, since most of these activities are performed directly or indirectly by public sector employers and employees. Sections P (education) and Q (human health and social work activities) also include private organisations and employees in most countries, although in varying proportions, which makes comparison more difficult.

Cyprus, the Netherlands, Portugal and Finland) recorded a decrease in the number of staff employed in core public sector services in both sub-periods of the economic crisis (2008-10 and 2011-13). Over the period 2011-13, staff numbers were reduced particularly heavily in Spain (-12.0%), Italy (-9.8%), Greece (-8.4%), France (-8.0%), the Netherlands (-7.2%) and Ireland (-6.1%). Significant cuts were also made in Slovenia (-6.3%), Belgium (-4.8%), Finland (-4.7%), Portugal (-4.6%) and Cyprus (-4.3%).

The picture changes somewhat when the entire public sector is considered. It should, however, be noted that education and health services also include private sector providers and employees, and these employees are also included in this data. Fewer Member States have reduced staff levels in the public sector as a whole between 2008 and 2013 than have reduced employee numbers in the core public sector services over this period (eight Member States rather than eighteen), these being Bulgaria, Greece, Italy, Cyprus, Latvia, Lithuania, the Netherlands and Romania. The only country where the number of staff employed has been reduced significantly is Greece (-13.5%). Of the eight countries mentioned above, four (Greece, Italy, Lithuania and the Netherlands) reduced employee numbers in the public sector as a whole over both periods, 2008-10 and 2011-13. A further seven countries also reduced overall public sector employment levels during the most recent period. These were Belgium, Spain, Cyprus, Portugal, Romania, Slovenia and Finland.

These changes have had only a limited effect on the level of public sector employment as a proportion of total employment, as, in many countries, both public sector employment and total employment have decreased during the period under consideration. In some cases, total employment fell even more sharply than public sector employment, such as in Greece, for example, where total employment fell by 13.2% between 2011 and 2013, while total public sector employment was reduced by 9.5%. As a result, public sector employment has increased slightly as a proportion of total employment over this period. A similar situation can be seen in Portugal, where total employment fell by 6.6% per cent while public sector employment was reduced by 1.5%. Public sector employment has increased, more or less significantly, as a proportion of total employment in the large majority of countries, with the exception of only three countries where the proportion of employees working in the public sector has fallen — Lithuania, the Netherlands and Romania. The four clusters of countries identified in the 2012 report on industrial relations in Europe (p. 122) have changed only slightly. Public sector employment has remained at below 20% of total employment in four countries, namely Bulgaria, the Czech Republic, Cyprus and Romania, while Poland and

Slovenia have moved from this group to the next highest, joining countries where public sector employment represents between 20% and 24% of total employment — Estonia, Greece, Spain, Italy, Latvia, Lithuania, Hungary, Austria, Portugal and Slovakia. The two upper groups remain unchanged, with public sector employment continuing to represent between 25% and 29% of total employment in Germany, Ireland, Malta and Finland, and 29% or more in Belgium, Denmark, France, Luxembourg, the Netherlands, Sweden and the United Kingdom. As mentioned above, however, these figures include private sector organisations and employees working in the education and health sectors. Data excluding these private sector employees are unfortunately not available for all countries, but would possibly present a different picture of the situation. Germany, for example, would rank among the countries with the lowest levels of public sector employment relative to total employment, as it has one of the leanest public sectors providing around or below 10% of total employment (OECD, 2014: figures 5.1 and 5.2).

Public sector employment has historically been characterised by a higher proportion of women employees, more widespread use of part-time and temporary work, an older workforce and a higher proportion of employees with tertiary education — relative to the economy as a whole. The ratio of women to men working in the public sector has increased slightly over the period 2011-13 in both the EU as a whole, in the pre-2004 Member States, and in most individual countries. The few exceptions to this, where the proportion of women decreased between 2011 and 2013, are mostly central and eastern European countries, including Bulgaria, Estonia and Latvia and, to a more limited extent, the Czech Republic and Slovakia. A very small decrease in the proportion of women employees has also been seen in Sweden. These changes have not affected the geographical divide that has historically been seen between the cluster of the Nordic and Baltic countries, plus Ireland, Poland, Slovenia, Slovakia and the United Kingdom, where women make up 70% or above of the public sector workforce, and the southern European countries (Greece, Spain, Italy, Cyprus and Malta), plus Luxembourg and Romania, where the proportion of women employees is below or close to 60%. Portugal remains an exception among southern European countries, with women representing around 68% of public sector employees, a slight increase on the level recorded in 2011. On the whole, the crisis does not appear to have affected women employed in the public sector disproportionately. The proportion of women employees remains particularly high in the education and health sectors, and much lower in public administration, defence and social security.

The proportion of public sector employees working part-time increased slightly between 2011 and 2013 in the EU as a whole and in the pre-2004 Member States. The main exceptions to this are Denmark, Estonia, Hungary and Slovenia, with Estonia seeing a particularly large decrease from around 19.0% in 2011 to 12.5% in 2013. Smaller decreases in part-time working have also been recorded in Belgium, Malta, Sweden and the United Kingdom. The traditional clusters have not, however, changed. Below the Netherlands, which remains an outlier (with 65% of employees working part-time), there are a number of pre-2004 Member States where 30% or more of employees are working part-time (Belgium, Germany, Austria, Sweden and the United Kingdom), closely followed by Ireland, France and Luxembourg. At the opposite end of the scale are the large majority of southern, central and eastern European countries: in Estonia, Italy, Malta and Finland between 12% and 15% of public sector employees are part-time, while this percentage is below 10%, and in some cases even 5%, in Bulgaria, the Czech Republic, Greece, Latvia, Hungary, Poland, Portugal, Slovenia and Slovakia. The proportion of part-time employees is usually higher in the education and health sectors than in public administration, defence and social security, and is linked to the higher proportion of women employed in the former than the latter areas.

The changes seen in temporary employment, both in absolute terms and as a proportion of public sector employment, have been more varied. The total number of public sector employees with temporary contracts has fallen in the EU as a whole, in the EU-27 (excluding Croatia), and in the pre-2004 Member States. At country level, the same trend has been observed in half of the Member States for which data are available: Belgium, Bulgaria, Denmark, Germany, Ireland, Greece, Spain, Italy, Portugal, Slovenia, Slovakia and Finland. Particularly large reductions in the numbers of temporary workers were seen in Spain (-23.6%), Greece, Slovenia and Slovakia (between -13% and -14%), Portugal, Bulgaria and Italy (between -9% and -11%). It should be noted that the fall in the numbers of temporary workers has usually been greater in public administration, defence and social security than in the education and health sectors, with a number of exceptions (including Slovenia, Slovakia and Finland). Particularly notable increases in the number of temporary workers have been seen in France (15%), Malta (23%), Hungary and Croatia (around 55-57%). In France, the number of temporary workers increased more steeply in the education and health sectors (rising by 17.3% and 20.5% respectively) than in public administration, defence and social security (where an increase of 3.9% was recorded). The same pattern was observed in Malta whereas the opposite was true in Hungary.

The overall proportion of public sector employees on temporary contracts has fallen between 2011 and 2013 in the EU as a whole (excluding Croatia), in the pre-2004 Member States and in ten individual countries: Belgium, Germany, Ireland, Greece, Spain, Italy, Portugal, Slovenia, Slovakia and Finland. The number of temporary workers as a proportion of total employees has, however, increased in ten countries: the Czech Republic, France, Cyprus, Luxembourg, Hungary, Malta, the Netherlands, Austria, Poland and Sweden, most significantly in France and Hungary. The proportion of temporary workers has remained stable in Denmark and the United Kingdom. The proportion of employees with temporary contracts has fallen more sharply in public administration, defence and social security than in the education and health sectors. This may be due to stabilisation processes, or, perhaps more likely, may reflect the fact that temporary workers have been particularly affected by the crisis (as has been the case in Italy, for example).

These changes have not had a significant effect on the traditional clusters of countries. The proportion of staff employed on a temporary basis in the public sector as a whole varied from around 7-8% in Bulgaria, Greece, Luxembourg, Malta, Slovakia and the United Kingdom, to between 15% and 19% in Germany, France, Cyprus, Hungary, Portugal and Sweden and to above 20% in Spain and Finland. Despite these variations, temporary employment continues to be used more systematically in the public sector than in the entire economy, the only exceptions to this being the Netherlands and Poland, and, to a lesser extent, Bulgaria, Croatia and Italy.

Another policy adopted widely as a way of containing or reducing the total public sector wage bill has been to slow down, freeze or cut the wages and salaries of public sector employees. This has been achieved either by suspending the bargaining mechanisms where collective bargaining rights did exist, as has been the case in Italy, where national wage negotiations were initially cancelled for 2010-12 and subsequently until the end of 2015, or by making use of government prerogatives to determine wage increases unilaterally, as has been seen in France and, to some extent, in the United Kingdom (Bach and Bordogna, 2013; Bordogna and Pedersini, 2013). For Ireland, Greece and Portugal, such policies were included in the package of measures on which financial assistance was made conditional (Ioannou, 2013; Stoleroff, 2013; Bach and Stroleny, 2013). In countries where the economic crisis was less severe, collective bargaining was not, however, frozen, and wages continued to increase, although often more slowly and with more resistance than in the past (Keller, 2013; Mailand and Wesley Hansen, 2013).

The total cost of salaries and wages paid to public sector employees, in national currency, fell between 2008 and 2011 in eight Member States (Estonia, Ireland, Greece, Latvia, Lithuania, Hungary, Portugal and Romania), and increased in the remaining nineteen (Croatia is not included in this data). The varying picture seen across Member States can be attributed to the combined effect of the evolution of wages and salaries, and the changes seen in employment levels and in the structure of employment in each country, both of these factors having varied between countries according to the intensity of the economic crisis and the specific policy mix adopted by individual governments. The decrease in total wages and salaries was very slight in Portugal, a little higher than 3% in Estonia, between 6% and 8% in Ireland, Greece, Lithuania and Hungary, and quite considerable at 17% and 29% respectively in Romania and Latvia. The countries with the largest increases in total public sector pay, of around 18% or more, were Cyprus, Luxembourg, Malta and Poland. A further ten Member States have seen increases of between 9% and 14% (Belgium, Bulgaria, Denmark, Germany, the Netherlands, Austria, Slovenia, Slovakia, Finland and the United Kingdom), with the remaining Member States recording smaller increases, notably France (7.7%), Sweden (7.4%), Spain (5.2%) and Italy (1.2%). In countries where total public sector salaries and wages have fallen, the change has been more marked in public administration, defence and social security than in the education and health sectors.

In the last year for which data are available (2012), total public sector pay is seen to have fallen in only four countries (Spain, Italy, Cyprus and Slovenia) over the previous year. Data are not, however, available for Greece, France, Portugal and Romania, and the rate at which total wages are increasing is shown to have slowed considerably in all other countries. When the total wage cost for public administration, defence and social security is considered alone, the number of countries where wages have fallen is significantly higher. Compared to the previous period, however, the trends emerging here are also more positive.

At the end of 2014, the economic recovery remains fragile and uneven, while pressures on public budgets remain and may even increase if no significant adjustments take place in the medium term. In the absence of changes in the economic outlook, public sector employment relations are likely to remain strained.

## **References**

Bach S., Bordogna L. (2013), 'Reframing public service employment relations: The impact of economic crisis and the new EU economic governance', *European Journal of Industrial*



*Relations*, 4, pp. 279-294.

Bach S., Stroleny A. (2013), 'Public service employment restructuring in the crisis in the UK and Ireland: social partnership in retreat', *European Journal of Industrial Relations*, 4, pp. 341-357.

Bordogna L., Pedersini R. (2013), 'Economic crisis and the politics of public service employment relations in Italy and France', *European Journal of Industrial Relations*, 4, pp. 325-340.

European Commission (2011), *Industrial Relations in Europe 2010*, Brussels: European Union

European Commission (2013), *Industrial Relations in Europe 2012*, Brussels: European Union

Keller B. (2013), 'Germany: The public sector in the financial and debt crisis', *European Journal of Industrial Relations*, 4, pp. 359-374.

Ioannou Ch. (2013), 'Greek public service employment relations: A Gordian knot in the era of sovereign default', *European Journal of Industrial Relations*, 4, pp. 295-308.

Mailand M., Wesley Hansen N. (2013), 'Public service employment relations in an era of austerity: The case of Denmark', *European Journal of Industrial Relations*, 4, pp. 375-389.  
OECD, *Government at a Glance 2013*, Paris: OECD 2014.

Vaughan-Whitehead D. (ed) (2012), *Public Sector Adjustments in Europe: Scope, Effects and Policy Issues*, Geneva: ILO.

Vaughan-Whitehead D. (ed) (2013), *Public Sector Shock: The Impact of Policy Retrenchment in Europe*, Cheltenham: Edward Elgar

Stoleroff A. (2013), 'Employment relations and unions in public administration in Portugal and Spain: From reform to austerity', *European Journal of Industrial Relations*, 4, pp. 309-323.

### **Box 1.2. Developments in industrial relations in central and eastern European Member States**

*(based on a draft provided by Marta Kahancová, Central European Labour Studies Institute, Bratislava)*

The 2012 report on industrial relations in Europe presented a detailed analysis of industrial relations in central and eastern European countries. It was noted that, in comparison with the pre-2004 Member States (and with the possible exception of Slovenia), the central and eastern European countries are characterised by weaker trade unions and a faster fall in trade union density, a lack of established employers' associations, no tradition of bipartite multi-employer collective bargaining, persistently lower bargaining coverage (partly due to an under-developed system of collective agreement extension), and strong formal tripartism that has, in part, replaced under-developed sector-level collective bargaining systems.

The previous report on industrial relations in Europe concluded that social partners' efforts to respond to post-enlargement and post-crisis developments through coordinated action at the European, national, sectoral and company levels have not yet brought significant changes to the decentralised, fragmented industrial relations structures in place in most central and eastern European countries. Nevertheless, the action taken by social partners in various central and eastern European countries to align their industrial relations structures more closely with those found elsewhere in the EU, with EU-level support, may, in the long run, contribute to incremental changes in industrial relations in these countries. This update summarises the main trends and developments in industrial relations seen in the central and eastern European Member States since 2012.

In 2013, Croatia became the twenty-eighth EU Member State. It has one of the lowest employment rates and the fastest growing level of government debt in the EU, which creates a challenging environment for employers, employees and industrial relations. The Croatian industrial relations system shares a number of common features with the systems in other post-socialist central and eastern European Member States. Trade union density declined rapidly in Croatia after the period of political and economic transition, and was at 34% in

2012. Employee and employer representation suffered from increasing fragmentation, and collective bargaining was increasingly decentralised to the company level.<sup>6</sup> Nevertheless, compared with the systems found in some central and eastern European countries, Croatia has a well-coordinated industrial relations system. Collective bargaining coverage remains high by regional standards (at around 60% in 2008) and tripartite social dialogue plays a relatively important consultative role in policy-making.<sup>7</sup>

Representation through trade unions and employers' associations generally remains fragmented in central and eastern European Member States. Trade union density is still at low levels in most countries in the region, consistent with the long-term trend of declining trade union membership seen since the early 1990s. Since the start of the crisis, trade union density appears to have levelled off, at a low level, in Bulgaria, Estonia and Lithuania, but has continued to decline in other Member States in the region.

There has been a slight increase in employer density in the Czech Republic, and rates have remained at stable low levels in Estonia, Hungary, Latvia and Slovakia. In Lithuania, however, employer density fell to less than 20%. In the wake of the abolishment of mandatory membership of employers' associations in 2006, Slovenia saw a further decrease in employer density, of nearly twenty percentage points (from 85% in 2008 to 68% in 2011), but still has by far the highest level of employer density in the region.

Coverage has declined over recent years in several central and eastern European countries, in some cases dramatically, for example in Romania. The slight increases recorded in Latvia and Lithuania between 2001 and 2008 can be seen to have been reversed five years later.

Tripartite councils are still present in the majority of central and eastern European Member States, but the role they play is heavily influenced by government attitudes towards trade unions and employers' associations. In protest against unilaterally imposed government measures, trade unions in the Czech Republic refused to take any further part in tripartite councils in 2012. A similar scenario was seen in Poland in 2013.<sup>8</sup> In the Czech Republic, frequent changes of government have made social dialogue all the more difficult.

---

<sup>6</sup> <http://www.worker-participation.eu/National-Industrial-Relations/Countries/Croatia/Trade-Unions>.

<sup>7</sup> <http://www.worker-participation.eu/National-Industrial-Relations/Countries/Croatia/Collective-Bargaining>.

<sup>8</sup> Veverková, Sona. Trade unions abandoned tripartite talks. European Industrial Relations Observatory, Dublin. 30.7.2012. <http://www.eurofound.europa.eu/eiro/2012/06/articles/cz1206019i.htm>

Strikes remain very rare in this region, with trade unions preferring street demonstrations, lawsuits and petitions as alternative ways of voicing their opinions.<sup>9</sup> These actions are mainly targeted at governments — either in their capacity as employers (in the case of employees in the public sector), or as the initiators of legislative changes (in the case of more general protests against fiscal consolidation measures and pension and labour market reforms).

Since 2012, a number of important developments have been seen in industrial relations in central and eastern European Member States. First, despite the general stability of industrial relations institutions, some consolidation took place in countries with historically highly fragmented representation by social partners. In Hungary, three of the six trade union confederations merged in 2013.<sup>10</sup> Stricter criteria introduced in Bulgaria have meant that only four of the six employer associations are now recognised as representative at national level.<sup>11</sup> Latvia and Lithuania, whose legal environments are considered the most unfavourable to trade unions, introduced labour-friendly amendments to their legislation in 2013. In Lithuania, the changes focused on legal guarantees for trade unions operating at company level, whilst in Latvia, rules on representation were clarified,<sup>12</sup> creating the potential for a revival in trade union activity. Slovakia re-introduced measures allowing the horizontal extension of multi-employer collective agreements to the whole sector. Despite criticisms from one of the dominant employers' associations, extensions became possible through the 2013 amendment to the Collective Bargaining Act, with the support of the social-democratic government and trade unions.

The collective bargaining agenda pursued in the private sector has not changed since 2012, with the possible exception of Slovakia (see earlier).<sup>13</sup> There has, however, been a shift in the

---

Czarzasty, Jan. Trade unions lead largest street protest in decades. European Industrial Relations Observatory, Dublin. 10.1.2014. <http://www.eurofound.europa.eu/eiro/2013/10/articles/pl1310029i.htm>.

<sup>9</sup> Veverková, Sona. Trade unions organise biggest demonstration since 1989. Industrial Relations Observatory, Dublin. 21.-06.-2012. <http://www.eurofound.europa.eu/eiro/2012/05/articles/cz1205019i.htm>

Surdykowska, Barbara. Fixed-term contract regulation under EU scrutiny. European Industrial Relations Observatory, Dublin. 17.-03.-2014. <http://www.eurofound.europa.eu/eiro/2014/01/articles/pl1401029i.htm>.

<sup>10</sup> Komiljovics, Máté. Trade union federations announce merger plans. Industrial Relations Observatory, Dublin. 22.7.2013. <http://www.eurofound.europa.eu/eiro/2013/07/articles/hu1307011i.htm>.

<sup>11</sup> Mihaylova, Tatiana. Industrial relations landscape to change after review. Industrial Relations Observatory, Dublin 19.10.2012 <http://www.eurofound.europa.eu/eiro/2012/09/articles/bg1209011i.htm>.

<sup>12</sup> Blaziene, Inga. New rules give trade unions extended rights. Industrial Relations Observatory, Dublin. 10.1.2014. <http://www.eurofound.europa.eu/eiro/2013/10/articles/lt1310039i.htm>.

<sup>13</sup> Czírja, Ludovit. Collective bargaining rules set to change again. Industrial Relations Observatory, Dublin. 7.1.2014. <http://www.eurofound.europa.eu/eiro/2013/11/articles/sk1311019i.htm>.

broader focus of social dialogue towards the interests of employees in non-standard, often precarious, employment. Trade unions in several central and eastern European countries are becoming increasingly active in representing the interests of employees in various forms of non-standard employment, ranging from short-term contracts and temporary agency work to involuntary self-employment and illegal jobs. Precarious employment is not a new phenomenon and it is not restricted to the central and eastern European region, but those in atypical forms of employment were hardest hit by the crisis. At the same time, the economic situation of recent years has also increased the numbers of workers in this vulnerable position, with employers becoming increasingly reluctant to offer 'regular' employment contracts. In the years immediately following the onset of the crisis, trade unions were criticised for protecting the interests of 'insider' workers with regular contracts. In the last two years, however, trade unions in central and eastern European countries have attempted to dispel this image. This strategy could be considered as an attempt to revitalise trade unions. Trade unions in Poland mobilised public support for protests against 'junk contracts', including one of the largest street demonstrations seen since 1989, and organised a general strike.<sup>14</sup> They also appealed successfully to the European Commission to condemn the practice of issuing such contracts, which had been supported by Polish employers and by the government.<sup>15</sup> In the Czech Republic, meanwhile, the government's clamp down on bogus self-employment was partly prompted by complaints made by trade unions.<sup>16</sup> Sector-wide collective bargaining for temporary agency workers is being put in place in Slovakia, following an initiative launched jointly by trade unions and employers' associations representing temporary work agencies.

Minimum wages, the most centrally controlled aspect of the wage system, have been subject to significant developments. The Czech Republic, Estonia, Latvia and Lithuania increased minimum wages over the last two years for the first time since the start of the economic crisis. These increases were brought in as a result of tripartite agreements or on the basis of advice from social partners in national tripartite committees, which may be a sign of a more

---

<sup>14</sup> Czarzasty, Jan. Trade unions lead largest street protest in decades. European Industrial Relations Observatory, Dublin. 10.1.2014. <http://www.eurofound.europa.eu/eiro/2013/10/articles/pl1310029i.htm>.

<sup>15</sup> Surdykowska, Barbara. Fixed-term contract regulation under EU scrutiny. European Industrial Relations Observatory, Dublin. 17.3.2014. <http://www.eurofound.europa.eu/eiro/2014/01/articles/pl1401029i.htm>.

<sup>16</sup> Geissler, Hana. New regulations aim to fight bogus self-employment. European Industrial Relations Observatory, Dublin. 27.2.2012. <http://www.eurofound.europa.eu/eiro/2012/01/articles/cz1201029i.htm>.

cooperative stance being taken by employers and governments towards trade unions, and greater support for social dialogue in general.<sup>17</sup>

**Box 1.3. The European Social Model: Resilience and changes**

*(based on a draft provided by Daniel Vaughan-Whitehead, International Labour Office)*

A project carried out by the International Labour Office with financial support from the European Commission<sup>18</sup> has systematically assessed the changes having recently affected six pillars of the European social model, as identified by the project: workers' rights and working conditions, social protection, the labour market, public services, social dialogue and social cohesion.

The systematic analysis of the different pillars of the European social model — and of the various aspects within each pillar — led the International Labour Office's experts to their main conclusion, that while parts of the European social model may have been called into question before the crisis, the extent of changes seen since the crisis, affecting most aspects and pillars of the European social model, has been unprecedented. While there are a number of exceptions — such as the introduction of a general minimum wage in Germany, the development of stronger social protection in Sweden, and the strengthening of social dialogue in France — most trends identified show a general withdrawal of the state from social policy in terms of legislation, provision of services and financing. The table below provides some evidence of the magnitude of the changes seen in individual countries while also highlighting the diversity between Member States.

---

<sup>17</sup> Veverková, Soňa. Minimum wage increase comes into effect. European Industrial Relations Observatory, Dublin. 13.9.2013. <http://www.eurofound.europa.eu/eiro/2013/08/articles/cz1308019i.htm>

Osila, Liina and Kadarik, Ingel. Social partners agree minimum wage rise. European Industrial Relations Observatory, Dublin. 10.1.2014. <http://www.eurofound.europa.eu/eiro/2013/10/articles/ee1310019i.htm>

Karnite, Raita. Government raises minimum wage. European Industrial Relations Observatory, Dublin. 13.9.2013. <http://www.eurofound.europa.eu/eiro/2013/07/articles/lv1307019i.htm>

Blaziene, Inge. Huge rise in minimum wage signals end of freeze. European Industrial Relations Observatory, Dublin. 30.7.2013. <http://www.eurofound.europa.eu/eiro/2013/02/articles/lt1302019i.htm>.

<sup>18</sup> *The European Social Model in Crisis — Is Europe losing its Soul?* D. Vaughan-Whitehead (Ed.), Edward Elgar, International Labour Office, 2014.

**Table 1.1. Most significant changes in the European social model, 2008-14**

<b>Working conditions</b>	<b>Labour market</b>	<b>Social protection</b>	<b>Social dialogue</b>	<b>Public sector*</b>	<b>Cohesion</b>
<ul style="list-style-type: none"> <li>-Limitations to the freedom of association (EL, HU)</li> <li>-Lowering of the minimum wage (EL, HU, SI, IE, CY) or a wage freeze (PT, ES, LT, LU, UK) but also the introduction of a minimum wage (DE) and reduction in pay for overtime (HU, SI, UK, EL, PT, HR, RO, EE, LV, LT)</li> <li>-Weakening of health and safety legislation (SI, UK), or reduction in entitlement to sick leave (ES, BG, SL)</li> </ul>	<ul style="list-style-type: none"> <li>-Deregulation with rules relating to dismissal changed for both individual (PT, EL, IT, EE, SI) and collective dismissals (SK, ES, LT, EL, RO)</li> <li>-Significant increase in the use of temporary contracts (EE, LT, EL, CZ, PT, PL, RO)</li> <li>-Scaling down of active labour market policies (UK, HU)</li> </ul>	<ul style="list-style-type: none"> <li>-Pension reforms (all Member States)</li> <li>-Reduction in unemployment benefits (BE, IE, PT, EL, RO, HU, SI, ES), housing benefits (CZ, PT, UK) and child allowances (CY, EL, HU, IE, LV)</li> <li>-Reduced social security benefits and social allocations (BE, EE, IE, EL, PT, HU, UK)</li> <li>-but also increased social protection (SE)</li> </ul>	<ul style="list-style-type: none"> <li>-Reduced scope of collective bargaining due to the removal of extension procedures (EL, HU, PT, RO, SK)</li> <li>-Provisions for derogation from higher-level agreements introduced (ES, IT, EL, CY, BG)</li> <li>-Structural changes to the institutions or mechanisms shaping the tripartite social dialogue (HU, IE) and weakening of tripartism (IT, LT, RO)</li> <li>-Weakening of trade union rights (LT, EL, PT)</li> <li>-Increased social dialogue (BE, FI)</li> </ul>	<ul style="list-style-type: none"> <li>-Cuts to the budget for public health and education (almost all Member States)</li> <li>-Reduction in public sector wage and employment levels</li> <li>-Privatisation programmes</li> </ul>	<ul style="list-style-type: none"> <li>-Lower regional cohesion (UK, LV, ES, EL)</li> <li>-Gender inequality reduced (EL, PT, IT, CZ, RO)</li> <li>-Unequal tax increases (HU, CZ, RO, EL, IT)</li> </ul>

\*For comparative analysis and details by country, see D. Vaughan-Whitehead (Ed.), 2013, Public Sector Shock, Edward Elgar-ILO.

The International Labour Office's project also documented the effects of these changes, and reported a significant increase in social conflict, an increasing incidence of low pay and poverty, and growing inequalities. The economic results of the reforms introduced have also been below initial expectations, in terms of their effect on employment, consumption and economic recovery.

The experts conclude that while the European social model needs to adapt to major challenges such as demographic developments and structural changes in employment, more balanced economic and social policies would allow European countries to remain

competitive, while safeguarding the principles that forged their social identity and that could make their economic policies more sustainable in the long run.

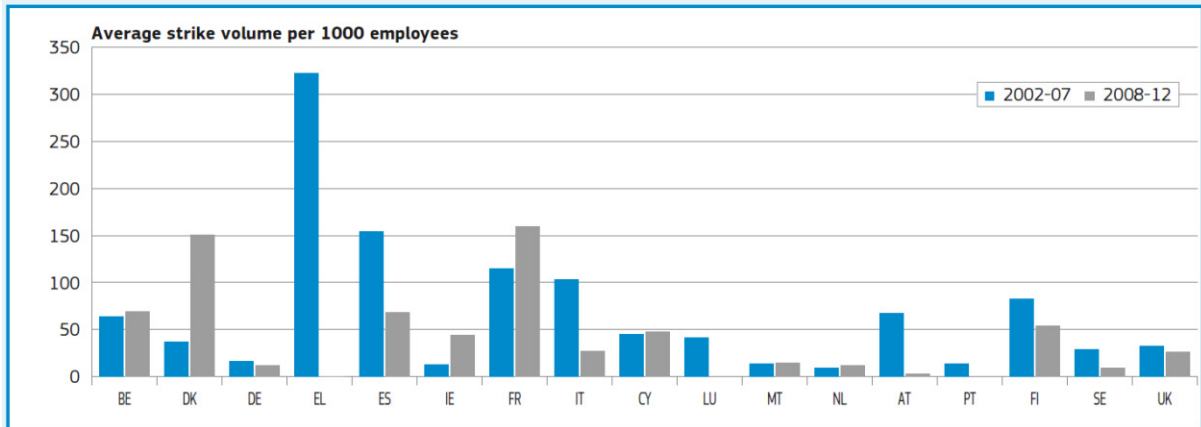
#### **Box 1.4: Strike activity in the EU before and during the crisis**

The level of strike activity varies widely across EU Member States. A common indicator used to compare strike activity in different countries is strike volume, defined as the number of working days lost through strikes per worker per year. It can be seen from this measure that there are historically more strikes in some countries than in others. Most southern European countries typically see more strikes than do continental European countries. There has been little change in countries' relative strike volumes over the past decades (e.g. Brandl and Traxler, 2010; Vandaele, 2014). Nevertheless, strike volume has declined steadily in absolute terms in almost all countries (see chart 1.8). This trend appears to have been continuing in recent years in the majority of countries for which data are available. The only countries in which strike volume has increased significantly during the economic crisis are Denmark and France.

Differences can also be identified in the scope and nature of strikes. Industry-wide strikes occur predominantly in northern Europe in countries with a multi-employer bargaining system. Political and general strikes are more characteristic of southern European countries, but also to a lesser extent of 'liberal' countries such as Ireland and the United Kingdom (Vandaele, 2014). In Spain, strike volume has decreased sharply since 2008. This appears contradictory at a time when there were frequent mass protests and demonstrations. These protests were not, however, necessarily accompanied by work stoppages. They were only indirectly, if at all, related to industrial relations issues and not targeted at specific employers, being mainly directed towards government policies and various supra-national organisations. Whilst it is not always easy to differentiate between the different purposes that strikes and other forms of protests may serve, and it can also be difficult to identify the direct target of such action (e.g. the government and/or an employer), it appears that there has been a shift in recent years, with action, be it strikes or other forms of protest, being increasingly often directed towards the government rather than specific employers (Hamann et al., 2013).



Chart 1.8. Strike volume in selected European countries; comparison between 2002-07 and 2008-12



Source: Vandaele (2014).

Note: Bars show the average strike volume per 1,000 employees between 2002-2007 and 2008-2012. Selection of countries on basis of availability of data. No data for 2013. For many countries, e.g. Greece and Portugal, recent data has not been collected. For details on availability of strike data see Vandaele (2014).

## **Chapter 2. The evolution of the crisis – developments in wage bargaining systems**

Based on a draft by Roberto Pedersini (Università degli Studi di Milano)

*On the basis of the main trends identified in chapter 1, this chapter considers the role of collective bargaining in wage-setting, in a context of greater intervention by national governments and an evolving European economic governance regime.*

### **2.1. Introduction**

As a key factor of international competitiveness and internal demand, wages are an important economic variable. The economic crisis has rekindled the debate on the relative merits of different wage-setting mechanisms in promoting external competitiveness. A gradual decoupling of nominal labour costs and productivity in the run-up to the crisis is considered to have contributed to imbalanced growth in certain Member States, eventually feeding into diverging rates of growth and unemployment since the initial shock. Sizeable wage adjustments have been observed in the Member States that were most severely affected. However, the crisis has also drawn renewed attention to the role of wages in sustaining demand, particularly in a context of very low inflation and stagnant growth. Here again, the question of the impact of different wage-setting mechanisms has been raised.

Wages are the compensation employees receive for their work and correspond to the ‘price’ that employers pay for workers’ ‘services’. The labour nexus has long been recognised as a very special relationship which requires a specific analytical framework. This is partly because it entails a degree of uncertainty as to the content of the tasks to be performed within a subordination contract and presupposes an active commitment by workers (Simon, 1951; Akerlof, 1982). More broadly, a specific analytical framework is seen as necessary because the labour market is a ‘social institution’ (Solow, 1990) and labour cannot be considered a ‘market good’, since it is not possible to separate it from the human beings who deliver it (Polanyi, 1944).

Labour market institutions are typically a complex combination of market mechanisms and regulation by public authorities. They are supplemented and sometimes replaced by terms set as a result of industrial relations processes. The latter have an obvious and inherent collective dimension, since they involve the representation of workers, produce common economic and normative rules and often see the participation of employer associations alongside or in the place of individual employers.

Collective bargaining is a key feature of industrial relations systems, since it represents the fundamental instrument that social partners use to jointly regulate the employment relationship,

especially since general and industrial unions became the main actors of workers' representation in the early 1900s. In the 'industrial society' (Crouch, 1999), collective bargaining tends to cover broad groups of workers — often industry-wide — and to protect them by setting comprehensive minimum standards and limiting unilateral managerial prerogatives in determining employees' tasks and work organisation. For individual employers, collective bargaining represents a useful tool for saving transaction costs, reducing industrial conflict and legitimising — even reinforcing — the power of hierarchy, notably in areas where managerial prerogatives remain. Such benefits may be particularly relevant where they employ a relatively homogeneous workforce to perform standard tasks. Multi-employer bargaining can provide further specific advantages, as it enables short- to medium-term predictability of production costs and reduces the scope for competition on labour costs, especially in sectors less exposed to international competition. The latter may be a valuable element where multi-employer bargaining covers all the main domestic competitors in a certain industry (Sisson, 1987; Marginson, 2014). In globalised markets, however, this is less likely to be the case. Despite or possibly because of these growing constraints, there have been attempts especially by trade unions at developing cross-border wage coordination at European level (Box 2.1).

As a collective process that is relevant for individual actors, wage-bargaining can take place at a number of crucial 'junctions' in the employment relationship, with both macro- and micro-economic implications:

- for individual employers, it determines a basic component of production costs;
- among employers (in sheltered or local markets), it can protect firms from competition on labour costs;
- between employees and employers, it represents a primary element in the conflict surrounding the distribution of the added value produced by economic activities;
- for individual employees, it a key factor in the 'protection' industrial relations afford in the face of labour market pressures and fluctuations; and
- among employees, it constitutes a fundamental means of expressing solidarity through comprehensive 'wage floors' applying to different groups of workers (with different productivity levels) at a given bargaining level.

From an economic point of view, wages (along with non-wage labour costs) are essentially the 'price' employers pay for labour. In a static perspective, they have a 'market-clearing' function, so that basic pay 'outside' the market may affect employment levels. Collectively agreed wages are a common floor for individual pay; scope can be (and in practice is) retained for upward flexibility. However, the higher and the more comprehensive common floor, the more significant will be the effect on labour demand and consequent adverse effects on employment levels. In this case, employers may resort to

distinct forms of employment to deviate from collectively agreed conditions, which contributes to labour market segmentation.

In a dynamic perspective, wage developments relative to price and productivity trends influence, respectively, employees' purchasing power and firms' capacity to cope with competition. At macro level, they affect aggregate demand from households, and (through unit labour costs) cost-competitiveness. In addition, there is a two-way interaction between nominal wages and price levels. Past inflation influences workers', and their representatives', demands for wage increases in order to preserve purchasing power. At the same time, if firms are able to transfer production costs to consumers, wage hikes can turn into price rises. This two-way interaction can feed into a price-wage spiral and contribute to cost-pushed inflation or even deflationary wage spirals. However, there is an asymmetry in the sense that wages tend to respond more strongly to increases in demand than to decreases.

It is also important to note that wages can have an incentive effect at micro level both for employees and employers. On the one hand, wages above the market-clearing level can support employees' commitment. On the other hand, relatively high wages can push employers to pursue specialisation and competitive strategies in high added-value sectors and to invest in innovation and productivity-enhancing forms of production and organisation, in order to stay in business and generate profits despite relatively higher labour costs. This incentive link makes the connection between wages and competitiveness less clear-cut, especially in a dynamic perspective, since wages above market-clearing levels may promote productivity improvements in the medium-to-long term. This connection was an important element in the Rehn-Meidner model of wage solidarity and growth proposed in Sweden immediately after World War II (Andersen, Dølvik and Ibsen, 2014).

Given these different economic functions of wages, one has to take account, in determining the link between wages, productivity and competitiveness, of the different horizons over which micro- and macroeconomic interactions work out their effects. The main complication is that wages are only one of a set of multiple variables that influence macro-level outcomes.

This chapter first presents wage-setting institutions (section 2.2). It then provides a brief overview of the link between those institutions and economic performance (section 2.3). Section 2.4 examines changes in collective wage-bargaining institutions, and the evolving role of the state. Section 2.5 illustrates some basic empirical elements of recent developments in collective wages and productivity. The final section presents our concluding remarks.

## **2.2. Wage-setting systems and institutions: collective bargaining between the market and state intervention**

Wage-setting institutions in advanced market economies are a combination of various regulatory tools, of which collective bargaining is only one. The main elements of the regulatory mix are market forces, state intervention and collective bargaining. The labour market (although a social institution, see Solow 1990) exerts the primary influence on wages, as shown by the difference between actual and basic wages (whether set by legislation or collective bargaining). Political regulation can be important, especially (for wage levels) in establishing legal minimum wages or (for wage developments) in setting automatic indexation mechanisms. The scope for collective bargaining is delimited and influenced by political regulation and market forces.

As a wage-setting tool, collective bargaining is in principle an alternative to the market, but workers' bargaining power is in practice strictly rooted in labour market conditions. High unemployment and economic downturns tend to depress the bargaining power of trade unions and exert a downward pressure on collective wage rates, but not in all circumstances. 'Downward rigidities' apply in particular to nominal (as opposed to real) wages, to collectively agreed wages and under conditions of low (wage) inflation (European Commission, 2013b; OECD 2014b). Recent developments suggest that adjustments are also subject to a time lag (European Central Bank, 2014).

Political intervention can either constrain or promote collective bargaining. Where public regulation plays a direct and substantial role in setting wages, via legal minimum wages and indexation mechanisms, the scope for wage-bargaining can be significantly reduced, since negotiations can be effective only if they succeed in setting wages above the legal minima and the indexation rates – in other words, the higher the legal minimum wages and the indexation, the narrower the scope for collective bargaining. A similar effect can be produced by rules on ceilings, as in the case of Belgium's 'competitiveness laws', whereby wage developments in the country are benchmarked against those of its main trading partners (NL, DE, FR), or more generally, in the case of income policies, even by rules set under tripartite agreements, such as in Italy in 1993. At the same time, political regulation may act promotionally, by partly insulating wage-bargaining from market pressure (e.g. by establishing mandatory bargaining, obligatory mediation procedures, tripartite negotiations on legal minimum wages) or if it extends the effects of collective agreements beyond the signatories, through rules which make such deals generally binding.

The three types of wage-setting institution (the market, legislation and industrial relations) can be characterised according to their flexibility and internal differentiation. Market forces ensure, in principle, high sensitivity to local circumstances and closely reflect the demand-supply equilibrium

and differences in productivity. Legal minimum wages and other legal mechanisms, in contrast, are inflexible and fully binding for the time they are in force (and often indefinitely). Moreover, they are by nature comprehensive and do not take account of local circumstances (although they may reflect special situations, as when different minimum wages are established for certain categories of worker). As regards flexibility and internal differentiation, collective bargaining falls somewhere between market and state intervention, since it can reflect local 'average' conditions to a variable extent, depending on the bargaining level and the degree to which wage rates are linked to job grades and classifications.

Collective wage-bargaining systems can be analysed by reference to different dimensions which can be used to identify their main features and indicate, albeit sometimes in a general way, how they interact with legal and market regulation. To determine the importance of collective bargaining as an independent wage-setting institution, one should assess whether legal regulation reduces the scope for it by intervening in the wage-setting process (e.g. by imposing minimum wages) or by limiting, or even excluding, it (as is often the case in the public administration sector).

In assessing the degree to which collective bargaining operates independently of legislation, the main relevant dimension is (external) autonomy, i.e. independence from legal intervention that restricts or replaces wage negotiations or can shape them. For instance, the law may forbid any contractual wage indexation mechanism or, conversely, introduce legal wage indexation systems; it could introduce 'pay rules' as ceilings (as in the case of the Belgian 'competitiveness law'). Of course, the same principle applies to other matters subject to bargaining, such as working time, or other processes, such as conflict.

As regards the distance between collective bargaining and market mechanisms, the assessment usually centres on analysis of the collective bargaining structure. The two main indicators are centralisation and coordination. Centralisation relates to the relative importance of the various bargaining levels in a given national system, while coordination refers to relationships between bargaining levels (vertical coordination) or across different bargaining units at the same level (horizontal coordination).

A third indicator is the coverage rate, i.e. the proportion of employees whose wages are affected by collective wage rates. (Recent developments in these indicators were analysed in Chapter 1).

To what extent can these indicators gauge the impact of collective bargaining on wages, as compared with that of market mechanisms? Market pressure tends to be more of a factor in collective bargaining at lower levels of centralisation and coordination. Bargaining coverage is a very important element in assessing the capacity of collective bargaining to modify market allocations, since it indicates how inclusive the provisions in collective agreements are and how effectively they replace the market in

determining key aspects of the employment relationship, starting with wages. A reduction in the coverage rate has been identified as an indicator of deregulation in the labour market (Traxler, Kittel and Lengauer, 1997), simply because it leaves more space for market forces.

It is important to stress that collective bargaining structure and coverage may also depend on legal rules and state action. For instance, if legislation provides for a certain bargaining level to prevail over another, or to have sole responsibility for certain topics or wage elements, it can promote decentralisation or, conversely, centralisation. Finally, coverage rates may be highly dependent on the introduction of legal extension rules, whereby, if certain criteria are met, collective agreements may be generally binding. For these reasons, policy shifts may be important drivers of change in the collective bargaining system.

**- Box 2.1. -**

**Box 2.1. Cross-border coordination of wages** (based on a draft by Lorenzo Bordogna and Roberto Pedersini)

To address downward pressures on wages linked to international competition, trade unions have attempted to coordinate wage policies, at both inter-sectoral and sectoral level, across countries in Europe (Schulten, 1999; Marginson and Sisson, 2006: ch.4; Glassner and Pochet, 2011 for a general review).

The unions have created various cross-border structures and institutions to exchange information on a regular basis, to promote cooperation between unions of different countries and to monitor collective bargaining processes and outcomes. Such initiatives, some of which go back to the 1970s, but many of which accelerated in the run-up to EMU, were developed in contiguous geographical areas with close economic integration and comparable industrial relations systems. The trade union network in the region of North Rhine-Westphalia, Belgium and the Netherlands was particularly active, but similar networks have been set up in central and eastern Europe and in the Nordic countries.

At cross-industry level, the Doorn Initiative of September 1998 was a reaction of Belgian unions to the 1996 law linking wage developments to those in neighbouring countries. The initiative was supported by the trade union confederations of Germany, Luxembourg and the Netherlands (and French unions from the early 2000s on). Meetings between the participating unions were held annually until 2002, were then less frequent for a few years and also occasionally suspended, but resumed on a bi-annual basis after 2006 (Glassner and Pochet, 2011: 13).

In several cases, sectoral coordination has been promoted through a top-down approach by European trade union federations. Following a 'statement of principle on collective bargaining' in 1993, the European Metalworkers' Federation adopted a European Coordination Rule in 1998, setting guidelines and minimum standards for wage negotiations. The rule was based on the principle that annual (nominal) wage increases for workers should compensate for inflation and include 'balanced participation' in productivity gains. Similar guidelines for wage increases were adopted by several other European trade union federations, such as in the textiles, clothing and leather, food, agriculture and tourism, public services, and graphics sectors (Glassner and Pochet, 2011: 15).

More recently, wage-bargaining coordination efforts across EU countries were initially revived by the economic crisis and then became a key element in the response of the European Trade Unions Confederation (ETUC) to the change in policy objectives and the new institutional framework provided by the European Semester. The economic downturn triggered a campaign to combat the downward pressures on wages. This strategy was part of the traditional trade union rejection of concession bargaining as 'natural' in crisis periods. More significantly, it represented a shift from a bottom-up approach, as promoted by sectoral federations or even national unions, to a top-down process managed by ETUC.

ETUC's bargaining coordination strategy covered both the private and the public sectors and focused on the rejection of wage freezes and wage cuts, and opposition to any automatic rule linking productivity developments with wage trends. A fundamental bargaining objective was to ensure that wages grow in both nominal and real terms and that overall wage-cost developments reflect the sum of trend productivity and medium-term inflation. ETUC supported this wage-bargaining policy by strengthening information exchanges and developing a toolkit to coordinate collective bargaining in the context of the European Semester.

The attempts at wage coordination had mixed results. In certain Member States, such as Germany and the Nordic countries, where the economic context was favourable, nationally and transnationally coordinated wage policies brought about a significant convergence in pay rates. Here, 'the coordinating capacities of the national bargaining systems provided the institutional basis for the Europeanisation of wage regulation' (Traxler and Brandl, 2009: 196-97).

In contrast, the European Metalworkers' Federation recognised in 2001 that their European Coordination Rule of 1998 had had only a limited impact on bargaining outcomes. In many countries, these outcomes were often more consistent with the ECB target of non-inflationary wage increases than with the Coordination Rule, and in some cases, including in Germany and Italy, they even had a deflationary impact (EMF, 2001; EIROnline, August 2001; European Industrial Relations Review,



August 2001: 18-20). One explanation for this was employers' preference for decentralisation, strengthened by the enlargement of the EU (and later EMU) to countries with a predominantly single-employer bargaining system (Meardi, 2002; Marginson and Traxler, 2005).

The difficulties of organising coordination across distinct pay, collective bargaining and representation systems proved to be significant (Glassner and Pochet, 2011: 19-21; Marginson and Sisson, 2006: 107-108). Workers and unions in low-wage countries may have more of an interest, at least in the short term, in seeking alliances with employers in their own country in order to increase national competitiveness and create additional employment opportunities for their members, than in coordinating their wage policy with unions in high-wage/high-welfare countries (Scharpf, 1996; Streeck 1996: 89-94; Traxler and Brandl, 2009: 182-83). Even greater difficulties may arise from limited interest on the part of employers and national employers' associations in participating in such strategies.

Among the European social partner organisations on the employers' side, there is a broad consensus that wage developments should be closely linked to productivity and economic conditions, including labour productivity, and that wage-bargaining is a national competence. BUSINESSSEUROPE has repeatedly called for greater 'wage flexibility' (including wage moderation and the abolition of automatic wage indexation) to foster growth and improve competitiveness, calling on national social partners to support efforts in this respect. The European Centre of Employers and Enterprises providing Public Services (CEEP) expressed concerns about the divergence of wage developments in the eurozone. While stating that the impact of wage developments on domestic demand should be balanced against their role in ensuring competitiveness (2009), CEEP has supported the idea that they should follow productivity (2012). The European Association of Craft, Small and Medium-sized Enterprises (UEAPME) called for an EU-level debate on macroeconomic differences across Member States, including wage-setting and its role in Member States' competitiveness, and referred to a need for further economic policy coordination (Eurofound, 2014).

### **2.3. Wage-setting systems and economic performance**

Much of the debate about collective bargaining, wage-setting and macro-level economic outcomes has been centred on the bargaining structure, following corporatist analyses in the mid-1980s and the debate triggered by an article on *Bargaining Structure, Corporatism and Macroeconomic Performance* by Calmfors and Driffill (1988). In the academic literature, one of the main matters of contention has been whether centralisation (or coordination), as opposed to decentralisation, ensures better economic performance in terms of price stability, employment levels and growth (Visser, 2013).

Market wisdom would support the view that more decentralised collective bargaining performs better, since it gives more weight to local circumstances and increases both adaptability and differentiation. It is argued, therefore, that it leads to outcomes closer to those driven by market forces. However, it has been noted that centralisation and coordination, combined with a responsible attitude on the part of confederal trade unions, allow wage developments to be controlled and possible local tensions on wages to be managed, and provide credible and relevant signals for economic actors, thereby amplifying the incentive potential of collective wages for workers and entrepreneurs. Calmfors' and Driffill's hypothesis is that better macroeconomic performance is linked to either decentralised or centralised collective bargaining structures, while intermediate degrees of centralisation/coordination impair both positive effects.

The main results of the debate that followed Calmfors' and Driffill's conclusions can be summarised in three points. From the analytical point of view, the main variable to depict the collective bargaining structure, has come to be seen as coordination, rather than centralisation. This is mainly because centralisation is merely one possible way to coordinate bargaining in order to take account of the impacts of wage developments on macroeconomic outcomes. The main common observation regarding the effectiveness of centralised bargaining in helping to achieve macroeconomic goals has concerned the ability of peak social partner organisations to internalise possible spillover effects of wage policies and to frame demands according to the general interest, as opposed to particularistic objectives only. In practice, 'a heterogeneous organisation has to concentrate on goals (e.g. economic growth) which meet the interests of as many members as possible. [...] The upshot is that associational structures and goals which increase an organisation's capacity to find internal compromises at the same time strengthen an organisation's capacity to adopt a "responsible" policy line with relation to external groups' (Traxler *et al.*, 1997, p. 791).

From the empirical point of view, part of the literature underlined the capacity of decentralised coordinated bargaining systems ('organised decentralisation') to support good economic performance, at least as well as, and possibly even more effectively than, 'unorganised' decentralisation (see, for instance, Traxler *et al.*, 1997; Traxler and Kittel, 2000; Traxler and Mermet, 2003; Traxler and Brandl, 2010). It was not possible, however, to establish a strong link between particular features of the wage-bargaining system and macroeconomic outcomes, as quite different bargaining structures can be associated with positive or negative economic performance, depending on the period and the groups of countries concerned.

A similar position, which recognises the merits of collective wage-bargaining institutions in achieving macroeconomic goals, has recently been voiced by the OECD:

Coordinated or highly centralised wage-bargaining institutions promote low structural unemployment and mitigate the direct impact of shocks on employment. By increasing the responsiveness of real wages and/or working hours to changes in macroeconomic conditions, coordinated bargaining institutions may reduce the need to adjust employment in response to negative output shocks. Moreover, such institutions may also be more likely to take account of any negative employment externalities that may be associated with collective wage-bargaining (OECD, 2014a, p. 26).

Discussion of the link between wage-setting institutions and economic performance has been revived by analysis of the effects of the recent economic crisis and of the policy responses implemented to foster competitiveness and restore economic growth, especially within the EU. While recognising the complex links between wage-bargaining institutions and wage developments, and the lack of strong evidence in support of a particular wage-setting model, certain elements of the bargaining system have been identified as exerting relevant influence on wage outcomes and their responsiveness to unemployment and terms of trade. Wage setting systems, including automatic indexation clauses and minimum wages, have featured in the country-specific recommendations as part of the European Semester (See Table 2.7).

The Commission has recognised that ‘many aspects of wage-bargaining are a matter of practice followed by social partners, rather than law’. Also, because the various elements of the bargaining system are interlinked, the overall impact of individual reforms is uncertain (for instance, a revision of extension mechanisms can have an impact on wage coordination). Finally, the success of reforms also depends on cooperative social dialogue, so ‘the promotion of social pacts and tripartite agreements on wages could also be considered’ (European Commission, 2011b, pp. 99-100).

During the crisis, wage moderation has been identified as a key factor in promoting competitiveness and addressing external imbalances for countries with large trade deficits. Similarly, legal intervention through minimum wages and indexation mechanisms has been under scrutiny due to a desire to avoid negative impacts on labour demand. These arguments should be balanced against aggregate demand considerations, as wages directly determine workers’/household income. Wage moderation may have a depressing effect on domestic demand if associated with households’ lower expectations as regards future labour market prospects. The beneficial effects of wage containment policies depend crucially on the openness of the economy and on developments in foreign demand (European Commission, 2013a). Should the latter remain weak, the benefits of domestic wage restraint may prove negligible.

In addition to wage moderation, collective bargaining decentralisation has been considered important in ensuring that wage dynamics are in line with productivity and that labour is reallocated towards the

most dynamic jobs and industries.<sup>19</sup> However, wage differentiation in itself may be insufficient to foster employment in the absence of accompanying policies, especially in the field of education and training (supporting the up-skilling of the unemployed and promoting mobility from low to higher skilled jobs). Moreover, it should be noted that the propensity to consume is higher at the lower end of the income distribution (European Commission, 2014b). This may mean that wage differentiation has implications for internal demand. Against a background of decentralised bargaining and worsening household expectations, a coordinated response (e.g. by means of multi-employer/tripartite agreements) can help to set expectations on a non-deflationary path while allowing for the continuation of the relative wage adjustment needed to support reallocation from declining to expanding sectors.

#### **2.4. Changes in wage-setting institutions**

A basic feature of institutions, almost an inherent and constitutive element, is their stability through time. Institutions represent a framework and a guide for action; one of their main advantages is the capacity to shape expectations regarding the future actions of others. Institutional change usually follows a path-dependent trajectory and transformation takes place incrementally, ‘at the margin’, as social actors look for improvements in their own pay-offs (North, 1990). It may also take place when new interpretations of existing norms are put forward and social actors exploit the scope for functional ‘plasticity’ (Baccaro and Howell, 2011), whereby institutions are pushed to achieve results that better reflect the changing actors’ interests, even if formally they remain unaltered. Such a path-dependent course of change can be abandoned and ‘external shocks’ may cause ruptures whereby the relevant actors change suddenly and major discontinuities arise in institutional settings. On occasion, this could also be due to the accumulation of previous incremental changes, which eventually turn into a substantial transformation of the institutional and regulatory arrangements.

These two basic features of institutional settings (stability or ‘stickiness’) and their transformation (path-dependent with ruptures at exceptional junctures) have important implications for the analysis of wage developments. First, they suggest that short-term wage developments *within countries* tend to be linked to factors other than institutional change, because the latter proceeds slowly and needs time to feed into ‘outcomes’. This is especially true when we focus on wage outcomes produced by collective

---

<sup>19</sup> The European Central Bank *Monthly Bulletin* for October 2014 states that ‘[f]urther reforms to collective bargaining — which enable firm-level wage agreements to better reflect local labour market conditions and productivity developments, and which allow for greater wage differentiation — would improve signalling mechanisms regarding demand for different types of worker’.

In its 2012 and 2014 economic reviews for Spain, the OECD recommended a system of opt-in (rather than opt-out) of sectoral collective agreements, to increase the flexibility of wage-bargaining. Such a reform would also amount to a *de facto* decentralisation of wage-bargaining.

bargaining, which typically relates to periods in the future and therefore manifests its effects with a time lag. As a consequence, different responses to the same external conditions, i.e. the economic and financial crisis of the late 2000s, should be explained by the presence of major variations *between countries*, linked either to distinct institutional settings (or structural factors) or to major differences in the nature, extent and duration of the external shocks. It may therefore be important to ask *which industrial relations institutions* are linked to *what response patterns*, so as to be able to assess their relative performance. This is the sense of analysing the relationship between coordination and macroeconomic performance (see above).

A second key question is whether the present crisis is one of those momentous junctures where institutional ruptures occur, due either to an exceptional external shock or to the accumulation of incremental changes which lead to a 'turning point'. Chapter 1 provided some general indications as to the changes in collective bargaining institutions over the past decade. As assumed by institutional theories, continuity prevails, but there are signs of transformation. In the past decade, a number of long-term trends have continued, with some signs of acceleration. Collective wage-bargaining has continued its shift to more decentralised levels. While in the 10 years to 2010 the prevalent bargaining level in the EU remained the sectoral or industry level, by 2013 the balance had shifted towards company and intermediate bargaining (alternating between sector and company level). However, this acceleration was essentially linked to changes in the prevalent bargaining level in countries most severely hit by the crisis, especially those covered by external support measures both in the eurozone and elsewhere. Between 2007 and 2013, decentralisation in the main bargaining level took place in Greece, Ireland, Portugal, Romania and Slovenia. In the same period, Finland re-centralised collective bargaining, while in all the other Member States the prevalent bargaining level remained unchanged.

There was no similar trend in coordination levels, which remained on average rather stable. In the countries involved in the more marked shift to decentralisation, it is possible to observe diverging trends. In Greece, coordination increased substantially due to state intervention; in Ireland, Romania and Slovenia, decentralisation was coupled with lower coordination; in Portugal, coordination remained stable at a relatively low level. The most prominent result of the crisis was the introduction and reinforcement of opening clauses, which in a sense extends and qualifies the reach of decentralisation trends and points to the acceleration of 'structural' change. The most recent changes, which mainly affected countries receiving financial assistance, may represent further indications of an impending 'turning point' (see Chapter 3), but it seems too early to assess whether these crisis-led developments will be transitory or will lead the countries involved onto another institutional path.

As regards state intervention in wage-setting, there is no overall common trend across Member States. However, since 2008, the direction of individual trajectories has changed somewhat. While before the

crisis there were some signs of less state intervention, in recent years governments have become more involved in wage-setting. Again, this is true for Member States receiving external financial support, such as Greece, Portugal and Spain, where stronger government influence has reduced the scope for collective bargaining and favoured decentralised bargaining. In private-sector wage-setting, this entailed the introduction of (additional) requirements for granting the extension of collective agreements, stricter rules on collective agreements continuing to apply after expiry and a change in the status of collective bargaining, with company-level collective agreements prevailing over sectoral collective agreements in some cases (Marginson and Welz, 2014).

Intervention through minimum wages remained relatively stable, with some adjustments to take account of their impact on employment levels, but also with initiatives aimed at preserving the purchasing power of minimum wages. Interestingly, the role of the social partners in determining minimum wages has been reduced in some cases (see below), thereby contributing to the state playing a greater role in wage-setting institutions (Marginson and Welz, 2014).

- **Box 2.2.** -

**Box 2.2. Statutory minimum wages**

Establishing a statutory minimum wage is one of the main forms of policy intervention in wage-setting processes. It represents a floor for all wages in the economy, although some exceptions or modulations are possible for certain occupations or groups of workers, with which all employers must comply. It is enforced through legislation, but can be determined in various ways, including through consultations with social partners or even tripartite central agreements. In the EU, the majority of Member States have a statutory minimum wage. Germany was the latest to join this group, with the introduction of a statutory minimum wage on 1 January 2015. The countries that do not have a statutory minimum wage are Austria, Denmark, Italy, Cyprus, Finland and Sweden. In most of these countries, the absence of a minimum wage is counterbalanced to some extent by the wide coverage of collective bargaining and high union density (Denmark, Finland and Sweden) and/or institutional mechanisms (mandatory membership of the employers' association in Austria and constitutional rules and jurisprudential practice in Italy).

Minimum wages protect employees at the lower end of the income scale. According to economic analysis, they may have an impact on unemployment (by reducing low productivity workers' chances of finding a job) and on labour costs in general, since they may push the wage scale upward in order to preserve wage ratios between different occupations (i.e. the gap between wage levels in different jobs). It is clear that the level of the minimum wage is crucial for both these potential negative side-effects. One of the main indicators for minimum wages is their level as a proportion of the national average or

median wage. In the 2014 European Semester exercise, five Member States (Bulgaria, Germany, Portugal, Romania and Slovenia) received country-specific recommendations (CSRs) on minimum wages.

Table 2.1 shows the wide range of monthly minimum wages across the EU. They are generally below 50% of average monthly earnings and therefore seem to serve as a lower floor for the most disadvantaged groups of workers in the labour market.

Minimum wages cannot be equated to minimum labour costs, on the supply side, or minimum disposable income, on the demand side. The former include payroll taxes and mandatory social contributions payable by employers. The latter should take account of tax credit for low-paid workers, in-work income supplements and other benefits.

- Table 2.1.-

The most significant initiative on minimum wages was taken in Greece in 2012, when the minimum wage was cut by 20% and frozen until 2016. Also, the procedure for setting minimum wages was changed: it is now a prerogative of the government, albeit after consultation with the social partners, while previously they were established by cross-sector national collective agreement. A temporary cut in minimum wages was introduced in Ireland in 2011, in the framework of the Memorandum of Understanding (MoU) covering financial support measures. In addition, minimum wages set in low-pay sectors by joint labour committees must now take competitiveness and labour market indicators into account. The MoUs in Cyprus and Portugal also covered the issue of minimum wages, with a view to keeping increases under control. Government was given a stronger role in setting minimum wages in Hungary, where the social partners now have only a consultative role, and in Poland and Spain, where the governments discontinued the practice of consulting the social partners. In Slovenia, indexation was introduced in 2010 to keep minimum wages in line with the cost of living, while in Slovakia new legislation allowed the government to raise the minimum wage above the prescribed formula. The propensity to adopt statutory minimum wages to protect low-paid workers was confirmed in 2014 by the decision to introduce legal minimum wages in Germany as from January 2015.

Overall, these changes in state intervention contributed to the above-mentioned shifts towards decentralisation and affected coordination levels. While the overall trend may be regarded as a weakening of multi-employer bargaining in Europe (Marginson, 2014), the concentration of changes in the Member States affected by exceptional measures and the prominent role played by governments may leave scope for re-adjustment by social partners once the measures are lifted.

## **Wage indexation**

In four Member States (Belgium, Cyprus, Luxembourg and Malta), indexation mechanisms automatically link wages to (a metric of) the cost of living. In Spain, the inclusion of pay guidelines and inflation forecasts in cross-sectoral agreements fulfils a similar role, particularly in combination with wage revision clauses (subsequently adjusting wages to observed inflation). In Italy, a 2009 cross-sector agreement introduced a system whereby collective bargaining at sectoral level refers to expected inflation to preserve the purchasing power of wages. The agreement includes a wage revision clause similar to the one in place in Spain. In Slovenia, minimum wages (but not those above the minimum) have been linked to the cost of living since 2010.

Technical adaptations to cost-of-living indicators have been made in Belgium (2012, on the government's initiative). In Luxembourg, the government suspended wage indexation from 2012 to 2014. The Belgian government that came into office in October 2014 announced a similar suspension. In Spain, wage guidelines since 2009 have no longer included official inflation forecasts and far fewer agreements include wage revision clauses. There has been no reform of the indexation system in Malta, where both sides of industry support the existing system.

In Cyprus, a tripartite agreement in 2012 maintained indexation but introduced exemptions for companies facing hardship (Marginson and Welz, 2014). The economic adjustment programme for Cyprus states that 'the application of the cost-of-living adjustment (COLA) in the public sector has been suspended for the full programme period (to end 2016). In the meantime, a reform of the COLA will reduce the frequency of adjustment (once instead of twice per year), will introduce a mechanism for automatic suspension during adverse economic conditions and move from full to partial indexation of 50%. A tripartite agreement will be pursued with social partners for the application of the reformed system in the private sector' (European Commission, 2013c).

### **2.5. Wage developments**

This section considers the main developments in collective wages, compensation per employee and productivity before and since the start of the crisis.

#### **Box 2.3. Collectively agreed wages: data**

Data on the outcome of collective wage-bargaining are limited. National sources use different methodologies, refer to distinct aggregates and are therefore not directly comparable. In an EU-funded



study that focused on the eurozone,<sup>20</sup> the CAWIE Project recently produced an overview of existing data and their quality and comparability (*Collectively agreed wages in Europe: Improving existing data and indicators to support social dialogue and economic governance in the EU*). The quality analysis, which covers indicators available for nine EU Member States (Austria, Belgium, Finland, France, Germany, Italy, the Netherlands, Portugal and Spain) representing 93% of eurozone GDP, identifies challenges for each indicator and stresses the general issue of harmonisation (Van Gyes, 2012). Major consequences of the heterogeneity of coverage and methodologies of the national indicators relate to the difficulty of aggregating data and comparing across countries. This difficulty is also shown by the lack of EU-wide indicators on wage-bargaining. The ECB provides a quarterly aggregate indicator of developments in ‘negotiated wages’ in the euro area among its experimental statistics (ECB, 2002, p. 37-38); this is based on 10 countries and uses most of the indicators covered by the CAWIE Project, but as it uses non-harmonised national data and the coverage varies across countries, ‘caution should be exercised in drawing conclusions on the development of wage drift in the euro area on the basis of this indicator’ (Schubert, 2012).

Despite these general problems as regards the availability and comparability of data, the European Foundation for the Improvement of Living and Working Conditions (Eurofound) has been working on this topic for many years through the European Industrial Relations Observatory (EIRO) and has produced an Annual Update on Pay since the early 2000s. This valuable contribution has recently been complemented by an extensive publication on *Pay in Europe the 21st Century*, which covers collective wage developments and systems and the important issue of minimum wage policies (Eurofound, 2014). Eurofound’s work on collective wages is also accessible through a dedicated ‘collective wage-bargaining’ section on the current EurWORK Observatory. This is currently the most comprehensive and reliable information source and dataset available for analysing collective wage developments in the EU since the turn of the century. Unfortunately, as indicated, data is not strictly comparable across countries and information is not available for all Member States. However, time series on collective wage developments for individual countries are consistent, so trends can be identified over the observation period (the decade between 2002 and 2012).

These data cover 21 Member States and usually include an indicator encompassing the whole economy, whereas in some cases they cover only certain industries. Collective wage developments can be traced in both nominal and real terms. This chapter considers real collective wage increases, thereby discounting inflation.

---

<sup>20</sup> The project was coordinated by the Research Institute for Work and Society (HIVA-KU Leuven) and the Institute of Economic and Social Research of the Hans-Böckler-Foundation (WSI) and carried out by research bodies belonging to the Trade Union- related Research Institutes (TURI) network.

Taking the 2002-12 period, it is possible to compare the five years before 2007 (the peak growth year before the economic downturn) with the five years after it, which have been characterised in many Member States by economic crisis and low growth at best, in some cases combined with fiscal crisis. Data for a number of central and eastern European countries are either not available (Bulgaria, Estonia, Latvia, Lithuania and Poland) or cannot be used because of breaks in the time series (Hungary and Slovenia). In addition, information on collective wage developments for the whole economy is lacking for Cyprus, Denmark and Luxembourg. For the remaining 17 countries, it is possible to compare the two periods or at least to show the wage-bargaining outcome in one of them (Ireland for the first period and Italy for the second).

Table 2.2 suggests that the years after 2007 witnessed a reduction in real collective wage outcomes. Exceptions are Austria, Germany, Portugal and Slovakia, which recorded higher real collective wage increases after 2007 than in the period leading up to the crisis, and the Netherlands, which experienced moderate real wage growth of 0.5 % in both periods. In some cases, there is a reversal in the direction of developments, from a rise to a reduction. The most significant reversal took place in the UK, which saw a real increase of 6 % in 2002-07 turn to a slump of 5.9 % in 2007-12. In Malta, real collective wages increased by 6.5 % in 2002-07, but decreased by 0.4 % in 2007-12. In Belgium, a rise of 0.9 % in 2002-07 turned into a decrease of 0.5 % in 2007-12. Finally, in Italy, real wages decreased by 0.2 % after 2007, but no data are available for the previous period. In all the other countries, real wages continued to grow in the second period, but with a slowdown (often quite significant) in growth rates.

**Table 2.2. Real collective wage developments (2002-12, % change)**

	<b>2007/2002</b>	<b>2012/2007</b>	<b>2012/2002</b>
AT	0.7	1.8	2.6
BE	0.9	-0.5	0.4
CZ	11.1	4.9	16.5
DE	1.0	3.2	4.3
EL	11.6	2.0	13.8
ES	3.2	0.5	3.8
FI	6.6	0.5	7.1
FR	5.7	2.6	8.4
IE	8.5	.	.
IT	.	-0.2	.

	<b>2007/2002</b>	<b>2012/2007</b>	<b>2012/2002</b>
MT	6.5	-0.4	6.1
NL	0.5	0.5	1.0
PT	0.7	1.9	2.6
RO	58.3	20.3	90.5
SE	3.6	2.6	6.3
SK	8.8*	9.2	18.8
UK	6.0	-5.9	-0.2

\* percentage change 2007/2003

Source: Eurofound, Collective wage-bargaining, <http://www.eurofound.europa.eu/observatories/eurwork/collective-wage-bargaining/context>; author's calculations

To gain further insight into real collective wage developments, it is possible to follow actual trends in the decade under review for clusters of countries that share similar conditions in terms of industrial relations institutions and economic systems. In this exercise, a certain degree of simplification is inevitable, but the main objective is to inspect trends in each country and not to establish a 'typology'. It is possible to distinguish between eastern and central European countries (with relatively weak industrial relations systems but faster-growing economies), Nordic countries (with strong industrial relations traditions), continental European countries (with established industrial relations institutions and close economic integration with Germany), programme countries (particularly affected by the consequences of the economic crisis) and the rest, in a residual grouping. Countries in the other standard classifications (liberal economies and Mediterranean countries) have been partly involved in financial support schemes and are therefore covered in the above breakdown.

Wage trends in the three central and eastern European countries for which data are available (the Czech Republic, Romania and Slovakia) indicate that they have been catching up significantly over the past decade, although at different levels and paces, with the economic crisis slowing down this process and levelling out wage increases, since 2009 for Romania and 2010 for the Czech Republic and Slovakia. The latest figures indicate that the 'wage stagnation' phase could soon be over (Chart 2.5).

Continental countries show a period of stability before the crisis, with real wages at most 1 % higher in 2007 than in 2002 (in Germany). With the crisis, a more dynamic phase started, which, after a general upturn in 2009 (basically linked to the fall in inflation that accompanied the crisis), involved a

slowdown and a rebound after 2011 in Germany and partly in Austria and (at a very low level) in Belgium, while in the Netherlands the reduction continued (Chart 2.6).

In the Nordic countries, the crisis triggered a break in a previous sequence of wage increases, which resulted in a temporary halt for Sweden and the start of a downturn for Finland (Chart 2.7).

The financial support measures affected the countries concerned in different ways and to various extents, resulting in varying trends. Ireland and Greece both recorded sharp real collective wage increases before the crisis. This trend was halted in Greece after 2009, but no data are available for Ireland after 2008. Portugal and Spain recorded low wage increases until the crisis, followed by a rise in 2009-10 and then a slight downturn (Chart 2.8).

The remaining countries present different patterns — which may be partly explained by the fact that they are a ‘residual’ grouping. While France and Malta entered a period of stability after 2007 following a phase of more or less steady rises in real collective wages, developments in Italy over the decade were substantially flat, with the gains of 2009 and 2010 immediately eroded in 2011 and 2012. The United Kingdom, on the other hand, registers a steady decrease in real collective wages since 2007-09 and these are now below 2002 levels (Chart 2.9).

Although there are similarities between countries across the various groups, there are also significant differences and it is difficult to identify clear links to the main features of industrial relations systems. For instance, central and eastern European countries share a common pattern in spite of collective bargaining systems with different characteristics. Prior to some recent changes (which could not have had a substantial effect on these data, as they took place at the end of the observation period — see Box 1.2), collective wage-bargaining seems to have played a greater role in Romania than in the Czech Republic, with Slovakia in an intermediate position. For these countries, the real driving factors may be economic and productivity growth, including a process of catching up with ‘European wages’: in 2002, compensation per employee was around 11 % of the EU-28 average in Romania, 20 % in Slovakia and 30 % in the Czech Republic, while by 2012 this had risen to 20 %, 41 % and 45 % respectively (Table 2.3). In the Nordic countries, the positive performance of Swedish collective wage rates may be linked to the (more positive) economic cycle, and the same may apply to Germany and Austria, for instance. A similar connection with the economic cycle could explain the (more negative) developments in the Netherlands.

**Table 2.3. Nominal compensation per employee: total economy (EUR; EU-28=100)**

Country	2002	2007	2012	2013
BE	142.52	141.52	147.50	149.12
BG	9.27	11.78	17.27	18.14
CZ	29.86	39.79	44.90	42.24
DK	135.32	141.53	147.79	147.96
DE	114.05	103.95	105.55	106.65
EE	22.52	39.25	41.74	44.42
IE	120.36	138.06	127.73	124.48
GR	71.71	76.87	68.62	63.50
ES	88.65	93.50	97.46	97.22
FR	129.23	131.63	136.00	137.08
HR	40.87	47.69	48.27	48.38
IT	107.25	109.54	111.67	112.23
CY	67.76	70.24	70.87	66.05
LV	15.96	32.50	33.42	34.69
LT	18.33	28.94	32.36	33.60
LU	155.92	159.63	165.28	168.94
HU	31.35	38.59	33.77	34.13
MT	56.14	55.79	58.39	58.22
NL	143.58	147.00	150.05	152.19
AT	139.20	137.31	141.56	143.24
PL	29.21	29.53	32.44	32.93
PT	56.68	58.57	56.60	58.05
RO	11.03	23.36	20.06	21.25
SI	57.45	65.67	68.83	68.25
SK	19.88	33.00	41.04	41.00
FI	115.93	120.20	128.04	129.59

Country	2002	2007	2012	2013
SE	127.06	131.62	142.20	143.47
UK	133.00	134.15	115.65	111.73
<i>Maximum</i>	<i>155.9</i>	<i>159.6</i>	<i>165.3</i>	<i>168.9</i>
<i>Minimum</i>	<i>9.3</i>	<i>11.8</i>	<i>17.3</i>	<i>18.1</i>
<i>Range</i>	<i>146.7</i>	<i>147.8</i>	<i>148.0</i>	<i>150.8</i>

Source: AMECO (HWCDWR), ESA1995<sup>21</sup>

From a rough classification of wage trends before and since the onset of the crisis (2008-10 is not included due to the short-term impact of the economic slowdown and the 'low inflation shock'), no clear patterns can be linked to industrial relations features. The only countries with a positive trend since the start of the crisis are Germany (from -0.4% to 1.6%), Sweden (from 1.7% to 3.2%) and Belgium (from 0.1% to 1.1%). Austria shows moderate stable growth in real collective wages of slightly more than 1% in both periods. The other countries all record a slowdown in real collective wage increases, with some (the Czech Republic, Greece, Romania and Slovakia) maintaining a positive trend, while others (Spain, Finland, Italy, Netherlands, Portugal and the UK) have seen a downward trend.

**Table 2.4. Real collective wage trends going into and coming out of the 2008-10 crisis (% change)**

	2007/2005	2013/2011
AT	1.3	1.2
BE	0.1	1.1
CZ	3.0	0.7
DE	-0.4	1.6
ES	1.4	-2.0
EL	5.4	1.1*
FI	0.9	-1.2*
FR	2.8	0.0*

<sup>21</sup> National accounts-based data used in this chapter correspond to the European System of Accounts (ESA) 1995.

	2007/2005	2013/2011
IE	4.4	-
IT	1.0	-1.6
NL	0.9	-2.4
PT	0.1	-0.7
RO	19.2	1.1*
SE	1.7	3.2
SK	6.0	1.8
UK	1.3	-3.3

Note: \* 2012/2011

Source: Eurofound, Collective wage-bargaining, <http://www.eurofound.europa.eu/observatories/eurwork/collective-wage-bargaining/context>; author's calculations

### Collective wages and labour productivity

This section compares wage developments with trends in labour productivity. It should be noted that a certain degree of correlation between collective wage growth and productivity developments (either over time in a country, or across countries) does not imply a causal link between these variables. Rather, the aim of the section is to provide descriptive evidence on the relative developments of both variables, comparing the period before the crisis with more recent years.

Table 2.5 shows the difference between collective wages and the real productivity index in terms of hours worked (PHW) (2002=100, except for IT, 2006=100, and SK, 2003=100). Before the crisis, collective wage developments were systematically below productivity increases measured in real terms, with Ireland and Romania the only exceptions. The crisis started a clearly new phase, with most countries (RO, EL, MT, FI, CZ, DE, NL,FR, IT, SE, SK and BE) recording higher real collective wage growth than gains in productivity per hour worked; in some (e.g. AT and the UK), the gap between real collective wage growth and productivity narrowed, sometimes to a limited extent (PT). Only Spain shows a different pattern, with the gap between productivity and collective wages widening at a faster rate. Despite these variations, the narrowing of the gap between wages and productivity appears as a fairly general trend, without particular links to industrial relations systems. If we look at the whole decade between 2002 and 2012, real collective wage growth remains below productivity gains except in Greece, France, Malta and Romania.

**Table 2.5. Collective wages and productivity (2002-12): difference in percentage change**

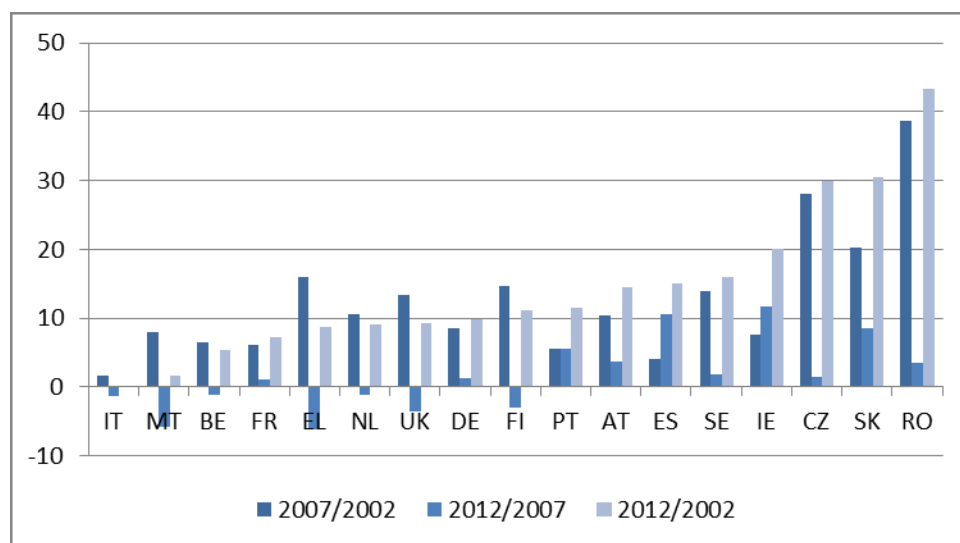
	2007/2002	2012/2007	2012/2002
AT	-9.7	-1.8	-11.8
BE	-5.5	0.6	-4.9
CZ	-16.9	3.4	-13.3
DE	-7.5	1.9	-5.6
EL	-4.3	8.3	5.2
ES	-0.9	-10.0	-11.2
FI	-8.1	3.5	-4.0
FR	-0.4	1.6	1.3
IE	1.0	:	:
IT	:	1.2	:
MT	-1.4	5.4	4.5
NL	-10.0	1.7	-8.1
PT	-4.9	-3.7	-8.9
RO	19.7	16.9	47.2
SE	-10.3	0.8	-9.7
SK	-11.4	0.7	-11.7
UK	-7.3	-2.3	-9.5

Source: EUROSTAT (Labour productivity — annual data [nama\_aux\_lp] Real labour productivity per hour worked), ESA1995. Eurofound, Collective wage-bargaining, <http://www.eurofound.europa.eu/observatories/eurwork/collective-wage-bargaining/context>; author's calculations

As, with certain limited exceptions (see above), the crisis induced a general slowdown in real wage growth, the gap between wages and productivity since the start of the crisis is mostly linked to a contraction in output. Real productivity per hour worked diminished in a number of countries (BE, EL, FI, IT, LU, MT, NL and the UK) between 2007 and 2012 and increased at a slower pace in almost all the other countries. The only Member States with higher productivity gains after 2007 were Spain and Ireland, with Portugal recording similar growth for both periods (Chart 2.1).



**Chart 2.1. Real productivity per hour worked (2002-2012, % change)**

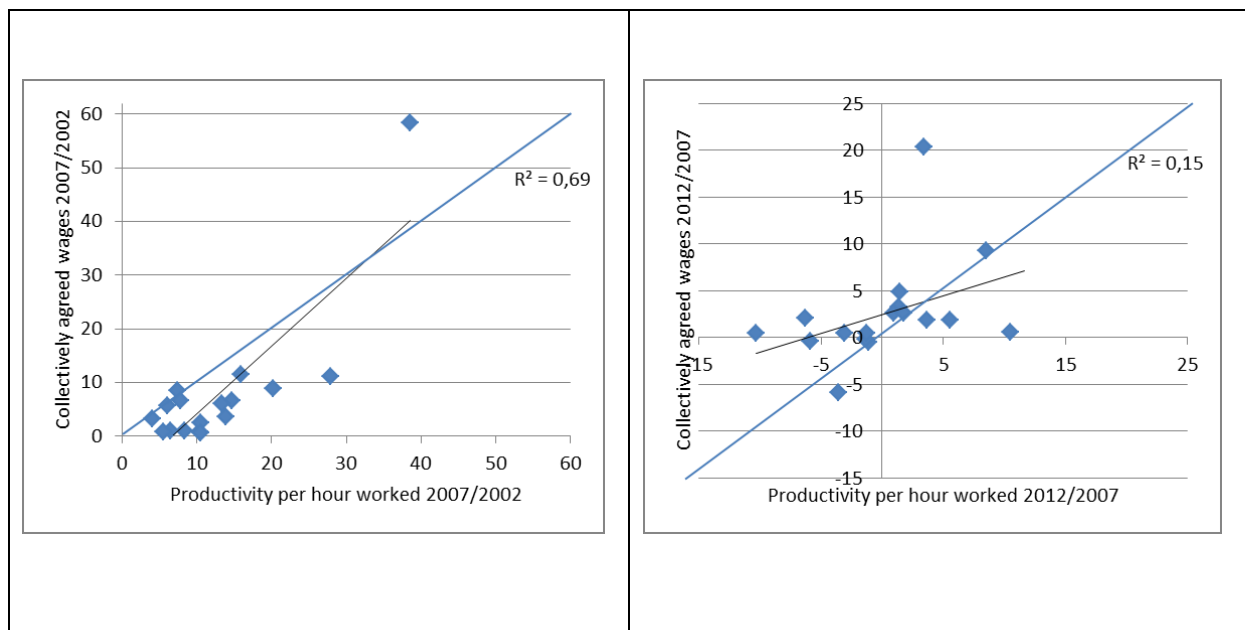


Source: EUROSTAT (Labour productivity - annual data [nama\_aux\_lp], Real labour productivity per hour worked). Author's calculations

Chart 2.2 shows the break in the pre-crisis pattern and the shift in many countries from collective real wage developments below productivity in the first period to real wage increases exceeding productivity growth in the second. This change in pattern significantly weakens the correlation between collective wage increases and productivity developments that can be observed before 2007. The high cross-country correlation in the first period is partly driven by the outlying position of Romania, but the clear association between productivity and real wages remains even if Romania is excluded from the analysis, albeit at a lower level (the Pearson correlation coefficient falls from 0.829 to 0.648 at 1% significance level).

Overall, there is a correlation between real wage growth and productivity developments. Collective wages generally capture a share of productivity gains. In the more recent period, collective wages often outpaced productivity, partly as a result of an unexpectedly low inflation that has not been taken into account in bargaining. This has protected employees' income levels in relative terms.

**Chart 2.2. Collective wages and productivity trends (2007/2002 and 2012/2007) (% change)**



Source: EUROSTAT, Eurofound (2013); author's calculations

### Nominal and real compensation per employee

Basic wage rates established by collective bargaining do not usually correspond to the compensation actually paid to employees, because the latter includes many elements which may still be determined by collective agreements (such as overtime bonuses), individually agreed by the worker or unilaterally granted by the employer. The difference between collective wage and actual compensation is usually referred to as 'wage drift' (Phelps Brown, 1962). It is possible to analyse developments in nominal and real compensation per employee in order to extend the overview to those Member States for which no data on collective wage developments were available. Such analysis may also yield a sensitivity test for the two main conclusions regarding the impact of the crisis on wage outcomes. These indicators are calculated using aggregate data from national accounts and represent total compensation paid to employees divided by the total number of employees, or full-time equivalents where available. As an economy-wide average measure, it should be handled with great caution, but the following elements can inform the analysis:

- employee compensation is by definition higher than basic collective wage rates, since it includes allowances, overtime, bonuses, performance-related and variable pay, and any other elements added to minimum collectively agreed pay, including individual wage and salary components;
- while both collective wage and employee compensation developments may be influenced by the economic cycle, compensation should be more closely linked to upward and downward swings. Collective bargaining sets wages 'ex ante' for a given period of time, whereas compensation includes a number of extra components (bonuses, performance-related and variable pay) that are

inherently more variable over time, determined 'ex post' and often positively correlated with economic trends (or closely linked to market mechanisms in terms of the framework introduced in section 2.2.).

Table 2.6 tracks nominal and real compensation per employee in the periods immediately before and after the onset of the economic crisis, and in 2002-12. As we saw with regard to collective wages, the two sub-periods differed substantially in terms of outcomes. Nominal wage growth slowed down in the second five-year period in as many as 23 Member States. In the euro area, the only exceptions are Belgium and Austria, where it remained at the same levels, and Germany, where it rose by more than 10%, as compared with around 3% in the previous period. The other exceptions are Bulgaria and Poland, where nominal compensation increased. Greece was the only Member State that experienced an actual fall in nominal compensation, by 2.8%.

Between 2002 and 2007, real compensation per employee increased by around two thirds in Latvia and by some 40% in Lithuania and Estonia. Real increases ranging from around 15% to 25% were recorded in the other central and eastern European countries, with the exception of Bulgaria and Poland. Ireland, Finland, the UK and Sweden saw real compensation rises of 10% to 15%. Other countries showed lower increases, ranging from just under 9% in Bulgaria and Croatia to practically stable compensation in Belgium (+0.9%). Negative trends were observed in Luxembourg (-7.1%), Spain (-1.5%), Germany (-1.2%), Cyprus (-1.0%) and Poland (-0.5%).

The crisis brought about a slowdown in real compensation developments, with a reduction in the pace of growth in 19 Member States in 2007-12 and a negative trend emerging in a number of countries: Greece (-10.9%), Romania (-9.5%), Latvia and Hungary (both around -7%) and also the UK, Malta and Croatia. A reduction in real compensation per employee continued in Luxembourg and Cyprus, at lower rates of 3.1% and 0.4% respectively. In only a few Member States did a slowdown or reversal not take place and real growth actually gain momentum: Bulgaria (from 8.5% to 27%), Belgium (from 0.9% to 3.5%), Austria and France (both with small increases of 0.5 pp). In three countries, a negative trend turned positive: Germany (up to 4.5%), Spain (10.7%) and Poland (15.4%).

Given the construction of the indicator, trends in compensation are influenced (negatively) by labour hoarding, (positively) by shedding and by composition effects, so that a large reduction in employment, especially in low skilled and low productivity jobs, may push real compensation up even during an economic downturn. This may have happened in Spain (-14.7% in the number of employees), Portugal (-9.4%) and Bulgaria (-7.3%). In this respect, it is notable that sharp falls in real compensation took place alongside significant drops in the number of employees in Greece (-15.7%), Ireland (-13.7%), Lithuania (-14.6%) and Latvia (-18.00%) (*Source: AMECO, Employees, persons: total economy, National accounts NWTN, ESA 1995*).

**Table 2.6. Changes in nominal and real compensation per employee 2012/2002 (% change)**

	Nominal compensation per employee			Real compensation per employee		
	2007/2002	2012/2007	2012/2002	2007/2002	2012/2007	2012/2002
AT	12.0	12.3	25.8	2.7	3.2	6.0
BE	12.8	13.5	28.0	0.9	3.5	4.5
BG	44.9	59.6	131.3	8.5	27.0	37.8
CY	19.2	10.4	31.6	-1.0	-0.4	-1.4
CZ	36.4	11.3	51.9	25.6	7.8	35.3
DE	3.5	10.6	14.5	-1.2	4.5	3.2
DK	19.1	13.6	35.4	6.6	0.8	7.5
EE	97.9	15.8	129.2	41.4	2.8	45.3
EL	21.7	-2.8	18.4	4.6	-10.9	-6.8
ES	19.8	13.5	36.0	-1.5	10.7	9.0
FI	17.8	16.0	36.6	13.1	4.7	18.4
FR	15.7	12.5	30.2	4.5	5.0	9.6
HR	31.2	13.0	48.3	8.6	-0.5	8.0
HU	44.6	9.7	58.6	16.6	-7.2	8.2
IE	30.3	0.8	31.3	14.0	8.1	23.3
IT	16.0	11.0	28.8	3.6	2.6	6.4
LT	78.9	21.8	118.0	42.6	4.0	48.4
LU	16.3	12.8	31.1	-7.1	-3.1	-10.0
LV	178.7	11.6	210.9	70.0	-7.4	57.4
MT	18.5	14.0	35.1	4.6	-0.7	3.9
NL	16.3	11.2	29.3	6.4	5.3	12.0
PL	12.6	32.4	49.0	-0.5	15.4	14.9
PT	17.4	5.3	23.5	2.6	2.1	4.8
RO	156.6	25.1	221.0	27.9	-9.5	15.7
SE	18.8	10.7	31.6	10.1	1.9	12.2

	Nominal compensation per employee			Real compensation per employee		
	2007/2002	2012/2007	2012/2002	2007/2002	2012/2007	2012/2002
SI	37.7	14.2	57.2	16.8	5.8	23.5
SK	49.2	20.8	80.2	25.6	14.9	44.3
UK	24.7	11.3	38.7	11.1	-1.1	9.9
EU-28	13.6	8.9	23.7	3.3	3.9	7.3
EA18	13.5	8.9	23.7	1.8	5.3	7.2

*Source: AMECO, Nominal compensation per employee: total economy (HWCDW, national currency), Real compensation per employee, deflator GDP: total economy (RWCDV, national currency 2005=100,) ESA 1995*

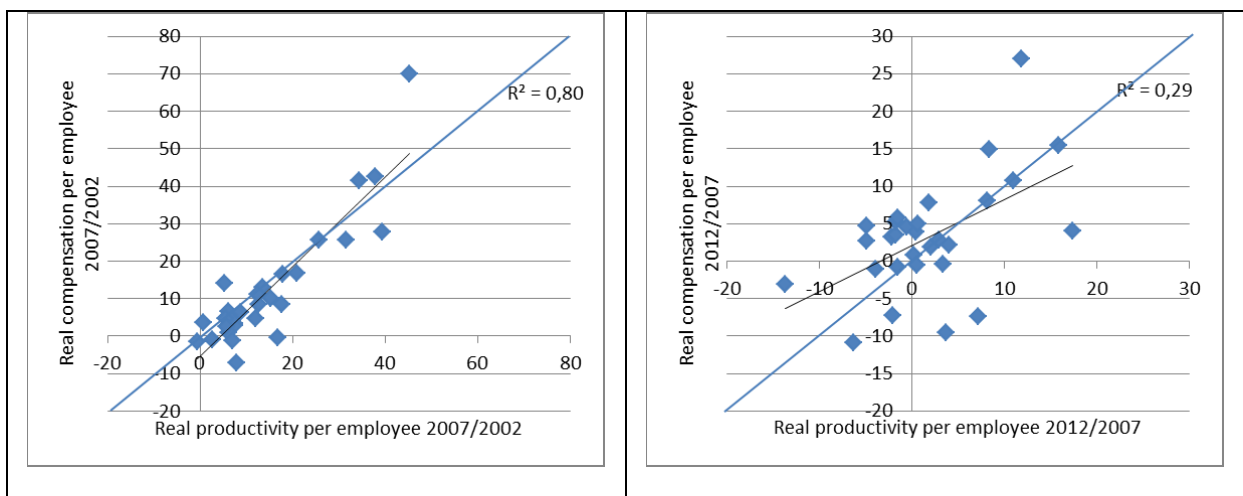
These trends in compensation, especially if seen in connection with developments in employment, indicate the severe impact of the crisis on wages. Other studies (European Commission, 2012a, 2013b) confirm wage moderation following the crisis and a recent OECD analysis pointed out that large adjustments have already taken place in terms of wage moderation, with significant effects on unit labour costs and external competitiveness (OECD, 2014b). According to the OECD findings, based on micro-data from 2010 for 19 OECD countries, ‘one in two workers experienced a real cut in wage compensation’, ‘over half of those who experienced such cuts saw their nominal wage compensation fall’ and ‘much of the fall was almost certainly due to reduced hours of overtime and lower bonuses’ (OECD, 2014b: p. 44). Cuts in earnings significantly helped to redress macroeconomic imbalances, but they also ‘contributed to hardship and social distress in a number of countries’ (OECD, 2014b: p. 45). Also, since ‘further adjustments based on wage cuts may be difficult to achieve’ due to nominal downward wage rigidities, macroeconomic policies could effectively focus on other objectives, such as increasing product market competition and promoting labour market programmes that facilitate transitions between sectors, e.g. through training and support for work experience. In addition, other important forms of intervention may address the distribution of wage adjustments and support the income of low-paid workers, for whom wage cuts have been particularly significant, possibly leading to severe hardship. This objective may be pursued through well-designed minimum wage schemes and the calibration of in-work benefits for the low-paid in low-income households (OECD, 2014b: pp. 44-45).

Chart 2.3 illustrates that real compensation shows the same general association with productivity trends in the two sub-periods as observed in the case of collective real wages. In 2002-07, there is a strong correlation between growth in real compensation per employee and gains in real labour productivity per person employed; furthermore, in most of the countries (22 out of 28), real compensation grows less than labour productivity (dots below the red line). In the second period, the

correlation between increases in real compensation and productivity is substantially reduced and in the majority of cases (15 out of 28) real compensation grows more than labour productivity.

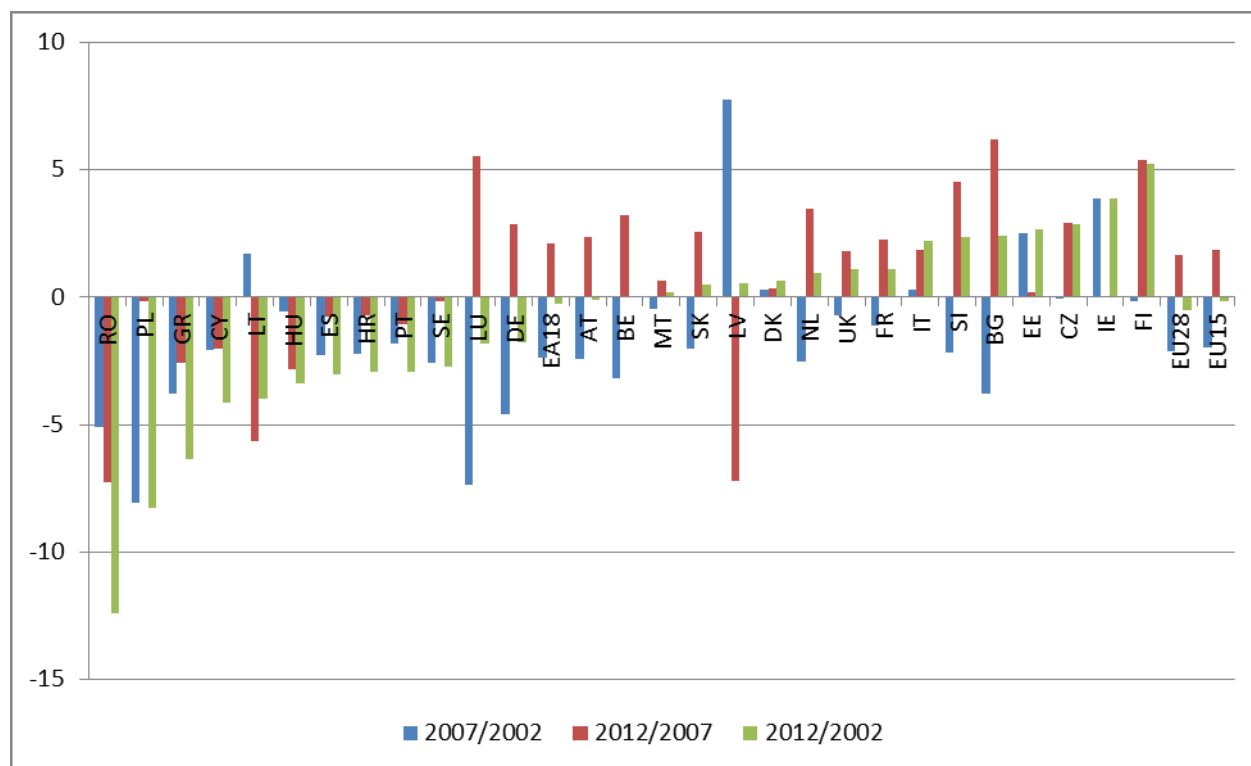
Developments in real compensation relative to productivity provide an indication of changes in real unit labour cost (RULC) on the supply side and labour income share (or wage share) on the demand side. The analysis shows that RULC and wage share tended to decrease before the crisis in most Member States (Chart 2.4). The general trend was reversed after 2007, indicating a recovery in wage share linked to a disproportionately small reduction in compensation, as compared with the fall in output (European Commission, 2012a: pp. 309-310).

**Chart 2.3. Real compensation and productivity trends (2007/2002 and 2012/2007) (% change)**



Source: EUROSTAT (Real labour productivity per person employed, *nama\_aux\_lp*), AMECO (Real compensation per employee, deflator GDP: total economy, *RWCDV*, national currency 2005=100); author's calculations,

**Chart 2.4. Adjusted wage share: total economy: as percentage of GDP at current market prices (2002-10, percentage points change)**



Source: AMECO (Adjusted wage share: total economy: as percentage of GDP at current market prices (Compensation per employee as percentage of GDP at market prices per person employed - ALCD0). Author's calculations.

(ESA1995)

**Box 2. 4. What role do wage-bargaining arrangements play in different pay outcomes?**

The link between the features of wage-bargaining arrangements and pay outcomes has been debated intensively for several decades. In a seminal paper in the late 1980s, the Swedish economist Lars Calmfors and his British colleague John Driffill formulated the hypothesis that highly decentralised and highly centralised bargaining systems both yield a better alignment between wages and productivity and lower unemployment rates than systems with purely sector-level bargaining. However, the empirical validity of this hypothesis has been questioned from the outset and alternative hypotheses have been formulated that see the level of ‘coordination’ as the crucial factor in achieving suitable pay outcomes.

Examining pay outcomes under different bargaining regimes between 1999 and 2012, Eurofound<sup>22</sup> reports that more coordinated bargaining regimes (predominantly through sector-level bargaining) seem to have resulted in the closest link between pay and productivity and hence the smallest loss of wage-related competitiveness. However, this finding is based on a descriptive analysis only and requires further validation.

Eurofound's follow-up project<sup>23</sup> will strengthen the methodology and use a larger panel dataset (i.e. a combined country cross-section time-series approach). This will make it possible not only to examine more features of the wage-bargaining arrangements (such as extension mechanisms, opening clauses, wage pacts and tripartite councils) and control for contextual factors (such as institutional characteristics of the labour market or the business cycle), but also to take into account different trends across Member States.

The preliminary results of this project suggest that the type of coordination mechanism is key for pay outcomes generated by wage-bargaining systems. All types of coordination (pattern bargaining, intra- or inter-associational coordination, state-sponsored or state-imposed) seem to result in more moderate pay outcomes as compared with uncoordinated bargaining. First findings as regards predominant bargaining level, on the other hand, are less clear and mixed in relation to the outcome variables: similar pay outcomes can be observed in countries with different predominant bargaining levels, and *vice versa*. None of the initial findings indicate that local/company bargaining is more effective in keeping labour-cost growth in line with productivity. Countries with predominantly sectoral/industry-level bargaining seem over time to have had more moderate pay developments (as compared with productivity developments) than others. The final results of the project will be published in mid-2015.

## 2.6. Conclusion

This chapter, together with the analysis in chapter 1 on recent developments in collective bargaining institutions, provides some insight into the direction and main drivers of change, with particular attention to the impact of the economic and sovereign debt crisis and of the policy responses geared to restoring competitiveness and boost economic growth.

The economic crisis accelerated a long-term underlying trend towards a decentralisation of wage-bargaining institutions, which was in this phase supported by national and EU-level policy

<sup>22</sup> For more detail, see *Pay in Europe in the 21st century* (2014): <http://www.eurofound.europa.eu/publications/htmlfiles/ef1388.htm>.

<sup>23</sup> Eurofound 2015, forthcoming — carried out by the Institute for Employment Studies.



initiatives, especially through broader scope for lower-level agreements derogating from sectoral standards. Although national patterns vary, decentralisation is prevalently still framed in coordinated collective bargaining systems; this should make it easier to internalise macroeconomic objectives and reduce the possible spillover effects of wage developments.

Government interventionism in wage-bargaining institutions has increased in recent years, which is a further indication of the growing importance of adjustments in the labour market and in wage patterns in the context of an internationalised economy and especially of EMU. Initiatives have focused mainly on bargaining structure and coverage, by favouring decentralised bargaining over sectoral bargaining and restricting the possibility of making multi-employer agreements generally binding through extension mechanisms. Existing indexation mechanisms remained largely in place, with some temporary or limited adjustments. Similarly, legal minimum wages were partly reconsidered to take into consideration the impact on employment, but their role in terms of in-work income protection was confirmed and in some instances extended. Recent research shows that government intervention has been the main force shaping change in wage-setting mechanisms in the past few years, whereas the autonomous role of social partners has been somehow reduced (Marginson and Welz, 2014, p. 27).

Besides national governments, EU institutions have focused on collective wage-setting institutions and supported reform, especially in the context of the European Semester in which the CSRs are central. However, national governments seem to play the key role in driving the transformation of wage-bargaining institutions.

As regards wage outcomes, it is possible (despite limited available data) to identify a clear impact of the economic crisis on collective real wages. In most cases, real wage trends slowed down significantly and sometimes turned negative. In only a few cases did wage growth accelerate or maintain a significant rate of growth. The strongest collective wage increases were seen in eastern and central European countries, possibly due to a process of catching up with 'European wages'. Although the floor is rising, however, the gaps between Member States remain constant.

Other findings show the close correlation between collective wage growth and productivity trends in the pre-crisis period (although wage increases often did not fully reflect productivity gains). The link was not so strong during the crisis, when real collective wage growth exceeded productivity increases more often, including due to the combined effect of inflation and output shocks. This pattern may show that collective bargaining protects employees' incomes by containing to some extent the impact of the crisis on wage levels. Significantly, the same results were obtained for all Member States in terms of nominal and real compensation. Research results have now shown that the crisis put significant pressure on wages, with wage restraint making an important contribution to redressing

macroeconomic imbalances and restoring competitiveness, but further adjustments in this direction may be more difficult to achieve. Given the current fragile economic growth prospects, low inflation and weak domestic demand, policy-makers may prioritise support for wages and incomes as a key component of domestic demand and a driver of economic growth (European Commission, 2014b).

## Acknowledgements

Lucio Baccaro (*Université de Genève*) and Maarten Keune (Amsterdam Institute for Advanced Labour Studies) provided helpful comments and suggestions on an earlier draft of this chapter.

## References

- Akerlof, G. (1982), Labor contracts as a partial gift exchange, in *The Quarterly Journal of Economics*, vol. 97, no. 4, pp. 543-569.
- Andersen, S.K., Dølvik, J.E., Ibsen, C.L. (2014), Nordic labour market models in open markets, Report 132, Brussels: European Trade Union Institute.
- Baccaro, L. and C. Howell (2011), A Common Neoliberal Trajectory: The Transformation of Industrial Relations in Advanced Capitalism, in *Politics & Society*, vol. 39, no. 4, pp. 521-563.
- Calmfors, L. and J. Driffill (1988), Bargaining structure, Corporatism and Macroeconomic Performance, in *Economic Policy*, vol. 3, no. 6, pp. 13-61.
- Crouch, C. (1999), *Social change in Western Europe*, Oxford: Oxford University Press.
- EMF (2001), *Report on the European Coordination Rule*, draft document (presented at the EMF Executive Committee meeting, Brussels, 2-3 May)
- European Central Bank (2002), Monitoring wage developments: an indicator of negotiated wages, in *Monthly Bulletin*, September, pp. 37-38.
- Eurofound, European Foundation for the Improvement of Living and Working Conditions (2014), *Pay in Europe in the 21st century*, Luxembourg: Publications Office of the European Union.
- European Central Bank (2014), *Monthly Bulletin*, October 2014.
- European Commission (2011a), *Assessing the links between wage-setting, competitiveness, and imbalances*, Note for the Economic Policy Committee, Directorate-General for Economic and Financial Affairs. European Commission (2011b), *Labour market developments in Europe, 2011*, Directorate-General for Economic and Financial Affairs.
- European Commission (2012a), Wage developments in the European Union during a severe economic downturn, in *Employment and social developments in Europe 2012*, Luxembourg: Publications Office of the European Union, pp. 297-350.
- European Commission (2013a), Convergence and divergence in EMU — employment and social aspects, in *Employment and social developments in Europe 2013*, Luxembourg: Publications Office of the European Union, pp. 279-319.

European Commission (2013b), *Labour market developments in Europe, 2013*, Directorate-General for Economic and Financial Affairs.

European Commission (2013c), *The Economic Adjustment Programme for Cyprus*, European Economy Occasional Papers 149. Directorate-General for Economic and Financial Affairs.

European Commission (2014a), *European Semester 2014 – country-specific recommendations*, [http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index\\_en.htm](http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm).

European Commission (2014b), *Employment and social developments in Europe 2013*, Luxembourg: Publications Office of the European Union, pp. 279-319.

Glassner V. and P. Pochet (2011), *Why trade unions seek to coordinate wages and collective bargaining in the Eurozone: past developments and future prospects*, Brussels: ETUI, Working Paper 2011.03.

Marginson, P. (2014), Coordinated bargaining in Europe: From incremental corrosion to frontal assault?, in *European Journal of Industrial Relations*, OnlineFirst, 15 April.

Marginson, P. and K. Sisson (2006). European integration and industrial relations: Multi-level governance in the making. *ILRRReview*, 59(2), 87.

Marginson P. and F. Traxler (2005), “After Enlargement: Preconditions and Prospects for Bargaining Coordination”, Brussels: *Transfer*, 11(3), 423-438.

Marginson, P. and C. Welz (2014), *Changes to wage-setting mechanisms in the context of the crisis and the EU’s new economic governance regime*, Dublin: Eurofound, European Foundation for the Improvement of Living and Working Conditions.

Meardi, G. (2007). More voice after more exit? Unstable industrial relations in Central Eastern Europe. *Industrial Relations Journal*, 38(6), 503-523.

OECD (2012), What Makes Labour Markets Resilient During Recessions?, in *Employment Outlook 2012*, pp. 43-107.

OECD (2014a), *Overview Paper on Resilient Economies and Societies*, Meeting of the OECD Council at Ministerial Level, Paris, 6-7 May.

OECD (2014b), Sharing the pain equally? Wage adjustments during the crisis and recovery, in *Employment Outlook 2014*, pp. 43-78.

Phelps Brown, E.H. (1962), Wage drift, in *Economica*, Vol. 29, No 116, pp. 339-356.

Polanyi, K. (1944), *The Great Transformation*, New York: Farrar & Rinehart.

Scharpf F. (1996), “Negative and Positive Integration in the Political Economy of European Welfare States”, in Marks G., Scharpf F., Schmitter Ph., and Streeck W., *Governance in the European Union*, London: Sage, pp. 15-39.

Schubert, A. (2012), *Experimental data as part of the ECB’s statistical production and dissemination policy*, paper presented at the European Conference on Quality in Official Statistics, Athens, 31 May 2012.

Schulten, T. (1999). Europäisierung der Tarifpolitik–Der Koordinierungsansatz des Europäischen Metallgewerkschaftsbundes (EMB). Tarifpolitik unter dem EURO. Perspektiven einer europäischen Koordinierung: das Beispiel Metallindustrie. Hamburg: VSA, 197-226.

Schulten, T. (2013), *Current Trends in Collective Agreed Wages and Wage Drift in Europe 2001-2010*, Wirtschafts- und Sozialwissenschaftliches Institut (WSI), policy paper of the Collectively Agreed Wages in Europe (CAWIE) project.

Schulten T. and R. Bispinck (eds) (2001), *Collective Bargaining under the Euro. Experiences from the European Metal Industry*, Brussels: ETUI.

Simon, H. (1951), A formal theory of the employment relationship, in *Econometrica*, vol. 19, no. 3, pp. 293-305.

Sisson, K. (1987), *The Management of Collective Bargaining: An International Comparison*, Oxford: Blackwell.

Solow, R.M. (1990), *The labor market as a social institution*, Cambridge, Mass. and Oxford: Basil Blackwell.

Streeck W. (1996), “Neo-Voluntarism: A New European Social Policy Regime”, in Marks G., Scharpf F., Schmitter Ph., and Streeck W., *Governance in the European Union*, London: Sage, pp. 64-94.

Traxler F. and B. Brandl (2009), “Towards Europeanization of Wage Policy: Germany and the Nordic Countries”, *European Union Politics*, 10(2): 177-201.

Traxler, F., Kittel, B and S. Lengauer (1997), Globalisation, collective bargaining and performance, in *Transfer: European Review of Labour and Research*, no. 3, pp. 787-806.

Van Gyes, G. (2012), *Indicators of collectively agreed wages in the Eurozone. A quality report*, KU Leuven, Research Institute for Work and Society (HIVA), policy paper of the Collectively Agreed Wages in Europe (CAWIE) project.

Visser, J. (2013), *Wage-bargaining Institutions — from crisis to crisis*, April, European Commission, Directorate-General for Economic and Financial Affairs, Economic Papers 488.

**Table 2.1. Statutory monthly minimum wages in EUR (second half of 2014) and as a proportion of the mean value of average monthly earnings (2012/3)**

Country	Monthly minimum wage (EUR)	% of average monthly earnings
Belgium	1 501.82	46.1
Bulgaria	173.84	38.2 (p)
Czech Republic	309.62	31.7
Estonia	355.00	33.0
Ireland	1 461.85	43.7
Greece	683.76	
Spain	752.85	36.1
France	1 445.38	46.9
Croatia	398.31	37.5
Latvia	320.00	42.0
Lithuania	289.62	48.3
Luxembourg	1 921.03	50.4
Hungary	328.16	43.3
Malta	717.95	48.5
Netherlands	1 495.20	43.3
Poland	404.16	44.8 (p)
Portugal	565.83	42.9
Romania	205.34	36.3
Slovenia	789.15	53.2
Slovakia	352.00	36.0
United Kingdom	1 301.31	40.0

Source: Eurostat

Note: Proportion of average monthly earnings: 2013 data, except BE, EE, FR, NL (2012) and EL (no data for 2012/13).

p = provisional

**Table 2.7. Country-specific recommendations on wage-setting (2011-14)**

	2011	2012	2013	2014
AT	–	–	–	–
BE	Reform wage-bargaining and wage indexation	Reform wage-setting system including indexation	Reform wage-setting system including indexation	Reform wage-setting system including indexation
BG	Link wage growth to productivity	–	–	Adjust statutory minimum wages taking into account the impact on employment and competitiveness
CY	Reform wage-setting and wage indexation	Reform wage indexation system	Implement commitments under financial assistance programmes	–
CZ	–	–	–	–
DE	–	Wages in line with productivity	Wage growth to support domestic demand	Improve conditions that further support domestic demand, <i>inter alia</i> by reducing high taxes and social security contributions, especially for low-wage earners.  Monitor the effect of minimum wages on employment
DK	–	–	–	–
EE	–	–	–	–
EL	Implement commitments under financial assistance programmes	Implement commitments under financial assistance programmes	Implement commitments under financial assistance programmes	–
ES	Comprehensive reform of collective bargaining process and wage indexation system	–	–	Reduce labour market segmentation. Continue regular monitoring of the labour market reforms. Promote real wage developments consistent with the objective of creating jobs
FI	–	Continue to align wage and productivity developments	Support alignment of real wages and productivity	–

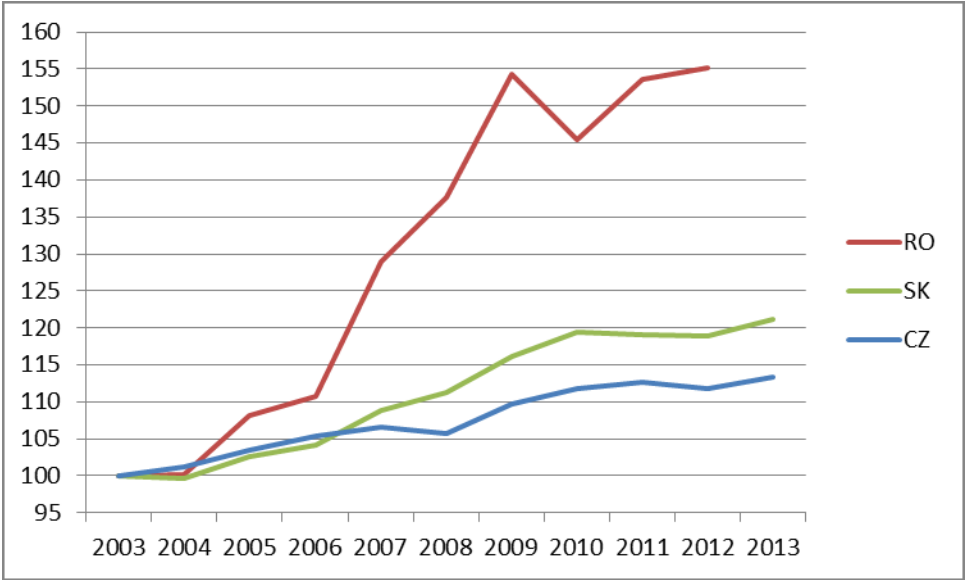
	2011	2012	2013	2014
FR	Ensure minimum wage developments support job creation	Minimum wage should support job creation and competitiveness	Lower cost of labour; ensure minimum wage supports job creation and competitiveness	–
HR	n.a.	n.a.	n.a.	Review wage-setting system to better align productivity developments and wage conditions
HU	–	–	–	–
IE	Implement commitments under financial assistance programmes	Implement commitments under financial assistance programmes	Implement commitments under financial assistance programmes	–
IT	Ensure wage growth better reflects productivity developments	Monitor and if necessary improve implementation of the new wage-setting framework	Ensure effective implementation of wage-setting reforms	Evaluate impact of labour market and wage-setting reforms and assess need for additional action. Review social protection for the unemployed, while limiting the use of wage-supplementing schemes to facilitate labour re-allocation
LT	–	–	–	–
LU	Reform wage-setting and wage indexation	Reform wage-bargaining and wage indexation	Reform wage-setting and wage indexation	Reform the wage indexation system so as to improve the responsiveness of wages to productivity developments. Pursue the diversification of the structure of the economy, including by fostering private investment in research
LV	Implement commitments under MoU of 20 January 2009	–	–	–
MT	Reform wage-setting and wage indexation	Reform wage-bargaining and wage indexation	Monitor wage indexation mechanism and stand ready to reform (in background considerations)	–

	2011	2012	2013	2014
NL	–	–	–	Allow for more differentiated wage increases by making full use of the existing institutional framework
PL	–	–	–	
PT	Implement commitments under MoU of 17 May 2011	Implement commitments under MoU of 17 May 2011	Implement commitments under MoU of 17 May 2011	Maintain minimum wage developments consistent with the objectives of promoting employment and competitiveness. Ensure a wage-setting system that promotes the alignment of wages and productivity. Explore the possibility of firm-level temporary opt-out arrangements from sectoral contracts agreed between employers and workers' representatives. Review the survival of collective agreements
RO	Implement commitments under MoUs (June 2009 and June 2011)	Implement commitments under MoUs (June 2009 and June 2011)	Complete the EU/IMF financial assistance programme	Establish clear guidelines for transparent minimum wage-setting, taking into account economic and labour market conditions
SE	–	–	–	–
SI	–	Ensure wage growth supports competitiveness and job creation	Ensure wage growth supports competitiveness and job creation	Develop a comprehensive Social Agreement by the end of 2014 ensuring that wage developments, including the minimum wage, support competitiveness, domestic demand and job creation. Redefine the composition of the minimum wage and review its indexation system
SK	–	–	–	–
UK	–	–	–	–

Source: Marginson and Welz 2014 and European Commission (2014a)

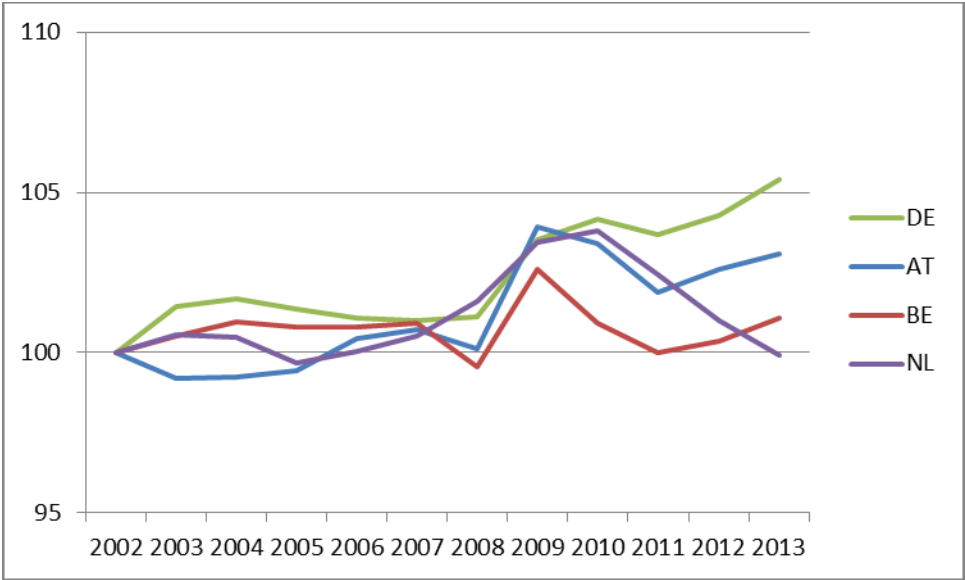


**Chart 2.5. Real collective wage developments in the Czech Republic, Romania and Slovakia (2003-13)**



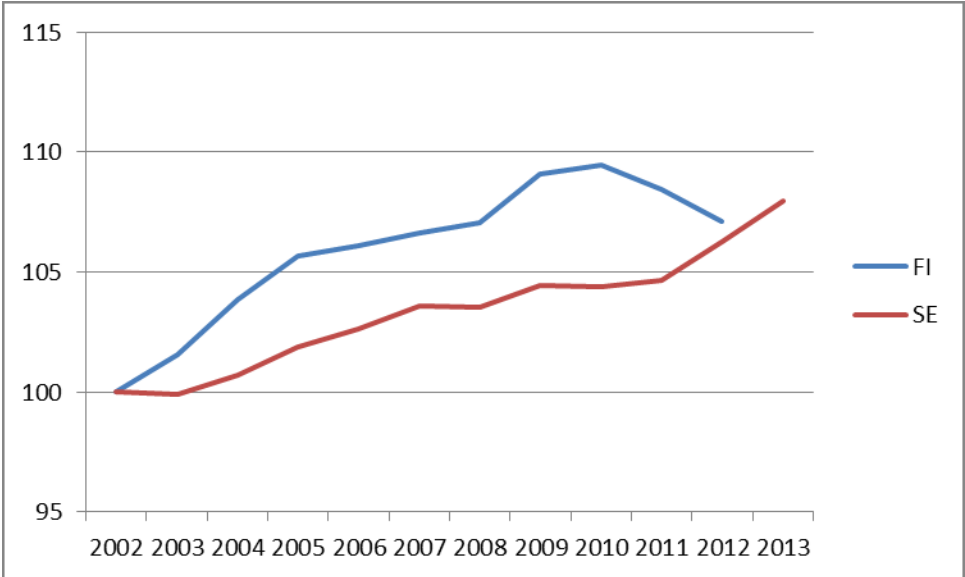
Source: Eurofound, Collective wage bargaining, <http://www.eurofound.europa.eu/eiro/cwb>

**Chart 2.6. Real collective wage developments in Austria, Belgium, Germany and the Netherlands (2002-13)**



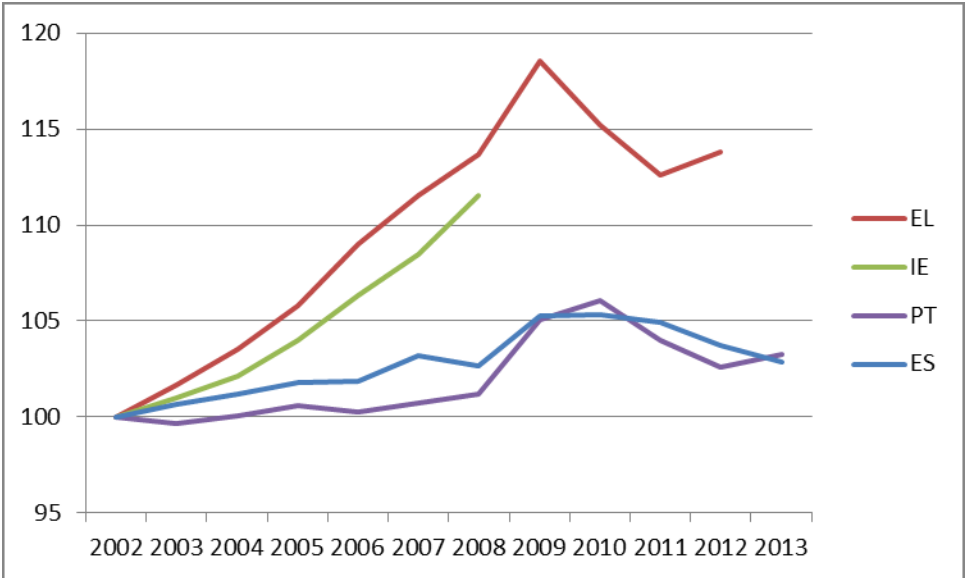
Source: Eurofound, Collective wage bargaining, <http://www.eurofound.europa.eu/eiro/cwb>

**Chart 2.7. Real collective wage developments in Finland and Sweden (2002-13)**



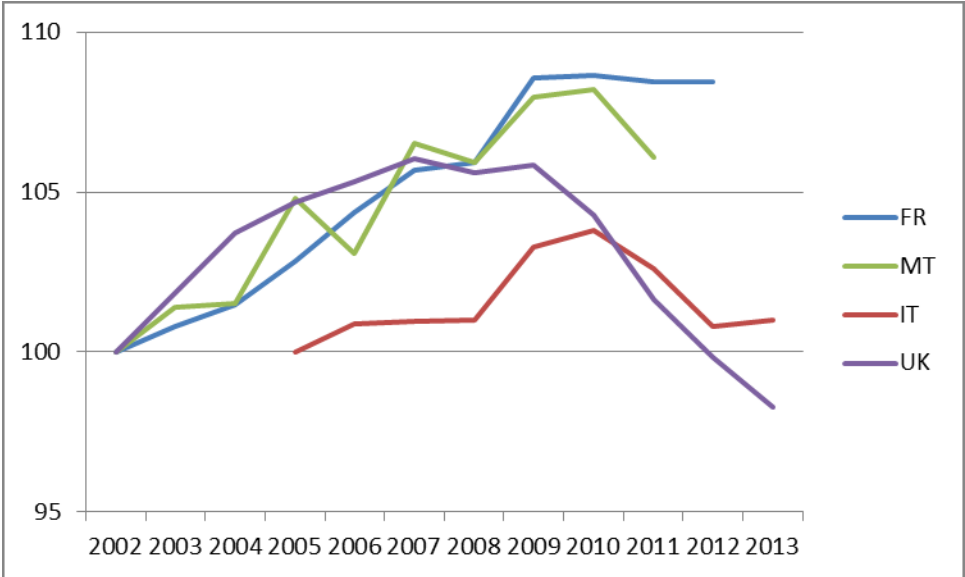
Source: Eurofound, Collective wage bargaining, <http://www.eurofound.europa.eu/eiro/cwb>

**Chart 2.8. Real collective wage developments in Ireland, Greece, Portugal and Spain (2002-13)**



Source: Eurofound, Collective wage bargaining, <http://www.eurofound.europa.eu/eiro/cwb>

**Chart 2.9. Real collective wage developments in France, Italy, Malta and UK (2002-13)**



Source: Eurofound, Collective wage bargaining, <http://www.eurofound.europa.eu/eiro/cwb>

**Table 2.8. National wage guidelines or recommendations in the run-up to EMU**

Country	Agreement	Wage guidelines or recommendations
BE	Cross-sectoral bipartite agreements (1998 and 2001, linked to the Law on national competitiveness)	Set maximum wage increase corresponding to average wage increases in France, Germany and the Netherlands
DK	National tripartite declaration (1987)	Increases in Danish labour costs should not exceed those in competing countries
FI	Agreement of the national tripartite incomes policy commission (1995)	Pay rises should be in line with the total sum of the Bank of Finland's (and subsequently the ECB's) inflation target and national productivity growth
DE	Statement of the national tripartite 'Alliance for jobs, vocational training and competitiveness' (Joint declaration, December 1998; 2000; difficult renewal 2002-03)	Results of collective bargaining should be based on productivity growth and primarily used for job-creation measures
EL	National tripartite 'Confidence Pact' agreement (1997)	Wages should rise in line with inflation and reflect part of national productivity growth
IE	National tripartite agreements (1987, 1990, 1994, 1997, 2000)	Maximum pay increases are set in line with the European Stability Pact
IT	National tripartite agreements (1993 and 1998)	Nationally agreed wage increases should reflect national and average European inflation; additional wage agreements at company level should reflect productivity
PT	National tripartite agreement 'Employment Pact' (1996)	Pay rises should reflect inflation and productivity growth
NL	National bipartite agreements within the Labour Foundation (1982, 1993, 1999)	Recommendation of moderate wage increases in order to improve overall competitiveness
ES	Bipartite national pay moderation accord (2001). Pay negotiation in 2002 concluded within framework agreement	Wages should reflect forecast inflation and productivity growth
SE	Bipartite agreement for the industry (1997)	Recommendation for a 'European norm' according to which Swedish wages should not rise faster than the EU average

*Source: adaptation from Schulten and Bispinck 2001, p. 24, integrated with Marginson and Sisson 2004, Table 5.1.*

## Chapter 3: Industrial Relations in Member States<sup>24</sup> receiving financial stability support

*Based on a draft by Youcef Ghellab (International Labour Office, Geneva) Aidan Regan (University College Dublin) and Sarah Doyle (International Labour Office, Geneva)*

*Greece, Ireland, Portugal, Spain and Cyprus faced a severe debt and fiscal crisis in the wake of the crisis, with weak economic growth and large increases in unemployment. All five countries implemented far-reaching reforms, including to industrial relations systems, but social dialogue did not always play a prominent role in the design and implementation of such reforms, and in many cases consensus proved elusive. With the goal of linking wages better to company-level productivity levels, measures have been taken that decentralised wage bargaining. The effect of the reforms on the quality of social dialogue will need to be carefully monitored.*

### 3.1. Introduction

Starting in 2010, first Greece and then Ireland faced a severe debt and fiscal crisis. In 2011, the debt crisis spread to Portugal, with Spain's and Cyprus' financial sectors being affected in the course of 2012. While all these countries experienced weak economic growth and increasing unemployment, Ireland, Spain and Cyprus were also experiencing a banking crisis. To address these acute challenges, all five countries have implemented far reaching structural reforms and fiscal consolidation programmes. The rationale is to rein in the sources of debt and deficit, to restore stability in the banking sector and market confidence, and subsequently create the conditions for a return to growth and employment creation.

In Cyprus, Greece, Ireland and Portugal, governments were priced out of international bond markets and requested financial stability support to fund their public sector and to recapitalise financial institutions. These loans came with conditionalities, so that policy reforms were the subject of official agreements between governments and the EU/IMF<sup>25</sup>. Spain received a specific form of temporary financial assistance from the European Stability Mechanism (ESM) to repair its financial sector, where the reforms implemented have been negotiated by the government and monitored by the European Commission in liaison with the ECB and the European Banking Authority (EBA). In addition, the IMF supported the implementation and monitoring of the programme with advice and regular reporting.

In these reform programmes, the details of which were decided by the Member States, the industrial relations system itself, or at least some of its elements, received specific attention. Reforming collective bargaining was seen as part of the solution to address external imbalances and achieve a recovery. Such reforms were a core element of what have been termed “*internal devaluation strategies*” and “*employment friendly reforms*” aimed at restoring national competitiveness. Regaining cost competitiveness is considered an essential prerequisite for achieving a sustainable economic and

---

<sup>24</sup> Cyprus, Greece, Ireland, Portugal and Spain

<sup>25</sup> EU/IMF in this context refers to European Commission (EC), European Central Bank (ECB) – both of them acting on behalf of the EU euro area member states – and the International Monetary Fund (IMF). It is largely an inter-government arrangement to address the fiscal crisis in Europe, namely in those EU euro area member states under an Economic Adjustment Programme.

jobs recovery. The effect on national industrial relations institutions was significant: sectoral collective bargaining, tripartite cooperation mechanisms, wage setting institutions and rules governing industrial conflict were all subject to reforms (Visser, 2013).

Collective bargaining coverage fell between 2008 and 2013 in Greece, Spain, Portugal and Ireland (see also chapter 1). In some cases the reforms accentuated long-term institutional changes in industrial relations systems, such as the decentralisation of collective bargaining to firm level. At the same time, some of the reforms directly resulted from crisis responses devised by the governments concerned, either through unilateral action or on the basis of agreed concrete measures to give some assurances to the international lenders, such as reducing the minimum wage, relaxing employment protection legislation and cutting (or freezing) wages and jobs in the public sector.

In the past years, social dialogue played a significantly less prominent role in the design of structural reforms and fiscal consolidation plans than it did during the first phase of the crisis (2008-2009). During the earlier period, crisis responses involved a significant amount of policy concertation between government and social partners, and often drew upon national tripartite institutions to achieve this (see *Industrial Relations in Europe* 2010; ILO, 2013a; Eurofound 2014b; chapter 1). In the later phase of the crisis, faced with the necessity to implement specific reforms very quickly in order to stabilise the fiscal and economic situation, there was little scope or time for consultation and consensus-building with national social partners. Though governments and the representatives of the international lenders aimed to consult social partners, this was not always the case, nor was it always possible, as shown by the findings in this chapter.

The policy response was therefore perceived by social partners, especially trade unions, as undermining the functioning of social dialogue and its legitimacy as an instrument for discussing reforms in these countries. Even if the European Commission continually stressed the importance of social dialogue and of the respect for national circumstances and practices, the practical result was an unfavourable setting for social dialogue, leading to increasing conflict between the social partners and between trade unions and public authorities. This was illustrated by the complaints to the ILO and the Council of Europe as well as by the very critical assessment by the European Parliament of the respect of social rights under the EU/IMF programmes.

This chapter examines industrial relations developments in the five countries under study by drawing upon the findings from the Commission-ILO Joint Project on 'Promoting a balanced and inclusive recovery from the crisis in Europe through sound industrial relations and social dialogue' (see Box 3.1). It also draws from ILO research on crisis countries and from recent Eurofound publications on the crisis. The chapter starts with a description of the key features of national systems of industrial relations in the countries under consideration, prior to the crisis, focusing on the tradition of social pacts and collective bargaining, and how these were used to negotiate the convergence requirements of the Economic and Monetary Union (EMU). Second, the chapter analyses the reform trajectories after the crisis and the implications for national systems of industrial relations in the private and public sector. Third, the chapter discusses the various responses of the social partners to the implementation of these reforms. The final section concludes by analysing the implications for the future of industrial relations in the countries under study.

### **Box 3.1 ILO-European Commission Joint Project on ‘Promoting a balanced and inclusive recovery from the crisis in Europe through sound industrial relations and social dialogue’**

In 2012 the ILO and the European Commission embarked on a joint research project in order to build on ILO research initiated since 2008 and earlier Commission publications (see European Commission, 2013a), in the framework of the Global Jobs Pact adopted by the International Labour Conference (ILC) in June 2009. This project was part of the work programme under a three-year partnership agreement signed between the two institutions in September 2011. The core aim was to analyse the impact of fiscal consolidation policies on labour market institutions and industrial relations in the Eurozone periphery, and to assess the role of social dialogue in the adjustment process.

The project placed a special focus on countries under the Commission/ECB/IMF structural adjustment programme (Greece, Ireland, Portugal, and later on Cyprus), in addition to Spain which received EU assistance to repair its banking sector. National studies aimed at documenting industrial relations developments, and subsequently served as background material for a number of policy building seminars. These seminars took place between in 2012 and 2013 in Athens, Dublin, Lisbon and Nicosia, and brought together national policymakers, social partners, experts from other participating countries, and representatives from the Commission, ECB, IMF and ILO. They enabled governments and social partners to discuss the merits of strengthening the social partnership process as a key component of an economic and jobs recovery. In addition, the seminars identified urgent areas for ILO technical assistance that led to a number of follow-up activities.

The seminars facilitated dialogue between national constituents and social partners from other countries on issues related to the crisis. However they also portrayed an urgent need for policymakers to ensure a greater commitment to policy coherence, in order to strengthen tripartite social dialogue on economic and social developments. The project's conclusions on the trajectory of reform in the countries concerned will continue to inform the debate on the general policy direction of industrial relations systems in the context of the global economic crisis.

### **3.2. Industrial relations developments prior to the economic and financial crisis**

It is important to note that Greece, Portugal and Spain all share a number of similar characteristics and thus have been classified by the literature as belonging to the ‘Southern European social model’ (Visser, 2004; Karamessini, 2008; Molina, 2014). These common features include high levels of industrial conflict, highly politicised and internally divided labour movements, union density rates close to the EU average, with the exception of Spain, and medium levels of centralisation and coordination of collective bargaining. Historically, Ireland and in certain respects Cyprus have displayed many characteristics of the Anglo-Saxon model of industrial relations, which include voluntarist labour relations, low levels of worker participation and a strong dependence on the state's regulatory framework for industrial relations (Von Prondzynski, 2001).

Further, a defining feature of the politics of adjustment to the EMU and domestic industrial relations reforms throughout the 1990s and early 2000s in Ireland, Spain, Portugal and Cyprus was the negotiation of tripartite social pacts and agreements, among governments, unions and employers (see chapter 1). This process of negotiated reform took place in various European countries, but Ireland,

Spain, Portugal and Cyprus stood out in the literature because they did not have the established collective bargaining arrangements characteristic of coordinated market economies (CMEs), in which governments engaged routinely with unions in policy concertation. (Visser 2013, Culpepper 2002). Scholars who observed these processes found that social pacts were adopted by ‘weak governments’ that required the support of the social partners to legitimize difficult labour market and industrial relations reforms (Baccaro and Lim, 2007; Baccaro and Simoni, 2008; Avdagic et al 2011). The process of involving trade unions was conceived as one of the most likely strategies for successfully mobilizing societal support for adjusting to the convergence criteria in the run-up to EMU in the 1990s, particularly in southern European countries who lacked the institutional pre-conditions for coordinated wage restraint, and were therefore more prone to inflationary tendencies (Höpner 2014, Johnston & Regan 2014).

### **3.2.1. Social pacts and tripartite social dialogue**

From 1984-2009 **Portugal** produced 17 tripartite social pacts as a result of a long standing tradition of social dialogue which already began in the early 1980’s, when there was a need to stabilize a young democracy (Ramalho, 2013). The initial pacts in 1990, 1992, 1996 and 1999 were conditioned by the imperatives of EMU convergence, and focused on a national based incomes policy. These agreements were born out of the standing committee for social concertation (CPCS), which was created in 1984 by a government that was negotiating with the IMF and seeking entry to the European Economic Community (Naumann and Campos Lima 1997). By 2000 the income policies actively managed to bring down inflation and enabled Portugal to qualify for EMU membership (Campos Lima and Naumann 2011). Later pacts in 2001, 2002 and 2005 focused on privatizing pension provision, improving occupational training, and enhancing health & safety legislation. In 2008 the Socialist (PS) government initiated a new industrial relations reform agenda via the ‘*Pact on the Reform of Labour Relations, Employment Policy and Social Protection*’. This was followed by a similar tripartite agreement in 2008 aimed at liberalizing employment protection, although one of the major trade union confederations did not sign. The new labour code was implemented in 2009. During this period, the national parliament considered the inclusion of trade unions as part of the national strategy in adjusting to the EMU.

The trajectory of reform was similar in **Spain**. Social pacts were born out of the attempt by political parties in government to stabilize the parliamentary transition to democracy. The empowerment of trade union and employer associations to engage in collective bargaining was considered a pre-requisite for economic modernization, particularly in the late 1980s. During the mid-1980s there was a lull in tripartite agreements because of intra-trade union fragmentation (Royo 2002). The commitment to join the European exchange rate mechanism in 1989 and reduce unemployment and inflation, however, led to a new unity of action among trade union confederations. New practices for hiring and dismissals were introduced in 1984 through a tripartite agreement, yet this gave rise to the segmentation and dualism of the labour market that persists today (Molina and Rhodes 2011; Molina 2014).

The rapid spread of temporary fixed-term contracts ensured wage moderation but weakened the incentive for employer investment in skills and vocational training. Social pacts collapsed again in the early-1990s as a result of the crisis. Social conflict between the government, employers and trade unions led to unilateral regulation of the labour market and to two general strikes in 1992 and 1995. Yet social dialogue was revitalized in 1997, largely on a bipartite basis through the agreement for ‘collective bargaining and labour market (Molina and Miguélez, 2013). A number of tripartite pacts



were signed thereafter in order to re-centralize industrial relations, extend bargaining coverage and make labour market reform a priority in public policy. Historical discontinuities in the Spanish system can be attributed to the late and weak institutionalization of tripartite social dialogue, and the strong influence of the political orientation of the government on the use of and scope for tripartite agreements.

Tripartite agreements at the national level were also the defining feature of the **Irish** industrial relations systems prior to the Eurozone crisis, sharing many similarities with the **Cypriot** system. Both countries inherited the adversarial labour relations regime that is also characteristic of the United Kingdom, and have well established mechanisms for tripartite cooperation. In particular, in 1960, when Cyprus was declared an independent republic, the industrial relations framework began to develop, where the implementation of almost all policies regarding industrial relations was and remains the result of social dialogue between the government, the employer organisations and the trade unions.

During the 1980s in **Ireland**, employers, unions and government sought, through social dialogue, to reform industrial relations through establishment of centralised bargaining aimed at wage restraint. In 1987 the Irish state and social partners re-centralised collective bargaining through a series of National Partnership Agreements and implemented a succession of national tax-based incomes policies to control inflation. The 1987 and 1992 social pacts, in particular, were aimed at enhancing national competitiveness through wage moderation, low corporate taxes, industrial upgrading and structural reform of the semi-state sector labour market. This trend of wage moderation continued with the tax-based income policies in 1996 and 1999, which facilitated strong export-led growth (Regan 2012).

The social pacts concluded after the entry into the EMU lacked however the ability to control inflation. Wage pacts proved incapable of acting as a counter-cyclical restraint on the credit expansion and capital-inflows associated with the single currency, a phenomenon that could also be observed in Spain. On the contrary, the social pacts in 2003 and 2005 instituted a pro-cyclical wage policy regime that proved unsustainable. These agreements were based on a *quid pro quo* of permanently increasing public spending whilst reducing income taxes. At the same time, the social pacts accepted the need for a flexible labour market, with Ireland often considered to have the second most flexible labour market in Western Europe after the UK.

Despite fairly adversarial industrial relations in **Greece** following the country's return to democracy in 1974, social dialogue became an important feature in the early 1980s, namely through the establishment of tripartite bodies at the national level, such as the Supreme Labour Council, and the involvement of social partners in the public employment service (OAED) (Kravaritou, 1994; ILO, 2014b). This was later strengthened during the process of EU integration, which in 1994 led to the establishment of the main national tripartite social dialogue institution – the Economic and Social Committee (OKE) – and achievement of tripartite consensus on the entry into the EMU.

In practice, consultations took place on an ad-hoc basis and produced limited success. A tripartite 'confidence pact' was negotiated in 1997 - the only tripartite agreement produced by social dialogue in the last 20 years - on issues such as wage moderation. However, topics of major disagreement<sup>26</sup> between the social partners were generally not referred to in the agreement (Mouriki, 2001). In 2000,

---

<sup>26</sup> One area of disagreement was more flexible forms of employment, which in 1998 were introduced by the Government through legislative action, provoking labour protests.

tripartite consultations were initiated again but a lack of consensus between the social partners led the government to unilaterally adopt legislation on labour market reforms. Similarly no agreement could be reached on the reform of social security in 2001 and 2002, leading to a reform bill introduced by the Government in June 2002 (ILO, 2014b). So it would seem that weak tripartite consultations between the government and the social partners are nothing new in today's present crisis. However, Greece has a strong tradition of bipartite social dialogue at the national level. Regular bargaining rounds between "peak-level employers' and workers organizations on the national minimum wage and a wide range of institutional issues have operated as functional equivalents to social concertation" (Karamessini, 2008: 8).

With the partial exception of Greece, tripartite cooperation became the default condition of public policy in how the five Member States under study adjusted to the fiscal sustainability criteria of EMU, as well as to competitiveness challenges (Avdagic et al 2011, Baccaro and Simoni 2008; see also chapter 1). This tripartite cooperation translated into strong institutions aimed at reducing conflict among different interests in the labour market. In turn these forums of policy concertation provided all actors with the capacity to negotiate and implement social pacts, which significantly enhanced the capacity of government to introduce contested economic reforms (see Table 3.5 for an overview of these bodies) (Avdagic et al 2011).

### 3.2.2. Wage setting mechanisms

In **Portugal and Spain**, wage setting predominantly took place at the industry or sectoral level. The Spanish system, underpinned by principles stemming from the 1980's Worker Statute, relied on the following basic principles which include: the legitimacy to participate in bargaining; 'ultraactividad', where collective agreements remain valid for an unlimited period of time after expiry; and statutory extension mechanisms<sup>27</sup>, (Izquierdo, Moral and Urtasun, 2003). As in the present crisis, attempts were made in the 1990s to encourage greater decentralisation most notably through the inclusion of opt-out clauses for companies experiencing economic difficulty. Negotiations took place predominantly at the industry and provincial level where more than 50 per cent of workers were covered by collective agreements (Izquierdo, Moral and Urtasun, 2003). At company level, unions remained relatively weak and collective bargaining agreements with employers were not widespread.

In Portugal there was also a long tradition of sectoral or multi-employer level bargaining which can partially be explained by the large proportion of micro-sized companies<sup>28</sup> that often lack capacity to negotiate on their own accord (Ramalho, 2013: 3). Additionally, the collective bargaining system was characterised by frequent use of administrative extensions to non-affiliated workers and employers, in order to compensate for traditionally low levels of employers' and trade union density, and ensure protection of those who are not members of representative organisations.

There was also a heavy reliance on the 'favourability principle', and legal provisions which allow collective agreements to stay in force until they are replaced. The Labour Code of 2003 tried unsuccessfully to promote greater flexibility. But instead, the reform led to a drastic fall in the number

---

<sup>27</sup> This automatically allows collective bargaining agreements to have general applicability in line with the *erga omnes* principle

<sup>28</sup> The majority of Portuguese companies (around 95 per cent) are micro-size companies with less than 10 workers (Source: National Institute of Statistics (INE)).

of collective agreements in 2004, and was partially abandoned in 2006<sup>29</sup> (Ramalho 2013: 8). As a result the dynamics of collective bargaining remained poor; “collective agreements ...have become out of date in relation to the evolving labour law and less and less adapted to a more rigorous economic environment” (Ramalho 2013: 4).

In **Greece and Ireland** the most important bipartite and tripartite wage negotiations historically took place at the national cross-industry rather than the sectoral level. In Greece national level agreements set the basis for wage and working conditions through the use of the favourability principle - lower-level agreements could only be concluded if they ensured better working conditions for employees. Negotiations at the company level only occurred in the state sector (Kritsantonis 1992:624, Visser 2013: 33). Unlike other EMU countries there was little indication of decentralisation of collective bargaining since the 1990s (Zambarloukou 2006: 217, Visser, 2013: 33), a fact regularly cited as showing the need for industrial relations, labour market and public sector reform.

Other features of the Greek system included the possibility of the Minister of Labour to extend collective agreements to non-unionised employees, the indefinite length of collective agreements, unilateral recourse to arbitration and the presence of so-called ‘associations of persons’ (ILO, 2011:13). These ‘associations’ were first introduced in 1982 with the role of ensuring worker representation for a specific time-bound purpose only. Furthermore, they were not considered as fully-fledged trade unions since they had a limited duration (maximum of six months) and could not sign collective agreements, nor could they avail of the protection offered to trade union members (Carley et al., 2005). All of these features have undergone drastic changes since the onset of the crisis, as will be discussed in the next section

Between 1987 and 2009 Ireland re-centralised collective bargaining, leading to the conclusion of eight social pacts. These set headline rates of pay for unionised companies and allowed for derogation clauses in the case of firm-level competitiveness constraints. There was no sectoral level or other multi-employer bargaining framework in Ireland. Company level bargaining did take place in the unionised sectors of the economy, which were predominately made up of traditional industry and the semi-state sectors (Erne 2013, Regan 2012, O’Donnell, Adshead and Thomas 2011:89; Visser 2013: 29). In addition the labour court set minimal pay rates for the low paid sectors via ‘registered employment agreements’ (REAs), which were traditionally used to legally extend collective agreements across the low paid sectors of the economy. But they also covered the construction and electrical contracting sectors. Similarly Employment Regulation Orders (EROs) covered the pay of employees in hotels, restaurants and retail outlets. These agreements were negotiated by joint labour committees (JCLs) which were composed of both employer and trade union representatives who generally set wage floors that are 8 per cent above the national minimum wage (Regan, 2013: 12).

In **Cyprus**, collective bargaining has been traditionally decentralised since the bulk of collective labour agreements were concluded at the enterprise level though there are negotiations at sectoral level too (tourism, construction, leather goods, clothing, and other manufactured products) (Yannakourou and Soumeli, 2004).

---

<sup>29</sup> Labour Code of 2003 adopted new provisions on the relation between legal provisions and collective agreements, allowing for collective agreements to establish less favourable conditions than those prescribed by the law. In addition, it adopted a set of provisions intended to favour the regular replacement of old collective agreements by new ones. If they were not renewed, then after a period of time those agreements would become invalid (sobrevigência).

### **3.2.3. The public sector**

In the wake of the crisis, the public sector became a focus for the reform efforts, because all five countries faced a complex challenge of pursuing fiscal consolidation and enhancing the effectiveness of public services at the same time. In 2008, the general government wage consumption bill (as a share of GDP) was above the European average in each of these countries (European Commission 2014b). In the run-up to the crisis, expenditure on public wages had increased particularly strongly in Greece, Ireland, and Cyprus<sup>30</sup>. Moreover, in all five countries, public wages in 2006 and 2010 were significantly higher than those in the private sector, even when taking into account the different composition of the labour force in the two sectors (European Commission 2014b). (For additional information on the public sector, see European Commission 2013a and Box 1.1 in chapter 1).

Traditionally, there are three different wage setting mechanisms in the public sector. Wages can be formally determined through collective bargaining between the government and public sector unions or in de facto negotiations between the state and the unions and then decided by the government. Wages can also be determined unilaterally by the government or public authority where the unions play an advisory role, which has recently become a trend since the onset of the crisis. Prior to the crisis, there was a strong tradition of free collective bargaining between the state as employer and public sector unions, especially in Ireland and Cyprus. In Ireland, collective bargaining coverage in the public sector was above 90 percent, primarily because government as employers implemented the national wage agreements. In Greece, Spain, and to a certain extent Portugal, wages for all or part of public sector employees were de facto negotiated by unions and public authorities, even if they were later implemented by a formal decision of the government, which therefore retained the final say.

In many European countries there were two related trends in public sector collective bargaining and wage determination in the two decades prior to the crisis: 1) decentralisation of pay negotiations; and 2) the partial replacement of automatic, collective, seniority-based pay and career systems by more selective and discretionary systems (Bach, and Bordogna, 2013). The main objective was “to enhance flexibility of pay and conditions in response to local or sectoral labour market conditions and organizational needs and to provide workforce incentives by performance-related pay and other bonus schemes.” However, not all countries followed this trend. For instance, in Ireland the contrary happened. The public sector became more centralised, to such an extent that minor issues such as the working hours of school principals became part of the national wage agreements.

### **3.3. Industrial relations developments during the crisis**

The focus of this section is to document industrial relations reform in Greece, Ireland, Portugal, Spain and Cyprus in the second phase of the economic and financial crisis from 2010 onwards. However, one of the main difficulties in this analysis involves differentiating between what occurred as a result of the crisis and what can be described as continuing long-term trends, for example the universal decline of trade union density over the past decades, shrinking bargaining coverage or the on-going decentralisation of collective bargaining (see chapter 1). Nonetheless, this section attempts to document the major changes that occurred or were *accelerated* within the context of the crisis, and in

---

<sup>30</sup> See the relevant economic adjustment programmes (European Commission 2010, 2011a, 2011b, 2013c)

doing so will focus on four main areas: tripartite social dialogue, bipartite mechanisms, measures for wage setting, and the public sector. Table 3.1 gives a summary of the main transformations in the industrial relations systems of the five countries under study, comparing the period immediately before and since the crisis.

**Table 3.1. Summary of changes in Southern European and Irish industrial relations**

	<b>Tripartite concertation</b>	<b>Collective dispute settlement</b>	<b>Extension of collective agreements</b>	<b>Wage-setting (private)</b>	<b>Wage-setting (public)</b>
<b>Spain 1990s–2009</b>	Long tradition of tripartite social dialogue but fragmented due to its late and weak institutionalization	Bipartite agreements on extra-judicial conflict resolution enhance autonomous resolution	Statutory extension	Statutory minimum wage; Increasing autonomy (bipartite agreements)	Extension of collective bargaining conditional on state budget
<b>Spain 2009–2012</b>	2010 measures implemented by Government without consultations, or without a preceding agreement in 2010/12; conclusion of tripartite pact in 2011 on labour market reforms	Unilateral changes enable a greater role for arbitration	No change	Unilateral approval of opting-out from higher level wage increases and changes in wages by the employer	Unilateral imposition of pay cuts and freezes
<b>Portugal 1990s–2009</b>	Long tradition of social tripartite dialogue stemming from 1980s, 17 social pacts produced between 1984-2009	Conflict resolution mostly through the judicial channel	Statutory extension but social partners retain the initiative	Indirect state intervention in wage bargaining; sporadic direct intervention	Increasing autonomy; recognition of collective bargaining
<b>Portugal 2009–2012</b>	Two tripartite agreements for competitiveness and employment (2011/12); social partners' views not considered on matters beyond these pacts	Little change: system still predominantly based on arbitration	Limits on the extension of collective agreements	No significant change	Unilateral imposition of pay cuts and freezes
<b>Greece 1990s–2009</b>	Fragmented and of an adhoc nature, the first main national institution for tripartite social	Increasing autonomy (arbitration and mediation)	Statutory extension possible on initiative of	Indirect state intervention in wage bargaining; sporadic direct	Pay determined by government after consultation with trade

	dialogue (OKE) was established in 1994; just one social pact signed in 1997	extended)	Ministry of Labour	intervention	unions
<b>Greece 2009–2012</b>	Lack of genuine dialogue with social partners during reforms process; unilateral reduction of minimum wage through legislative decree	Compulsory arbitration is likely to become more important	Limits on the extension of collective agreements on the agenda, but not yet approved	Companies allowed to deviate from terms established at higher levels	Unilateral imposition of pay cuts and freezes
<b>Ireland 1990s–2009</b>	Strong tradition of social partnership. Seven national wage agreements negotiated between 1987-2008	Conflict resolution through the voluntary arbitration mechanisms of the state: labour court, labour relations commission	No extension, national wage agreements are voluntary and act as headline benchmark	Indirect state intervention, statutory minimum wage, registered employment agreements (REA) and employment regulations orders (ERO)	Strong recognition of collective bargaining, full coverage and implementation of national wage agreements
<b>Ireland 2009–2012</b>	Collapse of social partnership, no tripartite social dialogue mechanisms	Reform and amalgamation of conflict resolution bodies	No extension	Unilateral cut in the minimum wage in 2010 (reversed in 2011), emergency financial legislation to override the non-payment of wages act	Unilateral imposition of pay cuts, followed by two bipartite agreements on public sector reform
<i>Source:</i> Adapted from Molina, O. (2014). Self-regulation and the state in industrial relations in Southern Europe: Back to the future?. European Journal of Industrial Relations, 0959680113516404.					

As stated earlier, from the onset of the international financial crisis Greece, Ireland, Portugal and most recently Cyprus received extensive financial stability support from the IMF, EC and ECB. In 2012, Spain received financial assistance from the European Financial Stability Facility (EFSF) to support the recapitalization of its financial sector. As a result each of these countries implemented far-reaching structural reforms and fiscal consolidation programmes. Since 2013, Ireland and more recently Spain have successfully completed their financial assistance programmes, which according to the IMF, have both substantially met the vast majority of policy conditions (European Commission 2013d; 2014a). In Cyprus, the economic adjustment programme negotiated with international lenders focused on the reform of the financial sector, the taxation system and social protection. There is little indication that Cypriot industrial relations institutions, especially collective bargaining have been altered so far. However the tight timelines and depth of the reforms is placing a strain on these institutions.

At the start of the global crisis in early 2008, collective bargaining played a significant role in many EU Member States in forming a negotiated response to the economic downturn (see *Industrial Relations in Europe 2010*; ILO 2013a: vi). From 2008 to mid-2010 labour and management in countries with coordinated collective bargaining institutions, such as the Netherlands and Germany, tended to develop solutions based on shared agreement, which benefited both sides and helped to facilitate the adjustment processes, thereby mitigating the worst effects of the crisis on workers and firms. In the countries under review, however, social dialogue processes were soon overwhelmed by the magnitude and speed of the crisis.

Generally speaking, over the last five years there has been a shift away from social pacting toward parliamentary legislation. In particular, social pacts have been conspicuous by their absence in those countries who previously required them most, and who are now in difficulty: Spain, Ireland, Portugal, Cyprus and Greece (Armingeon and Baccaro, 2012; Culpepper & Regan 2014). National governments in all these countries, with the exception of Portugal to a certain extent have increasingly opted to implement industrial relations and labour market reforms unilaterally rather than through social dialogue. A combination of defensive unions (who may have had a strategic interest in not being associated to painful reforms), discussions and agreements with the EU/IMF, pressure of financial markets and the changing problem-load facing national governments explains this change in industrial relations.

The extent of the Eurozone crisis itself problematizes the capacity for a negotiated adjustment through tripartite social pacts. This is somewhat surprising, however, when one recognizes that the core problem facing national governments in Ireland and southern Europe throughout the 1990s was satisfying EMU criteria through fiscal consolidation and wage moderation (Hancké and Rhodes, 2005; Hassel, 2006; Avdagic, 2010). Industrial relations reform has been central to social pact agreements over the past 25 years, and all were aimed at pursuing wage moderation. This was in recognition that wage flexibility is one of the most important instruments available to governments within EMU to improve national competitiveness. One could therefore argue that in responding to the crisis national governments, in theory, should have more not less of an incentive to engage with social partners, as a social pact aimed at structural reform could send a positive signal to markets and European creditors that competitiveness is a priority for all national actors.

The unprecedented pressure on the *fiscal capacity* of these governments limited the possibilities to liberate funds and to engage in a *quid pro quo* with the social partners. For Cyprus, Greece, Ireland, and Portugal, the EU/IMF programme has helped shape much of the policy response. The assurances given to the international lenders in these countries have narrowed the options available to domestic policymakers. While they were adjusted to each countries' specific situation, they tended to increase the priority accorded to wage flexibility, the flexibilisation of employment protection legislation, and cuts in state expenditure. Still, the policy responses did not rule out the possibility of tripartite social pacting (see later), and underlined the need for social dialogue.

In terms of reform content, the trajectory of industrial relations reforms in the aftermath of the crisis, outlined below, *continues* the political trend set by the pre-EMU social pacts. In all of the case studies - with the exception of Greece - the social partners previously agreed to reforms on labour market flexibility, wage moderation and de-centralising industrial relations. The social partners in these countries – and indeed in other countries with higher average incomes and employment rates – accepted these as a requirement to adjust to the convergence criteria for entering EMU in the 1990s, as well as to competitiveness challenges. The significant and major difference since 2009 is a change in

the process through which these labour market reforms have been implemented. Under pressure from the loss of market confidence, the pace of reforms had to be accelerated dramatically, leaving little time for their preparation and for social dialogue.

#### **4.3.1. Tripartite social dialogue: processes and outcomes**

The Memoranda of Understanding (MoU) agreed between the governments of Greece<sup>31</sup>, Ireland<sup>32</sup>, Portugal<sup>33</sup> and Cyprus<sup>34</sup> and the EU/IMF all refer to the explicit need for consultations with the social partners in the implementation of the national reform programmes, and some make explicit reference to tripartite agreements. In Spain, the government also consulted the social partners about the course of reforms. In practice however, the social dialogue process proved very difficult especially in view of the worsening economic and labour market situations in the countries, as the examples below suggest.

In **Greece**, tripartite social dialogue suffered a number of setbacks. The Economic and Social Council (OKE), which is a constitutionally guaranteed body founded in 1994, and the sole nation-wide platform through which the social partners can promote dialogue, saw its role reduced and its resources curtailed. While the OKE provided a number of opinions on issues during the crisis, including on the reform programmes, its views were often not reflected in adopted policy measures (OKE, 2012; ILO, 2014b).<sup>35</sup>

During the period 2010-2012 the Minister of Labour initiated dialogue with the social partners on labour market reforms three times. However, the social partners expressed their regret that a more formal process of effective social dialogue did not take place on these occasions, which meant they were unable to contribute to an economic reconstruction strategy (Dedoussopoulos et al., 2013: 61). In late 2011, the government instigated a tripartite dialogue with the aim of preserving employment and boosting competitiveness, including discussions on the minimum wage. However the inability to reach a shared consensus led the government to unilaterally reduce the minimum wage and reform collective bargaining through legislation (European Commission, 2012a: 38; ILO, 2014b). Nevertheless a renewed emphasis has been placed on national social dialogue institutions in the later years of the crisis with the reactivation of two bodies which were dormant, namely the National Committee for Employment and the National Committee for Social Protection. The latter has issued several opinions related to crisis-induced reforms, including on draft reform laws.

The tripartite social dialogue process in **Ireland** appears to have become more limited in the aftermath of the crisis. Following the collapse of the national partnership agreement in 2009, the National Economic and Social Council (NESC) have noted that government officials have been heavily engaged in consultations with the EU/IMF, and far less with the domestic social partners. The Council criticised that, where such engagement did occur, it tended to be bilateral, rather than through

---

<sup>31</sup> [http://ec.europa.eu/economy\\_finance/publications/occasional\\_paper/2010/op61\\_en.htm](http://ec.europa.eu/economy_finance/publications/occasional_paper/2010/op61_en.htm)

<sup>32</sup> [http://ec.europa.eu/economy\\_finance/publications/occasional\\_paper/2011/op76\\_en.htm](http://ec.europa.eu/economy_finance/publications/occasional_paper/2011/op76_en.htm)

<sup>33</sup> [http://ec.europa.eu/economy\\_finance/publications/occasional\\_paper/2011/op79\\_en.htm](http://ec.europa.eu/economy_finance/publications/occasional_paper/2011/op79_en.htm)

<sup>34</sup> [http://ec.europa.eu/economy\\_finance/publications/occasional\\_paper/2013/op149\\_en.htm](http://ec.europa.eu/economy_finance/publications/occasional_paper/2013/op149_en.htm)

<sup>35</sup> In general, the OKE has stressed the importance of measures aiming at tackling the budget deficit while simultaneously ensuring social cohesion, putting emphasis on addressing bottlenecks in the business environment, focusing on supporting social policies, addressing the evasion of tax and social contributions, and strengthening social dialogue (Source: ILO, 2014b)



collective or inclusive negotiations. NESAC itself has played minimal role in the policy response.<sup>36</sup> The NESAC was created in 1973, and became the birthplace of several major central partnership agreements between 1987 and 2007 (Regan, 2013). It is an agency directly mandated to propose economic reforms to the Prime Minister's Office. Since the onset of the crisis, the Department of Finance has reasserted itself over the process of policy coordination, especially in light of the memorandum agreed with the representatives of international lenders (Regan, 2013: 17). Nonetheless, the NESAC remained active in providing of opinions and reports on measures for economic recovery, particularly in the areas of energy and social housing. The latter, has been welcomed by the government and aims to influence the formulation of a new social housing strategy (NESAC, 2014).

The core institution for conflict resolution in Ireland, the Labour Relations Commission (LRC) has seen its role increase rather than decrease in importance. In a context of rising unemployment, wage cuts and heightened workplace conflict, the LRC was central to the negotiation of two public sector agreements (the 'Croke Park' and 'Haddington Road' agreements; see below).

In **Spain**, the initial stimulus packages implemented by the government during the first phase of the crisis, 2008-2009, involved significant participation by the social partners. However, since 2010 and with a renewed focus on labour market reform, there have only been fragmented consultations. Fiscal consolidation measures were introduced without consultation of the social partners in 2010.<sup>37</sup> The Government enacted two labour market reforms in 2010 and 2012<sup>38</sup> without a preceding agreement by the social partners (ILO, 2014c). However when the government engaged with the social partners in an effective social dialogue it did reach balanced and comprehensive outcomes as shown by the Tripartite Economic and Social Agreement for Growth, Employment and Sustainability of Pensions (2011), which covered labour market issues such as old age pensions, youth unemployment and the reform of collective bargaining.<sup>39</sup> According to Molina and Miguélez the piecemeal and fragmented approach to social dialogue has severely limited its effectiveness (Molina and Miguélez, 2013: 20), although most recently there has been an effort to revitalise tripartite dialogue through the 2014 "Agreement on proposals for tripartite negotiations to strengthen economic growth and jobs".

**Portugal** is the only country under analysis where tripartite social dialogue continued during the crisis. Two tripartite agreements formed the basis of the major changes introduced in labour law and industrial relations under the MoU (Ramalho, 2013).<sup>40</sup> These agreements were negotiated within the Committee on Social Concertation (CPCS), an independent body of the Economic and Social Council, which played a prominent role in implementing, monitoring and evaluating the measures in the most recent pact on "Commitment for growth, competitiveness and employment". It should be noted

---

<sup>36</sup> For example, unlike the earlier social partnership agreements, the Public Sector Agreements formed in response to the crisis were not preceded by preparation of an agreed over-arching analysis in NESAC.

<sup>37</sup> The first fiscal consolidation plan was called Plan for Immediate Action 2010.

<sup>38</sup> The crisis period saw three major efforts to reform the labour market, namely through the 2010 Labour Market Reform (Royal Decree Law 35/2010 of 17 Sept. 2010); through the 2011 Economic and Social Agreement for Growth, Employment and the Sustainability of Pensions (Royal Decree Law 1/2011 of 1 Feb. 2011); and through the 2012 Labour Market Reform (Royal Decree Law 3/2012 of 10 Feb. 2012).

<sup>39</sup> This pact also covered active labour market policies, research and development and industrial and energy policy.

<sup>40</sup> The first agreement was signed on 22 March 2011, titled "Acordo Tripartido para a Competitividade e Emprego" and the second on 18 January 2012, titled "Compromisso para o Crescimento, Competitividade e Emprego".

however, that neither of these tripartite pacts were signed by the most important workers' organisation, the General Portuguese Workers' Confederation (CGTP), which had already refrained from signing several tripartite agreements in the past (Royo, 2002; Karamessini, 2008: 516). On a broader scale, the social partners were not consulted on any of the measures taken outside of the tripartite pacts, such as policies for stimulating the economy, investments, the tax system, and active employment policies, although to a large extent this was already the pattern before the crisis. (Ramalho, 2013: 18). However, as far as labour market reforms are concerned the government demonstrated willingness to achieve tripartite consensus with the social partners.

While the resilience of tripartite social dialogue in **Cyprus** remains to be tested, the social partners have raised concerns that previously strong mechanisms are coming under strain given the strict timeframe of the memoranda of understanding with the EU/IMF (ILO, 2013b). Tripartite cooperation between government and social partners has always been firmly established in the economy despite its lack of legal underpinning. The formulation and implementation of almost all proposals and policies regarding industrial relations was and remains the result of tripartite consultations, which take place in the labour advisory board. (Yannakourou and Soumeli, 2004) For example, in 2012, a tripartite agreement was reached in order to ensure the continuation of the wage indexation system, while also allowing temporary exemption for companies facing economic hardship.<sup>41</sup> However the MoU introduced in 2013 subsequently required reform of this system, through measures such as a reduction in the frequency of adjustments (Eurofound 2014a: 14). The implementation of these measures will be pursued through tripartite agreement<sup>42</sup>.

### ***3.3.2. Bipartite social dialogue mechanisms***

The discontinuities in tripartite social dialogue stand in contrast to the vitality and resilience of bipartite social dialogue throughout the crisis, most notably in Greece, Spain and to some extent in Ireland, where a number of significant bipartite agreements were concluded. Nonetheless, the collective bargaining coverage declined significantly in all countries as a result of the reforms to the industrial relations systems, notably extension mechanisms. In Spain two bipartite inter-professional agreements were concluded between the national organizations of workers<sup>43</sup> and employers<sup>44</sup> during the peak of the debt crisis (2010-2012) (see box 3.2), hence continuing a practice initiated in 2002 (Molinas and Miguélez, 2013). In Portugal the contrary happened, tripartite social dialogue continued

---

<sup>41</sup> The most important points of the agreement are the continued payment of the cost of living allowance (ATA) and payment of wage and benefit increases as set out in the current sectoral and enterprise level collective agreements. However, any enterprises facing serious problems due to the financial crisis will be able to postpone paying wage increases until the end of December 2013.

<sup>42</sup> See Cyprus National Reform Programme 2014  
[http://ec.europa.eu/europe2020/pdf/csr2014/nrp2014\\_cyprus\\_en.pdf](http://ec.europa.eu/europe2020/pdf/csr2014/nrp2014_cyprus_en.pdf)

<sup>43</sup> The two main union confederations in Spain are Comisiones Obreras (CCOO) and Unión General de Trabajadores (UGT).

<sup>44</sup> The main employers' organization in Spain is the Confederación Española de Organizaciones Empresariales (CEOE), which incorporates the confederation for small and medium enterprises, Confederación Española de la Pequeña y Mediana Empresa (CEPYME).

but bipartite social dialogue and collective bargaining became increasingly difficult as a result of state intervention especially through the reform of extension mechanisms and the freezing of minimum wage. However, these shortfalls were later recognized by the government through the creation of a tripartite Labour Relations Centre, aimed at promoting collective bargaining and monitoring policy instruments for employment and vocational training (ILO, 2014c: 68)<sup>45</sup>.

### **Box 3.2 Collective bargaining during the crisis in Spain**

Despite disagreements at the tripartite level, employers' and workers' organisations maintained their commitment to bipartite negotiations during the crisis, although not always producing comprehensive results on all key areas. In 2010, a Bipartite Inter-Confederal Agreement on Employment and Collective Bargaining 2010–2012 (AENC I) was concluded, with the support of the government, building on enhancing internal flexibility and allowing negotiated adaptation and restructuring measures through collective bargaining agreements.<sup>46</sup> Based on AENC I, tripartite negotiations were carried out with a view to reforming collective bargaining, but they were not conclusive. In 2010, the Government adopted a reform of the legal framework for collective bargaining unilaterally (Molina and Miguélez, 2013).

Further, in the midst of the aggravated crisis, the bipartite partners concluded a new Inter-Confederal Agreement on Employment and Collective Bargaining 2012–2014 (AENC II) in January 2012. The purpose of this document was to show the government the common ground between employers and workers on a range of issues affecting the labour market. It included proposals for the organised decentralisation of collective bargaining, i.e. within the framework provided by sectoral agreements. However, in the exceptional circumstances, the government introduced the 2012 labour market reform as a unilateral measure, since it viewed the bipartite agreement as insufficient to tackle the problems of the Spanish labour market. Both employers' and workers' organisations objected to this action.

Source: ILO (2014c)

In **Greece** the crisis saw the conclusion of several national general collective agreements (NGCAs) over the crisis period,<sup>47</sup> yet the status of these was gradually weakened as a result of legislative changes introduced in 2012 following the breakdown of tripartite negotiations on national minimum wage. The NGCA that was concluded in May 2013 was not signed by the largest employers' confederation (SEV) on the grounds that it lacked legal substance and substantial content, particularly due to its inability to regulate minimum wage (Dedoussopoulos et al., 2013). However a major positive step in the collective bargaining scene followed on 26 March 2014, when a new NGCA was

---

<sup>45</sup> The Labour Relations Centre was officially established on the 22 August 2012, reflecting a compromise achieved in the "Strategic Agreement for Consultation 1996-1999" which was subscribed by most of the social partners that compose the Standing Committee on Social Concertation.

<sup>46</sup> Resolution of 11 February 2010; Banco de España num. 46, 22 February 2010.

<sup>47</sup> These included a two-year National General Collective Labour Agreement by GSEE, and the SEV, the Hellenic Confederation of Professionals, Craftsmen and Merchants (GSEVEE) and the National Confederation of Hellenic Commerce (ESEE) to cover the period January 2008–December 2009. It was followed by another NGCA valid from January 2010 to December 2012, and extended pending the conclusion of a new deal up to 15 May 2013.

concluded after three rounds of negotiations. This agreement enjoys participation of all key partners, including the SEV, and addresses a wide range of labour market related issues including vocational training and fight against discrimination at the workplace (ILO, 2014b). Bipartite social dialogue also saw the formulation of an important joint plan of action which aims to reactivate tripartite consultation mechanisms; an effort that has been fully recognised by the government.

Following the discontinuation of national-level tripartite partnership in **Ireland**, social dialogue saw a shift back to bipartite collective bargaining at company and sectoral levels. This led to two separate systems of collective bargaining to govern industrial relations during the crisis: the Croke Park and Haddington Road agreements for the public services (see below), and the IBEC-ICTU Protocol for the orderly conduct of industrial relations and local bargaining in the private, unionised sector. The IBEC-ICTU Protocol is based on a strategy to sustain employment when companies face economic difficulty (Regan, 2013).

### **3.3.3. Wage setting institutions**

Greece, Portugal, Ireland and Spain have all introduced significant changes to the legal regulation of collective bargaining, mainly through the promotion of decentralised wage setting to firm level. In Cyprus, collective bargaining has been traditionally decentralised with the bulk of collective labour agreements concluded at the enterprise level. This did not change during the crisis.

As a general policy, the promotion of decentralised collective bargaining is expected to allow firms to adjust to changes in the economic environment and to reduce downward wage rigidities by bringing negotiations closer to the enterprise reality (Schulten, 2013). For example in Greece this has taken the form of a shift away from occupational or sectoral level bargaining towards company level bargaining, which has been facilitated through the increased use of opening clauses. Other measures include the suspension of extension mechanisms, changes to the automatic continuation of collective agreements upon expiry, and a reduction in the duration of collective agreements (Eurofound 2014). However, a distinction must be made between organised decentralisation, where the process takes place in a framework agreed by the social partners at higher levels, and unorganised decentralisation, where there is an absence of any overall bargaining coordination (Traxler 1995).

#### *Changes to extension mechanisms*

The extension of sectoral agreements is an important measure for ensuring collective bargaining coverage. In **Portugal**, where industrial relations has been heavily characterised by the use of administrative extensions, these procedures have been fundamentally modified. In May 2011, the government decided to stop the practice of extending sectoral collective agreements. In addition, the MoU required the freeze of extension until a quantitative criterion was put in place regulating the extensions of collective agreements. In 2012 with Resolution 90/2012, extension was subjected to a quantitative criterion: signatory firms must now employ at least half of the workers in the branch, geographical area, professional category or type of company in order to avail of an extension (Ramalho 2013). This is a criterion also present in other EU countries. However as the Portuguese economy is dominated by micro-enterprises, with limited capacity to engage in collective bargaining, there has traditionally been a reliance on sectoral or multi-employer bargaining, with extension mechanisms used as way to ensure the wide coverage of agreements (ILO, 2014a). In June 2014, the

Portuguese government eased the criteria for extension: employers' organisations who count at least 30% micro, small or medium-sized enterprises among their members are exempt from having to represent at least 50% of employment in the respective sector (Resolution 43/2014). These changes modify the reform of the extension mechanism introduced in 2012. However, their impact on the labour market, notably on lower-productivity firms, remains to be seen.<sup>48</sup>

The result of the 2012 reform has been the adoption of significantly fewer extensions, with just 12 extension ordinances published in 2012 in contrast to 116 adopted in 2010. A similar trend was recorded concerning the share of workers covered by collective agreements (see chapter 1).

In **Greece**, the enactment of Law 4024/11 gives the Minister of Labour the possibility to suspend the extension of sectoral and professional collective agreements for the duration of the financial assistance programme (2012-2015) (Dedoussopoulos et al., 2013). No extensions have been issued since 2012 as a result. The law also releases companies that are not members of an employer's organisations from the obligation of implementing sector agreements. According to recent research by Eurofound, 'this has had a widespread impact among small companies, which have rapidly taken up the opportunity to negotiate company agreements with unspecified 'associations of persons', with less favourable provisions than those of the relevant sector agreement' (Eurofound 2014a: 11). In 2012, associations of persons concluded 72.6% of all agreements at enterprise level.

The difference in bargaining procedures and results between these 'associations' and enterprise unions is reflected in wage concessions, where two-thirds of all agreements concluded with associations of persons have reduced wages to the amended minimum wage; in contrast to 33 per cent of agreements reached at enterprise level by trade unions, which managed to retain previous wage levels (Dedoussopoulos et al., 2013, p. 58). This suggests that changes to the collective bargaining legislation are likely to have facilitated wage reductions.

The suspension of extension mechanisms are impacting on the membership of representative organizations as visible in both Portugal and Greece, where employers' organisations fear the new limits will weaken member's interest in remaining affiliated to the organisations (Ramalho 2013; Dedoussopoulos et al., 2013: 46).

#### *Opening and opt-out clauses*

In Greece, Spain and Ireland (in certain sectors only) the possibility of derogation procedures through the use of opening or opt-out clauses primarily reflects legislative changes (Eurofound, 2014a). In **Greece**, various legislative acts have been implemented since 2010 in order to bring collective bargaining closer to enterprise level. For example, law 3845/10 led to the abolition of the favourability principle explained above by introducing the possibility of lower-level agreements to derogate from specific provisions in higher-level agreements. Subsequently, law 4024/11 made deeper modifications to this system by stipulating that enterprise-level collective agreements shall prevail in case of conflict with higher level agreements. Yet, enterprise agreements still do not have precedence over the NGCA which sets minimum conditions for employment (apart from minimum wages) (ILO, 2014b).

---

<sup>48</sup> This new criterion does not link extension to the representativeness of negotiating parties, but to the composition of employers' association.

In **Spain** the 2010 Reform (Royal Decree Law 35/2010) was introduced to support a number of changes to collective bargaining aimed at increasing flexibility (Molina and Miguélez, 2013: 23). This Reform Law enlarged the capacity of collective agreements at the company level to introduce internal flexibility by favouring greater adaptability to economic circumstances and widened the scope for the non-application of higher-level agreements on wages and other working conditions at company level. Following this, in June 2011, the government implemented a Royal Decree Law on Urgent Measures to further Reform Collective Bargaining, which was aimed at giving priority to firm level collective bargaining. Building on the June 2011 Decree Law, the 2012 reform introduced a hierarchy of priorities aimed at assessing whether enterprise-level agreements should prevail over higher-level agreements.<sup>49</sup> This priority of enterprise-level agreements applies to a number of essential issues including clauses on wages. Other issues include compensation for overtime; working time and distribution of working time, incl. holiday planning; adaptation to the system of professional classification; and measures to promote the work-private life balance.

In **Ireland** wage setting in certain low paid sectors is governed via Registered Employment Agreements or Employment Regulation Orders (see above). In 2011 legislation was introduced to allow for the possibility of derogation on grounds of economic difficulty. Furthermore, these wage setting systems have since been declared unconstitutional by the Supreme Court on grounds that the 1946 Industrial Relations Act did not provide ‘principles and policies’ to guide the Labour Court and Joint Labour Committees on how to exercise their power (Eurofound, 2014a: 12; Regan, 2013: 12). Conversely in **Cyprus**, the derogation procedures for companies in economic difficulties had already been introduced as the result of several sectoral agreements concluded from 2009 onwards, well before the assistance programme (Eurofound, 2014a: 9).

In **Portugal**, attempts to bring collective bargaining closer to the enterprise level were introduced through modifications of the Labour Code in 2012, which stipulated amongst other things an “organised decentralisation” of collective bargaining (Law 23/2012) (ILO, 2014a: 68). This included granting more favourable conditions for works councils to conclude firm-level agreements subject to delegation by trade unions.<sup>50</sup>

#### *Changes to automatic continuation of collective agreements on expiry*

In **Greece** the structural programme adopted in February 2012 under Law 4046/2012 replaced the possibility of indefinite collective agreements by a minimum time validity of one year and a maximum of three years (Dedoussopoulos et al., 2013, p. 47). Similarly, the ‘after-affects’ of collective agreements, has been reduced from six to three months. If no new agreement can be concluded during this grace period, all terms of the expired agreement will cease to apply, except terms on base salary, maturity as well as child, education and hazardous work allowances (ILO, 2014b).

In **Spain** the government put an end to the principle of ‘ultraactividad’ (Law 3/2012 of 6 July 2012), which previously allowed for the indefinite extension of expired collective agreements. The 2012 Law

---

<sup>49</sup> Royal Decree Law 3/2012 of 10 February 2012, which was proclaimed to Law 3/2012 of 6 July 2012 (Ley 3/2012, de 6 de julio, de medidas urgentes para la reforma del mercado Laboral); modifying Art. 84 of the labour law (Estatuto de Trabajadores).

<sup>50</sup> According to the new legislation, workers’ councils can negotiate at plant level in firms with at least 150 employees (compared with 250 before the reform).

now limits this to a maximum of one year in the absence of a new agreement.<sup>51</sup> The objective of this reform was to encourage the social partners to engage in negotiations. In practice however, it may also create gaps in collective bargaining regulation in cases where agreements cannot be reached and there is no higher-level agreement in place. The modification entails a change in previous power balance between trade unions and employers in the negotiating table (ILO, 2013 c). Employers' had claimed that the principle of *ultra-actividad* had imposed excessive rigidity on the labour market, which was particularly harmful in times of crisis

In **Portugal**, the structural programme called for an independent review on the survival (*sobrevigência*) of contracts that are expired but not renewed (art 501 of the Labour Code). Until 2003 a collective agreement could not expire, it could only be cancelled if all its signatory parties agreed or if it was replaced by an agreement between the same signatories. The Labour Code of 2003 had introduced the possibility of expiry without replacement by a new agreement. (This was followed by technical revisions of the Law in 2006). A further revision in 2009 introduced a reduction of the survival period and created a new regime for agreements with a survival clause. In August 2014, following agreement with the social partners (excluding CGTP), a new law was adopted in Parliament (Law 55/2014 of 25 August). The law reduced the survival of collective agreements that had expired and not been renewed from 18 months to one year. Secondly, the law reduced the time needed for a collective agreement that makes their expiry depend on the existence of a new agreement to enter in a period of survival. The time is reduced from 5 to 3 years since the last time the agreement was published or after one of the parties expressed its interest in ending the agreement.

*What are the effects of the above-mentioned reforms?*

Though it is difficult to draw definite conclusions regarding the impact of the above-mentioned reforms, existing data suggest an erosion of sectoral or multi-employer based agreement. This can be observed in the decline in the number of higher-level collective agreements and associated collective bargaining coverage rates in Greece, Portugal and to a lesser extent in Spain. In Portugal, nearly 300 collective agreements were registered in 2008, the number of agreements fell to 170 in 2011 and a mere 85 in 2012. This evidence suggests that while measures have had the effect of reducing the role of sectoral or multi-employer agreements, they did not result in an increase in enterprise-based agreements in Spain and Portugal (ILO 2014a: 69). In Greece, there was an increase in the number of company-level agreements since 2010, with a peak in 2012. Yet, in terms of bargaining coverage, this did not fully compensate for the decline in higher-level agreements and the changes to the extension mechanism.

**Table 3.2 Number of collective agreements concluded and registered**

Higher level agreements									
	2005	2006	2007	2008	2009	2010	2011	2012	2013

<sup>51</sup> If no agreement is signed at the end of this period, workers will be covered by a higher-level agreement.

<b>Greece<sup>52</sup></b>	-	-	-	-	-	79	45	29	24
<b>Spain</b>	1423	1428	1418	1448	1366	1177	780	-	-
<b>Portugal<sup>53</sup></b>	179	176	187	200	164	166	115	46	-
<b>Company level agreements</b>									
<b>Greece</b>	-	-	-	-	-	227	170	975	409
<b>Spain</b>	4353	4459	4598	4539	4323	2990	2143	-	-
<b>Portugal</b>	73	68	64	95	87	64	55	39	-

Sources: UGT (2012), Molina and Miguélez (2013), Ministry of Labour, Social Security and Welfare, Greece.

The result of the above trends is that wages and working conditions are increasingly determined by direct negotiation between management and individual workers (ILO, 2014a: 69). In Greece, evidence suggests that the reduction in wages specified in individual contracts were far greater than those displayed in collective agreements concluded at enterprise level by both trade unions and associations of persons (Dedoussopoulos et. al, 2013). A similar trend has been observed in Spain, although less marked.<sup>54</sup> According to a review conducted in Greece by the Bulletin of Labour Legislation (DEN) in May 2013, out of a total of 272 occupational or sector collective agreements, 233 have been terminated and only 33 (12 per cent of the total) have been renewed (Dedoussopoulos et. al, 2013).

### ***3.3.4. The public sector***

In efforts to reduce public expenditure, the public sector wage bill, as a key component of government spending, underwent far-reaching modifications during the economic and financial crisis. The evolution of the economic crisis into a sovereign debt crisis in 2010 reduced government resources from lowered tax income or other sources of revenue, and higher expenditures in support for financial sector and stimulus packages led to increases in public debt in Cyprus, Greece, Ireland, Portugal and Spain (ILO, 2014d: 6).

#### *Impact on employment*

From the onset of the sovereign debt crisis, the structure of public sector employment in Cyprus, Greece, Ireland, Portugal and Spain has seen radical changes, which have also been observed in other EU countries such as the United Kingdom, Romania and the Baltic States. In Greece employment was cut by 8 per cent in 2010, followed by plans for a reduction of up to 150,000 jobs at the end of 2015<sup>55</sup>. Similarly in Cyprus, a reduction of 5,000 posts has been foreseen over the next five years (ILO, 2014: 9). Greece and Portugal have also set stricter replacement ratios (usual one hire for two) when

<sup>54</sup> In Spain, a change in data related to registration of collective agreements makes assessment difficult.

<sup>55</sup> See Greek National Reforms Programme 2014

[http://ec.europa.eu/europe2020/pdf/csr2014/nrp2014\\_greece\\_en.pdf](http://ec.europa.eu/europe2020/pdf/csr2014/nrp2014_greece_en.pdf)



replacing employees upon retirement. In Greece, all recruitments were suspended in 2010, while the replacement ratio was set at one hire for 10 exits in 2011 and at one hire for five exits through 2012–2016 (Karamessini, 2014).

In addition to job cuts and employment freezes a substantial number of public service jobs have been outsourced. . This has led to a rapid increase in the number of temporary contracts in the public sector. Countries such as Portugal have modified the status of public sector employees, allowing fixed-term contracts to develop.<sup>56</sup> Ireland has expanded the use of internships and unpaid job bridge schemes.

### *Impact on wages and working conditions*

The process of fiscal adjustment has also had a significant impact on wage setting in the public sector. Changes have been implemented in various ways, either through a basic wage freeze or cut, as was the case in Cyprus, Greece, Ireland, Portugal and Spain, or through the suspension of bonuses previously enjoyed by public sector employees, such as the thirteenth and fourteenth month payments in Greece and Portugal. A number of non-monetary benefits have also been removed or cut, such as for meals in Portugal or for sick leave in certain regions of Spain (Vaughan-Whitehead 2013: 26).

Public sector wage cuts were structured progressively, meaning that higher public sector wages experienced a larger reduction – also in relative terms. EUROMOD simulations by Avram at al (2013) for Greece, Portugal and Spain suggest that public sector wage reductions (2008-2012), while reducing disposable household income on aggregate, were among the more progressive measures of the adjustment programmes in terms of their distributive impact. For Ireland, (Nolan et al 2012, Callan et al. 2012) came to similar conclusions.

In most cases, the wage reductions were introduced without consultation with the representatives of public employees. The lack of social dialogue or of consensus in the reform process, coupled with the suspension of a number of provisions that encouraged collective bargaining in the public sector, have gone hand in hand with a worsening of working conditions in many countries. Job cuts seem to have also led to work intensification with longer hours in many services for remaining public sector employees, while overtime rates have been frozen or cut, as in Greece and Portugal. The demand for public services has remained the same or even increased, in areas such as health and education however reduced expenditure has lessened the material and human resources available to carry out the services (European Commission, 2013a: 149).

### **Table 3.3: Impact on wages, employment and social dialogue in the public sector**

---

<sup>56</sup> In Portugal new short-term contracts for nurses have been established with an hourly salary of €2 less than in 2011

	Cuts in employment	Cuts in wages	Social dialogue agreements and conflicts
<b>Cyprus</b>	Reduction of 5,000 posts over the next five years.	10 per cent for new entrants in 2013; freeze for two years.	Lower frequency of adjustment for wage indexation system adopted through tripartite agreement in 2013; suspension of COLA until 2016.
<b>Greece</b>	Employment decreased by 10 per cent in 2010; 150,000 more cuts by the end of 2015, corresponding to a further 20 per cent reduction.	15 to 30 per cent in 2010, followed by 17 per cent on average in 2012. Almost complete abolition of thirteenth- (paid in December) and fourteenth- (Easter and summer) month payments.	Continuous waves of general protests and strikes but also for all public sector occupations and sectors.
<b>Ireland</b>	Reduction of 24,750 staff over 2008 levels.	10 per cent for new entrants; cuts between 5 per cent and 15 per cent in 2009; 4.5 per cent on average in 2010.	Public sector agreement 2010–14 in March 2010 for some public sector reforms, but no further wage cuts and no compulsory redundancies; Industrial peace maintained. Agreement renegotiated in 2013 to reduce public service costs by further EUR 1 billion.
<b>Portugal</b>	–9.5 per cent in public administration in 2005–10, followed by a recruitment freeze.	Freeze of nominal wage in public administration in 2010. Further nominal cut of 3.5 to 10 per cent in 2011. In 2012 suspension of thirteenth and fourteenth-month payments (for holiday and Christmas bonuses) for middle and high wages.	Series of strikes/ protests both at national and public sector level.

<b>Spain</b>	-18,000 in public administration in 2010, recruitment freeze in 2012 and targeted cuts on open ended contracts	-5 per cent in 2010; Frozen in 2011 and 2012; Result: -10 per cent real wages in 2010-2011. Same in autonomous regions.	2010 agreement on wage increase in public sector broken by government; Increased conflicts.
--------------	--	---	---

Sources: European Commission (2013a: 147-149), ILO(2014d: 9), Eurofound (2014a)

### *Impact on social dialogue in the public sector*

Negotiations and consultations with the representatives of public employees have been limited in the face of such significant quantitative adjustments to reduce the budget deficit. Most measures have taken the form of unilateral wage cuts, employment freezes and the opting out of previously negotiated collective agreements. This was the case in Spain, for example, where the 2009 agreement on wage increases in the public sector was unilaterally broken by the government, and accompanied by an average wage reduction of 5 per cent through legislative decree.<sup>57</sup> In reaction to this and to a number of other measures intended to cut public deficit, public sector workers held a strike on 8 June 2010, which according to the unions brought together 75 per cent of workers (EIRO, 2010).

The exception to the general pattern was **Ireland**, where two successive social partner agreements on the public sector were reached. The Croke Park Agreement marked an important public sector response to the crisis, and was negotiated through the Labour Relations Commission in 2010 after the tripartite social partnership negotiations failed in 2009. The core features of this agreement included no more pay cuts for public servants in return for industrial peace, reform of bonus payments, a recruitment freeze in health and education, and new pay and conditions for new entrants to the public service (Regan, 2013). However, government attempts to renew the agreement were overwhelmingly rejected by public sector workers for fear of an additional 7 per cent cut to the public sector wage bill, in light of deteriorating public finances. This led the government to negotiate a series of bilateral agreements with individual unions, under an overarching structure known locally as the Haddington Road Agreement. This new Public Service Stability Agreement 2013–2016, has avoided additional wage cuts but will lead to a cut in public service costs by an estimated EUR 1 billion, where further reductions will be applied to public salaries above a certain threshold, together with widespread reform of practices (EIRO, 2013a).

Throughout Europe, public sector reforms have triggered a wave of demonstrations and strikes by public sector employees. These have often been joined by other social groups, but in most cases had limited impact on altering the direction of fiscal consolidation programmes (European Commission, 2013a: 149; ILO, 2014d: 23). Extended social unrest has been prominent in countries where the adjustment was large and where social dialogue failed throughout the reform process, as in Greece and Spain. Contrary to this, industrial action and social unrest seem to have been mitigated in the countries where the government has managed to organise more effective tripartite consultations, as in Ireland.

<sup>57</sup> High-ranking officials saw their salaries cut by between 8% and 15%. Those on lower pay suffered losses of between 0.56% and 7%.

### 3.4. Response of the social partners

Given the reforms to industrial relations systems in the five countries under review, this section covers the reaction of the social partners to this context. It considers trade unions' recourse to courts and international institutions as a strategy to challenge the content of reform measures. Finally, the section analyses the reforms' impact on workers' and employers' organisations strategies and structures.

#### 3.4.1. Industrial action and conflict

The attempt to reform labour market legislation and social protection schemes led to a rapid increase in industrial action, street protests and even riots (European Commission 2013a: 150). The protests were most extensive in countries in which the most restrictive policies were implemented, such as Greece, Portugal, and Spain. Several of these strikes emerged in the public sector. Besides demonstrations by employees in health (doctors, nurses) or in education (teachers) there have also been, for the first time, demonstrations by other public sector workers, such as the police (for instance, in Greece) (European Commission 2013a: 150; Vaughan-Whitehead, 2013). There have been demonstrations at national level, but also at the local level and in specific sectors or professions in a number of countries, as detailed below.

While this evidence suggests an increased frequency of strikes in countries under temporary financial assistance, a deficiency of strike data before makes it difficult to provide a full picture. Internationally comparable data on industrial conflict is generally difficult to obtain and often unreliable. Recent research by the European Trade Union Institute (ETUI) on working days lost due to industrial action suggests that national authorities do not focus on collecting data on industrial action. In particular, crisis-hit countries like Greece, Italy and Portugal have postponed or halted their data collection entirely (ETUI, 2014). Nonetheless, in **Greece**, the Labour Institute of GSEE was able to report 445 strikes and work stoppages in 2011, which included several nationwide strikes covering many sectors (EIRO, 2013b). In September 2012 a general strike against fiscal consolidation measures took place. This was followed by major public sector strikes and protests throughout 2013, which did not diminish in 2014 where another general strike took place with the participation of teachers, seamen and train workers (Wearden, 2014). Similarly in Portugal, four general strikes organised by the largest trade unions (UGT and CGTP) have taken place since the onset of the crisis. In addition many sectoral strikes in the transport sector have occurred, as well as massive demonstrations often without the formal involvement of trade unions (Ramalho, 2013: 18).

In **Spain**, data suggests that there has been a rise in industrial action in response to fiscal consolidation measures implemented by the government. Four general strikes took place within the period 2010–2012. In addition, strikes were organised in specific sectors. Days lost due to *general strikes* have clearly increased during the crisis period: from 8,500 days in 2009 to 60,220 days in 2012 (ILOSTAT, 2013; Molina and Miguélez, 2013).

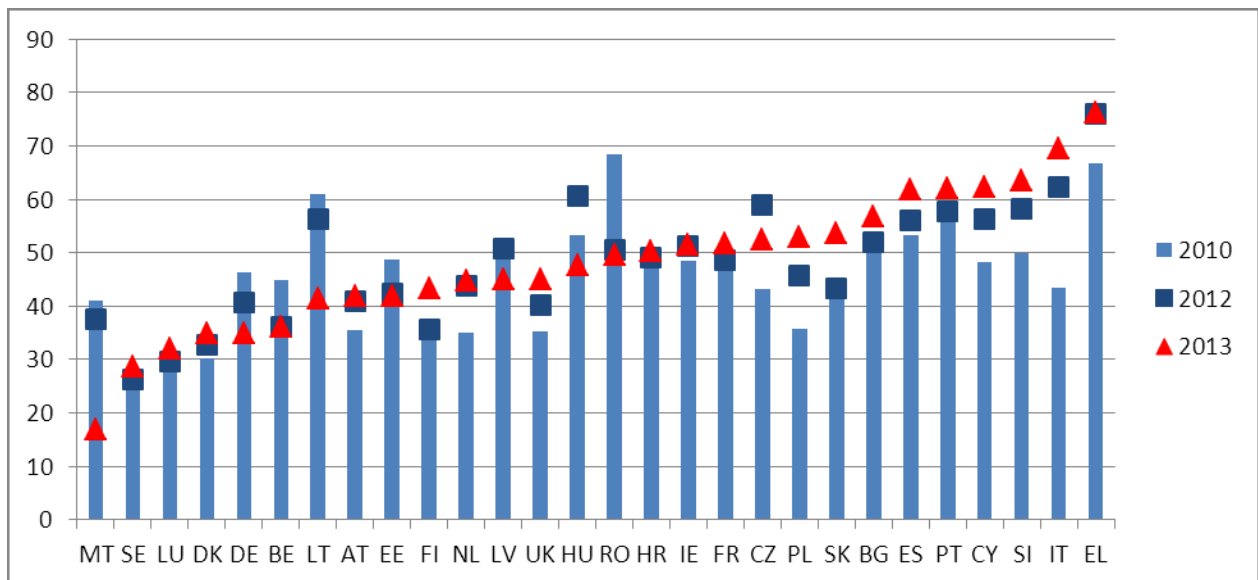
Remarkably in **Ireland**, given the extent employment crisis there was very little industrial action recorded. There were only eight strikes in 2011, with 3,695 days lost – one of the lowest rates in the OECD (Regan, 2013).

In **Cyprus** strike activity evolved from 1,034 days not worked in 2008 to 1,743 in 2009 and then dropped to only 200 in 2010, which is in part the result of rising unemployment. Figures again rose

rapidly in 2011 to 4,712 days not worked, with the majority of these strikes in the public sector. In December 2011, trade union PASYDY called a number of strikes against fiscal consolidation measures and a proposed two-year salary freeze, which marked the first time in 10-years when all unions in the public and semi-public sector went out on strike. Industrial action continued into 2012, where both public and private sector workers protested against the violation of collective labour agreements, and the refusal of many employers to grant the wage increases agreed for 2012 (EIRO, 2013c).

Another possible measure of social conflict in a country is the Social Unrest Index, which takes a number of indicators into account, ranging from the level of confidence in the national government, to the degree of freedom in the country and the perception over the state of the economy (ILO, 2013c: 22) <sup>58</sup>. In comparison to the rest of the world, social unrest was recorded as the highest among EU countries – which increased by 12 percentage points, from 34 per cent in 2006/07 to 46 per cent in 2011/12. According to empirical analysis by the ILO, this increase is most likely to be due to the policy responses to the on-going sovereign debt crisis and their impacts on people’s lives and perceptions of well-being (ILO, 2013c: 15).

**Figure 3.1. Social unrest index 2010-2013**



Source: ILO research department

In 2013, Greece, Cyprus, Portugal and Spain ranked among EU Member States with the highest level of social unrest, while Ireland ranked closer to the median (Chart 3.1). The increase in social unrest in crisis-hit countries has usually been attributed to the difficult economic environment, leading to mounting unemployment, poverty and social exclusion rates. In Portugal the main reasons for social

<sup>58</sup> The Social Unrest Index is constructed using the following variables and corresponding weights: percentage of respondents reporting lack of confidence in their national government (0.35); percentage of respondents reporting that their standard of living was getting worse (0.2); percentage of respondents reporting dissatisfaction with freedom in their country (0.2); percentage of respondents reporting that their national economy was getting worse (0.2); and percentage of respondents with access to internet (0.05).

tension were cited as the new tax policies and deterioration of living conditions rather than changes to the labour law (Ramalho, 2013: 19).

### **3.4.2. Impact on trade unions and employers' organisations**

Since the 1980's trade union density has been on the decline in many European countries (see chapter 1), however the crisis has brought with it a "further weakening of trade unions due to losses in membership, in turn leading to decreased representativeness, a lack of success in public protests and a deinstitutionalization of the collective bargaining system" (Gonser, 2011, p. 409; Eurofound 2014b: 15). However in many cases the decline in trade union membership can be attributed to the rapid increase in unemployment, as in the case of Cyprus. Portugal's biggest trade unions also experienced a decline in membership. The General Confederation of Portuguese Workers (CGTP) and the General Workers' Union (UGT) lost a total of 154,912 members in between 2008 and 2012, with a simultaneous loss of 553,000 jobs (Eurofound 2014b: 16). More precisely, CGTP membership declined from 727,000 workers in 2008 to 614,088 workers in 2012. As for UGT, membership declined from 520,000 in 2008 to 478,000 in 2012.

According to Clauwaert and Schomann, the crisis has led governments to modify the rules on the representativeness of the national social partners: "the adoption of measures reviewing representativeness criteria for social partners and extending what used to be trade union prerogatives to other bodies of workers' representation" (Clauwaert and Schomann, 2012, p. 13; Eurofound 2014b: 16). For example in **Greece** trade unions at firm level have traditionally encountered difficulty to establish themselves. To address the lack of firm-level trade union presence, recent reforms now allow associations of persons (comprising at least three-fifths of those working in a company) to negotiate firm-level collective agreements with the employer. Agreements negotiated by firm-level trade unions have priority over those by associations of staff. According to the ILO Committee of Experts<sup>59</sup>, these informal 'associations', who often have insufficient administrative capacity and lack independence, are said to be causing union fragmentation and creating obstacles to the involvement of the sectoral unions, since the conclusion of company collective agreements takes precedence. The provisions made through this Law (4024/2012) "overtly interfere in the structure and operation of trade unions and contravene the right of workers to collective representation by persons they feel have been democratically elected" (Lanara, 2012: 8).

In **Portugal** greater power has been granted to non-union representatives through the inclusion, in sectoral collective agreements, of conditions under which works councils can conclude firm-level agreements through the delegation of unions (ILO, 2014a: 103). There is the fear that this tendency towards negotiation at enterprise level in countries with long traditions of sectoral and inter-sectoral social dialogue, in a context of increasing labour market segmentation, may limit workers' effective access to collective agreements (ILO, 2103d: 16).

In **Spain**, "the reforms make the exercise of collective rights more difficult, thus undermining of the autonomy of the social actors" (Molina and Miguélez, 2013: 3). Some voices have blamed public sector unions as the cause for many of the problems in the labour market due to their alleged lack of

---

<sup>59</sup> Observation (CEACR) - adopted 2012, published 102nd ILC session (2013) Right to Organise and Collective Bargaining Convention, 1949 (No. 98)

representativeness of the workforce<sup>60</sup> and dependence on public subsidies. As a likely consequence to this, measures approved by central government in the 2011 reform package reduced subsidies to trade unions and employers' associations by 20 per cent, in addition, limitations have been placed on public employees time-off to perform trade union duties (Muñoz de Bustillo and Anton, 2013: 526).

In the case of **Ireland**, "the withdrawal of the State from social partnership has exposed an underlying weakness of trade union and employer associations in coordinating their interests autonomously" (Regan, 2013: 16). According to Erne trade unions today are in crisis "struggling to cope with the drastic results of the crisis for their members. They have differed in their approaches, with some militant trade unions organising numerous general strikes, while others more or less reluctantly went along with unprecedented cuts of their members' wages and working conditions" (Erne 2011).

In general, crisis measures appear to have had little direct effect on employers' organisations, while many fear that the impact of the crisis on enterprise profitability and sustainability through weakened aggregate demand will reduce membership in employers' organisations. In Greece for example, the General Confederation of Greek Small Businesses and Trades (GSEVEE) reported the closure of 100,000 businesses in just two years, resulting in the destruction of approximately 500,000 jobs (EIRO, 2013d). This has also been the case in Portugal and Greece where employers' organisations have voiced concerns the reform of extension mechanisms, and the impact this could have on their membership status.

In Ireland, the main employers association, IBEC, have effectively closed down their industrial relations and collective bargaining unit, choosing to focus on a strategy of direct lobbying with the European Commission and government. In doing so, IBEC has launched a number of initiatives with the government to promote employment, such measures include providing support to vulnerable enterprises through the launch of an Enterprise Stabilisation Fund and an Employment Subsidy Scheme to help viable enterprises in trouble; assisting new graduates in finding work placements; and reducing the cost of doing business in Ireland by enhancing cost competitiveness across a range of business sectors (ILO, 2010).

Overall "the crisis has profoundly affected the positions of both employers and workers. It also affects the interaction between the two: the crisis has rapidly changed the economic and social context in which workers and employers cooperate, bargain and have conflicts" (Glassner and Keune, 2010, pp. 3–4, Eurofound, 2014b: 16).

### ***3.4.3. Recourse to courts and ILO supervisory bodies***

The lack of social dialogue or the latter's failure to enable government and the social partners to find compromises over the reforms and fiscal consolidation policies have pushed the trade unions in some countries to attempt two other means of action in order to influence the course of reforms and/or to stop cuts of expenditures, especially cuts of wages and social benefits in the public sector: these are recourse to courts on the one hand, and lodging of complaints before the International Labour Organisation on the other.

#### *Recourse to courts*

---

<sup>60</sup> According to the Quality of Working Life Survey 2010, union density was 18 to 19 per cent in 2010 (31.5 per cent) in the public sector, a figure in line with countries such as France (Muñoz de Bustillo and Anton, 2013: Footnote 12, p.516).

Such recourse occurred in three countries, namely Greece, Portugal and Spain and led to different outcomes. In Portugal measures adopted in line with the Memorandum of Understanding were found unlawful and in breach of the country's constitution on two occasions (ILO, 2014a: 106).

In other cases the Courts recognised the urgency of reforms, as in Spain, where the Constitutional Court rejected the trade unions' claim of unconstitutionality against public sector wage cuts through Royal Decree-Law 8/2010. Instead they stressed the exceptional circumstances and urgency to take the said measures (ILO, 2014c).

Although not specific to the public sector, Greece's Administrative Court recently declared the majority of labour market reforms as constitutional, with the exception of the elimination of unilateral recourse to arbitration (as of law 4046/2012).

#### *Recourse to the ILO supervisory bodies*

In a few cases the trade unions turned to ILO supervisory bodies, alleging violation of international labour conventions, ratified by the countries concerned. In the case of **Greece** this led to comments by the ILO supervisory bodies on the application of 12 Conventions, including the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87), and the Right to Organise and Collective Bargaining Convention, 1949 (No. 98), paying particular attention to public administration. While deeply aware that these measures were taken within a context qualified as grave and exceptional provoked by a financial and economic crisis, the Committee of Experts found that there were repeated and extensive interventions by the state into free and voluntary collective bargaining and an important deficit of social dialogue. It highlighted the need to promote and strengthen the institutional framework for these key fundamental rights (ILO, 2011). The ILO supervisory bodies encouraged the government and the social partners to rapidly reengage in intensive social dialogue with a view to developing a comprehensive action for labour relations in the country.

In **Spain**, trade unions brought their case to the ILO supervisory bodies for review in response to the unilateral actions of the Government (described in box 3.1). The complaints concerned Royal Legislative Decree No. 3/2012 on urgent measures for labour market reform (later Act No. 3/2012) and the Royal Legislative Decree No. 20/2012 on measures to ensure budgetary stability and promote competition (later Act No. 20/2012). Key concerns included the legislation adopted by the Government, which differed significantly in parts from the bipartite agreement (ANEC II) previously agreed upon between the social partners, before the adoption of the legislation. This particularly related to rules on collective bargaining.

The supervisory bodies, while taking due note of the need to respond urgently to an extremely serious and complex economic crisis, emphasized the need for consultation of the most representative workers' and employers' organizations with sufficient advance notice of draft laws and draft Royal Legislative Decrees prior to their adoption. It also stressed the importance of ensuring that the essential rules governing the system of labour relations and collective bargaining are agreed, to the maximum extent possible, with the most representative workers' and employers' organizations (ILO, 2014e).

#### **Table 3.4. Complaints to ILO Supervisory Bodies**



	Greece	Spain
<b>Date of complaint and complainant</b>	Complaints against the Government of Greece presented by GSEE, ADEDY, GENOP–DEI–KIE and OIYE; supported by ITUC <sup>61</sup> . The complaints are contained in communications dated 21 October and 2 December 2010, 18 November 2011 and 16 July 2012.	1) Complaint against the Government of Spain presented by FSC-CCOO <sup>62</sup> on November 2011.  2) Complaints against the Government of Spain presented by CC.OO. UGT, CSIF, USO and many other national trade unions. Initial communication took place on 10 May 2012. <sup>63</sup>
<b>Alleged Laws in violation of ILO Conventions</b>	Laws 3833/2010; 3845/2010; 3863/2010; 3899/2010; 4024/2011; and 4046/2012.	Royal Decree Law 8/2010 on public sector wages; Royal Legislative Decree No. 3/2012 on urgent measures for labour market reform (later Act No. 3/2012); Royal Legislative Decree No. 20/2012 on measures to ensure budgetary stability and promote competition (later Act No. 20/2012)
<b>ILO Conventions under enquiry</b>	No. 81, No. 87, No. 95, No. 98, No. 100, No. 102, No. 111, No. 122, , No. 138, No. 150, No. 154, No. 156 (ILO, 2011: 4).	No. 87, No. 98, No. 151 and No. 154
<b>ILO Mission</b>	ILO High-level mission took place in 2011 to collect information on the application of the above Conventions; and to gain a comprehensive understanding of the exceptional	–

<sup>61</sup> The complaints are contained in communications from the Greek General Confederation of Labour (GSEE) dated 21 October and 2 December 2010, 18 November 2011 and 16 July 2012. The Civil Servants' Confederation (ADEDY), the General Federation of Employees of the National Electric Power Corporation (GENOP–DEI–KIE) and the Greek Federation of Private Employees (OIYE) associated themselves with the complaint and provided additional information in a communication dated 9 March 2011. The International Confederation of Trade Unions (ITUC) associated itself with the complaint in a communication dated 30 October 2010.

<sup>62</sup> The Citizens' Service Federation of the Trade Union Confederation of Workers' Commissions (FSC-CCOO).

<sup>63</sup> The complaint is contained in a joint communication dated 10 May 2012 from the Trade Union Confederation of Workers' Committees (CC.OO.) and the General Union of Workers (UGT). These organizations submitted supplementary information and additional allegations in communications dated 22 June, 30 July and 29 October 2012 (the last of these communications – on issues related to the public sector – was also signed by the Independent Central Workers' Union and Union of Civil Servants (CSIF), the Workers' Trade Union (USO) and many other national public sector trade unions.

---

situation facing Greece.

**Conclusions of ILO Committee on Freedom of Association on matters related to social dialogue**

While taking the grave economic and financial situation into account, the Committee concluded an important deficit of social dialogue and the alteration of the institutional framework of key fundamental rights of freedom of association and collective bargaining.

1) The Committee – whilst highlighting the exceptional circumstances and complexity of the case – considered that collective bargaining was a fundamental right that should be given priority as a means of determining employment conditions of civil servants in the context of economic stabilization

2) The Committee emphasized the importance for consultation of the most representative workers' and employers' organizations with sufficient advance notice of draft laws and draft Royal Legislative Decrees prior to their adoption.

Sources: ILO (2011) ; ILO (2012); ILO (2013e); ILO (2014e)

---

### 3.5. Conclusion

This chapter analysed industrial relations developments in those EU Member States (Greece, Ireland, Portugal, Spain and Cyprus) receiving financial stability support in the context of the European response to the severe fiscal and banking crisis in the Eurozone. The analysis looked in particular at impact of the crisis and policy response on industrial relations institutions and actors. The chapter shows that faced with an unprecedented economic crisis and under pressure due to the fiscal crisis, the five countries under study undertook far reaching fiscal consolidation programmes and a broad range of reforms, including labour market reforms, aimed at improving national competitiveness, restoring market confidence and creating the conditions for a return to sustainable growth and jobs recovery.

With the exception of Greece, tripartite social pacts were the defining characteristic of industrial relations reform in all of the case studies, prior to the Eurozone crisis. Nonetheless, none managed to internalise and adapt to the need for increased adjustment capacity in the context of the EMU and loss of exchange rate flexibility. Despite active attempts at aligning wages more closely with productivity and at making labour market more flexible, all of these countries experienced deterioration in the real exchange rate and growing divergences in the capital and current account.

While there may be some elements of continuity in policy, such as a trend towards labour market liberalisation and a more important role for the state in shaping industrial relations, the process and scope of reforms have fundamentally changed. For example, whereas some of the social pacts organised the decentralisation of collective bargaining in a coordinated framework of dialogue at different levels (national and/or sectoral), recent unilateral state action in the countries under study have frequently resulted in the uncoordinated decentralisation of bargaining, or even in the end to any bargaining, as evidenced by the decline in the collective bargaining coverage of the countries under study (see chapter 1).

In a majority of cases the labour market reforms and the adjustment measures pursued, especially those entailing cuts in wages and social welfare affecting the public sector, did not involve effective consultations and negotiations with the social partners, thus departing from a tradition of tripartite cooperation between government and social partners that had been used for adjustments in the run-up to EMU and in the pre-crisis period. Indeed, prior to the crisis in all of the case studies - with the exception of Greece - the social partners previously agreed to reforms on labour market flexibility, wage moderation and de-centralising industrial relations.

During the crisis, on the contrary, existing institutions for tripartite consultation appear to have been weakened – with the exception of Portugal for labour market reforms, and Ireland for public sector changes. The difference since 2009 is principally a change in the pace and process of reform: the role of the state in industrial relations has increased significantly since 2010, as has the attention placed by the EU and international lenders on collective bargaining institutions and wage setting mechanisms. It could be noted, however, that the context was different: In the 1990s the disinflation policy concerned the aggregate inflation. In the recent crisis, in countries covered in the chapter, shifting relative prices and wages were key issues. It is arguably more difficult to achieve consensus on changing relative wages than on wage moderation.

Enacting urgent measures aimed at restoring competitiveness and stabilising financial markets often received a priority over the pursuit of consensus with the social partners, for which the crisis situation further limited the scope. Given the size of the required adjustments, social partners may have been

reluctant to participate in the reform process. In a number of cases, trade unions turned to courts and international organisations to have their voice heard and to influence the course of reforms, which in the past was achieved through tripartite and bipartite social dialogue. Employers' organisations adopted a strategy of lobbying government and parliament to advance their interests, particularly in a context of reduced space for social dialogue and collective bargaining.

The reduced space accorded to social dialogue is perhaps surprising when considering that labour market, wage-setting and industrial relations institutions have all increased in importance with EMU. Well-functioning labour markets are a pre-requisite for future economic and employment growth. Unorganised processes of decentralisation, and a weakening of institutions for social concertation entail risks of weakening labour market self-regulation and tripartite governance, which are needed for the long-term return to sustainable economic growth. This would decrease the potential for these institutions to mediate conflict, distribute income, and compensate interest groups for sacrifices made during the crisis.

As shown by the chapter, the awareness of the importance of institutions for social dialogue and tripartite cooperation in order to promote consensus with social partners has been recently reinforced. This is the case in Greece with the reactivation of two institutions, which were dormant, namely the employment council and the social protection council, both of which are tripartite. Also, the recent decision of the Greek Government to modify the practice in relation to authorising collective dismissals offers another example of such a change of government's attitude. Indeed, since early 2014 authorisation of collective dismissals submitted to the Minister of Labour by employers are referred to the supreme labour council, which enjoys a tripartite structure, for opinion. Before the change, such requests were dealt with only by the Ministry of Labour. In 2012, while the tensions were high, the Portuguese Government set up the Centre for Labour Relations, a tripartite labour market institution which was decided by tripartite partners already in the framework of the "Strategic Agreement for Consultation 1996-1999". Also, it increased the number of meetings of the Standing Committee on Social Concertation meant to maintain a permanent channel of communication with the social partners<sup>64</sup>. In Cyprus, tripartite partners emphasised the important role of the Labour Advisory Board in present times of economic and financial crisis (ILO-EC Seminar Nicosia, 13-14 November 2013), a tripartite institution, which proved important in times of economic prosperity and full employment.

In the public sector, consultations and negotiations with the organisations representing public employees, with the exception of Ireland, seem to have been rare in the countries under study. In some countries government withdrew from or broke agreements signed in lieu of attempting to renegotiate their adaptation to evolving economic circumstances. Whether this attitude reflects a cyclical (short term choice dictated by the exceptional economic circumstances) or a structural development in government's attitude towards social dialogue in the public sector remains to be seen. Nevertheless, there are some signs that in further post-crisis reforms, effective and comprehensive social dialogue between governments, in their role as employer, and organisations representing public employees could again gain importance over the unilateral determination of working conditions by government in the public sector.

---

<sup>64</sup> Annual Report on activities of the Economic and Social Council for 2011, 2012 and 2013 available on: <http://www.ces.pt/>

A large portion of the policy reforms implemented in the countries under study targeted industrial relations institutions. With the goal of linking wages more closely to company-level productivity levels, wage setting was decentralised to firm level. However, in the five countries this is a problematic trend, given that decentralisation in these cases is not taking place in a well-coordinated manner under the control of social partners. First, none of these countries have established work councils or inclusive negotiating systems at the company level, where unions and employers' capacity to negotiate agreements are generally weak<sup>65</sup>. Second, though the data remains scarce and partial, it suggests that decentralisation of collective bargaining is leading to a narrowing scope of bargaining as illustrated by the decrease the number of workers covered in countries such as Greece, Portugal and Spain. Developments in this regard will have to be monitored

Within a broader reform agenda to boost education and training, improve product and service markets and the business environment with a view to sustain potential growth and job creation, the decentralisation of collective bargaining and wage setting is sometimes presented as an integral part of the only strategy to restore competitiveness, as it provides more flexibility for firms to adjust to evolving economic conditions. A one-size-fits-all approach to decentralisation could put an end to multi-employer collective bargaining at least in the short term. However, one of the strengths of the European social model is its respect for the diversity of national industrial relations systems, which can produce positive outcomes in centralised bargaining with flexibility, just as well as decentralised bargaining with coordination. A proper involvement of social partners in a developed social partnership is important to ensure a culture of responsibility for the overall labour market performance in an increasingly open economy to coordinate adjustments efforts across the whole economy and improve the way the economy deals with shocks – that is particularly important in the case of monetary union where the coordination of nominal adjustment cannot take place by exchange rate policies. The consequences of the national reforms to collective bargaining and industrial relations and their effect on the quality of social dialogue will therefore need to be carefully monitored as Europe exits the crisis.

## ANNEX

**Table 3.5. Institutions for tripartite and bipartite Social Dialogue**

Country	Name of institution	Date of Creation	Structure	Mandate
Cyprus	Labour Advisory Board (LAB)	2006	Tripartite	The LAB functions under the auspices of the Ministry of Labour and regularly assigns specific subjects to tripartite technical committees that work together, according to their prescribed terms of reference. This mechanism was used during

<sup>65</sup> The large proportion of micro-enterprises in many of the countries is also a factor in the limited capacity of employers at firm level to negotiate agreements, even if there were to be an interlocutor on the workers' side.

				the EU harmonization process.
Greece	Economic and Social Committee (OKE)	Established in 1994 by the Law 2232/1994	Bipartite plus <sup>66</sup>	The OKE promotes social dialogue and provides opinions on issues of social and economic policy particularly before draft laws on the above policies are submitted to Parliament to become Greek law. The OKE may also, on its own initiative, express an Opinion.
Ireland	National Economic and Social Council (NESC)	Established by Statute on November 2, 1973	Tripartite plus	The NESC analyses and reports to the Prime Minister on issues relating to economic development, social justice and the framework for relations and negotiations between the government and social partners.
Portugal	Economic and Social Council (CES)	Established on August 17, 1991 by Law No. 108/91	Tripartite	The forum for consultation on economic and social policies is a permanent commission for social dialogue within the CES. It is particularly responsible for the elaboration of policies on wages, salaries and employment reports.
Spain	Economic and Social Council (CES)	Established on June 17, 1991 by Law 21/1991	Bipartite plus	The Council is a consultative instrument of the government and its mission is to give opinions on preliminary drafts of legislation/royal decrees dealing with socioeconomic and employment matters or legislation dealing with the Council's own organisation.

---

<sup>66</sup> Plus” indicates the participation of other organized groups of civil society, in addition to governments, trade unions and employers’ associations, or the bipartite structure involving representatives of trade unions and employers’ associations.

## Acknowledgements

Stephen Bach (King's College London) and Richard Hyman (London School of Economics) provided helpful comments and suggestions on an earlier draft of this chapter.

## References

- Armingeon, K. and Baccaro, L. (2012) 'The Sorrows of Young Euro'. In Bermeo, N. and Pontusson, J. (eds) *Coping with Crisis: Government Reactions to the Great Recession*, New York, Russell Sage, pp. 162–198.
- Avdagic, S. (2010) 'When Are Concerted Reforms Feasible? Explaining the Emergence of Social Pacts in Western Europe', *Comparative Political Studies*, 43, 628–657.
- Avdagic, S. Rhodes, M. and Visser, J. (2011). *Social Pacts in Europe: Emergence, Evolution and Institutionalization*. Oxford: Oxford University Press.
- Avram, S., Figari, F., Leventi, C., Levy, H., Navicke, J., Matsaganis, M., & Sutherland, H. (2013). The distributional effects of fiscal consolidation in nine EU countries (No. EM2/13). Euromod Working Paper.
- Baccaro, L. and Simoni, M. (2008) 'Policy Concertation in Europe: Understanding Government Choice', *Comparative Political Studies*, 41, 1323–1348.
- Baccaro, L. and Lim, S.-H. (2007) 'Social Pacts as Coalitions of the Weak and Moderate: Ireland, Italy and South Korea in Comparative Perspective', *European Journal of Industrial Relations*, 13, 27–46.
- Bach, Stephen and Lorenzo Bordogna (2013). "Reframing public service employment relations: The impact of economic crisis and the new EU economic governance." *European Journal of Industrial Relations*.
- Callan, T., Keane, C., Savage, M., Walsh, J.R. (2012) 'Distributional Impact of Tax, Welfare and Public Sector Pay Policies: 2009-2012'. special article in *Quarterly Economic Commentary*, Winter 2011/Spring 2012.
- Campos Lima MP and Naumann R. ( 2011) "Portugal: From Broad Strategic Pacts to Policy-Specific Package Agreements." In: Avdagic S, Rhodes M and Visser J (eds) *Social Pacts in Europe: Emergence, Evolution and Institutionalization* . Oxford University Press
- Carley, M, et al. 2005. "Works Councils: Workplace Representation and Participation Structures". European Foundation for the Improvement of Living and Working Conditions, 2005
- Clauwaert, S. and Schömann, I. (2012). The crisis and national labour law reforms: A mapping exercise, ETUI Working Paper, 2012/04, ETUI, Brussels
- Culpepper, P.D. (2002). 'Powering, Puzzling, and 'Pacting'', *Journal of European Public Policy*, 9, 774–790.

Culpepper, P. D., & Regan, A. (2014). Why don't governments need trade unions anymore? The death of social pacts in Ireland and Italy. *Socio-Economic Review*, mwt028.

Dedoussopoulos, A., Aranitou, V., Koutentakis, F., & Maropoulou, M. (2013). Assessing the impact of the memoranda on Greek labour market and labour relations (No. 483774). International Labour Organization.

European Commission. (2011a) . The Economic Adjustment Programme for Greece. Directorate General Economic and Financial Affairs. Occasional Papers 61, May 2010.

European Commission. (2011a) . The Economic Adjustment Programme for Ireland. Directorate General Economic and Financial Affairs. Occasional Papers 76, February 2011.

European Commission. (2011b) . The Economic Adjustment Programme for Portugal. Directorate General Economic and Financial Affairs. Occasional Papers 79, June 2011.

European Commission. (2012a). The Second Economic Adjustment Programme for Greece. Directorate General Economic and Financial Affairs. Occasional Papers 94, March 2012.

European Commission. (2012b). The Financial Sector Adjustment Programme for Spain. Directorate General Economic and Financial Affairs. Occasional Papers 118, October 2012.

European Commission. (2013a) Industrial Relations in Europe 2012, Luxembourg: Publication Office of the European Union, Luxembourg.

European Commission. (2013b). Speech: Rebuilding social dialogue by László Andor (SPEECH/13/570). European Commission: Press Release Database, June 2013. Brussels, available at [http://europa.eu/rapid/press-release\\_SPEECH-13-570\\_en.htm?locale=FR](http://europa.eu/rapid/press-release_SPEECH-13-570_en.htm?locale=FR)

European Commission. (2013c). The Economic Adjustment Programme for Cyprus. Directorate General Economic and Financial Affairs. Occasional Papers 194, May 2013.

European Commission. (2013d). Commission publishes final review of programme for Ireland – gives green light for final disbursement (MEX/13/1213). European Commission: Press Release Database, December 2013. Brussels, available at: [http://europa.eu/rapid/press-release\\_MEX-13-1213\\_en.htm](http://europa.eu/rapid/press-release_MEX-13-1213_en.htm)

European Commission. (2014a). Statement by Vice President Rehn on Spain (MEMO/14/51). European Commission: Press Release Database, January 2014. Brussels, available at: [http://europa.eu/rapid/press-release\\_MEMO-14-51\\_en.htm](http://europa.eu/rapid/press-release_MEMO-14-51_en.htm)

European Commission. (2014b). Government wages and labour market outcomes. Directorate General Economic and Financial Affairs. Occasional Papers 190, April 2014.

Erne, R. (2011). European unions after the crisis, in L. Burrone, M. Keune, and G. Meardi (eds.) *Economy and society in Europe: a relationship in crisis*, Cheltenham: Edward Elgar.

Erne, R. (2013). Let's accept a smaller slice of a shrinking cake. The Irish Congress of Trade Unions and Irish public sector unions in crisis. *Transfer: European Review of Labour and Research*, 19(3), 425-430.



European Foundation for the Improvement of Living and Working Conditions (Eurofound). (2014a). Changes to wage-setting mechanisms in the context of the crisis and the EU's new economic governance regime, Dublin.

European Foundation for the Improvement of Living and Working Conditions (Eurofound). (2014b). Impact of the crisis on industrial relations and working conditions in Europe (Dublin).

European Industrial Relations Observatory (EIRO) (2010). Spain: Government endorses plan to cut public deficit, 28 July (by Pablo Sanz de Miguel) available at:  
<http://www.eurofound.europa.eu/eiro/2010/06/articles/es1006011i.htm>

European Industrial Relations Observatory (EIRO). (2013a). Ireland: Public sector unions agree to new deal, 13 September (by Brian Sheehan) available at:  
<http://www.eurofound.europa.eu/eiro/2013/07/articles/ie1307019i.htm>

European Industrial Relations Observatory (EIRO). (2013b). Greece: Industrial relations profile, available at: [http://www.eurofound.europa.eu/eiro/country/greece\\_4.htm](http://www.eurofound.europa.eu/eiro/country/greece_4.htm)

European Industrial Relations Observatory (EIRO). (2013c). Cyprus: Impact of the crisis on industrial relations, 18 June (by Eva Soumeli), available at:  
<http://www.eurofound.europa.eu/eiro/studies/tn1301019s/cy1301019q.htm>

European Industrial Relations Observatory (EIRO). (2013d). Greece: Impact of the crisis on industrial relations, 20 June (by Anda Stamati), available at:  
<http://www.eurofound.europa.eu/eiro/studies/tn1301019s/gr1301019q.htm>

European Trade Union Institute (ETUI) (2014). Strikes in times of crisis: no increase or no data?, 9 January, available at: <http://www.etui.org/News/Strikes-in-times-of-crisis-no-increase-or-no-data>

Features, EIRO Thematic. "Works Councils: Workplace Representation and Participation Structures." European Foundation for the Improvement of Living and Working Conditions (2004).

Glassner V. (2010), The public sector in the crisis, Brussels: ETUI, Working Paper 2010.07.

Glassner, V. and Keune, M. (2010), Negotiating the crisis? Collective bargaining in Europe during the economic downturn, Dialogue working paper no. 10, International Labour Organization, Geneva.

Gonser, M. (2011), 'More of the same, but faster? The financial crisis and the representation of employee interests in the Baltic states', Transfer: European Review of Labour and Research, Vol. 17, No. 3, pp. 409–14.

Hancké, B., & Rhodes, M. (2005). EMU and Labor Market Institutions in Europe The Rise and Fall of National Social Pacts. Work and Occupations, 32(2), 196-228.

Hassel, A. (2006). 'Wage Setting, Social Pacts, and the Euro', Amsterdam, Amsterdam University Press.

International Labour Office (ILO) (2010). Employers' Organisations responding to the impact of the crisis, Bureau for Employers' Activities, Working Paper No. 2 (ILO: Geneva).

- International Labour Office. (2011). Report on the High Level Mission to Greece (Athens, 19-23 September 2011).
- International Labour Office. (2012). Reports of the Committee on Freedom of Association: 370th Report of the Committee on Freedom of Association. Governing Body, 319th Session, Geneva, 16–31 October 2013. (ILO: Geneva).
- International Labour Office. (2013). ILOSTAT Database.
- International Labour Office. (2013a). Jobs, growth and social justice: Report of the Director-General. 9th European Regional Meeting Oslo, April 2013.
- International Labour Office. (2013b). “What Lessons for Cyprus?” presented at the Tripartite Seminar on the Governance of Policy Reform in Europe in Times of Economic Downturn and Structural Adjustment, Nicosia, Cyprus, 14-15 November 2013.
- International Labour Office. (2013c). World of Work Report 2013: Repairing the economic and social fabric. International Institute for Labour Studies (ILO:Geneva).
- International Labour Office. (2013d). Social Dialogue: Recurrent discussion under the ILO Declaration on Social Justice for a Fair Globalization. International Labour Conference, 102<sup>nd</sup> Session (ILO: Geneva).
- International Labour Office. (2013e). Reports of the Committee on Freedom of Association: 368th Report of the Committee on Freedom of Association. Governing Body 318th Session, Geneva, 21 June 2013 (ILO: Geneva).
- International Labour Office. (2014a). Tackling the Jobs Crisis in Portugal. International Institute for Labour Studies (Geneva).
- International Labour Office. (2014b). Greece: Productive Jobs for Greece (Geneva: ILO).
- International Labour Office. (2014c). Spain: Growth with Jobs (Geneva: ILO).
- International Labour Office. (2014e) Reports of the Committee on Freedom of Association: 371st Report of the Committee on Freedom of Association. Governing Body, 320th Session, 13–27 March 2014 (Geneva: ILO)
- International Labour Office. (2014d). Collective bargaining in the public service: Bridging gaps for a better future. Issues Paper (Geneva: ILO).
- Izquierdo, M., Moral, E., & Urtasun, A. (2003). Collective bargaining in Spain: an individual data analysis. Banco de España, Servicio de Estudios.
- Karamessini, M. (2008). Continuity and change in the southern European social model. *International Labour Review*, 147(1), 43-70.
- Karamessini, M. (2014). The Greek social model: towards a deregulated labour market and residual social protection, ed. Vaughan-Whitehead (2014). *The European social model in times of economic*

*crisis and austerity policies*: International Labour Office and the European Commission, Brussels: Belgium.

Kravaritou, Y., 1994. European employment and industrial relations glossary : Greece. London : Sweet and Maxwell ; Luxembourg : Office for Official Publications of the European Communities, 1994, European foundation for the improvement of living and working conditions

Kritsantonis N. (1992). 'Greece: From state authoritarianism to modernization'. In *Industrial Relations in the New Europe*, ed. A Ferner, and R. Hyman, pp. 298--322. Oxford: Blackwell.

Lanara, Z. (2012), *Trade unions in Greece and the crisis: A key actor under pressure*, Friedrich-Ebert-Stiftung, Berlin.

Molina, O. 2014. 'Self-regulation and the state in industrial relations in Southern Europe: Back to the future?'. *European Journal of Industrial Relations*, 0959680113516404.

Molina, O., & Miguélez, F. (2013). *From negotiation to imposition: social dialogue in austerity times in Spain* (No. 483344)., Geneva: International Labour Organization.

Molina, O., & Rhodes, M. (2011). *Spain: from tripartite to bipartite pacts. Social Pacts in Europe. Emergence, Evolution and Institutionalization*, 174-202.

Mouriki, A. 2001. "Labour Relations and Social Dialogue in Greece: The Difficult Path from State Custody to Independence", in the *Social Portrait of Greece*, pp. 145–52. Athens: EKKE.

Muñoz de Bustillo, R., and Antón, J.I., (2013). *Those were the days my friend: The public sector and the economic crisis in Spain*, in Vaughan-Whitehead, D. (ed.). 2013. *Public Sector Shock: The Impact of Policy Retrenchment in Europe*, Edward Elgar and International Labour Office: Cheltenham, UK and Geneva.

National Economic and Social Council (NESC), 'Social Housing at the Crossroads': NESC publishes Report 138, Media Release. 11 June 2014. <http://www.nesc.ie/en/news-events/press-releases/latest/nesc-publishes-report-138-social-housing-at-the-crossroads/>

Naumann R. and Campos Lima, MP (1997) *Portugal*, in: ETUI (ed.), *Social Pacts in Europe*, Brussels.

Nolan, B., Maître, B., Voitchovsky, S. and Whelan, C.T. (2012). *Inequality and Poverty in Boom and Bust: Ireland as a Case Study*. AIAS, GINI Discussion Paper 70.

O'Donnell R. M. Adshead, and D. Thomas. 2011. *Ireland: Two Trajectories of Institutionalisation*. In *Social Pacts in Europe. Emergence, Evolution and Institutionalization* ed. S Avdagic, M. Rhodes, and J. Visser. Oxford: Oxford University Press.

OKE, 2012. Polyzogopoulos, Christos, President of OKE. Statement issued in October 2012, available at <http://www.eesc.europa.eu/ceslink/resources/docs/esc-of-greece-intervention.pdf>

Ramalho, R. P. (2013). 'Portuguese labour law and industrial relations during the crisis' (No. 483775), Geneva: International Labour Organization.

Regan, A. (2012) 'The Political Economy of Social Pacts in the EMU: Irish Liberal Market Corporatism in Crisis', *New Political Economy*, 17, 465–491.

Regan, A. (2013). 'The Impact of the Eurozone Crisis on Irish Social Partnership', Working Paper 49. Geneva: International Labour Organisation.

Royo, S. (2002), 'A New Century of Corporatism? Corporatism in Spain and Portugal', West European Politics, 25, 3, 77–104

Schulten, T. (2013), 'The Troika and multi-employer bargaining – how European pressure is destroying national collective bargaining systems', Global Labour Column, 06/2013, Global Labour University, available at: <http://column.global-labour-university.org/2013/06/the-troika-and-multi-employer-bargaining.html>

Traxler, F. (1995), 'Two logics of collective action in industrial relations?', in Crouch, C. and Traxler, F. (eds.), Organised industrial relations in Europe: What future?, Aldershot, Avebury.

União Geral de Trabalhadores (UGT) (2012). "Relatório Anual da Negociação Colectiva". Available at: [www.ugt.pt](http://www.ugt.pt)

Vaughan-Whitehead, D. (ed.) (2013). Public Sector Shock: The Impact of Policy Retrenchment in Europe, Edward Elgar and International Labour Office: Cheltenham, UK and Geneva.

Visser, J. 2013. Wage Bargaining Institutions—from crisis to crisis (No. 488). Directorate General Economic and Monetary Affairs (DG ECFIN), European Commission, (Luxembourg)

Visser, J. (2004). Patterns and variations in European industrial relations. Industrial relations in Europe 2004, (Luxembourg), 11-57.

Von Prondzynski, F. (2001) 'Ireland: Corporatism revived' in Changing industrial relations in Europe, A. Ferner and R. Hyman (eds.), Blackwell Business, Oxford, 2001.

Wearden, G., (2014, April 9). Greece launches landmark bond sale, as unions hold general strike. The Guardian Newspaper, available at: <http://www.theguardian.com/business/blog/2014/apr/09/greece-general-strike-bond-sale-imf-live>

Yannakourou, M. and Soumeli, E. (2004), The evolving structure of collective bargaining (1990-2004), National Report Greece and Cyprus, Project Co-financed by the European Commission and the University of Florence, available at [http://eprints.unifi.it/archive/00001161/01/Grecia\\_e\\_Cipro.pdf](http://eprints.unifi.it/archive/00001161/01/Grecia_e_Cipro.pdf).

Zambarloukou S. (2006). Collective Bargaining and Social Pacts: Greece in comparative perspective. European Journal of Industrial Relations 12:211--29.

## Chapter 4: Industrial relations and youth employment

*Based on a draft by Andrea Broughton (Institute for Employment Studies)*

*This chapter gives an overview of the role of industrial relations in promoting schemes to help young people enter the labour market. It focuses on topics for discussion between the social partners and the actions taken and initiatives put in place to try to address the problems associated with youth unemployment.*

### 4.1. Introduction

The labour market situation of young people has deteriorated as a result of the economic and financial crisis, with possible long-term consequences<sup>67</sup>. Policymakers and social partners at all levels are taking steps to avoid a lost generation and to improve young people's access to the labour market.

The chapter begins with a short overview of the labour market situation of young people and the European response. It then looks at industrial relations and young people, in particular collective bargaining and social dialogue on issues such as apprenticeships, traineeships and pay. It also looks at relevant actions in the context of the EU cross-industry and sectoral social dialogue and national social dialogue, before outlining the main trends and the way forward. We include those aged 15-24 when referring to young people and using statistics relating to young people.

The impact of the financial and economic crisis on the labour market situation can be measured in different ways as described below, with results varying between Member States but a deterioration overall<sup>68</sup>.

In 2013 the EU-28 youth employment rate (the proportion of the population aged 15-24 in gainful employment) was 32.2%. The rate is significantly higher in the Netherlands (62.3%), Austria (53.8%), Denmark (53.7%), Germany (46.9%) and the UK (46.3%) and Malta (46.0%). Greece (11.8%), Croatia (14.9%), Italy (16.3%) and Spain (16.8%) and Hungary (19.8%) have the lowest rates. These differences partly reflect the differences in the general labour market conditions of Member States. In certain Member States the youth employment rate is higher because many young people combine (full-time) education with a few hours of employment. These people are registered as 'employed' in labour force statistics.

The unemployment rate is the proportion of unemployed in the labour force<sup>69</sup>. Among young people aged 15 to 24, it increased from 19.9% in 2009 to 23.5% in 2013. The situation seems to have improved in most Member States in the first half of 2014 however.

---

<sup>67</sup> See Chapter 1 of Employment and Social Developments in Europe 2014 on the legacy of the crisis.

<sup>68</sup> Unless otherwise stated, all figures given in this chapter are based on Eurostat data. [data extracted January 2015]

<sup>69</sup> The active population includes those who are employed or available and actively seeking work (unemployed), but excludes the economically inactive. Among young people, the latter category includes many full-time students who are not seeking work. See also: [http://epi.eurostat.ec.europa.eu/statistics\\_explained/index.php/Youth\\_unemployment](http://epi.eurostat.ec.europa.eu/statistics_explained/index.php/Youth_unemployment).

Over the past five years (2009–13), the youth unemployment rate has significantly increased in Bulgaria (16.2% to 28.4%), Croatia (25.1% to 50.0%), Cyprus (13.8% to 38.9%), Greece (25.7% to 58.3%), Portugal (20.3% to 38.1%) and Spain (37.7% to 55.5%). It decreased in Austria, Estonia, Finland, Germany, Latvia, Lithuania, Malta and Sweden, ranging from 7.8% to 23%.

The youth unemployment ratio is the proportion of young unemployed people in the total population of the same age. It was 9.9% in the EU-27 in 2013, up from 8.7% in 2009. Less so than the youth unemployment rate, it varies between EU Member States, ranging from 21.0% in Spain and 16.5% in Greece to 4.0% in Germany and Luxembourg, 5.4% in Austria and 6.0% in the Czech Republic.

The proportion of young people not in education, employment or training (NEETs) is also causing increasing concern in the EU. The proportion of young NEETs is increasing throughout the EU, from 12.4% in 2009 to 12.9% in 2013 in the EU-27 and from 12.4% to 13.0% in the EU-28, with a significant increase in some Member States. Italy (22.2%), Bulgaria (21.6%) and Greece (20.6%) had the highest proportion of young NEETs in 2013. Luxembourg (5.0%), the Netherlands (5.1%) and Denmark (6.0%) had the lowest proportion.

Schemes such as dual training, combining theory and work-based learning, traineeships and apprenticeships help young people to gain work experience and establish the contacts they need to get access to the labour market. In its consultation on a quality framework for traineeships (2012), the Commission noted that ‘there is a shortage of such placements due to weak links between educational systems and the labour market, and the difficulties of small and medium-sized enterprises (SMEs) in mobilising internal resources in order to manage and mentor trainees’. That said, half of the 18-35 year olds who responded to a 2013 Eurobarometer survey on traineeships had done a traineeship. There are also concerns that some training schemes (see below) exploit young people.

Eurofound (2012) notes that, regardless of their professional status, most young people work in retail and manufacturing. Many also work in the construction sector. The crisis had a major impact on the employment of young people in manufacturing and construction. Eurofound notes: ‘The number of young people employed in the manufacturing sector decreased from 3.6 million in 2008 to 2.7 million in 2011, while the number working in the construction sector decreased from 2.2 million to 1.6 million’.

When young people do find work, they are more likely to do atypical forms of work such as temporary and fixed-term contracts, often low-paid training contracts. Of those aged 15-24, 42.1% were temporary employees in 2012. Because of their comparatively weak labour market position, young people often have more limited options, leading to more precarious forms of work. This makes them more likely to be made redundant in a crisis situation or economic downturn. This is because employers tend to deal with economic difficulties first by ending temporary and fixed-term contracts or by not renewing them. Young people are also more likely to do involuntary part-time work (32.0% of young workers in part-time employment in 2013).

For many years now, there has been much focus on flexicurity and its effects on the labour market as a whole. Madsen et al (2013) consider the role of flexicurity in the labour market transitions of young workers in Nordic and southern European countries. They note that the crisis has led to increasing divergence in the position of young workers in southern Europe and the Nordic countries. They highlight part-time work as a way of providing more

opportunities for training early on in a young person’s career, while simultaneously reducing precariousness. They also note that apprenticeship systems and traineeships integrated into education will also make it much easier for young people to integrate into the labour market. These factors are likely to affect young people in the medium and long term.

Nevertheless, Dietrich (2013), in his analysis of youth unemployment between 2001 and 2010, finds that the ratio of youth unemployment to the corresponding adult rate increased up to 2007, but stagnated or decreased slightly during the crisis years. He notes that ‘the development of this ratio seems only to be weakly connected to the business cycle in the 2000s’.

## 4.2. The EU response

With the development of the financial and economic crisis, EU policymakers increasingly recognised the need to tackle the growing problem of youth unemployment. (Table 4.1)

**Table 4.1. Main initiatives on youth employment at EU level**

May 2009	Member States of the Troika of Presidencies (the Czech Republic, Sweden and Spain), together with President Barroso, Commissioner Špidla and the social partners discuss the effects of the crisis on employment during the <b>Employment Summit</b> (Prague). They stress the need to increase the number of high quality apprenticeship and traineeship places.
June 2009	Under the heading ‘Helping young people now’, the Commission Communication <i>A shared commitment for employment</i> <sup>70</sup> contains actions for that purpose. They aim to increase the number of apprenticeship places, reduce early school leaving and offer 15-19 year olds training or work one month after they become unemployed.
March and June 2010	The European Council endorses the <b>Europe 2020 Strategy</b> <sup>71</sup> . It contains two targets of particular relevance for young people: to reduce the number of early school leavers to 10% and increase the number of higher education graduates to 40% by 2020.
September 2010	The Commission launches <b>Youth on the move</b> , a Europe 2020 flagship initiative focusing on education and employment measures.
January 2011	For the first time a unit responsible for youth employment is set up in the Commission’s Directorate-General for Employment, Social Affairs and Inclusion.

<sup>70</sup> COM(2009)257 final of 3.6.2009.

<sup>71</sup> [http://ec.europa.eu/europe2020/index\\_en.htm](http://ec.europa.eu/europe2020/index_en.htm).

December 2011	The Commission launches the ' <b>Youth Opportunities Initiative</b> <sup>72</sup> , setting up action teams, made up of national and Commission officials, in the eight Member States with the highest levels of youth unemployment: Greece, Ireland, Italy, Latvia, Lithuania, Portugal, Slovakia and Spain. Action teams were given the task of using EU structural funding still available in the 2007–13 programming period to help create job opportunities for young people and facilitate SME access to finance.
December 2012	The Commission proposes a <b>Youth Employment Package</b> , including a recommendation to launch a <b>Youth Guarantee</b> , as well as a European Alliance for Apprenticeships and a Quality Framework for Traineeships.
February 2013	The European Council agrees to set up a dedicated <b>Youth Employment Initiative (YEI)</b> to make more EU financial support available to the regions and individuals struggling the most with youth unemployment and inactivity. The initiative has funding of EUR 3 billion from a specific EU budget line dedicated to youth employment, and at least another EUR 3 billion from the European Social Fund national allocations.
April 2013	The Council adopts the <b>Recommendation on establishing a Youth Guarantee</b> <sup>73</sup> . It calls on Member States to ensure that all young people under 25 receive a good quality offer for a job, continued education, an apprenticeship or a traineeship within four months of leaving formal education or becoming unemployed. It includes guidelines for setting up such schemes, covering in particular the need for stronger partnerships between all stakeholders concerned, early intervention and activation and making full use of EU funding.
June 2013	The Commission launches a <b>Call to Action on Youth Unemployment</b> <sup>74</sup> including implementing the Youth Guarantee, using the ESF, frontloading the YEI, supporting intra-EU mobility through European Employment Services (EURES), supporting SMEs and implementing measures to ease the transition from education to work through apprenticeships and traineeships.
July 2013	Launch of the <b>European Alliance for Apprenticeships</b> , a platform that brings together public authorities, business and social partners,

<sup>72</sup> COM(2011)933 of 20.12.2011

<sup>73</sup> Council Recommendation of 22 April 2013 on establishing a Youth Guarantee: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2013:120:0001:0006:EN:PDF>.

<sup>74</sup> COM(2013)447 final of 19.6.2013.



	vocational education and training providers, youth representatives and other key actors to coordinate and upscale successful apprenticeships and related schemes and promote national partnerships for dual vocational training systems. In October 2013 Member States confirmed their commitment to the alliance in a Council Declaration.
July and November 2013	High-profile <b>youth employment conferences</b> in Berlin and Paris attended by Heads of State and Government.
March 2014	The Council adopts the <b>Quality Framework on Traineeships</b> .
April 2014	<b>Youth Guarantee: Making it Happen</b> – conference under the aegis of former President Barroso on implementing the Youth Guarantee.
October 2014	<b>Milan Employment Summit</b> , focusing on youth employment.
February 2015	Commission proposal to <b>increase the Youth Employment Initiative pre-financing rate</b> in 2015 from 1-1.5% to up to 30%

The implementation of the Youth Guarantee is monitored as part of the European Semester. In the 2014 European Semester package of draft Country-Specific Recommendations, the Commission recognised that Member States are making ‘substantial efforts’ to implement the Youth Guarantee.

The European Commission has underlined the key contribution social partners can make to implementing the Youth Guarantee in the Member States. ‘Trade unions can play an important role in ensuring that a Youth Guarantee scheme can be offered in Member States. Employers, particularly the SMEs that have been the main job creators over the past decade, are key to open job opportunities for young people who would not necessarily be the first choice in a normal process of recruitment. Developing the cooperation between employment services and employers should be seen as a long-term investment and as a relationship that grows and matures over time’<sup>75</sup>.

Almost all Youth Guarantee implementation plans the Member States have submitted refer explicitly to social partners’ involvement in implementing the Youth Guarantee<sup>76</sup>.

The first findings report<sup>77</sup> on a set of EU-financed Youth Guarantee pilot actions carried out in 2013–14 underlines that the involvement of employers’ organisations has been a key success factor in countries in which such organisations are well represented locally or regionally. It also highlights the mutual benefits of Youth Guarantee actions to young people and social

<sup>75</sup> Commission staff working document accompanying the *Proposal for a Council Recommendation On Establishing a Youth Guarantee* {COM(2012) 729 final}.

<sup>76</sup> See: <http://ec.europa.eu/social/main.jsp?catId=1090&langId=en>

<sup>77</sup> <http://ec.europa.eu/social/BlobServlet?docId=12614&langId=en>

partner organisations. An example is the Vilnius pilot project aimed at helping young people find a first job and increasing membership of trade unions and youth organisations.

The European Union provides funding opportunities to promote youth employment in different policy areas. For instance, the European Agricultural Fund for Rural Development (EAFRD) can support young farmers who are setting up their activities, providing them with better conditions and support for their investment. The European Commission has supported research projects addressing youth unemployment. Two large scale projects started early 2014<sup>78</sup> and under Horizon 2020 a call for proposals was launched in 2014 on "Early job insecurity and labour market exclusion". Two new research projects for a total EC contribution of EUR 5 million will start in 2015.

Young people will be among the first to benefit from policies that stimulate job creation such as those called for in the Annual Growth Survey 2015<sup>79</sup>. The European Union plays an important role in this regard, through policy coordination and country specific recommendations (the European Semester); by providing financial support and by promoting best practices.

### **4.3. The social partners and youth employment**

While social dialogue can play a key role in addressing issues related to the high level of youth unemployment, the social partners face specific challenges in trying to address the difficulties young people are facing.

#### **4.3.1. Social partner organisational structures**

One way of trying to ensure that the social partners advocate the interests and voice the concerns of young people is to include young people in their representational structures and to create specific groups or sections to deal with issues relating to young people.

#### **Employers**

Employer representative organisations tend not to have specific sections for young people, although they often have sections for entrepreneurs, including young entrepreneurs. They see these young entrepreneurs as future employers and therefore encourage them. The Commission tries to support organisations representing young entrepreneurs. The European Confederation of Young Entrepreneurs, representing around 40000 young entrepreneurs around Europe, aims to help improve the economic and social performance of young entrepreneurs in Europe. Its members include the major national associations of young

---

<sup>78</sup> STYLE "Strategic Transitions for Youth Labour in Europe", EUR 5 million EC contribution, 24 partners in 20 EU countries, <http://www.style-research.eu/>

- CUPESSE "Cultural pathways to Economic Self-Sufficiency and Entrepreneurship: Family Values and Youth Unemployment in Europe", EUR 5 million EC contribution, 11 partners in 10 countries, <http://cupesse.eu/>

<sup>79</sup> COM(2014) 902 final. See also Employment and Social Developments in Europe 2014 on job creation, productivity and more equality for sustained growth.

entrepreneurs in industry, trade and services. It currently has four strategic goals: enabling entrepreneurs to access capital; enabling them to access markets; boosting entrepreneurial culture, including through improvements to the education system; and overcoming legal barriers to entrepreneurship.

### **Trade unions**

Trade union density rates for younger workers are lower than those for older workers. Membership tends to be low among younger workers, increases with age and falls again as workers near retirement (Ebbinghaus et al, 2011). Union density has been in steady decline in many developed countries. It is therefore not always clear whether young workers are less inclined to join a union because they are still young (age effect), or part of a generation less likely to join a union (cohort effect). Both explanations are valid for a number of countries (see Schnabel 2013).

Changes in the composition of the workforce have also made it difficult for trade unions to recruit younger members. Young people employed mostly in the less well regulated service sectors and in smaller companies will have less opportunity to organise themselves or be organised in trade unions. It is also more likely that young people will be employed in atypical, insecure jobs, not conducive to trade union membership (Pollert and Tailby, 2009)

Pascual and Waddington (2000) note in addition that ‘there is evidence of some change in attitudes among young people, which involve a move away from the collectivism that underpins trade unionism. Trade unions were slow to respond to the changes experienced by young people and failed to formulate an agenda that attracted young people in sufficient numbers to replace the traditional membership lost from the manufacturing heart lands of trade unionism’.

Another potential issue for trade unions is how to represent trainees who, not classed as workers, are arguably even harder to reach than young workers and apprentices. One way around this could be for trade unions to implement parts of the quality framework for traineeships. This could include drafting model contracts for traineeships and model qualification certificates, and advocating incorporating the terms of the framework into terms and conditions.

Pedersini (2010) points to a range of strategies that national trade unions around Europe have used to attract young members. These include building networks among young people, focusing on recruitment in vocational training establishments and at career information fairs and getting in contact with young people working in summer jobs. Targeting students is a good way of attracting young members. It has been particularly successful in Finland. Many national trade unions now also have youth sections that offer young people help and advice. Young workers are often put together in a separate section or branch of a trade union.

Vandaele (2013) has looked in detail at how youth structures at trade union confederal level influence the trade union agenda on tackling youth unemployment. He focuses on Ireland, the Netherlands and Sweden. He observes a pattern of coalition-building between youth structures and student organisations to help the next generation of young workers make the transition from school to the labour market. However, he also notes that there are differences between the unions’ strategies in the three countries, based on tradition and the country’s economic situation. For example, in Ireland trade unions have focused more on the company

level, due to the breakdown of social partnership and social dialogue at higher level. Trade union youth structures in the Netherlands were re-established in reaction to a new organisation presenting itself as an alternative to the trade unions following the largest union demonstration in Dutch history against the government's pension reforms in 2004. Trade unions in Sweden have focused on the transition from school to work and ways of tackling the decline in membership, particularly among younger members.

However, Vandaele (2012) reports on a survey among representatives of the youth structures of national confederal unions of the European Trade Union Confederation (ETUC), showing that youth representatives feel their confederations are not doing enough to attract and mobilise young workers. Although most confederations have groups representing young workers, the survey notes that they do not have the financial resources or the staff they need to make the voice of young workers heard within the confederation structures. Vandaele warns: 'If unions continue to fail to connect with young people, it will be very challenging to reverse the de-unionisation trend; and other organizational forms might well come to replace unions for the representation and service of the next generation of workers.'

Bailey et al (2009) say that unions need to focus on adopting the communication technologies young people use, such as social media, and communicate using 'language, visuals and messages that resonate with young people'. They quote Visser (2002), who says that because workers join a union within the first few years after entering the labour market, or they do not. This gives unions a very strong incentive to market themselves to young workers when they are in their first job, and to devise ways of tracking members when they move around within the labour market.

At EU sectoral level, many main European trade unions have youth sections. For example, the European trade union industriAll, representing workers in industry, has a youth network that meets regularly and organises seminars and conferences on issues relevant to young workers. It also has a youth working group. UNI Europa also has a youth section that held a youth seminar in Athens in March 2014 and recently launched a regular newsletter. It also organises regular winter and summer schools for youth activists. The European Federation of Food, Agriculture and Tourism Trade Unions (EFFAT) has a youth committee that has a Facebook page. In October 2013, the European Transport Workers' Federation (ETF) elected a youth committee, continuing a process that began in 2009 to involve young workers more in ETF policy-making. With this aim, the committee elected two co-chairs and three young workers to become youth representatives in the ETF Executive and Management Committee.

In the services sector, UNI Europa Youth, the youth section of UNI Europa, has a Facebook page. It aims to bring young people from across the world together to assess common issues and concerns, to develop focused action plans and to put them into practice in the democratic framework of their trade unions. In the public sector, the European Federation of Public Service Unions (EPSU) also has a youth network that meets regularly to discuss issues relevant to young workers.

### 4.3.2. Social partner strategies to promote youth employment

#### Employers

BUSINESSEUROPE (2014) underlines that structurally high levels of youth unemployment show that there are barriers to the smooth labour market integration of young people that already existed in better economic times. It (2013) focuses on general labour market reform and issues such as the need to match skills demand and supply, and the need to design and implement efficient education and training systems focusing on stronger partnerships between education and training providers and businesses and their representative organisations in designing and implementing school, vocational education and training (VET) and university curricula and providing career guidance.

Expressing the views of small businesses, in March 2013 the European Association of Craft, Small and Medium-sized Enterprises (UEAPME) issued a position paper endorsing Commission initiatives to help young people gain a foothold in the labour market.

Employer strategies focus broadly on ensuring that education and training systems provide young people appropriate labour market skills and lobbying for deregulation of the labour market. They believe it will help young people by making it easier for employers to recruit them (Simms 2011).

#### **Box 4.1. Promoting young entrepreneurship in Italy**

The project Il Talento delle Idee is a start-up project launched by Confindustria Young Entrepreneurs and Unicredit Bank to support young entrepreneurs who have innovative ideas. In cooperation with the economic actors in each territory (universities, banks, entrepreneur organisations, investors), the project is a competition with national and local prizes. In 2012, 436 projects were proposed at national level, 70 of which were regarded as having high potential.

A second project, Latuaideadimpresa, is a business idea competition for students. The Sistemi Formativi Confindustria are coordinating the project in cooperation with the Young Entrepreneurs, with the support of the Italian Ministry for Education, University and Research. Each group of students must develop a competitive business plan. The entrepreneurs belonging to the participating associations evaluate the plan. The winners from each area are allowed to participate in the national competition, at the end of which the three best business ideas are awarded. So far there have been three national editions, with 17 industrial associations participating in the latest, 300 entrepreneurs having the right to vote, 2500 students from 130 schools, 10000 young people joining the web community, 200 teachers involved in the project and 600000 contacts made through the web platform.

Both of these projects are considered to have helped promote entrepreneurship, created job opportunities for the new generation and strengthened the dialogue between businesses and educational institutions.

**Source: EU-level social partner framework of actions.**

## **Trade unions**

At EU level, the ETUC campaigns on youth issues and has a dedicated Youth Committee<sup>80</sup>. It (2012) notes that the crisis has pushed young people in four main directions: inactivity; unemployment; return to school or emigration. In the long term, they will find it harder than previous generations to make life decisions such as buying a home and having a family. This is because they may be more likely to lack the financial means and work experience that come with secure employment. This may also reduce their social security eligibility in the future, including their pension entitlement.

The ETUC says that ‘the risk of a lost generation is real and young trade unionists are looking to European leaders to provide solutions’. In this context young trade unionists organised a Youth Summit for Quality Jobs in November 2013 on the occasion of the summit of European heads of states and labour ministers.

In 2012/2013 the ETUC organised a one-year European project called ‘Towards a European quality framework for apprenticeships and work-based learning: best practices and trade unions’ contribution’. The project’s aim is to analyse apprenticeships and work-based learning and the role of trade unions in designing and implementing such schemes in the United Kingdom, the Netherlands, Ireland, Italy, Spain, Germany, Cyprus, Bulgaria, Denmark and Estonia. The project provided the basis for an ETUC Resolution adopted in April 2014.

In March 2014 the youth organisations of the European trade unions industriAll, ETF, UNI Europa, EPSU, EFFAT and the European Federation of Building and Woodworkers (EFBWW) launched Back2OurFuture. It aims to encourage EU institutions and employers to put young people at the top of their agenda and to help their member trade unions better organise young workers. The campaign focuses on the creation of quality jobs; enforcing the right of young people to quality jobs and fair, respectful working conditions; ensuring respect for social partner agreements; presenting mobility as a choice and not a necessity for finding work; reducing the incidence of unstable work among young people; ensuring access to education and training as a universal right; making the recruitment of young people a key component of collective bargaining; the promotion of traineeships for fixed-term training, not as a substitute for permanent jobs; and promoting investment in new skills in line with the development of new technologies.

UNI Europa and UNI Europa Youth signed a charter for quality traineeships and apprenticeships in March 2014. The charter informs young people of their basic rights at work, informs employers of the elements of a quality work-training programme and advocates setting a minimum standard for traineeships and apprenticeships.

In 2013 the ETF ran the Transunion Youth project aimed at setting up a permanent youth structure and strategies in the transport sector, helping ETF affiliates to set up permanent youth structures and develop long-term strategies and integrating the interests and concerns of young workers into sectoral social dialogue. This project was a follow-up to a project that collected good practices to better attract young workers to the sector and the trade unions.

In December 2012 the EFFAT adopted a Charter on Youth Employment and a roadmap for implementing it, involving the major stakeholders, including the social partners, at all levels.

---

<sup>80</sup> <http://youth.etuc.org/-en>.

#### 4.4. Social dialogue and collective bargaining

The social partners agree on many points about how to boost youth employment. They include ensuring the provision of good quality training in the form of traineeships and apprenticeships. Employers' organisations and trade unions at EU level have been trying hard to improve the provision of apprenticeships. The two sides of industry also agree that good quality apprenticeships can benefit both the young people who do them and the companies that offer them. The amount of resources organisations have varies greatly depending on their size. For example, multinationals have many more resources than SMEs.

Employers tend to focus on committing themselves to training young people and to job-matching. They do so in the belief that young people must have the right kinds of skills to be able to enter the labour market. Employers have been involved in promoting active labour market policies, such as extending or expanding the provision of training and apprenticeships for young workers. Trade unions have focused on campaigning for and negotiating with employers and governments on greater use of apprenticeship and training contracts and ensuring fair and adequate working conditions for young workers.

##### 4.4.1. Initiatives of European social partners at cross-industry level

At cross-industry level, European social partners have identified youth employment as a priority in their 2012–14 work programme<sup>81</sup>, stating: 'With more than 22% of young people unemployed, there is an urgent need to remedy this unacceptable situation. The situation of young people will be assessed as a priority. We will focus on the link between education, young people's expectations and labour market needs, taking into account young people's transition into the labour market, in an effort to increase employment rates in general'.

The main cross-industry youth employment initiative is the joint framework of actions on youth employment. Concluded in June 2013, it aims to address the following three main issues:

- to create more and better jobs and attractive career opportunities for young people;
- to strengthen the quality and relevance of education and training at all levels to address skills mismatches;
- to optimise the role of industry, in particular SMEs, and of high-performing public services in Europe as drivers of sustainable and inclusive growth.

In their framework of actions, the social partners call on national social partners, public authorities and other stakeholders to act together to help increase youth employment levels. They note that 'a multi-pronged approach is needed with measures and appropriate resources to secure high quality learning outcomes, promote vocational education and training, and create jobs'.

The framework contains four priorities, for which the social partners have set out short-term and long-term actions and recommendations. They are learning, transition, employment and

---

<sup>81</sup> Work programme of the European social partners 2012-2014: [http://www.etuc.org/IMG/pdf/SD\\_work\\_prog\\_2012-2014.pdf](http://www.etuc.org/IMG/pdf/SD_work_prog_2012-2014.pdf).

entrepreneurship. The social partners have undertaken to promote this agreement among their members, including through regional seminars. The European Social Dialogue Committee adopted a first follow-up report in September 2014<sup>82</sup>. It presents the first actions the social partners have taken at national, cross-industry, sectoral and enterprise level. It highlights the impetus the framework has created for developing new youth employment initiatives and contributing to current national debates and policies. According to the report the framework's main added value is to create an additional platform for national social partners to work together and to provide a source of inspiration for their actions by giving examples of the priorities or good practices of other countries.

#### 4.4.2. Initiatives of European social partners at sectoral level

One example of a joint initiative involving sectoral social partners is the 2014 EFBWW – FIEC (European Construction Industry Federation) project to update their 2003 joint publication on tutorships and identify further examples of sectoral measures and initiatives to attract and integrate young people into companies.

Other sectoral social partner initiatives to help young people include a project to promote the tanning and leather sector as an attractive opportunity for young people and jobseekers. The social partners in the woodworking sector manage a project to create an inventory of best practices to attract young workers and retain more experienced skilled workers in companies. In November 2013, the social partners in the food and drink manufacturing and processing sector launched a research project on employment and skills. The project covers issues such as more innovative approaches to recruitment, apprenticeships, better succession planning, career development pathways, job enhancement techniques and lifelong learning in the sector.

Many joint texts on youth employment were also written in the context of the sectoral social dialogue. These are set out in table 4.2.

**Table 4.2. Sectoral social dialogue joint texts on youth employment<sup>83</sup>**

Sector	Signatories	Title	Date	Comments
Hospitality	HOTREC and EFFAT	Young people and the hospitality industry - Contribution to the European Youth Initiative	21 March 2005	Joint opinion setting out the sector's support for the European Youth Initiative. Since the sector is a major employer of young people, the text sets out recommendations centred on skills development for the industry.

<sup>82</sup> <http://erc-online.eu/wp-content/uploads/2014/10/1st-follow-up-report-FoA-Youth-Sept-2014-Final.pdf>.

<sup>83</sup> For acronyms and names of organisations, please see annex of Chapter 5



Commerce	EuroCommerce and UNI Europa	Commitment to support the European Youth Initiative	16 March 2005	The social partners express their support for the European Youth Initiative and their intention to negotiate on integrating young people into the commerce sector of the labour market.
Industrial cleaning	EFCI and UNI Europa	European Youth Initiative - Letter to President Barroso	14 March 2005	Joint opinion in which the social partners make a commitment to focus on creating high quality, and fairly-remunerated jobs for young people.
Construction	FIEC and EFBWW	Joint statement of the European Construction Industry's Social Partners on Young People	4 March 2005	Joint statement in which the social partners reaffirm their commitment to working on a range of activities to support young people, focusing on training and continuing professional development.
Metal	CEEMET and EMF	Joint statement of the CEEMET-EMF Social Dialogue Committee Ad Hoc Working Group on Education and Training	2 December 2010	Joint statement on ensuring that VET is capable of attracting young people to the industry to ensure a future supply of well qualified workers.
Railways	CER, EIM and ETF	Employability in the face of demographic change - prospects for the European rail sector	24 February 2011	
Metal	CEEMET and EMF	Attracting people to the educational pathways that lead to the metal, engineering and	13 March 2011	This tool showcases examples of good VET practice in the metalworking industry in different countries.

		technology-based industry		
Metal	CEEMET and EMF	Permeability between vocational education and training and higher education	27 October 2011	Joint opinion on VET in the metalworking sector in the context of ensuring a supply of suitably trained employees for employers in the sector.
Insurance	AMICE, BIPAR, Insurance Europe, UNI Europa Finance	Combating the demographic challenge in the insurance sector. A selection of initiatives in Europe	30 November 2012	A booklet showcasing good practices for ensuring age diversity in the sector. Initiatives relevant to young people include those relating to qualifications and lifelong learning, work-life balance and career progression.
Electricity	EPSU, Eurelectric, IndustriAll Europe	Joint statement on a quality framework for traineeships	15 March 2013	Joint statement supporting the Commission's work on addressing youth unemployment and the consultation on a quality framework for traineeships.
Metal	CEEMET, IndustriAll	Rethinking Education	29 May 2013	Joint statement on the development of vocational education and training systems in EU Member States in the metalworking sector.
Local and regional government	CEMR and EPSU	Declaration supporting the EU framework of actions on youth employment	15 October 2013	Joint statement supporting the EU cross-industry framework for action on youth employment and setting out how this can be applied in the local and regional government sector.

Source: European Commission database of sectoral social dialogue texts

<http://ec.europa.eu/social/main.jsp?catId=521&langId=en>

#### 4.4.3. National collective bargaining

Collective bargaining can address a range of employment-related issues. However, Simms (2011) notes that few collective agreements have addressed the needs of young workers during the (early stages of the) economic crisis. The ones that do tend to focus on facilitating labour market transitions for young people and improving job opportunities and training for young workers. Although some initiatives have been put in place at national level, Simms notes that the range of measures at sectoral and company level is extremely limited. There are only a few examples of innovation, in countries such as Belgium and France, in which youth employment had already been identified as a problem and the crisis has prompted an extension of existing initiatives. Simms also notes that in countries more recently hit by growing youth unemployment, there are examples of national and sectoral initiatives. They mainly provide greater opportunities for apprenticeships and vocational training, together with measures, such as job matching, to facilitate labour market transitions.

Table 4.3. gives examples of collective national, sectoral and company agreements on ways of helping young workers.

**Table 4.3. Collective agreements containing provisions designed to help young workers**

Country	Level	Details
Austria	National	A set of labour market initiatives seeking to address the challenges facing young apprentices were negotiated two months before the onset of the crisis. Since 2008, more has been done to mitigate the negative effects of the crisis on young workers. A re-employment scheme set up following tripartite negotiations targets young workers who have lost their jobs in small and medium-sized enterprises or temporary agencies. The scheme requires the employer to contribute EUR 1 000 per person being made redundant. This extends the length of time young people can claim unemployment benefit and makes it possible to pay them a small monthly sum (EUR 100).
France	National	Bipartite negotiations in July 2010 led to the launch of a new internet-based jobs advice website aimed at young people. The website provides information and resources on training, occupations, job searches and lifelong learning. In 2009, two major national inter-sectoral agreements identified the need to support young people in the labour market, particularly by fulfilling their training requirements. An agreement on lifelong learning and vocational training acknowledges the need to better integrate young workers into existing training schemes. Another agreement on the consequences of the crisis on employment targeted young workers

		by encouraging the development of more apprenticeships and ensuring training for young people.
Hungary	National	Using bipartite and tripartite structures, a number of initiatives have been negotiated at national level. They include helping disadvantaged young people under 35 to return to education and funding for programmes to help young people find a job. Bipartite negotiations have also led to agreement on better vocational training for young workers in the construction and agriculture sectors.
Malta	National	Tripartite agreements have continued to draw attention to the difficulties young workers face and have strengthened the provisions for training. The 2009 Annual Progress Report monitored progress towards reaching the targets set out in the National Reform Programme 2008–10. It is clear from the report that social partners agree there is a need to invest more in this area.
Netherlands	National	A national agreement on tackling youth unemployment was concluded in 2009. Several factors have hampered its implementation however. They include a lack of data; a lack of clarity about the way sectoral agreements should be financed; differences in how regions implement sectoral agreements; disagreement between the parties on exactly where key responsibilities lie. For this reason, the national bipartite Labour Foundation (STvDA) proposed a budget to ensure that national funding mechanisms are in place to achieve the objectives set out in sectoral agreements.
Denmark	Sectoral	The 2010 pace-setting agreement in the manufacturing sector agreed a slightly higher pay rise for apprentices than for other groups of staff (2% in year 1 and 2.5% in year 2 compared with 1.1% and 1.7%).
Germany	Sectoral	In 2010, a sectoral agreement was concluded in the chemical sector creating and funding new apprenticeship places through a fund administered jointly by the social partners.  An innovative agreement in the Bavarian metalworking sector provides that a job transfer agency be set up for young workers not employed on a permanent contract at the end of their apprenticeship training. The transfer agency will employ them and they will return to their former employer as a temporary agency worker. They will then be employed on a standard contract as soon as possible. The employment agency and the Bavarian State Ministry of Labour co-fund the system.
Netherlands	Sectoral	In autumn 2009, the collective agreement in the painting, finishing and glass-setting industry included a commitment to retain 500 young trainees in employment.  In the 2010 agreement for the recreation sector, there was a clause committing employers to offering as many trainee positions as

		<p>possible.</p> <p>In the woodworking industry, a budget was created for extra traineeships to attract more highly skilled young workers into the sector.</p>
Poland	Sectoral	<p>A 2008 agreement in the automotive sector in Poland provides for the transfer of employees on fixed-term contracts are transferred onto open-ended contracts, although the numbers targeted are small (around 100).</p>
Sweden	Sectoral	<p>Recent collective agreements have addressed the issue of youth employment, but unions and employers differ greatly in their interpretation of employment law and wage levels covering young workers. Some collective agreements contain provisions to recruit and train young people on lower terms and conditions than older workers. These are not widespread however and are aimed at particular sectors such as the private service sector. There is pressure from unions to extend agreements in the metalworking sector to help young workers move from education to training. Employers have tended to prefer less rigid employment law and greater wage diversification to help young people establish themselves in the labour market.</p>
France	Company	<p>An agreement between PSA Peugeot Citroën and four representative trade unions and the Group of European Automobile Unions (Groupement des syndicats européens de l'automobile, GSEA) committed the company to hiring 7 300 young workers in 2010, mainly as apprentices.</p> <p>French publisher Bayard signed a three-year agreement in 2010 with five unions on improving employment opportunities for older and younger workers by replacing older workers who leave the company with recruits under 30.</p> <p>The postal service signed an agreement in 2008 seeking to alleviate the difficulties of young workers, especially those from disadvantaged groups such as those living in areas of high unemployment.</p>
Germany	Company	<p>Deutsche Telekom has guaranteed apprenticeships and subsequent permanent employment for young workers.</p> <p>Volkswagen has agreed to expand its apprenticeship programme and guarantee standard employment at the end of training, subject to performance assessment.</p>
<p>Source: Simms, M., <i>Helping young workers during the crisis: contributions by social partners and public authorities</i>, Eurofound 2011</p>		

#### **Box 4.2. Tripartite employment agreement for young workers in Belgium**

The Flemish government and social partners signed a new employment agreement on 17 February 2012, titled 'Career Agreement'. It focuses on two groups of workers at risk in the Flemish labour market: young people leaving school without qualifications and workers aged 50 and over. It includes incentives for employers to recruit from these groups and areas such as career guidance and training for workers. It aims to provide EUR 25m worth of measures to help vulnerable groups in the Flemish labour market. One of its main aims is to ensure that as many young people as possible leave full-time education with some kind of qualification or degree.

More emphasis will be placed on targeting young people who leave school without a qualification. Employment offices will increase the number of guaranteed work experience places for young people with no qualifications who have been unemployed for over six months. Long-term employment strategies will be developed for young people who keep returning to unemployment after short periods of temporary agency work.

The agreement also encourages those involved in sectoral social dialogue to develop action plans on the quality of work, workability and on-the-job training. These action plans are expected to be a form of addendum to existing agreements that sectors have signed with the Flemish Ministry of Employment to encourage the employment of groups at risk and increase lifelong learning.

Source: Van Gyes, G., *Flemish tripartite agreement targets young and older workers*, Eurofound, June 2012.

#### **4.4.4. Apprenticeships and work-based learning**

As outlined above, ensuring appropriate vocational and work-based learning is key to improving young people's chances of entering the labour market. The social partners can, and have been trying to, play a key role in helping to design and implement work-based learning schemes.

At European level, in 2012 and 2013 the ETUC developed a one-year project called 'Towards a European quality framework for apprenticeship and work-based learning: best practices and trade unions contribution'. The European Commission funded the project. The project looked at apprenticeships and work-based learning schemes and the role of trade unions in designing and implementing such schemes in the United Kingdom, the Netherlands, Ireland, Italy, Spain, Germany, Cyprus, Bulgaria, Denmark and Estonia. On the basis of the project, in March 2014 the ETUC adopted a resolution on improving the quality of apprenticeships and work-based learning. It says that 'apprenticeships schemes, when properly implemented, can significantly contribute to facilitating transition processes, to tackling skills mismatches in the labour market and to encouraging employers to provide young people with fair and good jobs. However, we have also to recognise that in the current economic situation, with most of the countries still facing economic crisis or stagnation and few of them experiencing very slight recovery, not all employers are able to create new job opportunities or are ready to employ apprenticeships properly and fairly'. The resolution gives recommendations on issues such as the definition of apprenticeships, their content, the contribution of employers, training institutions, pay, working conditions, the working environment, mobility and governance by the social partners

On the employer side, BUSINESSSEUROPE issued a publication on apprenticeships in 2012 (BUSINESSSEUROPE 2012). It said that ‘there is evidence that well-functioning apprenticeship systems contribute to companies’ competitiveness. And at the same time they seem to be correlated with low youth unemployment’. The publication contains 12 recommendations on improving the quality of apprenticeships. The recommendations are addressed to the European Union, to the Member States, to employers’ organisations and to companies. They centre on the following areas.

The European Union: to provide funding for Member States that wish to set up or reform dual learning systems (incorporating elements of theoretical and work-based learning); provide training for employers’ organisations that wish to become involved in setting up a dual system; support national campaigns in favour of vocational education and provide an effective framework for discussions on apprenticeships.

The Member States: to provide an efficient school system, put the framework conditions for dual apprenticeship learning in place and integrate work-based learning systems into the education system.

Employers’ organisations: to take part in the governance and design of dual learning apprenticeship systems and inform companies and motivate them to get involved in these systems.

Companies: to ensure a high level of quality training for the workforce, conclude high quality apprenticeship contracts and encourage employers to share their own experiences of apprenticeships to motivate young people to take them up.

#### **Box 4.3. Selected initiatives on apprenticeships**

##### **France: Apprenticeship Contract (*Contrat d’Apprentissage*)**

The French apprenticeship programme aims to enable young people aged 16-26 to follow a training course combining theory and practice, to obtain a recognised vocational qualification (typically the Vocational Baccalaureat; Diploma of Vocational Studies (*BEP*), Certificate of Vocational Aptitude (*CAP*), Higher Technical Diploma (*BTS*) or University Technological Diploma (*DUT*). The social partners are very much involved in the programme, with an obligatory role on the boards of governors of the Apprentice Training Centres (CFAs) and in the committees set up in the Accredited Organisations for the Collection and Distribution of Training Funds. The apprenticeship contract has been proven to offer a high level of entry into employment. This level is maintained (and increased) over time. On completing their studies, 61% of apprentices go directly into employment and six months after completing them 78% are in employment. ‘Apprenticeship Developers’ in the Chambers of Commerce have widely promoted the scheme, making contact with 140 000 businesses between 2009 and 2012. In France, the social partners are heavily involved in VET policymaking, with their role clearly enshrined in the Labour Code.

Source: Guidebook 'Apprenticeship and Traineeship schemes in EU-27' (Ecorys et al, 2013)

##### **Mears Construction: A holistic approach to apprenticeship in the UK**

Mears Construction, a private sector housing maintenance firm employing around 12 000 people nationally, offers apprenticeship schemes under the UK government's apprenticeship framework. Mears, the Construction Industry Trade Board (CITB) and Mears client companies jointly fund the framework.

Mears, which recognises and consults four trade unions, offers opportunities to young people from relatively deprived and difficult backgrounds. It tries to ensure that their apprenticeship experience is as rounded as possible, by teaching them technical, practical and general workplace and life skills. Since they can tailor their offer to the individual's needs, they can also offer driving lessons and refresher classes in maths and literacy. This is in line with Mears' general corporate social responsibility framework. Mears currently has 260 apprentices nationally, with the schemes designed by the firm's regional branches, in partnership with their local clients.

There is no upper age limit for apprentices at Mears, although the average age is 18–24. After initial selection, apprentices usually embark on a two-year course, based on a multi-trade apprenticeship or a specific trade such as carpenter, gas fitter or electrician. The schemes involve a mixture of work and training. In general, apprentices spend three or four days working at Mears and one or two days a week at college learning the theoretical side of their trade.

Apprentices have mentors throughout their contract and their training leads to a formal recognised qualification. They are paid based on experience. The government, the construction industry, the CITB and relevant unions in the Construction Industry Joint Council set the pay. It is a proportion of the UK's national minimum wage. After their apprenticeship, most trainees are offered a job with Mears. If none is available, they are given extra help and support finding a job elsewhere or becoming self-employed.

This case study shows how a company can change the lives of young people by offering something that goes beyond minimum statutory requirements. The advantage for the company is that, apart from giving something back to the community, it can train its own employees, which it says it will always do in preference to hiring staff externally.

Source: *Flexicurity: Actions at Company Level* (Eurofound, 2012).

#### 4.4.5. Traineeships

Traineeships can be a divisive subject. Trade unions have been campaigning against what they say are cases of exploitation of young people in low quality traineeships. For example, the ETUC has spoken out in public against young people's being trapped in successive traineeships for long periods on low wages or sometimes even unpaid, without any clear status, entitlement to social protection<sup>84</sup>. 'The role played by the demand side (private and public employers) is crucial in filling some of the gaps that the education systems fails (or is not meant) to do. Traineeships may be a good method if they are quality working experiences, limited in time and meant to really invest in youth skills and competences. Unfortunately, in

---

<sup>84</sup> ETUC press release, 16 May 2012: <http://www.etuc.org/press/interns-should-not-be-regarded-employees-who-work-pittance#.U2tpm1dc98c>.



some EU Member States, these on-the-job experiences have often been misused or considered as a substitute for flexible and cheap (or free) work' (ETUC 2012).

BUSINESSEUROPE has said it supports the idea of apprenticeships and work placements as a way of giving young people theoretical and practical knowledge and experience: 'Combining theoretical and practical training benefits both companies and graduates and can contribute to a smooth transition into employment for young people, for instance through work placements and internships. A work-based vocational education and training system where students alternate between being at school and working in a company should be promoted throughout Europe as a means to reduce unemployment among young people by equipping them with skills that companies need' (BUSINESSEUROPE, 2011).

The EU's quality framework for traineeships aims to resolve many of these difficulties, particularly in terms of the learning content, the working conditions and the transparency of traineeships.

#### 4.4.6. Pay

Pay for young workers is another potentially divisive issue for the social partners. Eurofound (2014a) notes that 13 EU Member States have different minimum wage levels for specific groups, mostly young workers. However, in countries such as Belgium and the Czech Republic, young workers' minimum wages are seen as contrary to the principle of equality and are being or have been phased out. Consequently, in January 2013 the social partners in Belgium agreed to gradually upgrade the lower minimum wages for young workers, to eliminate the age-based difference in 2015. Although the monthly minimum wage in Latvia is equal for all employees, the hourly minimum wage rate for young people is 14.3% higher than for other workers. This is because people under 18 are only allowed to work a maximum of 35 hours a week. Table 4.4 gives an overview of the minimum rates for young people in EU Member States.

<b>Table 4.4. Minimum rates of pay for young people in EU Member States</b>		
<b>Country</b>	<b>Group</b>	<b>Minimum wage level</b>
Belgium	Workers aged 16 or under	70% of the minimum wage
	Workers aged 17	76% of the minimum wage
	Workers aged 18	82% of the minimum wage
	Workers aged 19	88% of the minimum wage
	Workers aged 20	94% of the minimum wage
	Workers aged 21	100% of the minimum wage
	Workers aged 21.5 with six months of seniority	103% of the minimum wage
Workers aged 22 or more with at least 12 months of	104% of the minimum wage	

	seniority	
Greece	Workers under 25	Before 14 February 2012, the minimum wage was EUR 751.39. Since 14 February 2012, it is EUR 510.95
France	Young workers with less than six months experience in the sector  Young people on professionalisation contracts  Apprentices	Workers aged 15 and 16: 80% of adult minimum wage; workers aged 17: 90% of adult minimum wage  55%–100% of adult minimum wage depending on age and previous qualification  25%–78% of adult minimum wage depending on age and seniority
Ireland	Workers under 18  Workers aged 18 or over in their first year of employment since the age of 18  Workers aged 18 or over in their second year of employment since the age of 18  Workers aged 18 or more doing structured training or directed study authorised or approved by their employer	EUR 6.06 an hour (70% of national minimum wage)  EUR 6.92 an hour (80% of national minimum wage)  EUR 7.79 an hour (90% of national minimum wage)  First third of training course – EUR 6.49 an hour; second third of training course – EUR 6.92 an hour; final third of training course – EUR 7.79 an hour
Luxembourg	Workers aged between 17 and 18  Workers aged between 15 and 16	80% of the national minimum wage  75% of the national minimum wage
Malta	Workers aged 17	The minimum wage was EUR 151.33 a week in 2012

	Workers under 17	and was increased by 2.7% to EUR 155.41 a week in 2013  The minimum wage was EUR 148.49 a week in 2012 and was increased by 2.75% to EUR 152.57 a week in 2013
Netherlands	Workers aged 15  Workers aged 16  Workers aged 17  Workers aged 18  Workers aged 19  Workers aged 20  Workers aged 21  Workers aged 22	30% of the national minimum wage  34.5% of the national minimum wage  39.5% of the national minimum wage  45.5% of the national minimum wage  52.5% of the national minimum wage  61.5% of the national minimum wage  72.5% of the national minimum wage  85% of the national minimum wage
Poland	Workers entering the labour market (first year of employment)	80% of the national minimum wage
United Kingdom	Workers aged 18 to 20  Workers aged 16 to 17	GBP 4.98 (EUR 6.03) an hour from October 2011 to October 2013, when it was increased by 1% to GBP 5.03 (EUR 6.09) (80% of adult minimum wage)  GBP 3.68 (EUR 4.46) an hour from October 2011 to October 2013, when it was

	Apprentices under 19 or over 19 in the first 12 months of their apprenticeship	increased by 1.1% to GBP 3.72 (EUR 4.51) (59% of adult minimum wage)  GBP 2.65 (EUR 3.21) an hour from October 2012 to October 2013, when it was increased by 1.1% to GBP 2.68 (EUR 3.25) (43% of adult minimum wage)
Source: <i>Developments in collectively agreed pay 2013</i> , (Eurofound, 2014a)		

Minimum rates of pay for young workers were frozen in some countries during the crisis. In March 2012 for example, the UK Government decided to increase the adult rate of the national minimum wage, but freeze the young workers' rate. Employers welcomed this decision, saying that young workers should not be priced out of the labour market. Trade unions criticised it however, saying there was no evidence that minimum wages negatively affect youth employment levels (Carley, 2012). In Greece, the minimum wage for young people was decreased by 32% in response to the crisis, compared with a 22% decrease in the adult rate (Broughton and Welz, 2013).

#### 4.5. Conclusions

The high level of youth unemployment and the difficulties young people have accessing the labour market are structural problems in the EU that have been exacerbated by the recent economic crisis. While EU policymakers can provide a framework within which stakeholders can try to take mitigating action, the social partners are in a position to use the structures available to them, such as social dialogue and collective bargaining, to try to make a difference. The Youth Guarantee has given them an opportunity to do so because it encourages a partnership approach to implementation at national level.

However, the extent to which the social partners are involved in contributing to the development of policies and their implementation varies and the impact is difficult to measure. The EU-level cross-industry and sectoral social partners have made agreements with and recommendations for their member federations and other stakeholders and have encouraged debate and showcased good practice. However, the reach and impact of these measures, and the extent to which they can foster dialogue and collective bargaining in Member States, depends on many factors. They include the strength of social dialogue and collective bargaining traditions, the relationship between the social partners and crucially, the extent to which state backing and funding is available.

It is also probably too early to assess whether any of the social partner actions taken and initiatives put in place have been able to make a real difference. This is particularly because there is a recognised lag between economic and labour market developments. Nevertheless, the youth unemployment rate in the EU has decreased since the final quarter of 2013. While the decrease is relatively small, it may signal a trend change. It is difficult to say whether

targeted actions have contributed to this decrease, or whether it is due more to the economic recovery now making itself felt in some Member States.

There is no easy solution to the problem of youth unemployment, composed as it is of many interlocking issues that require coordinated action from different types of stakeholders. They include education providers, vocational training organisations, those involved in matching skills demand to supply and labour market policymakers. In Member States in which the social partners are in a position to do this it is vital to work closely with these stakeholders to find solutions that are as comprehensive as possible. Such cooperation is crucial to avoid creating a generation of young people who have missed out on vital early work and career opportunities. At the European level the efforts undertaken at national level are supported through coordination, country specific recommendations, peer reviews (as part of the European Semester) and with funding, in particular through the Youth Employment Initiative.

## **Acknowledgements**

Valeria Pulignano (Katholieke Universiteit Leuven) and Kurt Vandaele (European Trade Union Institute) provided helpful comments and suggestions on an earlier draft of this chapter.

## **References**

Bailey, J., Price, R. A. and Esders, L. (2009), *Marketing Unions to Young People: Recruiting and 'rusting on'*, Griffith University and Queensland University of Technology.

Broughton, A., Welz, C., (2013), Impact of the crisis on industrial relations, Eurofound.

BUSINESSEUROPE (2011), Putting Europe to work. The case for labour market reforms.

BUSINESSEUROPE (2012), Creating opportunities for youth. How to improve the quality and image of apprenticeships.

BUSINESSEUROPE (2013), Moving youth into employment.

BUSINESSEUROPE (2014), Statement on Youth Guarantee, 6 April 2014.

Carley, M. (2012), Minimum wage frozen for young workers, EirOnline, May 2012.

Dietrich, H. (2013), *Youth unemployment in the period 2001–2010 – looking at the empirical evidence*, Transfer: European Review of Labour and Research 2013 19: 305.

Ebbinghaus, B., Göbel, C. and Koos, S. (2011), Social capital, 'Ghent' and workplace contexts matter: Comparing union membership in Europe', *European Journal of Industrial Relations June 2011 vol. 17 no. 2 107-124*.

Ecorys, IES and IRS (2013), *Apprenticeships and Traineeship Schemes in EU-27: Key Success Factors. A Guidebook for Policy Planners and Practitioners*. Document prepared for the use of and financed by the European Commission, Directorate-General for Employment, Social Affairs and Inclusion.

ETUC (2012), *Quality education for quality jobs*.

ETUC (2014), *Resolution on Improving quality of Apprenticeship and Work-based learning*: [http://www.etuc.org/sites/www.etuc.org/files/document/files/en-resolution\\_improving\\_quality\\_of\\_apprenticeship\\_and\\_work-based\\_learning.pdf](http://www.etuc.org/sites/www.etuc.org/files/document/files/en-resolution_improving_quality_of_apprenticeship_and_work-based_learning.pdf).

Eurofound (2012), *NEETs. Young people not in employment, education or training. Characteristics, costs and policy responses in Europe*.

Eurofound (2014), *Developments in collectively agreed pay 2013*.

European Commission (2014), Proposal for a Council Recommendation on a *Quality Framework for Traineeships* COM(2013) 857 of 4 December 2014

European Commission (2014a), *The Youth Guarantee. Making it happen*.

European Commission (2014b) Annual Growth Survey 2015. COM(2014) 902 final

European Commission (2015) Employment and Social Developments 2014.

Madsen, P. K., Molina, O., Moller., J., Lozano, M. (2013), *Labour market transitions of young workers in Nordic and southern European countries: the role of flexicurity*, *Transfer* 2013 19: 325.

Kretsos, L. (2010), *Trade Union Responses to the rise of precarious employment among young people in Southern Europe*.

Pedersini, R. (2010), *Trade union strategies to recruit new groups of workers* (Eurofound).

Pollert, A. and Tailby, S. (2009), 'Young Workers, Vulnerability at Work and Union Organising', Paper presented at Seventh International Conference in Memory of Professor Marco Biagi, Modena, Italy, 19-21 March 2009.

Schnabel, C. (2013), Union Membership and Density: Some (Not So) Stylized Facts and Challenges, *European Journal of Industrial Relations* September 2013 vol. 19 no. 3 255-272.

Simms, M. (2011), *Helping young workers during the crisis: contributions by social partners and public authorities*, Eurofound.

UEAPME (2012), *Contribution to the 'Youth Opportunities Initiative'*.

UEAPME (2013), *Position paper on the EC Communication Moving Youth into Employment*.

Vandaele, K. (2012) , *Youth representatives' opinions on recruiting and representing young workers: A twofold unsatisfied demand?*, *European Journal of Industrial Relations*, August 2012.

Vandaele, K. (2013), *Union responses to young workers since the Great Recession in Ireland, the Netherlands and Sweden: are youth structures reorienting the union agenda?* ETUI *Transfer* 19(3).

Visser, J. (2002), *Why fewer workers join unions in Europe. A social custom explanation of membership trends*, *British Journal of Industrial Relations*, 40 (3), 403-430.

## Chapter 5 – European social dialogue developments 2012-2014

*European social dialogue refers to discussions, consultations, negotiations and joint actions involving organisations representing the two sides of industry (employers and workers) at the European level. This chapter provides an overview of developments from September 2012 to December 2014, with a focus on processes, actors and outcomes.*

### 5.1. Introduction

EU social dialogue was set up in the mid-1980s as part of a collective effort to re-launch the EU integration process. It was both a top-down and a bottom-up process in which the Commission and the EU social partners agreed on a possible approach to ensuring that EU integration process would provide benefits for both workers and employers and then developed as a way of ensuring that the single market would have a "social dimension" (echoing the notion of "EU social model"). This approach was recognised in the Treaties of Maastricht and Amsterdam through specific 'social dialogue' provisions, based on an EU social partners' agreement of 1991. Within this frame, EU social dialogue (both at cross-industry and sectoral level) has contributed to the shaping of the EU legislation and policies. These key Treaty provisions on social dialogue (art 154-155 TFEU) were introduced at a time when legislation was the major instrument of EU action in the employment and social policy field. They were progressively complemented by provisions relating to the development of concertation under the so-called "Open Method of Coordination" since 2000, with the increasing role of policy coordination as instrument of EU action, new elements were introduced in the practice of EU social dialogue, and then in the Treaty, to initiate some concertation between EU institutions and social partners in the framework of the **Employment Committee (EMCO)** and the **Social Protection Committee (SPC)** (Art. 150 and 160 TFEU), and at the highest level within the **Tripartite Social Summit** (Art. 152 TFEU). With the financial crisis and its impact within the Eurozone, economic policy coordination and budgetary surveillance gained increased prominence among the range of instruments of EU action. Building on this gradual shift towards more EU-level tripartite concertation, a consensus has emerged on the need to further strengthen the involvement of social partners in EU governance and to reinforce existing fora of social dialogue. The chapter considers these developments in further detail.

In recent years, European social dialogue took place in a very challenging socioeconomic context: since 2008, Europe has experienced a crisis, with high unemployment, growing disparities between Member States, and major concern for social cohesion between and within Member States. As was shown in *Industrial Relations in Europe 2012*, the second phase of the crisis, in particular, has put national industrial relations systems under severe strain. At European level, the cross-industry social partners differ in their views on the causes of the crisis, the appropriate policy responses to it, the fiscal consolidation programmes, the macroeconomic policy mix and the contents of structural reforms. Furthermore, the confidence of EU citizens in the ability of European institutions to bring support and policy advice has dramatically declined, in particular in countries under assistance. The last two years' developments of the European social dialogue need to be considered in this context.

The first section of this chapter considers the three processes of social dialogue at European level: tripartite concertation (including the *Tripartite Social Summit*); social dialogue at cross-industry level and social dialogue at sectoral level. Developments on the Commission side over the past two years include proposals on how to strengthen the role of social partners in EU governance and the European Semester and the proposal for a revision of the Council Decision on the *Tripartite Social Summit*. The same period also saw the creation of two new sectoral social dialogue committees (ports; graphical industry) and the launch of a test phase for sports and active leisure. The second section (actors) highlights the role of European social partners (employers' and workers' organisations) that are consulted under article 154 TFEU. The third section focuses on outcomes<sup>85</sup>. It briefly introduces the typology of text-based outcomes of European social dialogue (agreements, process oriented texts, joint opinions and tools, procedural texts) and other achievements (such as joint projects and conferences). This section presents updated statistics and provides a thematic overview of social dialogue initiatives over the past two years. The concluding section presents some of the key challenges for European social dialogue and an outlook for the further work ahead to support social dialogue at the EU level.

---

<sup>85</sup> Given the large body of work produced by the European social partners at cross-industry and sectoral level, there is no claim to exhaustiveness. For a more detailed overview, the reader can refer to the EU Social Dialogue website and database: [www.ec.europa.eu/socialdialogue](http://www.ec.europa.eu/socialdialogue)



## 5.2. Processes

### 5.2.1. Tripartite concertation

The Tripartite Social Summit for Growth and Employment (TSS) usually meets twice per year immediately before the spring and autumn European Council meetings and brings together at the highest level representatives of the EU institutions (President of the European Council, President of the Commission, President of the Council in office) and of the social partners . The agenda of the Summit is always closely linked to the items subsequently discussed in the European Council.

Over the past two years, the Tripartite Social Summit discussed in particular policy responses to the crisis and the involvement of social partners in EU economic governance and the European Semester.

At EU level there has been a gradual recognition of the importance of involving social partners in the European Semester process. In the Communication on “Strengthening the social dimension of the Economic and Monetary Union<sup>86</sup>” the Commission underlined the objective of strengthening social dialogue by both making better use of existing fora (the Social Dialogue Committee, the macroeconomic dialogue and the tripartite social summit) and by enhancing the involvement of social partners in the European Semester process, including at national level, in the preparation and adoption of national reform programmes. At European level, the Commission proposed to associate the Social Dialogue Committee to the preparation of the Annual Growth Survey.

The Commission consulted the EU social partners ahead of the 2013, 2014 and 2015 Annual Growth Survey and their views on the priorities to be considered were made public through a Commission dedicated web link at the occasion of the publication of the AGS. The Commission will continue to implement this practice at EU level, while inviting the Member States to involve national social partners more timely and effectively in the elaboration and implementation of National Reform Plans.

The European social partners (ETUC, BUSINESSEUROPE, UEAPME, and CEEP) issued a joint declaration at the Tripartite Social Summit of 24 October 2013 covering ten principles aimed at strengthening their participation in all stages of the European Semester: the

---

<sup>86</sup> COM(2013) 690 of 2 October 2013.

preparation of the Annual Growth Survey and of the national Reform Programmes as well as the preparation of the Country Specific Recommendations and the macroeconomic imbalance procedures.

They consider that their further involvement in EU economic governance can be organised within the framework of existing social dialogue fora, subject to limited adjustments to their mission and format. They attach particular importance to their autonomy in wage setting and labour issues: “European social partners stress that wage setting is and must remain the competence of national social partners at an appropriate level, in accordance with the diversity of industrial relations systems” (BUSINESSEUROPE, CEEP, ETUC, UEAPME 2013: 4).

Even if social partners have shown reluctance to engage in discussions on wage developments at EU level, the growing interdependence of EU economies and strengthened EU economic governance will inevitably bring back the question of the desirability of further coordination of wage bargaining at European level. This will need to be considered however in a context of increased decentralisation of collective bargaining in the Member States themselves.

The TSS was an informal practice since 1998 but had been formally established by Council Decision of 6 March 2003 establishing a Tripartite Social Summit for Growth and Employment<sup>87</sup>. On 31 October 2013, the Commission submitted a proposal for a Decision aiming at adapting Council Decision 2003/174/EC to the institutional changes brought in by the Treaty of Lisbon, notably the creation of the function of President of the European Council. Indeed, under the new Treaty, Article 152 TFEU provides that the Union as a whole – and not only the Commission – is committed to promoting social dialogue. Moreover, the proposal for revision reflects the positive results of recent practical experience with the TSS. The Commission proposal is based on Article 352 TFEU (unanimity) in Council and consent of the European Parliament prior to the final adoption by the Council. The proposal aims at a technical, limited revision of the 2003 Council Decision. On 10 March 2014, the Council, in its Employment, Social Policy, Health and Consumer Affairs configuration, reached agreement in principle on the text. Due to national procedures in Germany, the United Kingdom and the Czech Republic for the ratification of EU texts based on Article 352 TFEU,

---

<sup>87</sup> OJEU L 70 of 14.3.2003, pp. 31-33

the consent procedure with the European Parliament was not completed before the May 2014 elections. It is expected that Germany and the UK would complete their respective national procedures in February and May 2015, enabling the Council and the European Parliament to reopen the discussion with a view to finalising the text.

Beside the TSS, EU social partners are involved in European macroeconomic governance through the Macroeconomic Dialogue, established in June 1999. In this forum representatives of social partners at EU level are invited to discuss with the **European Council**, the Commission and the ECB “to ensure mutually supportive interaction between wage developments and monetary, fiscal and structural policies conducive to non-inflationary growth”. An important direct link is thus created between social dialogue and the economic and monetary institutions of the European Union. The main objectives of the Macroeconomic Dialogue are exchanging information and building consensus around economic policies, as “it is based on the principle that key macroeconomic policy stakeholders and decision makers on the one hand, and those responsible for wage formation (management and labour organisations) should have a proper understanding of each other’s positions and constraints”<sup>88</sup>.

### **5.2.2. Social dialogue at cross-industry level**

The Social Dialogue Committee (SDC) is the main European forum for bipartite social dialogue at the cross-industry level. It normally convenes 3 times per year. The SDC consists of maximum 64 representatives of the social partners, equally divided between the employers' and the workers' representative organisations and including the EU Secretariats of the cross-industry social partners, as well as representatives from the national member organisations on each side. The parties negotiate and adopt joint texts, plan and follow up on their joint initiatives.

The latest work programme of the social partners at cross-industry level covered the period 2012-14. In addition to the activities regarding economic governance outline above, the main joint priorities outlined in the work programme concerned youth employment<sup>89</sup>; in depth employment analysis; gender equality (building on the 2005 framework of actions); education

---

<sup>88</sup> [http://ec.europa.eu/economy\\_finance/eu/med/index\\_en.htm](http://ec.europa.eu/economy_finance/eu/med/index_en.htm)

<sup>89</sup> For more information, particularly on the ‘Framework of Actions on Youth Employment’ (June 2013), see chapter 4.

and lifelong learning; mobility and economic migration; as well as better implementation impact of social dialogue instruments and capacity building.

In November 2013 the cross-industry social partners started a joint in depth employment analysis, following up on a similar exercise in 2007. The initiative has a particular importance given the opposing views that had emerged between employers and trade unions on the causes of the crisis, the fiscal consolidation programmes and the appropriate macroeconomic policy mix and structural reforms, as reported in *Industrial Relations in Europe 2012*. The joint analysis builds on the consensus that emerged on the joint priorities with regard to growth and jobs, and social partners' shared belief that they have a key role to play with regard to labour market regulation. The social partners' analysis addresses the challenges deriving from the crisis, the drivers of competitiveness and scope for efficient and fair labour market improvements. It also looks at the reasons why some national policies have so far been able to overcome the crisis in a much more effective way than others, notably in terms of employment and skills.

### **5.2.3. Social dialogue at sectoral level**

In addition to the social dialogue at cross-industry level, the Commission supports social dialogue at sectoral level. As foreseen in Commission Decision (1998/500/EC), the sectoral social dialogue committees have a dual aim. They are a platform to consult and inform the European social partners regarding developments at Union level, having social implications in the sector for which they are established. Moreover, they are the forum in which the autonomous social partners develop and promote the social dialogue at sectoral level. Furthermore, there is tripartite of concertation within sectoral social dialogue committees (for instance on transport or energy policy).

The 1998 Commission Decision had streamlined pre-existing social dialogue processes at sector level. In addition, the Decision gave an impulse for the creation of new committees. As can be seen in Annex 5.1, the number of sectors covered by European social dialogue has increased steadily since 1998. Two new sectoral social dialogue committees were (formally) created in 2013 (See Box 5.1). The Commission also launched a test phase for the 'sports and active leisure' sector in 2012 (see Box 5.2).

## **Box 5.1. New sectoral social dialogue committees**

### **Graphical industry**

On 8 May 2013 in Brussels, the sectoral social dialogue committee for the graphical industry held its inaugural meeting, thereby becoming the 42<sup>nd</sup> such committee. The committee brings together Intergraf (the European employers' organisation) and UNI Europa Graphical (the European workers' organisation) who represent a sector which currently employs some 700.000 workers across the EU.

The graphical industry is part of the manufacturing industries, producing newspapers, books, periodicals, business forms, greeting cards, identification documents and other printed materials. In recent years, printing companies have enlarged their scope of activities to include value added services such as database management for clients and the production of e-documents or websites. The main challenges for the sector are: the rise of the internet as a source of information and advertising, the drop in the number of people reading newspapers and magazines, and globalised competition – leading to job losses and structural overcapacity. The committee's work programme for 2013-2015 reflects the commitment of the social partners to address these challenges jointly, covering topics such as the technological, social and economic situation and trends of the sector, socially responsible restructuring, and the development of skills in light of the changing needs of the business.

### **Ports**

On 19 June 2013, a new social dialogue committee in the port sector (becoming the 43<sup>rd</sup> such committee) was launched with port authorities, terminal operators, dockers and other port workers. This newly created committee brings together the European Sea Ports Organisation (ESPO), the European Federation of Private Port Terminal Operators (FEPORT), the European Transport Worker's Federation (ETF) and the International Dockers Coordination Europe (IDC), representing dockers and port workers.

European ports across the 22 EU maritime Member States employ 1,5 million workers directly, and an additional 1,5 million workers indirectly. In the next 15-20 years, European ports will face a challenging growth in traffic, and need to adapt to new generations of ships coming into service, new energy trades in gas and biomass and new logistic complexities regarding terminal operations and connections of ports with the hinterland. This potential growth is expected to create many new jobs, in particular for young workers. However, the

technological developments are changing training requirements. These new requirements could affect working conditions and give rise to new risks and hazards for workers.

The committee's work programme for the next years reflects the commitment of the social partners to address these challenges jointly, covering topics such as training and qualifications; attractiveness to young workers; health and safety; and promotion of female employment.

### **Box 5.2. Test phase for sports and active leisure**

Over the past two years, the consolidation of social dialogue in the sports and active leisure sector has made further progress.

In 2008, the European Association of Sport Employers (EASE) and UNI Europa Sport have mutually recognised one another as social partners for the sport and active leisure sector, including not-for-profit sport, professional sport and active leisure.

On 17 June 2011, the two organisations signed a Joint Statement on the Informal European Sectoral Social Dialogue Committee for sports and active leisure where EASE and UNI Europa Sport reaffirmed the importance of having one European Sectoral Social Dialogue Committee for the whole sector as is the case for professional football.

The two organisations also validated the operational structure of the future Committee.

On 11 and 12 December 2012, the Commission launched the start of a test phase for this sector covering a period of approximately two years in order to allow EU social partners to make progress towards sectoral social dialogue at EU level where they face difficulties.

The two-year test phase is supported by a project under the social dialogue budget heading (see Box 5.5).

The activities of the project include two conferences focused around priority themes as established by the steering committee of the European Sectoral Social Dialogue Committee; round tables in Germany, Sweden and Romania to build capacity. A steering committee coordinates the work and incorporates its anticipated results into the work of the test phase of the European Sectoral Social Dialogue Committee.

On 11 December 2013, the Commission organised for social partners a **Thematic Liaison Forum** entitled 'EU Social Dialogue –Quo Vadis' to mark 15 years of EU sectoral social dialogue. The main objective was to take stock of the achievements, but also to discuss

challenges, in particular the capacity of identifying, analysing and addressing structural changes at sectoral level, the added value of EU sectoral social dialogue, the follow-up and reporting mechanisms of EU social dialogue outcomes and the visibility of EU social dialogue achievements at all levels. (see Box 5.6)

#### **5.2.4. Social partners' consultations**

Under Article 154 TFEU, the Commission has to promote and support the consultation of management and labour at the European level. The Commission must consult the social partners twice on each legislative proposal in the fields of social policy: first on the possible direction of EU action, and in a second stage on the content of the Commission's proposal. In response to either a first- or second-stage consultation, the social partners can inform the Commission that they wish to start formal negotiations on the given subject. If they decide to do so, the social partners have nine months to reach agreement, during which the Commission suspends its work on the proposal. The nine month period can be extended if needed and agreed with the Commission.

On the **Quality Framework for Traineeships**, a two-stage social partner consultation took place between October 2012 and February 2013. To a large extent, the social partners restated the positions they had taken in the earlier public consultation, where the trade union side argued for a legally binding proposal. The employers' side expressed concerns about flexibility and the burden on business. Social partners did not launch negotiations on a possible agreement under Article 154 TFEU. Still, their discussions provided substantial input, both for the Framework of Actions on Youth Employment (FoA) which ETUC, BUSINESSEUROPE, CEEP and UEAPME presented on 11 June 2013 (see below) and to the Recommendation proposed by the Commission (see 6.2.5.)

The Commission organised a two-stage consultation of social partners on an initiative to enhance EU cooperation in the **prevention and deterrence of undeclared work**. In the first stage consultation (4 July – 4 October 2013), social partners generally agreed with the overall problem description. They conveyed to the Commission their opinion that action at EU level is justified with the main objective of assisting national authorities, such as labour inspectorates, social security and tax authorities to prevent and deter undeclared work. In general, social partners agreed that a European platform could be an appropriate vehicle for enhancing cooperation between Member States.

In the second stage consultation (30 January – 13 March 2014), the Commission outlined the content of the planned initiative with the aim to obtain social partners' views on it. Social partners reiterated their views expressed during the 1st stage consultation regarding the objectives, scope, tasks/initiatives, participation and form of the Platform. The Commission's proposal foresees an observer status for European social partners, both from the cross-industry level and sectors particularly affected by undeclared work. The Commission adopted its proposal on 9 April 2014 (see 6.2.4.)

As part of its Better Regulation Agenda, the Commission has also developed the practice of public consultation, open to all stakeholders. Such consultations can be developed in parallel or complementarity to social partner consultations. In line with Articles 8-10 TFEU, the European Commission conducts comprehensive assessments of the potential impacts of all its policies and initiatives. Stakeholders are consulted in a systematic manner during the preparation of these impact assessments. In 2014, the Commission launched a process to revise the guidelines used in preparing stakeholder consultations<sup>90</sup> and impact assessments<sup>91</sup>.

### **5.3. Actors: The European social partners**

The main actors in European social dialogue are the 88 'European social partner' organisations representing workers and employers at the European level. Annex 5.2 provides the list of the organisations that are consulted under article 154. The representativeness of these organisations (as well as of organisations who have requested to be consulted) is regularly assessed in representativeness studies (see Box 5.3).

At cross-industry level, the main trade union organisation is the European Trade union Confederation (ETUC). The Council of European Professional and Managerial Staff (Eurocadres) (working under ETUC's auspices) and the European Confederation of Executives and Managerial Staff (CEC) represent specific categories of workers. These two organisations have established a liaison committee through which they participate in EU-level cross-industry negotiations, within the ETUC delegation.

On the employer side, the general cross-industry social partners are BUSINESSEUROPE (with membership mainly in the private sector) and the European Centre of Employers and

---

<sup>90</sup> [http://ec.europa.eu/smart-regulation/impact/consultation\\_2014/index\\_en.htm](http://ec.europa.eu/smart-regulation/impact/consultation_2014/index_en.htm)

<sup>91</sup> [http://ec.europa.eu/smart-regulation/impact/planned\\_ia/consultation\\_2014/index\\_en.htm](http://ec.europa.eu/smart-regulation/impact/planned_ia/consultation_2014/index_en.htm)



Enterprises Providing Public Services (CEEP) representing individual enterprises and employers' associations in public services — both organisations with full or partial public ownership and those carrying out activities of general economic interest, whatever their legal ownership/status.

The European Association of Craft, Small and Medium-sized Enterprises (UEAPME) is consulted by the Commission as a cross-industry organisation representing certain categories of undertakings. It participates with BUSINESSSEUROPE and CEEP in the employers' group for dialogue and negotiations with the ETUC.

At sectoral level, a total of 65 employers' organisations and 16 trade union organisations meet. Considering the number of sectoral social dialogue committees (43), it follows that a number of trade union confederations are involved in several sectoral social dialogue committees. On the employers' side, the scope of the organisations tends to be narrower than for trade unions: the majority of employers' organisations are involved in a single sectoral social dialogue committee.

### **Box 5.3. Representativeness studies**

In order to identify the relevant sectoral social partner organisations that can participate in social dialogue, the Commission asks the European Foundation for the Improvement of Working and Living Conditions (EUROFOUND) to accomplish regular representativeness studies per sector, as demarcated by the relevant NACE codes. The Commission Decision on sectoral social dialogue (1998/500/EC) specifies that organisations which are eligible to be consulted shall: *“(a) (...) relate to specific sectors or categories and be organized at European level; (b) (...) consist of organizations which are themselves an integral and recognized part of Member States' social partner structures, which have the capacity to negotiate agreements, and are representative of several Member States; (c) (...) have adequate structures to ensure their effective participation in the work of the Committees.*

Hence, the representativeness studies not only focus on the quality and capacity of European social partner organisations, but also on the extent of their national membership and on their capacity to negotiate on behalf of these members. National organisations are considered as relevant in a respective study if they are either regularly participating in sectoral collective

bargaining and/or affiliated to a sector-related European association of employers or workers mentioned on the official list of recognised European social partners.

From 2012 to 2014, sectoral representativeness studies were completed for Hotel, restaurant and catering (Horeca); Industrial cleaning; Private security; Insurance; Paper; Sea fisheries; Textiles and clothing; Sport and active leisure (including professional football); Live performance; Food and drink; the Audiovisual sector; Electricity; the Chemical sector and Woodworking.

In 2014, a representativeness study for the cross-industry social dialogue was published. The aim of this representativeness study is to identify the relevant national and European actors in the field of cross-industry industrial relations on the two sides of industry. The study covers the entire national economy, including both private and public sectors.

## 5.4. Outcomes

### 5.4.1. Joint texts: Typology and statistics

With a view to aiding understanding of the various social dialogue instruments and helping the social partners to improve transparency, the European Commission<sup>92</sup> proposed in 2004 a typology of the results of European social dialogue – summarised in the table below – that identifies four broad categories, each of which has sub-categories: agreements implemented in accordance with Article 154(2) TFEU; process-oriented texts; joint opinions and tools; and procedural texts. The Commission encourages the social partners to draw on this typology when drafting their texts of European social dialogue

**Table 5.1. Typology of joint social partner texts**

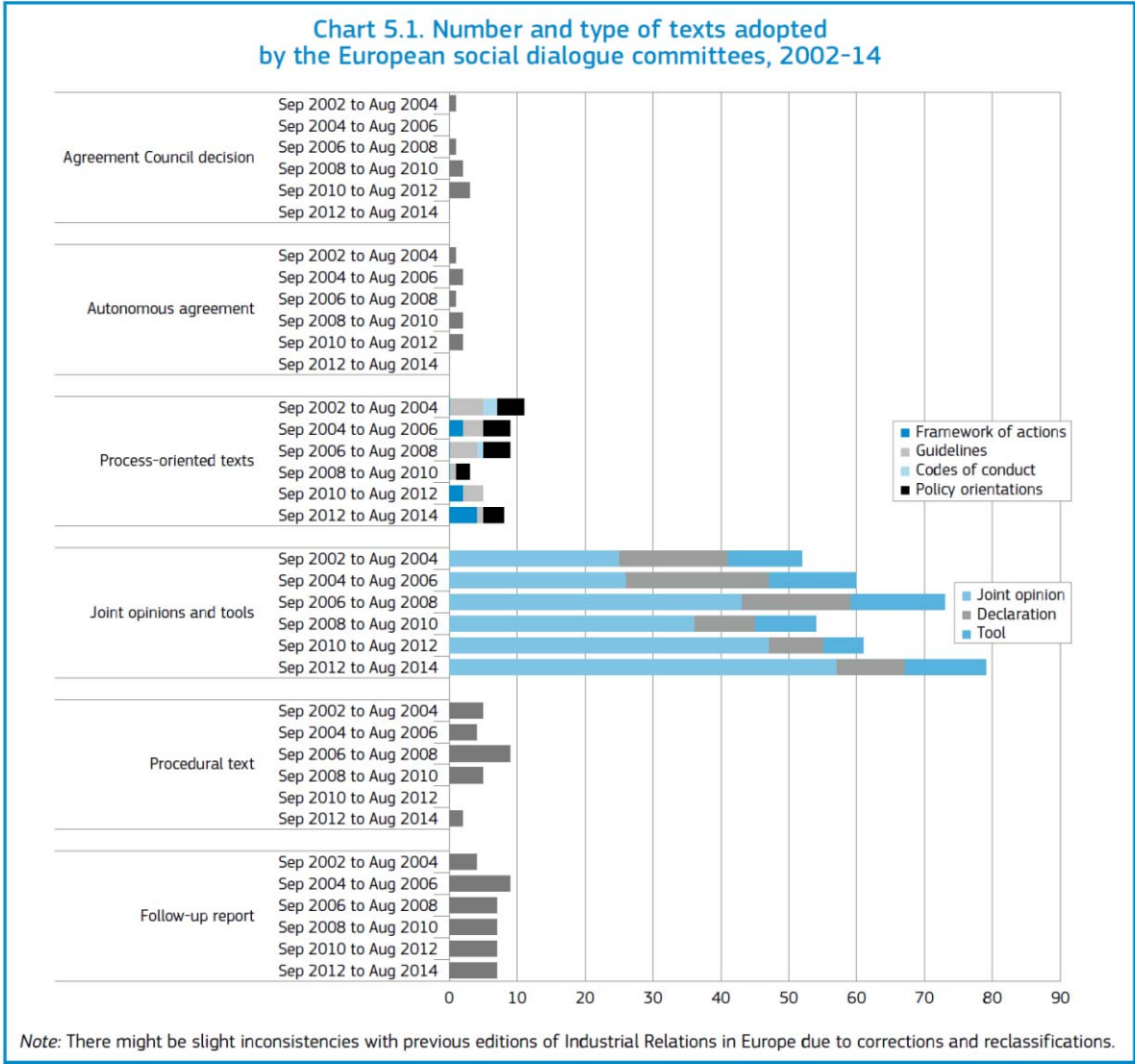
Category of texts	Sub-categories	Follow-up measures
Agreements	Implementation by directives or Implementation by social partners (Article 155)	Implementation reports
Process-oriented texts	Framework of actions, Guidelines, Codes of conduct, Policy orientations	Follow-up reports
Joint opinions and tools	Declarations, Guides, Handbooks, Websites, Tools	No follow-up clauses; promotional activities

<sup>92</sup> Communication from the Commission. Partnership for change in an enlarged Europe. Enhancing the contribution of European social dialogue COM(2004) 557 final

Chart 5.1 provides an overview of the number of texts adopted by EU social partners from September 2002 to August 2014. This graph provides a basic indication of main developments of social dialogue outcomes in quantitative terms; it does not provide information on the impact of the texts at national or European level.

The two previous editions of Industrial Relations in Europe had observed a decrease in the total number of joint texts, but an increase in agreements. This trend did not continue over the past two years: while no new social partner agreements were signed, there were notable increases for process oriented texts (notably frameworks of actions) and joint opinions and tools.

**Chart 5.1. Number and type of texts adopted by the European social dialogue committees, 2002-2014**



### 5.4.2. Agreements

The EU social partners can negotiate binding agreements at EU level either in response to a Commission consultation or on their own initiative. According to Article 155 TFEU, agreements reached by the social partners can be implemented in two ways.

Agreements can be adopted "in accordance with procedures and practices specific to management and labour and the Member States", which means that the social partners are responsible for implementing agreements at national level and in a way stipulated by national legislation or practice (**autonomous agreements**). This procedure can be used for agreements between the social partners on any subject.

The most recent example of such an agreement concerns the "Autonomous Agreement regarding the minimum requirements for standard player contracts in the professional football sector" signed in April 2012. In December 2012, the signatories established a working group to follow up on the implementation of the agreement (see 5.3.3).

On matters falling under Article 153 TFEU, the EU social partners can jointly request for their agreement **to be implemented through EU legislation under Article 155.2 TFEU**. In this case, EU social partners request the Commission to submit their agreement to the Council, which can adopt it by decision, making it legally binding in the EU. The European Parliament is informed if this legislative procedure is used. If the agreement is adopted as a legislative act, the Member States are obliged to implement its provisions as in the case of other legislation and the Commission monitors the transposition process to the national legal systems. Article 153 TFEU also allows the Member States to entrust national social partners with the implementation of a Directive's provisions.

While no new agreements were signed between September 2012 and August 2014, there were a number of notable evolutions with regard to agreements and for which signatories had requested implementation by European legislation.

The principles for the assessment of EU social partner agreements for which implementation by Council Decision is requested are laid down in successive Commission Communications<sup>93</sup>. Before any legislative proposal implementing an agreement is presented to the Council, the Commission carries out an assessment involving consideration of the representative status of

---

<sup>93</sup> Most detail to be found in COM (93) 600 final and COM(1998) 322 final

the contracting parties, their mandate and the legality of each clause in the collective agreement in relation to EU law, and the impact of its provisions upon small and medium-sized enterprises. It is important to emphasise that the Commission does not make a legislative proposal to the Council making the agreement binding if it considers that the signatory parties are not sufficiently representative in relation to the scope of their agreement. In this regard, Eurofound's representativeness studies are an essential information source for the Commission's assessment.

Since 2012, the Commission examines the agreements in the light of the Smart Regulation agenda and assesses the appropriateness of EU action in the field covered by the social partner agreement. For this purpose the Commission undertakes an analysis of the cost and benefits of implementing the agreement. The Commission services launched assessments for three agreements that were signed in 2012.

Following its assessment of the 'European Agreement concerning certain aspects of the organisation of working time in inland waterway transport', the Commission presented a proposal for a Council Directive (see 6.2.3.)

With regard to the 'European framework agreement on the protection of occupational health and safety in the hairdressing sector', the Commission announced in the Regulatory Fitness and Performance (REFIT) Communication of 2 October 2013, that while it would continue the assessment of the agreement, it would not present a proposal for legislative implementation during its present mandate (which ended in October 2014).

With regard to the agreement to implement the work in Fishing convention, the Commission is currently considering the social partners' request (see 6.2.3.)

### **5.4.3. Thematic overview of social dialogue outcomes**

European Social partners' initiatives – both at cross-industry and sectoral level – on youth employment have been covered in chapter 4. More generally, several sectoral social dialogue committees have joint initiatives on demographic change.

## Demographic change

In the **agriculture** sector, the European social partners developed a joint project entitled "demographic change in the Agriculture sector". The project analyses challenges of the ageing of the agriculture workforce, delivers statistics and global trends, and makes recommendations to support actions in the sector dedicated to re-orientation of farmers or workers to some other forms of work within the same sector, including development of micro activities in the agro-tourism, training for young workers. The report outlined also the need for a new generation of workers and farmers and proposed a sectoral action strategy to combine both the installation of young workers and adaptation of working condition and nature of the oldest ones. The report and its outcomes were presented and discussed in a final conference in November 2013 and the social partners decided to keep on working on the demographic challenges during 2014 and 2015.

In the **food and drinks sector**, the European social partners developed a joint project entitled 'Bringing in new talents and managing an ageing workforce: two sides of the same coin'. The project analyses challenges of an ageing workforce taking stock of policies and initiatives at Member State, sector and company level.

In December 2013, HOSPEEM and EPSU signed the "Joint guidelines and examples of good practice to address the challenges of an ageing workforce in the **healthcare sector**". The document provides guidance to social partners and stakeholders at national, regional and local level, addressing different aspects related to age management policies such as flexible working arrangements, talent management and training, health and safety at work, workforce planning and retirement planning.

The social partners of the **insurance** sector published the outcomes of their project "Addressing the demographic challenge in the insurance sector" in November 2012. In the context of the project, a survey was jointly prepared and carried out. National and company level initiatives were regularly presented at sectoral social dialogue committee meetings and a joint follow-up action, targeting Central and Eastern European countries was prepared.

In the **postal service sector**, through a joint project the social partners aim to raise awareness on the impact of demographic challenges on the postal industry and discuss generation

management practices to sustain the employability and promote the health and ability to work of an ageing workforce. The project is developing concrete initiatives for the sector both at European and national level to facilitate longer working lives and to benefit from the huge social and economic contribution older employees can make.

The joint social partner project ‘Tackling demographic changes in the **woodworking** industry’ collected data on the demographic situation of the sector in several countries. The project analyses the factors behind early retirement decisions and creates an inventory of best practices to attract young workers and retain experienced workers.

### **Attractiveness of the sector and recruitment**

The European social partners of **Central Government Administrations**, TUNED and EUPAE, managed the joint project ‘Improving the Image of Central Government Administrations in Europe’. In a context of fiscal consolidation measures, restructuring and demographic changes, the project identified measures to enhance the attractiveness of the sector. A final conference was organised in Prague on 5 October 2012.

In December 2013, the social partners of this sector agreed on a set of political guidelines to improve human resources management with a view to better anticipate and manage change. Beyond imposed cuts in jobs and wages and restructuring triggered by fiscal consolidation measures, the guidelines calls for a new HRM strategy where social dialogue and trade union rights are devoted to maintain high quality standards of working life. The political guidelines, whilst not binding, set out a number of actions for social partners at national level.

In November 2012, the social partners of the **education** social dialogue committee adopted a number of recommendations regarding recruitment and retention in the sector. In a joint project on the topic, social partners obtained a clear picture on the current problems and weaknesses with regard to the teaching profession and quality education. The sectoral social dialogue committee continues to monitor this issue. Moreover, the social partners of the **education** sector managed the joint project ‘*The development of the teaching profession in times of economic crisis*’, with the aim of analysing the decreasing attractiveness of the teaching profession. In view of addressing the forecasted shortages of skilled teachers, the project identifies best practices and formulates recommendations for EU/national policymakers and social partners.

In the **food and drinks** sector, social partners jointly managed a project ‘Attractiveness of the EU food and drink industry’. The project identifies the best practices by companies in the EU food and drink sector. It promotes recommendations for action by the Commission, Member States, companies and the social partners Governments.

Social partners of the **hospitals and healthcare sector** and their respective members continued their joint activities to address inequalities and unnecessary burdens on healthcare caused by unethical recruitment practices related to the mobility and migration of health workers. Building on their 2008 code of conduct, the social partners adopted a follow-up report on its dissemination and use at national level, published in September 2012.

‘Leather is my job!’ is a joint project, aimed at promoting the **tanning and leather** sector as an attractive opportunity for young people and job-seekers. The joint project focuses on raising awareness regarding the potential of social dialogue to face the current sector-related challenges, using appropriate information and dissemination material.

### **Skills and training**

As stated in the EU's Agenda for New Skills and Jobs, the Commission supports the setting up of **European Sector Skills Councils** designed to anticipate the need for skills in specific sectors more effectively and achieve a better match between skills and labour market needs.

Several sectoral social dialogue committees had completed feasibility studies , including the audiovisual and live performance sectors, construction; electricity; furniture, gas;

A first European Skills Council for textile, clothing and leather had been launched in November 2011 by industriAll, Euratex and Cotance; at a later stage the footwear sector was involved through the inclusion of CEC (Confédération européenne de l'industrie de la Chaussure) as a partner. In December 2012, UNI Europa and EuroCommerce representatives signed the agreement establishing the European Skills Council in the **commerce** sector, which started being operational in 2013.

The social partners of the **banking** sector managed a joint project to disseminate and promote their joint declaration of 2003 declaration on lifelong learning at national and European level.



The project also focused on capacity-building in Central and Eastern Europe and the inclusion of social partners from these Member States in sectoral social dialogue committee.

The social partners of the **education** sector co-managed a project to examine how the European social partners in education could better support early career researchers in higher education.

In March 2013, social partners of the **electricity** sector adopted a Joint Framework of Actions, on competences, qualifications and anticipation of change. The joint text focuses on equality mainstreaming, increasing the number of apprenticeships in the companies and promoting age diversity and the retraining of older workers.

Social partners of the **graphical sector** launched a project on future skills in the graphical industry. The objectives of this project include providing an overview of processes used for analysing skills and skills development in various countries of the EU; selecting and describing best practices and disseminating these via the networks of the project partners.

In September 2013, the social partners of **inland waterways** adopted a joint position on professional qualifications and training standards for crew members on inland waterway transport vessels.

In their joint opinion of June 2013, CEEMET and IndustriAll (**metal industry**) welcome the Commission Communication on "Rethinking Education" and its focus on renewing efforts to reform education and training across Europe. The social partners agree with the Commission that greater efforts must be made to highlight science, technology, engineering and mathematics as priority areas of education at all levels. Nevertheless, they indicate several areas of European policy – especially the reform of vocational education – that require further rethinking and call on the Commission to integrate the social partners fully into this exercise.

In 2013, the Social Partners of the **postal services** sector carried out a joint project on training, examining the impact of the introduction of new technologies in the sector and sharing experiences on matching skills and jobs. The project gave an overview of the different strategies implemented by postal operators and trade unions in the EU to address skills

mismatches in a rapidly changing sector. The social partners focused especially on ICT/finance, changing requirements in sorting/delivery, and skills certification and transferability.

Building on the outcomes of the joint project, the social partners adopted a joint declaration on matching skills and jobs in the European postal sector (November 2014). The declaration underlines the importance of anticipating skills needs to face the challenges of a postal sector in transformation. The social partners also point to the recognition, validation and certification of skills as an important factor for their transferability inside and outside the sector, enhancing workers' employability. The social partners commit to promoting the key role of social dialogue in supporting training and the matching of skills and jobs.

In October 2012, the IRU and ETF adopted conclusions and recommendations on training in the **road transport** sector, covering mobile and non-mobile employees of road transport companies. A joint project "STARTS" (Skills, Training And the Road Transport Sector) had identified the most important challenges and best solutions for improving the training of drivers and other workers performing certain non-mobile, logistics-related tasks.

Following up to the recommendations of the projects, the social partners of the urban public transport issued a joint statement on the application of the Directive 2003/59 on qualifications and training of drivers. In this joint text, the social partners stressed the importance of quality examination and quality training and the need for regulation of the training's financing.

Linked to the committee's 2013-14 work programme, the CLOSER project complements the results of the TRACE (Transport Regulators Align Control Enforcement) action. With a view of achieving more efficient harmonised enforcement of European road transport legislation, the action focuses on common learning objectives for key professional transport actors (drivers, transport operators, enforcers), from the perspective of road side and company checks. The project, funded by the EU, is carried out by a consortium composed of the ETF, IRU, *Association pour le développement de la formation professionnelle dans les Transports* (ATF), *Euro Contrôle Route* (ECR) and the Confederation of organisations in road transport enforcement (CORTE).

In June 2013, three years after their 2009 autonomous agreement on the implementation of the European Hairdressing Certificate, the European sectoral social partners **of Personal services/Hairdressing** adopted a follow-up report that outlines the practical steps taken to

prepare for issuing these voluntary EU-wide training certificates. A secretariat has been set up to manage the administrative tasks and a website is available with more information, including the prices of the certificates for national social partners ([www.euhaircert.eu](http://www.euhaircert.eu)).

The EU social partners in the **telecommunications** sector; ETNO and UNI Europa launched a joint project to fill the skills gap in the sector. The project sets out to map of the qualification landscape in the sector and to identify best practices and innovative approaches. In November 2014, the social partners of the sector adopted five key recommendations intended to draw the attention of the national members to the ICT skills gap in the sector.

### **Gender equality**

The social partners of the **audiovisual** sector managed a joint project to disseminate and promote the implementation of their Framework of Actions on Gender Equality of October 2011. The outcomes of the project include a leaflet in 10 languages. A seminar was organised in November 2013 with the purpose of promoting the FoA, hearing from experts, sharing best practices in the sector and learning about initiatives undertaken by social partners in Member States which have followed on from the FoA.

The project 'Improving the conditions for equal treatment of women in employment in the European chemical industry – Best practices and strategies' built on the results of two previous projects by the social partners in the **chemical industry**. The project addressed reconciliation of work and family life as a major obstacle for female employment in the sector.

In January 2014, the Community of European Railway and Infrastructure Companies (CER) and the European Transport Workers' Federation (ETF) published the results of the 2013 questionnaire on the development of female employment in the **railway** sector in Europe.

The results show that the average share of women working in the rail sector remains constant at around 20%. Women are still underrepresented in technical professions. Following the conclusion of their joint project on women in rail ("WIR"), surveys will be provided annually to evaluate the efforts and measures of European railway companies to ensure equality between women and men.

In the **road transport** sector, which is highly male-dominated and facing demographic challenges linked to ageing of workers, the European social partners of urban public transport (ETF and UITP) continue joint efforts to promote female employment. Aiming at analysing the causes of under-representation of women in the sector, in 2011 and 2012 the social partners carried out a project, which envisaged surveys and interviews, as well as meetings to share best practices in five cities – Antwerp, Berlin, Bucharest, Helsinki, and Sofia. The joint activities resulted in guidelines for a more conducive work environment, with recommendations focusing on training and recruitment opportunities.

On 8 April 2014, ETF and UITP issued a joint recommendations on strengthening women employment in the sector. The social partners took further the guidelines of the project and committed to increase the average rate of women working in the urban public transport companies from 17.5% currently to at least 25% in 2020 and 40% in 2035. The recommendations, available in English, German and French, were elaborated during the UPT sub-group meetings in 2012 and 2013 and subsequently disseminated via the internal networks of both organisations.

With a view of contributing to the employment goals of the Europe 2020 Strategy, as well as addressing staff shortage in their sector industry, the EU **telecommunications** social partners called upon their members to pay more attention to achieving effective gender equality in the sector and identified the main four areas for action. The joint declaration on this issue was signed on 22 September 2014.

### **Health and safety of workers**

In line with their work programme, the social partners of the **commerce** sector launched a joint initiative on health and safety at workplace, which envisages the organisation of three workshops as well as gathering of good practices on ergonomics (prevention of musculo-skeletal disorders), stress at work and psychosocial risks at work.

The social partners of the **construction** sector of launched a joint project to further disseminate their EFBWW-FIEC “Guide for developing a H&S management system” and “Information modules for the safer handling of asbestos”, including additional translations, and a number of regional seminars in Central and Eastern Europe and candidate countries

(Turkey). In December 2012, the social partners of this sector adopted a joint position on the 'New community strategy on health and safety for 2013-2020'.

In November 2013, the social partners of the **electricity** sector adopted a joint opinion on Safety and security in the European nuclear industry. In this joint text, EURELECTRIC, industriAll and EPSU expressed their appreciation for the Commission's proposed directive for the nuclear safety of nuclear installations [(COM/2013/0715-2013/0340 (NLE))], as the draft directive addressed a number of issues that were outlined in the social partners' joint position on nuclear safety of 2011, particularly with regard to the safety of subcontracted workers.

In September 2012, the European social partners of **extractive industries** adopted a joint statement on further improvement of working conditions and occupational health of employees. The statement provided an update of the 2004 joint statement, taking into account the enlargement of the European Union and the participation of new partners in the Sectoral Social Dialogue Committee. Moreover, in February 2014, the social partners of this sector adopted a joint opinion on the draft recommendations of the Scientific Committee on Occupational Exposure Limits (SCOEL) for occupational exposure limits on the workplace for NO<sub>2</sub> and NO. SCOEL has a mandate to advise the European Commission and its recommendations are used to underpin regulatory proposals on occupational exposure limits. The social partners closely monitor SCOEL's activities and in their joint opinion they criticised some methodological shortcomings present in its recommendations.

At their plenary meeting on 22 November 2012, the social partners of the **furniture** sector adopted a joint declaration on the use of nanotechnology and nanomaterials in their sector. The declaration builds on a joint project regarding stakeholder awareness of nanotechnology and risk exposure throughout the value chain.

In September 2014; the social partners of the **chemical** industry adopted a joint declaration on the same topic, stating that the REACH Regulation provides the most appropriate framework to address all chemical substances, including nanomaterials, and firmly supporting awareness raising activities to ensure safe use of nanotechnology and nanomaterials, as they do for all other chemical substances.

In October 2014, the **hospitals** and healthcare sector, HOSPEEM and EPSU have launched a joint project “Assessing health and safety risks in the hospital sector and the role of the social partners in addressing them: the case of musculoskeletal disorders and psycho-social risks and stress at work.

The social partners of the **local and regional governments**, represented by EPSU and CEMR submitted a joint response to the open consultation on a new “Occupational Safety and Health Policy Framework” (September 2013). In this text, the social partners draw attention to changing public service delivery, the use of new technologies, along with a rapidly ageing workforce. In their view, it is fundamental that such changes are taken into consideration for the new strategy. Moreover, they argue that work intensification and high demands on service quality in municipalities with less financial and human resources will increase and are putting at risk the health of the work force.

In the **paper** industry, CEPI and EMCEF (now industriALL) have jointly produced a Guide on good health & safety practices for the sector. The Guide “No paper without skilled healthy and safe people” was successfully presented at the Launch Conference in September 2012.

In order to raise awareness and support the implementation of their 2012 agreement on health and safety in the hairdressing sector, the social partners of the **personal services** sector launched two joint projects addressed at the national level. The projects aim at disseminating the achievements of the sectoral social dialogue committee, and more generally, they support and promote social dialogue in the hairdressing sector in countries where no national social partner organisations exist. The projects also help increase the capacity of existing national social partner organisations that are affiliated to UNI Europa Hair & Beauty or Coiffure EU.

The European social partners in the **railway** sector are of the opinion that psychosocial risks (PSR) affect the occupational safety and health of rail employees. The overall aim of their joint recommendations adopted on 11 March 2014 is to contribute to improving working conditions in the rail sector by tackling the problem of PSR and identifying sector-specific measures contributing to diminishing the problem. The specific objectives are to increase the awareness and understanding of employers, workers and their representatives to work-related PSR and to draw their attention to signs indicative of risk. In the course of a joint project in 2013, a joint CER/ETF study identified important factors (situations, conditions, etc.) liable to

produce PSR in rail occupations. The signatory parties would like to see strategies and action initiated in their affiliated unions and companies with an aim to preventing and managing work-related PSR. Member organisations will report on the implementation of the recommendations to the Social Dialogue Committee. The signatory parties will evaluate the implementation of the recommendations after three years.

Following up on previous activities, the social partners of the **woodworking** sector launched a project to further disseminate the "Less Dust" brochure (including translations), with a focus on Central and Eastern European countries, and candidate countries. In January 2013, the social partners of the sector adopted a joint position on the 'new OSH Strategy'.

#### **Box 5.4. Online interactive Risk Assessment**

The European Agency for Safety and Health at Work (EU-OSHA) has developed **OiRA** (Online interactive Risk Assessment tool) with the aim to support micro and small companies in their task of assessing their occupational risks. The software enables social partners as well as national authorities to develop sector targeted risk assessment tools with their own content.

In December 2012, the EU social partners from the **leather and tanning** sector developed the first EU OiRA tool. In December 2013, the social partners of the **private security** sector validated their tool. The European social partners of the **live performance** sector published their tool in the final months of late 2013, and followed this up with a further dissemination project in the following year. In 2014, the social partners for the **personal services** sector developed an OiRA tool on hairdressing. In the same year, the social partners of the industrial cleaning sector developed a tool on general office cleaning.

An additional tool is under development by the European social partners in **maritime transport**. **Sports and active leisure** social partners have initiated discussions in view of a Memorandum of Understanding on an OiRA tool.

#### **Violence and harassment / Third party violence**

Following up to the **multi-sectoral guidelines** to tackle third-party violence and harassment related to work (2010) the social partners involved in the initiative (EPSU-HOSPEEM-CEMR-UNIEUROPA-EUROCOMMERCE-ETUCE-EFEE) adopted in November 2013 a joint "Report on the follow-up and implementation of the multi-sectoral guidelines to tackle

work-related third-party violence”, outlining achievements and identifying further steps beyond 2013.

The report includes key facts and trends of third-party violence, examples of projects implementing the guidelines on TPV at national and European level, as well as results of a questionnaire carried out within the local and regional government, health and social services and commerce sectors. A further follow-up report should be conducted by 2015, to evaluate progress on the implementation of the guidelines and identify the potential need for further action.

In November 2013, social partners of the **education** sector presented an implementation guide on the prevention and mitigation of third party violence and harassment in schools. Contributing to the joint report of all signatory parties on the follow-up and implementation of the Multi-Sectoral Guidelines, the education social partners adopted their own report on implementation in their sector, highlighting in particular their joint project that led to the elaboration of the abovementioned implementation guide.

In recent years, insecurity and the feeling of insecurity in public transport have been the focus of attention of **railway** undertakings, strongly committed to seek the most effective response to those problems. Through joint recommendations, adopted in December 2012, European social partners aim at taking measures to prevent violence and deal with the consequences caused by third-party violence, especially against railway company employees. The text was presented to bodies in charge of security, such as COLPOFER (Collaboration of railway police and security services), an independent special group of UIC (International Union of Railways). The further dissemination of results is part of the sectoral dialogue committee's work programme.

In 2014, the European Community Shipowners' Association and the European Transport Workers' Federation, recognised social partners within the Sectoral Social Dialogue Committee for **Maritime** Transport, agreed on updated Guidelines to shipping companies for eliminating workplace harassment and bullying in the context of a EU-funded joint project.



### **Posting of workers (see 6.2.1.)**

The European social partners in the **agriculture** sector decided to launch a study project on the implementation of the newly revised European Directive on posting workers. This project aims at establishing a mapping of national effective implementation of this directive in the sector.

In a joint position of November 2012, the social partners of the **construction** sector proposed several amendments to the Commission proposal for an enforcement Directive regarding posting workers. The joint opinion stresses that application of the legislation, collective agreements and practices go hand in hand with the availability of proper and correct information, effective controls and inspections and targeted dissuasive enforcement measures. In June 2013, the social partners adopted a joint statement, proposing that the rules of the host country apply in the case of fake or non-genuine posting, and arguing in favour of the inclusion of a minimum set of mandatory controls. Moreover, as part of their work programme 2012-2015, the social partners launched an update of their 2009 ‘Posting website’. The follow-up project aims at an update of existing information, extending country coverage and increasing the visibility of the site.

In December 2012, the European social partners of the **cleaning industry** adopted a joint position welcoming the Commission’s initiative to enforce the application of the posting directive. The joint text contains a number of specific comments, emphasising the need to promote better administrative cooperation and mutual assistance between Member States. In view of more effective compliance monitoring, the social partners call for a non-exhaustive list of possible administrative requirements and control measures to be included in the directive. They also argue in favour of a possibility for national authorities to request translation of relevant documents. Finally, they ask the co-legislators to maintain existing possibilities for effective inspections and for correct application of legislation at national level.

### **Undeclared work (see 6.2.4.)**

In reply to the first stage of the Commission’s social partner consultation on setting up the Platform on Undeclared Work, the European social partners of the **commerce** sector and **central government administrations** provided a joint contribution (October 2013).

The social partners of the **industrial cleaning** sector jointly responded to the second stage consultation, through a joint position of March 2014. In November 2014, EFCI and UNI Europa followed up with a joint position, calling for clear procedures to select the sectors to be involved in the platform, and arguing for the involvement of social partners of the cleaning industry.

The social partners in the **agriculture** sector adopted a common position to fight against undeclared work, and decided to launch a study in order to get a clear view and to make further recommendations.

The European social partners of the **construction** industry managed a joint project entitled ‘Towards a European Social ID in the construction industry?’ The project maps the existing systems of Social Identity Cards (SIC) in Europe, and assessed the legal scope for a European system. The project was finalised in January 2015, with the launch of a final report at a European conference in Brussels.

## **Taxes**

In December 2012, the social partners of the **live performance** social dialogue committee co-signed an open letter from the International Cultural Industry Associations, expressing strong concerns about the decision of the Spanish government to more than double VAT on admissions to cinema, live music events and theatre from 8 to 21 per cent.

In December 2013, the same sector adopted a joint opinion on the issue of double taxation of artists performing abroad – as they are often both taxed in the country of performance and the country of residence. In March 2014, they addressed a joint letter to the Commission and the OECD, calling upon them to address this problem which seriously hinders performing artists as they develop their international career.

In their joint input to a public consultation by the Commission's Directorate-General for Taxation and Customs Union, social partners of **personal services/hairdressing** strongly support the continuation of lower VAT rates on labour-intensive services. In the joint contribution, dated January 2013, Coiffure EU and UNI Europa Hair & Beauty contend that the lower VAT rates for these services have contributed to significant job creation over the last decade, and that any abolition of the reduced VAT rates would lead to the loss of jobs.

In the **food and drink** industry sector, European social partners adopted a joint position on the effects of taxation on food and drink products in terms of competitiveness of the European industry and its consequences on employment and issued a joint statement where they acknowledge the increase incidence of obesity and non-communicable diseases, are committed to manufacture, promote and sell products that are not only safe and tasty but also healthy as part of a balanced diet. In the statement the social partners advocate that discriminatory taxes are not the right solution, a holistic approach on the society would be more appropriate.

### **Wages**

Following the tripartite exchange of views on wage developments on 1 February 2013, the ECEG, EURATEX, CEEMET, and industriALL Europe opposed interference in wage-setting mechanisms from the European level. In a multi-sectoral joint opinion (March 2013), the four organisations asserted their view that wage-monitoring by the Commission should not be regarded as any kind of first step towards action in the area of wage-setting conducted at national level.

### **Pensions**

Throughout 2012 and early 2013, the Commission services were working on a revision of the 2003 Institutions for Occupational Retirement (IORP) Directive, which sets out the rules for management of the occupational pension schemes. For some sectors and depending on the country, these schemes can be managed by the social partners. In February 2012, ETUC and BUSINESSSEUROPE sent a joint letter to President Barroso underlining that applying a Solvency II-type regime to pension funds would not take due account of the specificity of occupational retirement provision.

In September 2012, CEEMET, ECEG and IndustriAll adopted a **multisectoral joint position** opposing the increase of capital requirements for managing the occupational pension funds, followed by a similar joint statement of the social partners of the **commerce** sector in March 2013.

In April 2013, the EU social partners in the **food and drink** industry adopted their Joint Statement on Solvency II, in which they highlight the importance of occupational pension schemes in providing citizens with an adequate income in retirement.

## **Public procurement**

In February 2013, the social partners of the **construction** industry adopted a joint position on the topic of Abnormally Low Tenders (ALTs) in public procurement. In their position, the social partners regret that ALT ‘identification criteria’ proposed by in the Commission’s proposed directive on public procurement were not withheld by Council and European Parliament. Moreover, they regret that mandatory rejection of ALTs does not apply to state aid cases. In the joint text, EFBWW and FIEC call upon the Council and European Parliament to strengthen provisions aimed at fighting ALTs, through mandatory criteria based on mathematical formulas, and to systematically reject ALTs, regardless of the underlying reason.

As part of an evaluation of different social rules in **railway** passenger transport linked to the Regulation 1370/2007 (public service obligations), the social partners CER and ETF decided to conduct a study on social aspects and the protection of staff in competitive tendering of rail public transport services and in the case of change of railway operator. The project developed by the social partners has shown that there are very different national situations with regard to the protection of personnel. In the context of the Commission's proposals on the 4<sup>th</sup> railway package, which include the opening of the domestic railway passenger market, CER and ETF agreed on statements of principle addressed to the European co-legislators and to national authorities. In their joint opinion of September 2013, the parties insist, amongst other things, that it must be compulsory for every EU Member State, where such protection does not exist, to create a social level playing field by setting binding social standards (on a national, regional or local level) in order to protect working conditions existing at the moment of change of operator and/or requiring a transfer of staff previously taken on to provide services. Such social standards have to include at least provisions on wages, working time, health and safety and training. CER and ETF also recommend using the experience and knowledge of the social partners in the whole tendering process.

In a joint statement of August 2014, the social partners of the **private security sector** welcomed the renewed public procurement directive, adopted in February 2014. The European social partners urge their members to closely follow the transposition process at national level, with particular attention to the full application of the directive to the private

security sector, respect of collective agreements, exclusion criteria and use of the most economically advantageous tender (MEAT) criterion in awarding contracts.

In view of the new directive on public procurement of 2014, the social partners of the **private security** sector updated their ‘manual providing guidance for organisations awarding contracts for private guarding services’. Aimed at buyers in both the public and private sectors, the manual covers all aspects of a tendering process: defining quality, drawing up tender documents, comparing tender submissions and evaluation of the bids based on the selected quality criteria, in view of awarding a contract.

### **Corporate Social Responsibility**

In the **banking** sector, UNI Europa Finance on the trade unions side, and three sectoral employers' associations (European Banking Federation, European Association of Co-operative Banks and the European Savings and Retail Banking Group) adopted a joint statement of understanding on CSR (January 2014). The text introduces updates to the previous Joint Statement of 2005, taking into account the sector's current challenges since the financial crisis.

In January 2014, the social partners of **electricity** adopted a follow-up position on the social aspects of Corporate Social Responsibility. This statement renews the commitment of the social partners as laid down in their 2009 Joint Statement. The joint position includes recommendations for companies that are developing follow-up policies, particularly on social dialogue at the relevant level and setting up joint bodies.

On 28 February 2013, the social partners of the **sugar** Industry presented the 2012 implementation report of their CSR code of conduct. This report, prepared jointly by CEFS and EFFAT Secretariats on the basis of a membership consultation, highlights the economic and political challenges for the sector, including management of restructuring and the economic crisis. The texts also present concrete elements on the implementation of the code of conduct in 2012.

The European social partners of the **textile and clothing** sector jointly launched a project to develop an innovative, sector-specific and widely accepted approach to Corporate Social Responsibility (CSR) at European and international level. The project identifies existing CSR

activities in the sector and maps all activities and standards identified on ISO 26000 requirements in the sector. Together with key stakeholders along the value chain, the aim is to develop a matrix containing all existing and collected requirements, resulting in a tool for the risk analysis and management linked with CSR compliance. The project foresees a pilot phase for CSR risk analysis and management, and a strategic report containing cost-benefit analyses related to residual risk. After validation of the data and the tool, guidelines for definition and implementation of CSR in the sector will be realised.

### **Environment**

In December 2013, the ECEG and industriAll welcomed the consultation launched by the Commission with a view to drafting a future 2030 framework for climate and energy policies as an opportunity to redefine the means needed to meet the goals of the Horizon 2020 framework. In their joint opinion, the social partners of the **chemical sector** reaffirmed their support for the EU Emissions Trading System and for an increase of the share of renewables in Europe's energy generation. The social partners emphasise the need for a diverse mix of energy sources, the importance of the completion of the single market for energy, as well as the need for an international agreement on CO<sub>2</sub> reduction.

In December 2013, the social partners of the **electricity sector** welcomed the initiative by the European Commission to determine further climate targets for the time beyond 2020. They emphasised the importance of setting both long-term and intermediary targets in order to provide a framework for investments, both in technologies and the necessary skills, and the role of social dialogue in the transition. This followed on earlier joint statements in November 2013, which had considered the role of social partners in ensuring a social dimension to the low-carbon transition, and a statement on the role of technology and innovation in the sector.

The European social partners of **extractive industries** closely scrutinise EU energy and climate policies, engage in dialogue with relevant Commission services and comment on policy proposals. In February 2013 they released a joint position on ETS backloading, in which they expressed their opposition towards proposed cuts in greenhouse gas emission allowances resulting in higher carbon price. They favoured long-term and stable framework instead of the intervention in ETS mechanism.

The social partners of the **postal** sector culminated their work on the environmental pillar of corporate social responsibility with the signature of joint conclusions in April 2013. Based on the findings of the CSR working group in 2011 and 2012, this joint document presents the different ways in which the social partners will contribute to reduce the environmental impact of the postal activities, providing employees' with adequate green skills and raising the awareness and acceptance of green change amongst the sectors' main stakeholders.

The sectoral Social Partners for **tanning and leather** have managed a joint project to promote the implementation of the 2008 Framework Agreement on social and environmental reporting. The project aims at increasing coordination and setting a European baseline by means of a first European report on social and environmental performance in the EU tanning sector.

### **High-quality public service**

In December 2012, EUPAE and TUNED signed a European framework agreement for quality service in **central government administrations** by which they commit themselves and their national affiliate members to implement public service values such as the high level of quality, safety, affordability, equal treatment, the promotion of universal access and of user rights, as set out in Protocol 26 on services of general interest as well as fundamental rights enshrined in the Charter of the European Union including the right to good administration. The social partners launched a joint project to support the implementation of the framework.

In November 2013, the social partners of the **education** sector adopted a joint declaration on the promotion of self-evaluation of schools and teachers. Agreeing that good self-evaluation tools and related data contribute to the improvement of the quality of teaching and of social dialogue in schools, they stress that self-evaluation tools and data need to respond to school community context and to individual needs and underline the importance of clarity, inclusiveness, simplicity and consistency in the process.

In a joint project, 'Professional autonomy, accountability and efficient leadership' the social partners of the **education** sector focussed on the role of employers and teacher trade unions in stimulating the effectiveness of school leaders in realising educational quality.

The social partners in the **local and regional government** sector managed a common project entitled "Future of the workplace: providing quality jobs, modern and sustainable workplaces in local and regional government", as part of this project, the social partners developed a common European framework for action for municipalities and regions as employers, which was adopted in December 2012. The recommendations concern: improving performance and securing necessary resources, recruitment and retention, skills and lifelong learning, gender equality, migration and providing sustainable workplaces.

### **Social standards**

A joint project by social partners in the **furniture** industry studies the feasibility of introducing a voluntary social quality label for furniture. The project maps existing voluntary labels with social requirements or successful labels related to the sector, as well as interested stakeholders. Moreover, an inventory of social requirements for a label is considered, as well as bodies that could be involved in the certification process. Taking into account the financial sustainability of a social label, a business plan can be prepared, resulting in a substantiated decision by the sector's representatives.

In October 2013, SEA Europe and industriAll adopted a Joint Statement on Social Standards in the European **Shipbuilding** and Ship Maintenance, Repair and Conversion Sector. In the context of a highly challenging business environment for the sector, which is undergoing its most severe crisis in decades, the European social partners promote a set of guidelines on minimum social standards in the European Union, covering collective agreements, rights of association and workers' representation, health and safety, the environment, training and innovation, working conditions, restructuring, and relations with sub-contractors and suppliers.

### **Capacity building**

The sectoral social dialogue committees for the **audiovisual** and **commerce sectors** managed joint projects, aimed at encouraging social dialogue in the sector in Central and Eastern Europe and at facilitating their integration in the European sectoral social dialogue committees.



The social partners of the **education** sector also joined forces in the context of a project targeting six Central and Eastern European Member States and Candidate Countries, with a view to promote and reinforce national social dialogue in the sector and foster stronger involvement of these countries in social dialogue at European level.

Following the re-activation of the sectoral social dialogue committee of the **footwear** sector, the social partners launched a joint project on the state of the footwear industry and the national industrial relations systems. The project aims to create the conditions for the renewal and adaptation social dialogue at EU level to the changes in employment and work.

On 1 July 2013, Eurociett and UNI Europa's members organised, with the financial support of TAIEX, a roundtable on **temporary agency work** social dialogue in Croatia (Zagreb). The purpose of the meeting was to bring together Croatian social partners to discuss key issues, challenges and opportunities about temporary agency work Croatia, with a view to favouring social dialogue.

In the **personal services/hairdressing** sector, the PROBES project aimed at strengthening the participation of professional beauticians in social dialogue. In order to achieve this goal, it promoted the cooperation between beauticians and hairdressers' organisations. In the new Member States the project focused on analysing the current situation of social dialogue and proposing measures to improve it. The project was based on a sector survey and resulted in the creation of a network of experts and a dedicated website.

In 2014, the **railways** social partners carried out a joint project on social dialogue in the railway sector in Western Balkan countries. This project aimed at reinforcing the impact and visibility of European social dialogue outcomes in the Western Balkan countries and at strengthening the capacity of social partners of the target countries to establish or foster a national social dialogue. Country visits and a seminar on experience and information exchange on the national and European social dialogue in the railway sector (which took place in June 2014 in Croatia) formed the main measures of this project.

### **The international dimension**

In March 2013, the social partners of the **electricity** sector adopted a joint response to the Consultation Paper on the Outline of the Social Strategy of the Energy Community.

In September 2012, the social partners of the **maritime transport** expressed their concern about the sustained piracy and high-jacking attempts in an ever-growing area around the Gulf of Aden – despite important and successful international and European efforts – and the huge challenges and great risks for seafarers and shipping companies operating in that area. As a follow-up, the social partners liaised with EU External Action Services to identify best practices.

### **Sector-specific initiatives**

The social partners of the **agriculture** sector have launched a project to evaluate the impact of the new Common Agriculture Policy (CAP) on employment. This project addresses precarious jobs, the coherence of the CAP with Europe2020, the employment situation in the agriculture sector in the EU as well as the involvement of social partners in the evaluation of the new policy.

In September 2012, the European Social Partners of the **audiovisual** sector adopted a joint opinion, supporting the call of the Advisory Committee of the European Audiovisual Observatory (<http://www.obs.coe.int/>), to "endeavour to add economic and employment statistics to its range of statistical data aggregation activities". The Social Partners highlight the need for reliable and frequently updated statistics. They call upon the European Commission, Member States and other relevant bodies to support and facilitate requests which the Observatory could submit in order to respond satisfactorily to the call of the Advisory Committee.

Reacting to the decision of the Greek government to close down the Hellenic Broadcasting Corporation (ERT), the social partners of the **audiovisual** sector expressed their "profound dismay" in a joint opinion dated June 2013. Acknowledging the difficult situation which Greece finds itself, they consider that the action concerning ERT is contrary to the values enshrined within the European Social Model. The social partners urged the Greek government to immediately reverse its decision, to fulfil its duties to ensure pluralism and to respect the

independence of the media. They also called upon the EU Institutions to address this serious issue as a matter of urgency.

In September 2014, in their joint response to the public consultation on the revision of the European Commission's Impact Assessment guidelines, the social partners of the **audiovisual and live performance sectors** stressed that the revised guidelines must maintain the requirements for consultation of social partners as laid down in the 2009 guidelines. Where a sectoral social dialogue committee exists, the social partners concerned should be consulted on initiatives with implications for their sector. Social partners in both social dialogue committees also consider that it is of vital importance to improve the consultation process, making it more effective and transparent.

In October 2013, the social partners of the Air Traffic Management (ATM) working group in the **civil aviation** sector reacted to the Commission's proposal for the "Single European Sky II+". They underscore their commitment to improving the overall European ATM system, but highlight the need for integrating the contribution of social partners in the further developments to achieve a shared vision of the future. In particular, they call for a key performance indicator on safety to be developed and emphasise that Member States should keep the decisive role in adopting EU-wide and local targets. The social partners criticise that the mandatory unbundling of support services as proposed by the Commission is not adequate for addressing local needs and could even put safety at risk.

In June 2014, three EU social partners of the air crew working group of the **civil aviation** sectoral social dialogue committee, representing airlines, cockpit and cabin crew, adopted a joint declaration against EU-based flags of convenience in aviation. The social partners expressed concerns with new business models of airlines that involve the setting up of subsidiaries in Member States where they do not have substantial aviation activities, with the alleged motive to avoid the social and employment regulations of their home country. According to the declaration's signatories, this 'forum-shopping' distorts fair competition and harm the employment in the industry

In September 2012, the social partners of the **hospitals and healthcare** sector adopted a joint statement on the Action Plan for the EU Health Workforce.

In their joint opinion "The paper sectoral social dialogue calls for boosting the re-industrialisation of the EU" (February 2014) the European social partners of the **paper** industry expressed concerns about the declining competitiveness of the European manufacturing industries and the resulting employment loss, related to the economic crisis. In their view, the EU industrial policy should take a more holistic view going beyond the ambition to increase the contribution of the industry to 20% of the GDP by 2020. More in particular, environmental, energy-related and demographic aspects should become substantial elements of an ambitious EU industrial policy that would address the concerns of the EU paper industry.

In a joint resolution on the EU bio-energy policy, signed on 17 June 2014, the social partners of the **paper** industry acknowledge the potential benefits of bio-energy. However, they also point at the difficult position of the sector in facing competition on the biomass markets. They call upon the EU to develop policies promoting efficient use and sustainable supply of biomass, and to avoid granting subsidies distorting fair competition on the biomass market.

In October 2014, the social partners in the **personal services** sector adopted a joint resolution on securing employment in the hairdressing sector. They express their concern that professionally managed hairdressers salons are on the decline due to ruinous competition from unregulated (home) hairdressers. This jeopardises jobs in the hairdressing sector and encourages precarious forms of employment, such as (bogus) self-employment through chair renting, but also undeclared work. The social partners call for measures to professionalise the sector by maintaining quality standards through regulation, and call upon the Commission to refrain from further steps to eliminate regulations on access to the hairdressing profession.

Social partners of the **postal services** continued their work on restructuring. The project 'Developing a quality postal service in the digital age' identified future major challenges for the sector, shared lessons among operators and unions, and promoted a better understanding of national good practice. At the final conference in February 2014, social partners and experts discussed the evolution of the sector in the context of the implementation of the postal directive, which together with the decline in mail volumes and technological change has fundamentally altered the sector.

In the **professional football sector**, social partners jointly manage a project on the implementation of their Autonomous Agreement regarding the minimum requirements for standard player contracts, signed in April 2012. The Social Partners strive for compliance of national industries with the minimum requirements, thus, raising the standards of labour relationships, improving contractual stability and harmonising the European football industry. Close cooperation took place between the associate organisations and members of the Social Dialogue Committee - UEFA, FIFPro, EPFL and ECA.

In a joint opinion of October 2012, the social partners of the **road transport** sector called on the EU to refocus the implementation of the 2011 Transport White Paper around a well-balanced regulatory framework; legally binding social standards, sustainable social practices and fair conditions of competition; a fiscal and operational level playing field between all modes of transport; and the promotion of green road transport.

In December 2012, the social partners issued a further joint statement on the further opening of the EU road haulage market, stating their view that at the moment conditions are not in place to allow further opening of the market. The social partners consider that any changes to the cabotage rules shall be linked with accompanying harmonisation measures in the enforcement, social and fiscal area.

In February 2013, the social partners submitted joint policy recommendations on the proposed changes to the EU Regulations on access to the profession of road transport undertaking) and on access to the road haulage market. In the proposed joint policy package, ETF and IRU elaborated on the policy options preferable, in their views, as a way forward.

In November 2014, the social partners adopted a joint position towards the EU institutions on establishing a new EU agency dealing with road transport. Specifically, the social partners stressed the importance of more cooperation on enforcement of the social legislation in the sector.

In September 2013, the European social partners of the **sea fisheries** sector adopted a joint position on deep-sea fishing. In the joint text, the EU social partners criticise the Commission's proposal for a Regulation establishing specific conditions to fishing for deep-sea stocks in the North-East Atlantic and provisions for fishing in international waters of the North-East Atlantic. The social partners question the social impact assessment and argue that

bans are excessive, not supported by scientific evidence. Instead, they argue in favour of implementation of the FAO International Guidelines for the Management of Deep-sea Fisheries in the High Seas.

In November 2013, the social partners of this sector adopted a common text on a "social clause", requesting the Commission to include it into its future Partnership Agreement in order to enhance the social dimension of the EU fisheries policies. This social clause was updated in April 2014.

In April 2014, the social partners adopted a joint statement on the EU "de minimis" aid in the fishery and aquaculture sector. While stating that, in general terms, the aid regime has had a positive impact, the joint texts issue a number of recommendations, aimed at granting concessions per vessel (rather than per firm), raising the ceiling of grants, and supporting grants to invest in health, safety, welfare and/or accommodation facilities on board.

In April 2014, the social partners commented jointly on the Commission and High Representative for Foreign Affairs and Security Policy's 'Joint Communication for a European Union maritime security strategy'. While endorsing the proposal and its main thrusts, the social partners propose elements for reflection, notably on the role of actors and legislation involved at EU and International level, on maritime security interest and immigration into the EU by sea.

In a joint declaration of 25 June 2013, EUROFER and IndustriALL have welcomed the Commission's Action Plan for a competitive and sustainable **steel** industry in Europe. In their declaration, the social partners, who had contributed to the development of the Action Plan, commit themselves to accompany this process by means of an active European social dialogue.

With a Joint CEFS-EFFAT-CIBE-ACP position 'CAP towards 2020: Extension of the Single CMO for **sugar** necessary to ensure a smart, sustainable and inclusive future for the sugar sector,' CIBE, CEFS, EFFAT and the ACP/LDCs asked Members of the European Parliament to support the proposal on the Single CMO for sugar in the plenary vote on 13th March 2013, as it was voted in the Committee on Agriculture and Rural Development on 23rd January: Prolonging the Single CMO for sugar until 2019/2020 would go a considerable way to guaranteeing decent employment, improving the sector's sustainability and providing

sufficient sugar supplies at sustainable prices for farmers, processors, suppliers, workers and consumers.

In February 2014, the European social partners of the **tanning and leather** sector signed their Joint Declaration on the Defence of the European Leather Industry. The document draws the attention to outstanding trade barrier issues and the absence of authenticity labelling obligations for leather. It calls upon the European Commission to strictly apply the requirements for countries obtaining the GSP+ status, and to enforce respect of the underlying conventions.

In their joint letter addressed to Commission President Juncker on 19 December 2014, the EU social partners of the **tanning and leather** sector called upon the European Commission to address sector-specific issues in the areas of trade and industrial policies, consumer protection, and education and training. They pleaded for political will in responding to important concerns of a relatively small industrial sector.

In December 2012, the social partners for the **temporary agency work** sector published a report on "The Role of Temporary Agency Work and Labour Market Transitions in Europe" presenting facts and figures regarding the stepping stone function of temporary agency work. Based on the results of the project, the social partners had earlier signed joint recommendations to the European Commission (December 2012). These recommendations argue in favour of regulation of temporary agency work especially through the full implementation of the Directive on temporary agency work (2008/104/EC). Eurociett and UNI Europa also encourage social dialogue and cooperation between public, private and third sector employment services as a means of bringing about transitions in the labour market.

As part of their 2013/2014 work programme, the social partners of **temporary agency work** carry out a joint action that aims at comparing temporary agency work in the labour market with other forms of work, for instance considering fixed-term contracts and self-employment.

#### **Box 5.5. Financial support**

The European Commission's promotion of European social dialogue includes financial support, mainly in the form of grants to social partners and other industrial relations stakeholders. On the basis of Article 154 TFEU, the most important financial programmes are

the headings in the EU budget earmarked for support to social dialogue; information and training measures for workers' organisations; information, consultation and participation of representatives of undertakings; and improving expertise in industrial relations.

The measures should help the social partner organisations (representatives of management and labour) to contribute to addressing the overarching EU employment and social policy challenges<sup>94</sup>

Further details on these funding opportunities can be found on the following website:  
<http://ec.europa.eu/social/main.jsp?catId=629&langId=en>

### **Support for social dialogue**

This budget heading provides support for promoting social dialogue at cross-industry and sectoral level in accordance with Article 154 of the Treaty on the Functioning of the European Union (TFEU), and for developing European social dialogue in its different dimensions of information exchange, consultation, negotiation and joint action.

### **Information and training measures for workers' organisations**

This budget heading provides support for information and training measures for workers' organisations carried out by European, national and regional workers' organisations. This budget heading also provides support to the European Trade Union Institute (ETUI) and the European Centre for Workers' Questions (EZA), which are the major European institutions providing training and research for European workers' organisations.

### **Information, consultation and participation of representatives of undertakings**

This budget heading provides funding for operations aimed at developing employee involvement in undertakings - meaning any mechanism, including information, consultation and participation, through which employees' representatives may exercise an influence on decisions to be taken within the company - in particular by raising awareness and contributing to the application of EU law and policies in this area.

### **Improving expertise in the field of industrial relations**

---

<sup>94</sup> As laid down in particular in the Europe 2020 Strategy Europe 2020: A strategy for smart, sustainable and inclusive growth, COM(2010)2020 and the European Council Conclusions of 25-26 March 2010 and 17 June 2010; the Commission Communications Towards a job-rich recovery (COM(2012)173), Moving Youth into Employment (COM(2012)727) and Towards Social Investment for Growth and Cohesion – including implementing the European Social Fund 2014-2020 (COM(2013)83); the Commission Communication Strengthening the social dimension of the Economic and Monetary Union (COM(2013)690).



This budget heading is intended to cover actions to support industrial relations measures, in particular those designed to develop expertise and the exchange of EU-relevant information, as well as actions to improve knowledge on industrial relations institutions and practices across the EU and dissemination of results. The overarching objective is to improve expertise and knowledge on industrial relations, in particular through activities of analysis and research, at EU level as well as in comparative terms (identifying convergences and differences in the industrial relations systems in place in the EU Member States and in Candidate Countries), thereby contributing to developing and reinforcing industrial relations structures in Europe.

As part of the **European Structural and Investment Funds (ESIF)** funding is foreseen to develop administrative capacity of partners that are capable to participate in the ESIF implementation. In particular under the European Social Fund, possibilities for support to capacity building of social partners are foreseen under technical assistance as well as under two investment priorities:

- Investment in institutional capacity and in the efficiency of public administration and public services at the national, regional and local levels with a view to reforms, better regulation and good governance (article 3 (d) (i) ESF Regulation).
- Capacity building for all stakeholders delivering education, lifelong learning, training and employment and social policies, including through sectoral and territorial pacts to mobilise for reform at the national, regional and local levels (article 3(d) (ii) ESF Regulation).

<http://ec.europa.eu/esf/home.jsp?langId=en>

## 5.5. Conclusion

The development of the financial and economic crisis impacted industrial relations in many Member States and this has left clear marks in the quality and dynamism of social dialogue at EU level. While social dialogue is recognised as a major asset of the European social model, and has the potential to contribute with workable solutions to the crisis, that can help management and labour to agree on win-win solutions at national level, these last two years proved difficult to reach agreement and concrete delivery.

Differences in views have emerged between the cross-industry social partners, and between the social partners (in particular the unions) and EU institutions regarding the causes of the crisis, as well as the appropriate policy responses to it, the fiscal consolidation programmes,

the macroeconomic policy mix and the contents of structural reforms. Employers point to the competitiveness challenges, the need to reduce labour costs, simplify legislation, cut 'red tape' and increase external flexibility. Unions emphasise the non-labour cost aspects of competitiveness, the positive role of wages in aggregate demand and the relevance of improving the quality of work and investment in skills.

These divergences have been reflected in a number of debates between workers, employers and public authorities across Europe. In a number of Member States, these debates have led to agreements which have contributed to shaping policy reforms. In other Member States, and at EU level, however, the trend has been towards conflict and tensions.

Despite this difficult context, several steps forward were taken either by the social partners themselves, or by the Commission, in order to strengthen social dialogue mechanisms and reach agreement on platforms for joint action or shared analysis.

Important steps have been taken to strengthen **tripartite concertation**. Since 2000, policy coordination has become an increasingly important part of EU action in social affairs. This has promoted new developments in EU social dialogue (now incorporated into the Treaty) in order to promote concertation between EU institutions and social partners, such as the **Employment Committee (EMCO)**, the **Social Protection Committee (SPC)**, and at the highest level the **Tripartite Social Summit**. The more recent introduction of new forms of macroeconomic governance through the European Semester also touches upon core questions of employment and social policy, raising questions about the most appropriate way of involving social partners in the EU-level discussion. During the past two years, the Commission put forward proposals on strengthening the role of social partners in EU macroeconomic governance and the European Semester, and on revising the Council Decision on the **Tripartite Social Summit** to bring it into line with the institutional changes of the Lisbon Treaty, especially the creation of the post of permanent President of the **European Council**.

With regard to **autonomous social dialogue at the cross-industry level**, the social partners have jointly addressed the issue of high youth unemployment through their Framework of Actions on Youth Employment. Moreover, the social partners have made steady progress towards a joint in depth analysis of the labour market.

At the **sectoral** level, the creation of two new sectoral social dialogue committees and steady progress in a test phase for a third sector show that sectoral employers and trade unions are still interested in engaging at European level. Through joint opinions and declarations, the two

sides of industry continued to provide valuable input and expertise in Commission initiatives and policy processes at national level. Via tools and joint projects, European social partners share expertise and best practices to build capacity at European and national level.

The number of agreements resulting from EU sectoral social dialogue appears to have stopped rising, at least temporarily. Moreover, major questions have been raised about the uneven implementation of autonomous agreements. Implementation had been identified as an important challenge for social dialogue in the cross-sectoral social partners' work programme 2012-14, and as an important theme at the Thematic Liaison Forum to mark 15 years of sectoral social dialogue (see Box 5.6). The autonomous implementation of agreements cannot be considered in isolation from national industrial relations systems, especially in bargaining coverage. This affects national social partners' capacity to implement autonomous agreements effectively. On this point, Chapter 1 showed that recent developments in national industrial relations systems – particularly in Member States where they were quite weak even before the crisis – are not very promising.

In the relations between the social partners and the Commission, as well as other EU institutions, trust would seem to have been at a premium recently, especially in relation to the trade unions. A number of contentious issues have caused conflict in settings like the **Tripartite Social Summit**. This includes discussions on structural adjustment programmes, country-specific recommendations, alleged interference with collective bargaining at the national level, the focus of the Commission's regulatory fitness programme, the Commission's strategic framework for health and safety, and the Commission's assessment of the EU-level social partner agreements where the signatories have requested implementation by Council Directives.

Under the political programme of President Juncker, with its focus on social dialogue, the Commission has started to work on re-launching and strengthening the dialogue with social partners. This was confirmed in a joint press statement of 17 November 2014 by Commission Vice-President Dombrovskis and Commissioner Thyssen: *“Social dialogue at all levels is a prerequisite for the functioning of Europe’s social market economy and crucial to promote both competitiveness and fairness. The Commission will ensure a more substantial involvement of social partners in EU governance, in line with the deepening of the EMU and the development of its social dimension. Social partners should play an increased role in structural reforms, alongside their formal role in the EU legislative process, with full respect for their autonomy”*.

**Box 5.6. Key messages from Thematic Liaison Forum: "15 years of EU Sectoral Social Dialogue – Quo Vadis?"**

On 11 December 2013, the Commission organised a thematic Liaison Forum for social partners, to mark 15 years of sectoral social dialogue (1998 Communication). The main objective of this Liaison Forum was to look back on the achievements of the past, but also to discuss forward looking challenges, in particular the capacity of identifying, analysing and addressing structural changes at sectoral level, the added value of EU sectoral social dialogue, the follow-up and reporting mechanisms of EU social dialogue outcomes and the visibility of EU social dialogue achievements at all levels.

In terms of latest developments, the increased visibility of outcomes at sectoral level came under discussion; in particular for sectoral agreements to be implemented through legislation. The discussion considered the principles for the assessment of social partner agreements for which implementation by Council Decision is requested, which are laid down in two Commission Communications (1993 and 1998), complemented by the requirements of the Commission's Smart Regulation agenda.

The framework agreement on health and safety in hairdressing was considered the crucial, politically prominent case, while several European social partners made critical remarks regarding the consequences of the Commission's REFIT exercise.

Several suggestions for improvements to sectoral social dialogue were made at the event. In terms of capacity building, it was suggested to better integrate national social partners in EU-level social dialogue structures. A number of participants advocated an improved cooperation between European sectoral social partners of the sectoral and cross-industry level, as well as the development of flexible support structures for multi-sectoral initiatives.

Moreover, there were calls to improve communication between social partners and relevant DGs of the Commission, including a stronger role of social partners in studies, impact assessment and consultation procedures, with a higher priority to be given to EU social partners joint positions.

The discussions also considered the need to strengthen social partners and Commission's analytical capacity to better anticipate structural change. In terms of follow-up and implementation, improved mechanisms for monitoring were proposed. A stronger focus on commitments and implementation was considered necessary. Finally, several social partner representatives urged the Commission to respect the autonomy of social partners and pay attention to their voice.

**Acknowledgements**

Christophe Degryse (ETUI), Berndt Keller (Universität Konstanz) and Evelyne Léonard (Université Catholique de Louvain) provided helpful comments and suggestions on an earlier draft of this chapter.

### Annex 5.1. List of sectoral social dialogue committees

Sectoral Social Dialogue Committees (SSDC)				Employers
Creation		Sector	Employees	Employers
Joint (advisory) Committee /	Informal working group	SSDC		
1951		Steel	IndustriAll	Eurofer
1952		Extractive Industries	IndustriAll	APEP, EURACOAL, Euromines, IMA-Europe, UEPG
1964		Agriculture	EFFAT	GEOPA/COPA
1965		Road Transport	ETF	IRU
1967		Inland Waterways	ETF	EBU, ESO/OEB
	1969	Sugar	EFFAT	CEFS
1972		Railways	ETF	CER, EIM
1974		Sea Fisheries	ETF	Europêche/COGECA
	1982	Footwear	IndustriAll	CEC
	1983	Hotel and Restaurant	EFFAT	Hotrec
	1985	Commerce	UNI Europa	EuroCommerce
	1987	Insurance	UNI Europa	ACME, BIPAR, CEA
1987		Maritime Transport	ETF	ECSA
	1990	Civil Aviation	ETF, ECA	ACI-Europe, AEA, CANSO, ERA, IACA, IAHA
	1990	Telecommunications	UNI Europa	ETNO
	1990	Banking	UNI Europa	EACB, EBF-BCESA, ESBG
	1992	Construction	EFBWW	FIEC
	1992	Industrial Cleaning	UNI Europa	EFCI

	1992	1999	Textile and Clothing	IndustriAll	Euratex
	1992	1999	Private Security	UNI Europa	CoESS
1994		1999	Postal Services	UNI Europa	PostEurop
	1994	2000	Woodworking	EFBWW	CEI-Bois
	1996	2004	Local and Regional Government	EPSU	CEMR
	1996	2000	Electricity	IndustriAll, EPSU	Eurelectric
	1998	1999	Personal Services/ Hairdressing	UNI Europa	Coiffure EU
	1998	2007	Contract Catering	EFFAT	FERCO
	1999	2001	Tanning and Leather	IndustriAll	COTANCE
		1999	Temporary Agency Work	UNI Europa	Eurociett
		1999	Live Performance	EAEA	Pearle*
		2001	Furniture	EFBWW	UEA, EFIC
		2003	Shipbuilding	IndustriAll	CESA
		2004	Audiovisual	EFJ, FIA, FIM, UNI- MEI	ACT, AER, CEP, EBU, FIAPF
		2004	Chemical Industry	IndustriAll	ECEG
		2006	Hospitals and Healthcare	EPSU	HOSPEEM
	2006	2010	Metal industry	IndustriAll	CEEMET
		2007	Gas	IndustriAll, EPSU	EUROGAS
		2008	Professional Football	ECA, EPFL	FIFPro
	2008	2010	Central Government Administrations	TUNED	EUPAN
		2010	Education	ETUCE	EFEE
		2010	Paper Industry	industriAll	CEPI
		2012	Food and Drink Industry	EFFAT	FoodDrink Europe
		2013	Graphical Industry	UNI Europa Graphical	Intergraf
		2013	Ports	ETF, IDC	FEPORT, ESPO

**Annex 5.2. List of European social partners' organisations consulted under Article 154 TFEU (May 2014)**

**Liste des partenaires sociaux européens consultés au titre de l'article 154 du Traité TFUE**

**Verzeichnis der europäischen Organisationen der Sozialpartner, die gemäß Artikel 154 AEUV gehört werden**

<b>General cross-industry organisations</b>	<b>Organisations interprofessionnelles à vocation générale</b>	<b>Allgemeine branchenübergreifende Arbeitgeber- und Arbeitnehmerorganisationen</b>
BUSINESSEUROPE	BUSINESSEUROPE	BUSINESSEUROPE
European Centre of Employers and Enterprises providing Public Services (CEEP)	Centre européen des entreprises à participation publique et des entreprises d'intérêt économique général (CEEP)	Europäischer Zentralverband der öffentlichen Wirtschaft (CEEP)
European Trade Union Confederation (ETUC)	Confédération européenne des syndicats (CES)	Europäischer Gewerkschaftsbund (EGB)

<b>Cross-industry organisations representing certain categories of workers or undertakings</b>	<b>Organisations interprofessionnelles représentant certaines catégories de travailleurs ou d'entreprises</b>	<b>Branchenübergreifende Arbeitgeber- und Arbeitnehmerorganisationen, die bestimmte Arbeitnehmer- oder Unternehmensgruppen vertreten</b>
CEC-European Managers	Confédération européenne des cadres (CEC)	CEC-European Managers
EUROCADRES (Council of European Professional and Managerial Staff)	EUROCADRES (Conseil des cadres européens)	EUROCADRES (Rat der Europäischen Fach- und Führungskräfte)
European Association of Craft, Small and Medium-Sized Enterprises (UEAPME)	Union européenne de l'artisanat et des petites et moyennes entreprises (UEAPME)	Europäische Union des Handwerks und der Klein- und Mittelbetriebe (UEAPME)

<b>Specific organisations</b>	<b>Organisations spécifiques</b>	<b>Spezifische Organisationen</b>
Eurochambres	Eurochambres	Eurochambres

<b>Sectoral organisations representing employers</b>	<b>Organisations sectorielles représentant les employeurs</b>	<b>Branchenbezogene Arbeitgeberorganisationen</b>
Airports Council International - Europe (ACI EUROPE)	Airports Council International - Europe (ACI EUROPE)	Airports Council International - Europe (ACI EUROPE)
Airport Services Association (ASA Europe)	Airport Services Association (ASA Europe)	Airport Services Association (ASA Europe)
Association of Commercial Television in Europe (ACT)	Association des Télévisions Commerciales européennes (ACT)	Vereinigung kommerzieller Fernsehsender in Europa (ACT)
Association of European Airlines (AEA)	Association of European Airlines (AEA)	Association of European Airlines (AEA)
Association of European Professional Football Leagues (EPFL)	Association européenne des ligues professionnelles (EPFL)	Association of European Professional Football Leagues (EPFL)
Association of European Public Postal Operators (PostEurop)	Association des opérateurs postaux publics européens (PostEurop)	Organisation der europäischen Postverwaltungen und Postunternehmen (PostEurop)
Association of European Radios (AER)	Association Européenne des Radios (AER)	Vereinigung europäischer Radiosender (AER)
Association of Mutual Insurers and Insurance Cooperatives in Europe (AMICE)	Association des assureurs mutuels et coopératifs en Europe (AMICE)	Vereinigung der gegenseitig und genossenschaftlich organisierten Versicherer in Europa (AMICE)
Association of National Organisations of Fishing Enterprises in the EU (EUROPECHE)	Association des organisations nationales d'entreprises de pêche de l'Union européenne (EUROPECHE)	Vereinigung der nationalen Verbände von Fischereiunternehmen in der Europäischen Union (EUROPECHE)
Civil Air Navigation Services Organisation (CANSO)	Civil Air Navigation Services Organisation (CANSO)	Civil Air Navigation Services Organisation (CANSO)
Community of European Railway and Infrastructure Companies (CER)	Communauté européenne du rail et des compagnies d'infrastructure (CER)	Gemeinschaft der europäischen Bahnen und Infrastrukturgesellschaften (CER)
Confederation of European Paper Industries (CEPI)	Confederation of European Paper Industries (CEPI)	Confederation of European Paper Industries (CEPI)
Confederation of European Security Services (CoESS)	Confédération européenne des services de sécurité (CoESS)	Europäische Vereinigung der Sicherheitsdienste (CoESS)
Confederation of National Associations of Tanners and Dressers of the European Community (COTANCE)	Confédération des associations nationales de tanneurs et mégissiers de la Communauté européenne (COTANCE)	Europäischer Verband der Gerbervereinigungen (COTANCE)



Council of European Employers of the Metal, Engineering and Technology-Based Industries (CEEMET)	Council of European Employers of the Metal, Engineering and Technology-Based Industries (CEEMET)	Council of European Employers of the Metal, Engineering and Technology-Based Industries (CEEMET)
Council of European Municipalities and Regions (CEMR)	Conseil des communes et régions d'Europe (CCRE)	Rat der Gemeinden und Regionen Europas (RGRE)
Employers' Group of the Committee of Agricultural Organisations in the European Union (GEOPA-COPA)	Groupe employeurs des organisations professionnelles agricoles de l'UE (GEOPA-COPA)	Arbeitgebergruppe der landwirtschaftlichen Berufsverbände der Europäischen Union (GEOPA-COPA)
European Aggregates Association (UEPG)	Union Européenne des Producteurs de Granulats (UEPG)	Europäischer Gesteinsverband (UEPG)
European Apparel and Textile Organisation (EURATEX)	Organisation européenne du textile et de l'habillement (EURATEX)	Europäische Organisation für Textil und Bekleidung (EURATEX)
European Association for Coal and Lignite (Euracoal)	Association européenne du charbon et du lignite (Euracoal)	Europäischer Stein- und Braunkohleverband (Euracoal)
European Association of Co-operative Banks (EACB)	Groupement européen des banques coopératives (GEBC)	Europäische Vereinigung der Genossenschaftsbanken (GEBC)
European Association of Employers' Organisations in Hairdressing (Coiffure EU)	Confédération européenne des organisations patronales de la coiffure (Coiffure EU)	Europäischer Dachverband der Arbeitgeberverbände des Friseurgewerbes (Coiffure EU)
European Association of Mining Industries (Euromines)	Association européenne des industries minières (Euromines)	Europäischer Bergbauindustrieverband (Euromines)
European Association of Potash Producers (APEP)	Association des producteurs européens de potasse (APEP)	Vereinigung der europäischen Kaliproduzenten (APEP)
European Banking Federation (EBF)	Fédération bancaire de l'Union européenne (FBE)	Europäischer Bankenverband (FBE)
European Barge Union (EBU)	Union européenne de la navigation fluviale (UENF)	Europäische Binnenschifffahrts Union (EBU)
European Broadcasting Union (EBU)	Union européenne de radio-télévision (UER)	Europäische Rundfunkunion (EBU)
European Chemical Employers Group (ECEG)	European Chemical Employers Group (ECEG)	European Chemical Employers Group (ECEG)
European Club Association (ECA)	European Club Association (ECA)	European Club Association (ECA)
European Committee of Sugar Manufacturers (CEFS)	Comité européen des fabricants de sucre (CEFS)	Europäischer Verband der Zuckerindustrie (CEFS)

European Community Shipowners Associations (ECSA)	Communauté des associations d'armateurs européens (ECSA)	Verband der Reeder in der Europäischen Gemeinschaft (ECSA)
European Confederation of Private Employment Agencies (Eurociett)	European Confederation of Private Employment Agencies (Eurociett)	European Confederation of Private Employment Agencies (Eurociett)
European Confederation of the Footwear Industry (CEC)	Confédération européenne de l'industrie de la chaussure (CEC)	Zusammenschluss der Schuhverbände in Europa (CEC)
European Confederation of Woodworking Industries (CEI-Bois)	Confédération européenne des industries du bois (CEI-Bois)	Europäischer Holzindustrieverband (CEI-Bois)
European Construction Industry Federation (FIEC)	Fédération de l'industrie européenne de la construction (FIEC)	Verband der europäischen Bauwirtschaft (FIEC)
European Coordination of Independent Producers (CEPI)	Coordination européenne des producteurs indépendants (CEPI)	Europäische Koordination unabhängiger Produzenten (CEPI)
European Federation of Cleaning Industries (EFCI)	Fédération européenne du nettoyage industriel (FENI)	Europäischer Dachverband der Reinigungsbranche (EFCI)
European Federation of Education Employers (EFEE)	Fédération européenne des employeurs de l'éducation (FEEE)	European Federation of Education Employers (EFEE)
European Federation of National Insurance Associations (Insurance Europe)	European Federation of National Insurance Associations (Insurance Europe)	European Federation of National Insurance Associations (Insurance Europe)
European Federation for Print and Digital Communication (Intergraf)	European Federation for Print and Digital Communication (Intergraf)	European Federation for Print and Digital Communication (Intergraf)
European Furniture Industries Confederation (EFIC)	European Furniture Industries Confederation (EFIC)	European Furniture Industries Confederation (EFIC)
European Furniture Manufacturers Federation (UEA)	Union européenne de l'ameublement (UEA)	Verband der europäischen Möbelindustrie (UEA)
European Hospital and Healthcare Employers' Association (HOSPEEM)	Association Européenne des Employeurs Hospitaliers (HOSPEEM)	European Hospital and Healthcare Employers' Association (HOSPEEM)
European Industrial Minerals Association (IMA-Europe)	European Industrial Minerals Association (IMA-Europe)	Europäische Vereinigung für industrielle Mineralien (IMA-Europe)
European Public Administration Employers (EUPAE)	Employeurs des Administrations Publiques Européennes (EUPAE)	Vereinigung öffentlicher Arbeitgeber in Europa (EUPAE)
European Rail Infrastructure Managers (EIM)	European Rail Infrastructure Managers (EIM)	European Rail Infrastructure Managers (EIM)

European Regions Airline Association (ERA)	European Regions Airline Association (ERA)	European Regions Airline Association (ERA)
European Savings Banks Group (ESBG)	Groupement européen des caisses d'épargne (GECE)	Europäische Sparkassenvereinigung (ESV)
European Sea Ports Organisation (ESPO)	European Sea Ports Organisation (ESPO)	European Sea Ports Organisation (ESPO)
European Ships and Maritime Equipment Association (SEA Europe)	European Ships and Maritime Equipment Association (SEA Europe)	European Ships and Maritime Equipment Association (SEA Europe)
European Skippers Organisation (ESO)	Organisation européenne de bateliers (OEB)	Europäische Schifferorganisation (ESO)
European Steel Association (Eurofer)	Association Européenne de l'Acier (Eurofer)	Europäischer Stahlverband (Eurofer)
European Telecommunications Network Operators' Association (ETNO)	Association des opérateurs européens de réseaux de télécommunications (ETNO)	Europäischer Verband der Telekommunikationsbetreiber (ETNO)
European Union of the Natural Gas Industry (Eurogas)	European Union of the Natural Gas Industry (Eurogas)	European Union of the Natural Gas Industry (Eurogas)
Europe's Food and Drink Industry Organisation (FoodDrinkEurope)	Organisation européenne des industries alimentaires (FoodDrinkEurope)	Europäische Organisation der Lebensmittel- und Getränkeindustrie (FoodDrinkEurope)
Federation of European Private Port Operators (FEPORT)	Federation of European Private Port Operators (FEPORT)	Federation of European Private Port Operators (FEPORT)
FoodServiceEurope	FoodServiceEurope	FoodServiceEurope
Hotels, Restaurants and Cafés in Europe (HOTREC)	Hôtels, Restaurants et Cafés en Europe (HOTREC)	Hotels, Restaurants und Cafés in Europa (HOTREC)
International Air Carrier Association (IACA)	International Air Carrier Association (IACA)	International Air Carrier Association (IACA)
International Federation of Film Producers Associations (FIAPF)	Fédération internationale des associations de producteurs de films (FIAPF)	Internationaler Filmproduzentenverband (FIAPF)
International Federation of Insurance Intermediaries (BIPAR)	Bureau international des producteurs d'assurances et de réassurances (BIPAR)	Internationaler Verband der Versicherungsvermittler (BIPAR)
International Road Transport Union (IRU)	Union internationale des transports routiers (IRU)	Internationale Straßenverkehrsunion (IRU)

Performing Arts Employers' Associations League Europe (PEARLE*)	Ligue européenne des associations d'employeurs dans le spectacle (PEARLE*)	Europäische Liga der Arbeitgeberverbände der darstellenden Kunst (PEARLE*)
Retail, Wholesale and International Trade Representation to the EU (EuroCommerce)	Représentation du commerce de détail, de gros et international auprès de l'UE (EuroCommerce)	Vertretung des Einzel-, Groß- und Außenhandels in Europa (EuroCommerce)
Union of the Electricity Industry - EURELECTRIC	Union de l'Industrie Electrique - EURELECTRIC	Union of the Electricity Industry - EURELECTRIC

<b>Sectoral European trade union organisations</b>	<b>Fédérations syndicales européennes</b>	<b>Europäische Gewerkschaftsverbände</b>
European Arts and Entertainment Alliance (EAEA)	Alliance européenne des arts et du spectacle (EAEA)	Europäische Allianz für Kunst und Unterhaltung (EAEA)
European Cockpit Association (ECA)	European Cockpit Association (ECA)	European Cockpit Association (ECA)
European Confederation of Independent Trade Unions (CESI)	Confédération Européenne des Syndicats Indépendants (CESI)	Europäische Union der unabhängigen Gewerkschaften (CESI)
European Federation of Building and Woodworkers (EFBWW)	Fédération européenne des travailleurs du bâtiment et du bois (FETBB)	Europäische Föderation der Bau- und Holzarbeiter (EFBH)
European Federation of Journalists (EFJ)	Fédération Européenne des Journalistes (FEJ)	Europäischer Journalistenverband (EFJ)
European Federation of Public Service Unions (EPSU)	Fédération syndicale européenne des services publics (FSESP)	Europäischer Gewerkschaftsverband für den öffentlichen Dienst (EGÖD)
European Federation of Trade Unions in the Food, Agriculture and Tourism Sectors and Allied Branches (EFFAT)	Fédération européenne des syndicats des secteurs de l'alimentation, de l'agriculture et du tourisme et des branches connexes (EFFAT)	Europäische Föderation der Gewerkschaften des Lebens-, Genussmittel-, Landwirtschafts- und Tourismussektors und verwandter Branchen (EFFAT)
European Trade Union Committee for Education (ETUCE)	Comité syndical européen de l'éducation (CSEE)	Europäisches Gewerkschaftskomitee für Bildung und Wissenschaft (ETUCE)
European Transport Workers' Federation (ETF)	Fédération européenne des travailleurs des transports (ETF)	Europäische Transportarbeiter-Föderation (ETF)
industriAll European Trade Union	industriAll European Trade Union	industriAll European Trade Union

International Dockworkers Council (IDC)	Conseil International des Dockers (IDC)	International Dockworkers Council (IDC)
International Federation of Actors (FIA)	Fédération internationale des acteurs (FIA)	Internationaler Schauspielerverband (FIA)
International Federation of Musicians (FIM)	Fédération internationale des musiciens (FIM)	Internationale Musiker-Föderation (FIM)
International Federation of Professional Footballers' Associations – Division Europe (FIFPro)	Fédération Internationale des Associations de Footballeurs Professionnels (FIFPro)	International Federation of Professional Footballers' Associations – Division Europe (FIFPro)
Union Network International (UNI) Europa	Union Network International (UNI) Europa	Union Network International (UNI) Europa

### Annex 5.3. List of social partner joint texts January 2012 – December 2014

DATE	SECTOR	TITLE	TYPE OF OUTCOME
16/01/2012	Construction	Proposal for a directive on "Intra-corporate transfers" ("ICT") EFBWW-FIEC joint position paper in support of the compromise Amendment 24 adopted by the EMPL Committee ("Jaakonsaari Report")	Joint opinion
27/01/2012	Extractive industries	Budapest III declaration on Coal Policy	Joint opinion
15/02/2012	Inland waterways	European Agreement concerning certain aspects of the organisation of working time in inland waterway transport	Agreement requested to be implemented through EU legislation under Article 155.2 of the TFEU
28/02/2012	Sugar Industry	Ninth Implementation Report (2011) on the Code of conduct on Corporate Social Responsibility	Follow-up report
28/02/2012	Sugar Industry	CAP and Sugar Reform – Towards 2020	Joint opinion
28/02/2012	Sugar Industry	EU sugar social partners call upon the EU institutions to maintain employment levels in the sector and to streamline EU policies	Joint opinion
20/03/2012	Chemical industry	Joint statement on the proposal of 22 June 2011 for a directive on energy efficiency	Joint opinion
28/03/2012	Education	Statement on the amendments of the Professional Qualifications Directive	Joint opinion
29/03/2012	Central Government Administrations	European Commission's Green Paper Restructuring and anticipation of change: what lessons from recent experience?	Joint opinion
30/03/2012	Local and regional government	CEMR-EPSU joint response to the European Commission's Green Paper COM (2012) 7 final 'Restructuring and anticipation of change': what lessons from recent experience?	Joint opinion
30/03/2012	Railways	Follow-up of the Joint Recommendations 'Better Representation and Integration of Women in the Railway Sector' - Implementation - Evaluation - Review	Follow-up report
18/04/2012	Postal services	New Joint Declaration on Postal Sector Evolution	Declaration

19/04/2012	Professional Football	Agreement regarding the minimum requirements for standard player contracts in the professional football sector in the European Union and in the rest of the UEFA territory	Autonomous Agreement under Article 155.2 of the TFEU
24/04/2012	Commerce	Contribution of the social partners for commerce regarding consensus social issues for the Retail action plan	Joint opinion
26/04/2012	Personal services	Declaration of the European social partners on health and safety in the hairdressing sector	Declaration
26/04/2012	Personal services	European framework agreement on the protection of occupational health and safety in the hairdressing sector	Agreement requested to be implemented through EU legislation under Article 155.2 of the TFEU
21/05/2012	Sea Fisheries	Agreement on the work in fishing	Autonomous Agreement under Article 155.2 of the TFEU
25/05/2012	Private security	Joint position on the revision of the public procurement directive	Joint opinion
29/05/2012	Tanning and leather	Joint Statement on the Free Trade Agreement between the EU and Ukraine	Joint opinion
29/05/2012	Tanning and leather	Joint Statement on the Ban of Cr VI in Leather and Leather Products	Joint opinion
14/06/2012	Railways	WIR - Women In Rail - Good Practices and Implementation Guide (Tool)	Tool
19/06/2012	Cross-industry	Implementation of the framework agreement on inclusive labour markets - Yearly joint table summarising ongoing social partners' activities	Follow-up report
21/06/2012	Civil aviation	Guidelines for Consultation arrangements for Functional Airspace Blocks	Tool
28/06/2012	Multisectoral	Joint opinion on the modernisation of EU public procurement policy by CoESS, EFCE, UNI Europa, FERCO and EFFAT	Joint opinion
12/07/2012	Food and Drink Industry	Joint Statement on the CAP Reform	Declaration
30/08/2012	Road transport (Urban Public Transport)	Project report "Women Employment in Urban Public Transport Sector"	Tool
31/08/2012	Tanning and leather	<i>Online Interactive Risk Assessment (available via website EU-OSHA)</i>	Tool

5/09/2012	Hospitals	Joint statement on the Action Plan for the EU Health Workforce adopted by the Commission	Joint opinion
5/09/2012	Hospitals	Use and implementation of the EPSU-HOSPEEM Code of Conduct on Ethical Cross-Border Recruitment and Retention in the Hospital Sector	Follow-up report
6/09/2012	Extractive industries	Joint statement on the further improvement of the working conditions and occupational health of employees in the extractive industries	Joint opinion
7/09/2012	Maritime Transport	Joint Declaration on Maritime Piracy off the Somali Coast	Joint opinion
10/09/2012	Audiovisual	Joint opinion on the matter of the European Audiovisual Observatory	Joint opinion
27/09/2012	Multisectoral	Common position by CEEMET, ECEG and IndustriAll on the revision of the IORP directive	Joint opinion
28/09/2012	Paper	No paper without skilled healthy and safe people/ Report of Good Health and Safety Practices in the European Pulp and Paper Industry	Tool
24/10/2012	Road transport	Joint Statement on the 2011 Transport White Paper	Joint opinion
24/10/2012	Road transport	Conclusions and recommendations of the STARTS (Skills, Training and the Road Sector) project	Joint opinion
8/11/2012	Education	A European Project by ETUCE and EFEE: "Recruitment and retention in the education sector, a matter of social dialogue" – Joint recommendations to the European Sectoral Social Dialogue Committee for Education	Declaration
22/11/2012	Audiovisual	Promoting Social Dialogue in the Audiovisual Industry - Tallinn Declaration	Declaration
22/11/2012	Furniture	Joint Declaration – Nano in Furniture	Joint opinion
23/11/2012	Furniture	Joint Position of UEA and EFBWW on the creation of a European Furniture Sector Skills Council	Declaration



29/11/2012	Construction	Joint FIEC-EFBWW proposed amendments on the proposal for a Directive on the enforcement of Directive 96/71/EC concerning the posting of workers in the framework of the provision of services [COM(2012) 131]	Joint opinion
30/11/2012	Insurance	Addressing the demographic challenge in the insurance sector - conference and seminar reports	Tool
30/11/2012	Insurance	Combating the demographic challenge in the insurance sector. A selection of initiatives	Tool
5/12/2012	Railways	Promoting security and the feeling of security vis-à-vis third-party violence in the European railway sector - Recommendations of the European railway sector social partners	Policy orientations
5/12/2012	Railways	Promoting security and the feeling of security vis-à-vis third-party violence in the European rail sector - A good practice guide	Tool
6/12/2012	Industrial cleaning	Joint position by the European social partners of the Cleaning Industry regarding the European Commission proposal for a draft directive on the enforcement of the Posting of Workers' directive {COM (2012) 131final} as well as the draft report of Mrs Danuta Jazłowiecka (2012/0061(COD))	Joint opinion
7/12/2012	Road transport	Joint statement on the further opening of the EU road haulage market	Joint opinion
7/12/2012	Live Performance	Open letter from International Cultural Industry Associations on VAT increase in Spain	Joint opinion
12/12/2012	Central Government Administrations	Framework Agreement for Quality Services	Framework of actions
17/12/2012	Construction	Joint opinion of EFBWW and FIEC on the New community strategy on health and safety for 2013-2020	Joint opinion
18/12/2012	Local and Regional Government	Framework of action on Restructuring	Framework of actions

19/12/2012	Temporary agency work	Joint Eurociett/UNI Europa Recommendations on temporary agency work facilitating transitions in the labour market	Joint opinion
------------	-----------------------	---	---------------

DATE	SECTOR	TITLE	TYPE OF OUTCOME
1/01/2013	Woodworking	Joint Position of the European Social Dialogue for the Wood sector on the New Community Strategy on Occupational Safety and Health	Joint opinion
3/01/2013	Personal Services	Joint contribution to the public consultation reviewing reduced VAT rates for more efficient tax systems	Joint opinion
6/02/2013	Road Transport	Social Sector Partners Proposal for a policy package for the next revision of EU Regulations 1071/2009 on access to the profession and 1072/2009 on access to the road haulage market	Joint opinion
8/02/2013	Temporary Agency Work	Final Report for the Joint Project: Temporary Agency Work and Transitions in the Labour Market	Tool
21/02/2013	Construction	Joint position on public procurement	Joint opinion
25/02/2013	Extractive industries	Joint opinion on ETS backloading	Joint opinion
28/02/2013	Sugar	Tenth CSR Implementation Report (2012) on the Code of conduct on Corporate Social Responsibility	Follow-up report
1/03/2013	Sugar	Joint CEFS-EFFAT-CIBE-ACP position 'CAP towards 2020: Extension of the Single CMO for sugar necessary to ensure a smart, sustainable and inclusive future for the sugar sector'	Joint opinion
8/03/2013	Commerce	Joint statement on the Institutions for Occupational Retirement provision (IORP) directive revision	Joint opinion
13/03/2013	Multi-sectoral	Joint opinion on wage-setting	Joint opinion
15/03/2013	Electricity	Competencies, qualifications and anticipation of change in the European electricity sector - A Joint Framework of Actions	Framework of actions

15/03/2013	Electricity	Joint Social Partners response to the Consultation Paper on the Outline of the Social Strategy of the Energy Community	Joint opinion
15/03/2013	Electricity	Joint Statement Eurelectric/EPSU/industriAll Europe - A quality framework for traineeships	Joint opinion
4/04/2013	Postal services	Joint Conclusions on Environment	Declaration
16/04/2013	Food and Drink Industry	EFFAT FoodDrinkEurope Joint Position on Discriminatory Food taxes	Joint opinion
16/04/2013	Food and Drink industry	EFFAT FoodDrinkEurope Joint Position on Solvency II	Joint opinion
8/05/2013	Graphical industry	Rules of procedures – Graphical industry	Procedural text
29/05/2013	Metal Industry	Rethinking Education	Joint opinion
11/06/2013	Cross-industry	Framework of actions on youth employment	Framework of actions
12/06/2013	Personal Services	Report on the European agreement on the implementation of the European hairdressing certificates	Follow-up report
17/06/2013	Construction	Joint statement on posting directive	Joint opinion
17/06/2013	Audiovisual	Joint opinion on the position of public service media in Greece	Joint opinion
25/06/2013	Steel	Joint EUROFER-industriAll declaration on the European Steel Action Plan	Declaration
27/06/2013	Cross-industry	Implementation of the framework agreement on inclusive labour markets – Yearly Joint Table summarising ongoing social partners activities	Follow-up report
1/07/2013	Temporary Agency Work	Joint statement on the roundtable on temporary agency work social dialogue	Declaration
16/09/2013	Inland Waterways	Social Partners' position on professional qualifications and training standards for crew members on Inland Waterways Transport vessels	Joint opinion
23/09/2013	Railways	Social aspects and the protection of staff in competitive tendering of rail public transport services and in the case of change of railway operator	Joint opinion
26/09/2013	Seafisheries	Joint position on Deep-sea fisheries	Joint opinion

2/10/2013	Commerce	Position Paper of Commerce Social Partners on the Consultation under Article 154 TFEU on undeclared work	Joint opinion
14/10/2013	Shipbuilding	Joint Statement on Social Standards in the European Shipbuilding and Ship Maintenance, Repair and Conversion Sector	Declaration
15/10/2013	Local and Regional Government	Supporting the EU framework of action on youth employment	Declaration
22/10/2013	Civil Aviation	Statement of ATCEUC, CANSO and ETF on the Commission proposal on the SES II+ package	Joint opinion
24/10/2013	Cross-industry	Social Partner Involvement in European Economic Governance	Joint opinion
29/10/2013	Personal Services	Joint statement social partners agreement Health and Safety	Joint opinion
31/10/2013	Railways	Social aspects and the protection of staff in case of change of railway operator: the current situation (report)	Tool
31/10/2013	Railways	PSR RAIL – A guide to identifying and preventing psychosocial risks at work in the railway sector	Tool
12/11/2013	Education	Joint declaration on the promotion of self-evaluation of schools and teachers	Declaration
12/11/2013	Education	How to Prevent and Mitigate Third-Party Violence and Harassment in Schools. Implementation Guide for the Education Sector of the Multi-Sectoral Guidelines to Tackle Third-Party Violence and Harassment Related to Work	Tool
12/11/2013	Education	Joint report from the Social Partners in the Education sector on the Implementation of the Multi-Sectoral Guidelines to Tackle Third-Party Violence and Harassment Related to Work	Follow-up report
13/11/2013	Electricity	The social dimension of the 2030 Framework for Energy and Climate Policies	Joint opinion
13/11/2013	Electricity	Safety and security in the European nuclear industry and consultation of social partners	Joint opinion
18/11/2013	Electricity	The impact of energy technologies and innovation on the electricity sector and employment	Joint opinion

21/11/2013	Multi-sectoral	Report on the follow-up and implementation of the multi-sectoral guidelines to tackle work-related third-party violence	Follow-up report
21/11/2013	Sea Fisheries	Social clause to be inserted in the Fisheries Partnership Agreements	Joint opinion
29/11/2013	Civil Aviation	ATM European social partners recommendations on mobility of workers within the ATM sector	Tool
4/12/2013	Hospitals	Guidelines and examples of good practice to address the challenges of an ageing workforce	Tool
6/12/2013	Chemical industry	Joint declaration on the Commission's Green Paper "A 2030 framework for climate and energy policies"	Joint opinion
10/12/2013	Central government administrations	Political guidelines on strengthening Human Resources by better anticipation and managing change	Guidelines
10/12/2013	<i>Private security</i>	<i>Online Interactive Risk Assessment (available via website EU-OSHA)</i>	<i>Tool</i>
13/12/2013	Live performance	Double taxation should be removed	Joint opinion
17/12/2013	Electricity	Joint EURELECTRIC/industrial/EPsU position on the 2030 Framework for Climate and Energy Policies	Joint opinion

DATE	SECTOR	TITLE	TYPE OF OUTCOME
14/01/2014	Electricity	First follow-up of Joint position on the social aspects of Corporate Social Responsibility. Positive actions on Training/Health & safety/Equal opportunity & Diversity	Joint opinion
21/01/2014	Railways	Results of the 2013 questionnaire on the development of women employment in the railway sector in Europe	Follow-up report
31/01/2014	Banking	EU Bank Social Partners' review of the joint statement of 2005 on employment & social affairs in the European banking sector: some aspects related to Corporate Social Responsibility (CSR)	Declaration

10/02/2014	Paper	The paper sectoral social dialogue calls for boosting the re-industrialisation of the EU	Joint opinion
24/02/2014	Tanning and Leather	Joint Declaration on the Defence of the European Leather Industry	Joint opinion
28/02/2014	Extractive industry	Joint opinion on the draft recommendations of the SCOEL for occupational exposure limits on the workplace for NO2 and NO	Joint opinion
11/03/2014	Railways	Joint recommendations Identify and prevent psychosocial risks within the railway sector	Policy orientations
12/03/2014	Industrial Cleaning	Joint position by the European social partners of the Cleaning Industry regarding the European Commission 2nd Stage Consultation of Social Partners under Article 154 TFEU on enhancing EU cooperation in the prevention and deterrence of undeclared work	Joint opinion
13/03/2014	Central Government Administration	Prevention and deterrence of undeclared work	Joint opinion
17/03/2014	Live performance	Joint letter on double taxation	Joint opinion
17/03/2014	Live performance	Motion regarding the negotiations of the French unemployment compensation system	Joint opinion
8/04/2014	Road transport	Joint recommendations: Strengthening women employment in urban public transport	Policy orientations
8/04/2014	Road transport	Joint statement: The implication, application and further development of Directive 2003/59/EC on initial qualification and continuous training of professional bus drivers in urban public transport	Joint opinion
9/04/2014	Sea Fisheries	Social Clause in the Fisheries Partnership Agreements	Joint opinion
24/04/2014	Sea Fisheries	Comments on the EU maritime security strategy	Joint opinion
24/04/2014	Sea fisheries	Statement on the EU "de minimis" aid in the fishery and aquaculture sector	Joint opinion
5/06/2014	Civil Aviation	Joint Declaration against EU-based Flags of Convenience in Aviation	Joint opinion

6/06/2014	Industrial Cleaning	Online Interactive Risk Assessment (available via website EU-OSHA)	Tool
17/06/2014	Paper	Joint resolution (on the EU bio-energy policy).	Joint opinion
2/07/2014	Personal services	Memorandum of Understanding between the European Agency for Safety and Health at Work (EU-OSHA) and the European Social Partners	Procedural text
21/08/2014	Private security	Joint Statement on public procurement	Joint opinion
22/09/2014	Telecommunications	ETNO-UNI Joint Declaration on Gender Equality	Declaration
30/09/2014	Audiovisual	Joint contribution of social partners of the EU Audiovisual and Live Performance Social Dialogue Committees to the public consultation on the revision of the European Commission's Impact Assessment guidelines	Joint opinion
30/09/2014	Chemical industry	Joint Declaration on REACH and the inclusion of nanomaterials in its annexes	Declaration
22/10/2014	Personal services	Securing employment in the hairdressing sector	Joint opinion
19/11/2014	Road Transport	European Road Transport Agency – Indicative Terms of Reference	Joint opinion
21/11/2014	Postal services	Joint Declaration on Matching Skills and Jobs in the European Postal Sector	Declaration
28/11/2014	Industrial Cleaning	Joint position by the European social partners of the Cleaning Industry regarding the Commission proposal for the establishment of a European Platform on undeclared work	Joint opinion
28/11/2014	Telecommunications	Joint UNI Europa – ETNO declaration on future ICT skills needs	Declaration
09/12/2014	Tanning and leather	Leather Industry's Social Partners' Joint Letter to Commission President Mr Juncker	Joint opinion

31/12/2014	Railways	2nd Annual report on the Development of women's employment in the European railway sector	Follow-up report
------------	----------	---	------------------



## Chapter 6: Review of European labour legislation 2012–2014

### 6.1. Introduction

In line with its Europe 2020 strategy, the Commission pursued its work aiming at improving job quality and working conditions as well as the functioning of the labour market against the backdrop of the crisis which significantly worsened the employment situation and deteriorated living and working standards in particular as regards vulnerable categories of people.

The EU legislators adopted a number of important legislative acts in the area under discussion regarding in particular posting of workers, health and safety at work and young persons in transition to work. Action was taken with a view to enhance cooperation between all stakeholders in the prevention and deterrence of undeclared work. The Commission also advanced in evaluating and reviewing existing EU legislation to identify whether it is 'fit for purpose'. In the area of health and safety at work, the Commission developed a new EU Strategic Framework for the period 2014–2020.

The present chapter provides a comprehensive overview of the developments at EU level in the field of labour law including health and safety at work during the past two years. It highlights legislative developments and related action aiming at ensuring in particular the correct implementation, monitoring and review of EU law, and summarises key Court rulings in the area at issue.

### 6.2. Labour law

#### 6.2.1. Posting of workers

On 15 May 2014, the EU legislators adopted Directive 2014/67/EU<sup>95</sup> regarding the enforcement of the Posting of Workers Directive. The Commission had submitted a proposal on this issue on 21 March 2012 with the aim to better ensure adequate protection of workers' rights, fair competition and a level playing field between all service providers within the EU.

#### Box 6.1. The new Enforcement Directive – Content and objectives

The Directive entails a balanced package of comprehensive measures in order to improve the implementation, application and enforcement of Directive 96/71/EC in practice. It contains in particular provisions concerning administrative cooperation, ways of improving the effectiveness of controls and sanctions in compliance with Single Market

<sup>95</sup> Directive 2014/67/EU of the European Parliament and of the Council of 15 May 2014 on the enforcement of Directive 96/71/EC concerning the posting of workers in the framework of the provision of services and amending Regulation (EU) No 1024/2012 on administrative cooperation through the Internal Market Information System ('the IMI Regulation').

provisions and possibilities given to posted workers to better defend their rights. It also contains provisions allowing Member States to more effectively prevent abuses, circumvention or disrespect of the law, as in the case of letterbox companies or subcontractors who fail to fulfil their obligations. Other measures include awareness raising measures through better information and private enforcement mechanisms, notably through subcontracting liability.

In more detail, the new Enforcement Directive intends in particular to:

- set more ambitious standards to raise the **awareness** of workers and companies about their rights and obligations as regards the terms and conditions of employment, through the introduction of an obligation for Member States to publish such information on a single official national website;
- **improve cooperation between national authorities** in charge of posting (obligation to respond to requests for assistance from competent authorities of other Member States; a two working day time limit to respond to urgent requests for information and a 25 working day time limit for non-urgent requests);
- clarify the **definition of posting** increasing legal certainty for posted workers and service providers, while at the same time avoiding the multiplication of "letter-box" companies that do not exercise any genuine economic activity in the Member State of origin but rather use posting to circumvent the law;
- define Member States responsibilities to **verify compliance** with the rules laid down in the 1996 Directive (Member States will have to designate specific enforcement authorities responsible for verifying compliance; Member States where service providers are established will have to take necessary supervisory and enforcement measures);
- establish a list of national control measures that the Member States may apply in order to monitor the compliance of Directive 96/71/EC and the Enforcement Directive itself, such as requiring **posting companies**:
  - to declare their identity, the number of workers to be posted, the starting and ending dates of the posting and its duration, the address of the workplace and the nature of the services to be provided;
  - to keep basic documents available at the workplace in the host Member State, such as employment contracts, payslips and time sheets of posted workers;
  - to designate a contact person for liaison with the enforcement authorities.
- improve **the enforcement of rights, and the handling of complaints**, by requiring both host and home Member States to ensure that posted workers, with the support of trade unions and other interested third parties, can lodge complaints and take legal and/or administrative action against their employers if their rights

are not respected;

- ensure that **administrative penalties and fines** imposed on service providers by one Member State's enforcement authorities for failure to respect the requirements of the 1996 Directive can be enforced and recovered in another Member State. Sanctions for failure to respect the Directive must be **effective, proportionate and dissuasive**;
- provide for measures ensuring that posted workers in the construction sector can hold the contractor in a direct subcontractor relationship liable for any outstanding net remuneration corresponding to the minimum rates of pay, in addition to or in place of the employer. The latter is without prejudice to the application of more stringent systems and/or taking into consideration due diligence obligations as defined by national law. As an alternative to the direct subcontracting liability stipulated, Member States may take other appropriate enforcement measures, in accordance with EU and national law, which enable in a direct subcontracting relationship, effective and proportionate sanctions against the contractor.

As regards national control measures, Member States may impose other administrative requirements and control measures than those listed should situations or new developments arise from which it appears that existing administrative requirements and control measures are not sufficient or efficient, provided that these are justified and proportionate.

All control measures will have to be communicated to the Commission by the Member States and service providers will have to be informed about them through a single national website. In addition, the Commission will monitor the application of the measures closely, evaluate their compliance with Union law and will, where appropriate, take the necessary action in accordance with its competences under the Treaty. In particular, the new Directive contains a horizontal review clause, obliging the Commission to review the key provisions of the Directive and present a report on the application and implementation of the Directive five years after its entry into force.

In summary, the comprehensive package of measures is expected to considerably improve the current protection of posted workers' rights as well as to prevent circumvention and abuse, thereby ensuring a level playing field in the Single Market.

### *6.2.2. Working time Directive*

Work continued during 2013–2014 on the review of the working time Directive (2003/88/EC). The aim of this review is to ensure that EU working time rules can meet the needs of employers and workers in the 21st century, while securing effective protection of workers' health and safety.

Following the end of the negotiations between the cross-sectoral social partners at EU level without any agreement in December 2012, the Commission has been engaged since 2013 in a comprehensive impact assessment on the future of the Directive, the results of which are expected in 2015.

### *6.2.3. Maritime transport, inland waterways and fisheries*

#### – Working time in inland waterways transport

Following the social partners' agreement on working time for mobile workers in inland waterway transport, the social partners asked the Commission on 16 March 2012 to implement this agreement by way of a Council Decision according to Article 155(2) TFEU. As the agreement was negotiated at the own initiative of European sectoral social partners, the Commission assessed the appropriateness of the EU action in the area in line with the Smart Regulation Agenda. In 2013 the Commission services prepared, in line with the impact assessment guidelines, an analytical document assessing the expected socio-economic impact from the implementation of the agreement. Subsequently, on 7 July 2014, the Commission presented a proposal for a Directive implementing the social partners' agreement in EU law<sup>96</sup>. In December 2014 the Council adopted this Directive<sup>97</sup>, which will have to be implemented by the Member States by 16 December 2016.

#### – Seafarers

On 18 November 2013 the Commission adopted a proposal to include seafaring workers in the personal scope of application of a number of EU labour law Directives<sup>98</sup>. Subsequently, the Economic and Social Committee (EESC) and the Committee of the Regions adopted opinions thereon, on 25 March 2014 and 3 April 2014 respectively, broadly endorsing the European Commission's proposal. The European Parliament discussed a draft report on this proposal at the beginning of 2014. The report, proposing to weaken the Commission's proposal, was rejected by the EP EMPL Committee. The EP is expected to adopt its position on the basis on a new report in the first half of 2015. The Council has adopted a general approach in December 2014.

#### – Maritime Labour Convention (ILO, 2006) – follow-up

Directive 2009/13/EC, which implements the social partners' agreement on the Maritime Labour Convention and was adopted on 16 February 2009 entered into force on 20 August 2013, simultaneously with the entry into force of ILO's 2006 Maritime Labour Convention.

---

<sup>96</sup> COM(2014) 452 final.

<sup>97</sup> Council Directive 2014/112/EU of 19 December 2014 implementing the European Agreement concerning certain aspects of the organisation of working time in inland waterway transport, concluded by the European Barge Union (EBU), the European Skippers Organisation (ESO) and the European Transport Workers' Federation (ETF), OJ L 367, 23.12.2014, p. 86–95

<sup>98</sup> COM(2013) 798 final.

Member States have to implement the Directive in their internal legal systems by 20 August 2014.

In April 2014 the ILO Special Tripartite Committee on the Maritime Labour Convention discussed and adopted the amendments jointly proposed by the representatives of seafarers and ship-owners to the Maritime Labour Convention concerning the abandonment of seafarers and financial security for seafarers. These amendments were approved by the International Labour Conference during its session of June 2014<sup>99</sup>. In this connection, the annex of Directive 2009/13/EC provides for a review of the application of the agreement subsequent to any amendments to the Maritime Labour Convention, if requested by one of the Parties to the social partner agreement.

With a view to ensure the enforcement of the aforementioned Maritime Labour Convention 2006, as implemented by Directive 2009/13/EC, Directive 54/2013/EC concerning Flag State responsibilities was adopted by Council and Parliament. This Directive entered into force on 22 December 2013 and will have to be transposed by the Member States before 31 March 2015<sup>100</sup>. Directive 38/2013/EC amending Directive 2009/16/EC on port State control<sup>101</sup> entered into force on 20 August 2013 and has to be transposed by the EU Member States by 21 August 2014.

– Work in Fishing Convention (ILO, 2007) – follow-up

The social partners at European level, recognising the importance of ILO's 2007 Convention in improving the working conditions on board of fishing vessels in areas such as health and safety and medical care, rest periods, protection by a work agreement and social security, concluded on 21 May 2012 a European Agreement implementing a substantial part of its standards. This agreement could be implemented autonomously by the social partners. However with a view to request implementation of their agreement in EU legislation, the social partners negotiated a revised agreement, and asked the Commission to implement their agreement on the basis of Article 155(2) TFEU on 8 May 2013. The Commission is currently considering this request.

For more details on developments in the European social dialogue, see Chapter 5 of this report.

---

<sup>99</sup> [http://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---relconf/documents/meetingdocument/wcms\\_248905.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_248905.pdf)

<sup>100</sup> Directive 2013/54/EU of the European Parliament and of the Council of 20 November 2013 concerning certain flag State responsibilities for compliance with and enforcement of the Maritime Labour Convention, 2006, OJ L 329 of 10.12.2013.

<sup>101</sup> Directive 2013/38/EU of the European Parliament and of the Council of 12 August 2013 amending Directive 2009/16/EC on port State control, OJ L 218 of 14.8.2013.

#### 6.2.4. Undeclared work

The Commission adopted on 9 April 2014<sup>102</sup> a Proposal for a Decision of the European Parliament and of the Council on establishing a European Platform to enhance cooperation in the prevention and deterrence of undeclared work.

Following its Communication "Towards a job-rich recovery"<sup>103</sup>, the Commission initiated in 2013 consultations with stakeholders on the ways to enhance cooperation between Member States in order to tackle undeclared work more effectively. In general, Member States' representatives<sup>104</sup> recognized the added value in EU level action targeted at preventing and deterring undeclared work and welcomed the intention of the Commission to become more involved in this policy area. The views of the European social partners were collected during first and second stage consultations<sup>105</sup>. In general, the social partners agreed that a European Platform could be an appropriate vehicle for enhancing cooperation between Member States.

The Commission also carried out an in-depth Impact Assessment<sup>106</sup>, which included several options for enhancing EU cooperation in the prevention and deterrence of undeclared work. The analysis concluded that the preferred option would be the establishment of a European Platform with mandatory membership as the Platform would provide for the involvement of all relevant authorities of all Member States in the EU level activities and enable regular and operational cooperation in this area.

The Commission Proposal was transmitted to the Council and the European Parliament as well as to the national Parliaments of the Member States. The Council adopted a general approach in October 2014. The European Parliament started its discussions in autumn 2014. The draft report was presented in December 2014. The European Parliament is expected to finalise its position in spring 2015.

#### **Box 6.2. Undeclared work**

At EU level, undeclared work is defined as "any paid activities that are lawful as regards their nature but not declared to public authorities, taking account differences in the

<sup>102</sup> Proposal for a decision of the European Parliament and of the Council on establishing a European Platform to enhance cooperation in the prevention and deterrence of undeclared work (COM(2014) 221 final of 9 April 2014).

<sup>103</sup> Communication from the Commission "Towards a job-rich recovery", COM(2012) 173 final of 18 April 2012.

<sup>104</sup> Consulted in the framework of the group of Directors General of Industrial Relations (DG IR), the Senior Labour Inspectors Committee (SLIC) and the Administrative Commission for social security coordination.

<sup>105</sup> "Consultation of social partners under article 154 TFEU on enhancing EU cooperation in the prevention and deterrence of undeclared work", Consultation document C(2013)4145; "Second stage consultation of Social Partners under Article 154 TFEU on enhancing EU cooperation in the prevention and deterrence of undeclared work" C(2014)452 final.

<sup>106</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52014SC0137>

regulatory systems of the Member States".

Undeclared work has negative impacts on employment, productivity and working conditions, skills development and life-long learning. It has serious budgetary implications through decreased tax and social security revenues. It results in lower pension rights and less access to health care. It causes unfair competition between undertakings. Moving from informal or undeclared work to regular employment can also contribute to achieving the employment target as part of the Europe 2020 Strategy<sup>107</sup>.

Preventing and deterring undeclared work contributes to better enforcement of EU and national law, especially in the areas of employment, labour law, health and safety and coordination of national social security systems. As the challenges are common to Member States, and as undeclared work often has a cross-border dimension, EU level action can play an important role by reinforcing cooperation between enforcement authorities within and between different Member States in the prevention and deterrence of undeclared work. At the moment, there is no formal mechanism in place for all relevant authorities from the Member States to address issues related to cross-border aspects of undeclared work.

The Proposal foresees that the Platform would bring together Member States' different enforcement bodies such as the labour inspectorates and the social security, tax and migration authorities. It would contribute to better enforcement of EU and national law and to the creation of formal jobs, promote quality working conditions and integration in the labour market and social inclusion.

#### *6.2.5. Recommendation on a Quality Framework for Traineeships*

The Council of Ministers adopted on 10 March 2014 a Recommendation on a Quality Framework for Traineeships aiming at enabling trainees to acquire high-quality work experience under safe and fair conditions, and at increasing their chances of finding a good quality job. The Recommendation calls in particular on Member States to apply a set of principles including as regards the conclusion of a written traineeship agreement, the respect of working conditions applicable to trainees, the determination of reasonable duration of traineeships, the promotion of transparency, etc.

#### *6.2.6. Employee involvement*

- Withdrawal of Commission proposal for a Statute of Private European Company

The Commission decided to withdraw its 2008 proposal for a Statute of private European company. This decision comes in the context of the Communication "REFIT – Fit for

---

<sup>107</sup> Commission Communication on "Europe 2020 – A Strategy for smart, sustainable and inclusive growth", COM (2010)2020 of 3 March 2010; Communication on "An agenda for new skills and jobs: A European contribution towards full employment" COM 2010(682) of 23 November 2010.

Growth", adopted on 2 October 2013, in which the Commission sets out, by policy area, where it will take further action to simplify or withdraw EU laws, reduce the burden on businesses and make sure that implementation of EU laws is becoming easier.

– Transnational company agreements

In order to foster debate around a possible European framework for transnational company agreements (TCAs), a Commission Staff Working Document, issued at the end of 2012, identified the challenges faced by these agreements and their enforcement as well as possible options as to the way forward<sup>108</sup>.

TCAs have continued to gain significance in 2013-2014. According to the Commission's database<sup>109</sup>, 250 agreements were recorded in transnational companies, mostly headquartered in Europe

The Commission launched in 2012 a public consultation on the opportunity of an optional legal framework for TCAs. The consultation showed support to the development of TCAs. However, contrasting views as to the way forward remained. While some stakeholders were of the view that an optional legal framework at EU level could contribute to greater legal certainty, more transparency and enforceable legal effects for agreements, thus reinforcing transnational social dialogue, others found EU legislation unnecessary, or even detrimental for the continued development of such agreements.

On 12 September 2013 the European Parliament adopted a resolution on cross-border collective bargaining and transnational social dialogue inviting the Commission to consider the need for an optional European legal framework for European TCAs and to promote practices relating to them.

The Commission continues supporting efforts by stakeholders, in particular social partners, in developing exchanges and deepening knowledge on this issue, notably through the new Programme for Employment and Social Innovation (EaSI) and the budget line on Information, Consultation and Participation of Representatives of Undertakings. In 2013 it launched a joint project with the International Labour Organisation to regularly update the database with International agreements.

### *6.2.7. Monitoring of implementation in the Member States*

EU Directives in the labour law area often provide for their review some years after their transposition. Furthermore, in line with 'smart' regulation principles, the Commission assesses their operation and effects with a view to evaluating whether they are 'fit for purpose' or whether there are excessive regulatory burdens, overlaps, gaps, inconsistencies and/or

---

<sup>108</sup> Transnational company agreements: realising the potential of social dialogue.  
<sup>109</sup> <http://ec.europa.eu/social/main.jsp?catId=978&langId=en>



obsolete measures which may have appeared over time, with a view to drawing policy conclusions on the future of the relevant regulatory framework. .

- Fitness check – Evaluation of Directives regarding information and consultation (I&C) of workers

The Commission reviewed a family of three EU Directives regarding information and consultation (I&C) of workers at national level<sup>110</sup> in order to keep regulation 'fit for purpose' ('fitness check').

The fitness check relied on an evidence based approach covering legal, economic and social themes related to the EU I&C legislation at issue. Stakeholders were closely associated through an ad hoc Working Group on I&C bringing together representatives of the EU/EEA governments and the European Social Partners, and by contributing to an independent external study.

It was found that the EU Directives on I&C are broadly fit for purpose<sup>111</sup>. They are generally relevant, effective, coherent and mutually reinforcing. The benefits they generate are likely to outweigh the costs. However, a number of gaps and shortcomings were also brought to light in particular with regard to the diversity of definitions of 'information' and 'consultation', and the lack of coverage of public servants by the scope of the Directives. The Commission will consider a possible consolidation of the Directives subject to the results of a consultation of social partners<sup>112</sup>.

- Evaluation of part-time work and on fixed-term employment directives<sup>113</sup>

In line with its smart regulation policy, the Commission commissioned an evaluative study of Directives 1997/81/EC and 1999/70/EC on part-time work and on fixed-term employment respectively. The purpose is to evaluate ex-post the relevance, effectiveness and efficiency, as well as the lasting nature (sustainability) of the impact of these Directives.

- Review of the application of the Directive on temporary agency work<sup>114</sup>

In accordance with Article 12 of Directive 2008/104/EC<sup>115</sup>, the Commission adopted in March 2014 a report<sup>116</sup> on the application of this Directive. It found that, in general, Member

---

<sup>110</sup> In particular, Directives 2002/14/EC, 2001/23/EC and 98/59/EC.

<sup>111</sup> See Commission SWD (2013)293 final of 26.7.2013 on 'fitness check' on EU law in the area of information and consultation of workers.

<sup>112</sup> See Commission communications on '*Regulatory Fitness and Performance (REFIT): Results and Next Steps*' (COM(2013) 685 final), and on '*Regulatory Fitness and Performance (REFIT): State of Play and Outlook*' (COM(2014) 368 final).

<sup>113</sup> See Commission communication on Regulatory Fitness and Performance Programme (REFIT): State of Play and Outlook COM(2014)368 final and SWD(2014)192 final of 18.6.2014

<sup>114</sup> See Commission communication on Regulatory Fitness and Performance Programme (REFIT): State of Play and Outlook COM(2014)368 final and SWD(2014)192 final of 18.6.2014

States seem to have correctly implemented and applied its provisions, but the goals of the Directive have not yet been fully achieved. On one hand, the extent of the use of certain derogations from the principle of equal treatment may have hindered the improvement of the protection of agency workers. On the other hand, Member States have reviewed restrictions and prohibitions on the use of agency work, but few have been removed and, in most cases, the status quo was maintained. Besides, most Member States considered that the Directive did not give rise to significant additional costs on national authorities, temporary-work agencies or user companies, including SMEs. The report further stated that it is not necessary to amend the Directive at this stage. The Commission will focus on ensuring its proper application and will tackle any implementation problems with the appropriate means, including where necessary by initiating infringement procedures against the Member States.

– Recast European Works Councils Directive

All Member States have transposed Directive 2009/38/EC, the last being Croatia when joining the EU on the 1st of July 2013. A study was launched at the beginning of 2015 to evaluate the legal and socio-economic impact of the Directive, in view of the Commission report due on the 5th of June 2016 at the latest<sup>117</sup>.

– Information campaign on the European Company (SE)

At the end of 2013, the Commission launched an information campaign to increase awareness of the European Company (SE) Statute through a comprehensive website bringing together practical advice and relevant documentation, including on the aspects related to employee involvement<sup>118</sup>.

– Study on cross-border mergers Directive

The Commission published a study on the application of Directive 2005/56/EC<sup>119</sup>. This study covers also the Directive's provisions relating to employee involvement.

– Employer's Insolvency Directive

Following its commitment in the White Paper "An Agenda for Adequate, Safe and Sustainable Pensions" of February 2012, to ensure a more effective enforcement as far as the protection of supplementary pensions is concerned, the Commission launched a number of infringement proceedings against Member States in this regard.

---

<sup>115</sup> Directive 2008/104/EC of the European Parliament and of the Council of 19 November 2008 on temporary agency work, OJ L 327, 5.12.2008, p. 9.

<sup>116</sup> COM Directive 2008/104/EC of the European Parliament and of the Council of 19 November 2008 on temporary agency work, OJ L 327, 5.12.2008, p. 9. (2014) 176 final of 21.03.2014 and accompanying document SWD(2014) 108 final of 21.03.2014.

<sup>117</sup> According to Article 15 of Directive 2009/38/EC.

<sup>118</sup> [http://ec.europa.eu/internal\\_market/company/societas-europaea/index\\_en.htm](http://ec.europa.eu/internal_market/company/societas-europaea/index_en.htm)

<sup>119</sup> [http://ec.europa.eu/internal\\_market/company/docs/mergers/131007\\_study-cross-border-merger-directive\\_en.pdf](http://ec.europa.eu/internal_market/company/docs/mergers/131007_study-cross-border-merger-directive_en.pdf)

– Interpretation of Directives

The European Court of Justice (ECJ) had the opportunity to interpret a number of provisions of EU Directives in the field of labour law in several judgements rendered between March 2012 and May 2014. Most of these judgements were delivered following preliminary questions submitted to the ECJ by national courts. The ECJ had also the opportunity to interpret provisions of the Charter of Fundamental Rights of the European Union, in particular Article 31 in connection with working time and Article 27 in connection with information and consultation of workers.

In relation to **Directive 96/71/EC (posting of workers)**, one judgment is worth mentioning. In **Case C-522/12**<sup>120</sup> the Court clarified whether lump sum payments and employer contributions to capital formation for the benefit of its employees, the latter subsidised by the State, can be taken into account when determining whether a minimum wage obligation has been met under Article 3(1)(c). The Court ruled that Article 3(1)(c) of Directive 96/71/EC is to be interpreted as meaning that it does not preclude the inclusion in the minimum wage of elements of remuneration which do not alter the relationship between the service provided by the worker, on the one hand, and the consideration which he receives by way of remuneration for that service, on the other. It is for the national court to verify whether that is the case as regards the elements of remuneration at issue in the main proceedings.

Two cases were decided by the ECJ relating to **Directive 2001/23/EC (Transfers of undertakings)**. The aim of this Directive is to protect employees in the event of a transfer of undertaking from an employer (transferor) to another employer (transferee), and in particular to safeguard their rights.

In **Case C-426/11**<sup>121</sup>, the Court ruled that Directive 2001/23 precludes Member States from providing, in the event of a transfer of an undertaking, that dynamic clauses referring to collective agreements negotiated and adopted after the date of transfer are enforceable against the transferee, where that transferee does not have the possibility of participating in the negotiation process of such collective agreements concluded after the date of the transfer.

In **Case C-458/12**<sup>122</sup>, the Court confirmed that the Directive also applies to transfers between companies within the same group, even if the transferor undertaking exercises extensive, overriding powers over the transferee.

Three judgments were delivered relating to **Directive 97/81/EC (the part-time work Directive)**. This Directive, which is based on a European social partners' framework agreement, ensures that workers undertaking part-time work receive comparable treatment to full-time staff. In addition, there were two rulings decided on the basis of other directives but involving part-time workers.

---

<sup>120</sup> Judgment of the Court of 7 November 2013 – Tevfik Isbir v DB Services GmbH

<sup>121</sup> Judgment of the Court of 18 July 2013 - Alemo-Herron.

<sup>122</sup> Judgment of the Court of 6 March 2014 - Amatori.

In Case **C-385/11**<sup>123</sup> the Court ruled that in the case of part-time staff working very low hours, the rules on calculating pension contributions may not require a proportionally greater contribution period from part-time workers when the vast majority of these are women, when the amount of pension paid out is already reduced in proportion to the part-time nature of the work. This ruling was based on Council Directive 79/7/EEC on the equal treatment of men and women on social security matters. Social Security Matters are beyond the scope of Directive 97/81/EC.

In Case **C-415/12**<sup>124</sup> the Court ruled that unused leave acquired during periods of full-time work, may not be reduced when the employee in question switches to part-time work, even if the reduction is proportional to the difference between the number of days of work per week carried out by that worker before and after such a move to part-time work.

In Case **C-588/12**<sup>125</sup> the Court decided that in the case of staff that had been working full-time and that switched to part-time work in combination with part-time parental leave, national rules which provide a fixed-sum award for unlawful dismissal calculated on the basis of the reduced salary earned during the period of part-time work are not compatible with the framework agreement on parental leave annexed to Directive 96/34/EC.

In relation to **Directive 1999/70/EC (fixed-term work)**, the Court issued six judgements. This Directive establishes minimum requirements relating to fixed-term work, in order to ensure equal treatment of workers and to prevent abuse arising from the use of successive employment contracts or relationships of this type.

In **Joined Cases C 302/11 to C 305/11**<sup>126</sup>, the Court ruled that the non-discrimination requirement prohibits rules that prevent relevant periods of service of fixed-term staff from being taken into account when that staff becomes part of the permanent staff, unless there are objective grounds for doing so.

In Case **C-290/12**<sup>127</sup> the Court clarified that Directive 1999/70/EC does not apply to Temporary Agency Work and any fixed-term employment between a temporary work agency and the worker sent on assignments to the clients of this agency.

In Case **C-361/12**<sup>128</sup> the Court clarified that the concept of 'employment conditions' in clause 4 of the framework agreement annexed to Directive 1999/70/EC includes the compensation that the employer must pay to an employee on account of the unlawful insertion of a fixed-term clause into his employment contract. However, due to objective differences between permanent and fixed-term staff in this respect, the compensation paid in respect of the unlawful insertion of a fixed-term clause into an employment relationship does not have to be

---

<sup>123</sup> Judgment of the Court (Eighth Chamber) of 22 November 2012 - Isabel Elbal Moreno v Instituto Nacional de la Seguridad Social (INSS) and Tesorería General de la Seguridad Social (TGSS).

<sup>124</sup> Order of the Court (Ninth Chamber) of 13 June 2013 - Bianca Brandes v Land Niedersachsen.

<sup>125</sup> Judgment of the Court (Third Chamber) of 27 February 2014 - Lyreco Belgium NV v Sophie Rogiers

<sup>126</sup> Judgment of the Court of 18 October 2012 – Valenza et al.

<sup>127</sup> Judgment of the Court (Eighth Chamber) of 11 April 2013 - Oreste Della Rocca v Poste Italiane SpA.

<sup>128</sup> Judgment of the Court (Third Chamber) of 12 December 2013 - Carmela Carratù v Poste Italiane SpA.

treated in the same way as that paid in respect of the unlawful termination of a permanent employment relationship. The Court also clarified that the equal treatment requirement in clause 4 of the framework agreement does not preclude Member States from granting fixed-term workers more favourable treatment than that provided for by the framework agreement.

In **Case C-50/13**<sup>129</sup> the Court ruled that national rules are incompatible with Directive 1999/70/EC when they provide as sole remedy for abusive successions of fixed-term employment compensation for damage which must be proven by evidence that the employee in question had to renounce better job-opportunities elsewhere, when that burden of proof makes it impossible in practice or excessively difficult to obtain the rights provided by EU law.

In **Case C-38/13**<sup>130</sup> the Court ruled that the equal treatment requirement precludes national rules which provide for a fixed notice period of two weeks in the case of the premature termination of fixed-term contracts of more than six months, regardless of length of service of the worker concerned, when the length of the notice period for contracts of indefinite duration is fixed in proportion to the length of service of the worker concerned and may vary from two weeks to three months, where those two categories of workers are in comparable situations. Different treatment with regard to employment conditions as between fixed-term workers and permanent workers cannot be justified on the basis of a criterion which, in a general and abstract manner, refers precisely to the term of the employment.

In **Case C-190/13**<sup>131</sup> the Court clarified the concept of 'objective reasons' that can justify recourse to successive fixed-term contracts. Building on its ruling in **Case C-586/10** (see below), the Court emphasized that - where the employer invokes the presence of 'objective reasons' - fixed-term employment cannot be renewed for the purpose of the performance of tasks, even on a part-time basis, which normally come under the activity of the ordinary staff. The renewal of successive fixed-term employment contracts or relationships, where the presence of objective reasons is invoked as a justification, may only cover temporary needs and may not meet fixed and permanent needs of the universities in terms of employment of teaching staff.

In **Joined Cases C 362/13, C 363/13 and C 407/13**<sup>132</sup> the Court confirmed that Directive 1999/70/EC applies also to seafarers and that the options listed in Clause 5 of the Framework Agreement annexed to it are alternatives, .ie they do not all have to be provided by national law. In this case, national law did not require objective reasons for the fixed-term nature of the employment, but imposed a limit on the overall duration. What matters above all is whether there is a measure offering effective and equivalent guarantees for the protection of

---

<sup>129</sup> Order of the Court (Eighth Chamber) of 12 December 2013 - Rocco Papalia v Comune di Aosta.

<sup>130</sup> Judgment of the Court (Eighth Chamber) of 13 March 2014 - Małgorzata Nierodzik v Samodzielny Publiczny Psychiatryczny Zakład Opieki Zdrowotnej im. dr Stanisław a Deresza w Choroszczy.

<sup>131</sup> Judgment of the Court (Eighth Chamber) of 13 March 2014 - Antonio Márquez Samohano v Universitat.

<sup>132</sup> Judgment of the Court (Third Chamber) of 3 July 2014 - Maurizio Fiamingo (C-362/13), Leonardo Zappalà (C-363/13), Francesco Rotondo and Others (C-407/13) v Rete Ferroviaria Italiana SpA

workers must be capable of being applied in order duly to punish that abuse and nullify the consequences of the breach of EU law.

In relation to Directive 2003/88/EC (working time), three judgements are worth mentioning. This Directive lays down minimum general safety and health requirements for the organisation of working time.

In Case **C-194/12**<sup>133</sup>, the ECJ confirmed its previous case law that worker who is on sick leave during a period of previously scheduled annual leave has the right to take that leave during a period which does not coincide with the period of sick leave. The ECJ added that the worker may submit his request for annual leave not only prior to the period of annual leave scheduled in the annual leave planning schedule of the undertaking but also after that date, thereby expressing his disagreement with the period allocated to him. The employer cannot refuse for reasons relating to the interests of the undertaking to grant the worker any different period of annual leave, nor replace the annual leave with the payment of an allowance in lieu without the employment relationship having been terminated.

In Case **C-415/12**<sup>134</sup>, the ECJ confirmed its previous case law that a reduction of working hours when moving from full-time to part-time employment cannot reduce the right to annual leave that the worker has accumulated during the reference period of full time employment.

In Case **C-579/12 RX-II**<sup>135</sup>, the ECJ held that the General Court had caused an adverse effect on the unity of EU law by dismissing, in its interpretation of the provisions of the Staff Regulations, the notion of the right of every worker to paid annual leave as a principle of the social law of the EU now affirmed by Article 31(2) of the Charter and referred to in Article 7 of Directive 2003/88, as interpreted by the settled case-law of the Court of Justice. Since a provision of the Charter has the same legal value as the provisions of the Treaties, the Union legislature is required to observe it both when it adopts a measure such as the Staff Regulations on the basis of Article 336 TFEU and when it adopts other measures of European Union law under the legislative power invested in it under other provisions of the Treaties and, moreover, in the Member States when they implement such measures.

In Case **C-539/12**<sup>136</sup>, the Court held that workers on performance-related pay are entitled to their normal, average remuneration in relation to their annual leave. The ruling addresses the increasingly common phenomenon of performance-related pay schemes under which workers' salaries sometimes consist entirely or for a large part of commissions on sales or other targets. The Court has ruled that when there is an intrinsic link between a component of a workers' remuneration (such as a commission) and the performance of his work, such a component must be taken into account in the calculation of the total remuneration to which a worker is entitled in respect of his annual leave. While it falls to the national court to determine the way in which the worker's salary in relation to the period of annual leave has to be calculated, the

---

<sup>133</sup> Order of the Court of 21 February 2013 - Concepción Maestre García.

<sup>134</sup> Order of the Court of 13 June 2013 - Bianca Brandes.

<sup>135</sup> Judgment of the Court of 19 September 2013 – Commission v Strack.

<sup>136</sup> Judgement of the Court of 22 May 2014 - Lock.

Court has made it clear that it must be determined in such a way as to correspond to the normal remuneration received by the worker, including an average of his commissions.

In relation to **Directive 2008/94/EC (insolvency of the employer)**, three judgements were rendered. This Directive aims to protect workers in case of insolvency of the employer by requiring Member States to establish institutions that guarantee the payment of unpaid salaries.

In case **247/12**<sup>137</sup>, the ECJ decided that Directive 2008/94/EC must be interpreted as not requiring the Member States to provide guarantees for employees' claims at every stage of the insolvency proceedings of their employer. In particular, it does not preclude Member States from providing a guarantee only for employees' claims arising before the entry of the decision to open insolvency proceedings in the register of companies, even though that decision does not order the termination of the employer's activities.

In case **C-398/11**<sup>138</sup>, the ECJ ruled that Directive 2008/94 must be interpreted as meaning that the fact that the measures taken by Ireland subsequent to *Robins and Others*<sup>139</sup> have not brought about the result that the plaintiffs would receive in excess of 49% of the value of their accrued old-age pension benefits under their occupational pension scheme is in itself a serious breach of that Member State's obligations.

In case **C-309/12**<sup>140</sup>, the ECJ decided that Council Directive 80/987/EEC, as amended by Directive 2002/74/EC (Directive 80/987/EEC, subsequently abrogated by Directive 2008/94/EC, was applicable at the time of the events), must be interpreted as meaning that it does not preclude national legislation which does not guarantee wage claims falling due more than six months before the commencement of an action seeking a declaration that the employer is insolvent, even where the workers initiated, prior to the start of that period, legal proceedings against their employer with a view to obtaining a determination of the amount of those claims and an enforcement order to recover those sums.

In relation to **Directive 2002/14/EC (information and consultation of employees)**, the ECJ delivered one judgment. This Directive establishes a general framework setting out minimum requirements for the right to information and consultation of employees in undertakings within the Community.

In Case **C-176/12**<sup>141</sup>, the ECJ confirmed its previous case-law and declared that the provisions of Directive 2002/14 prohibit the exclusion of certain categories of employees (apprentices and holders of professional insertion/training contracts) from the calculation of the staff numbers of an undertaking. The Court declared also that the trade unions cannot rely on the provisions of Directive 2002/14 (in particular Article 3.1) as such against the private

---

<sup>137</sup> Judgement of the Court of 18 April 2013 - Mustafa.

<sup>138</sup> Judgment of 25 April 2013 - Hogan.

<sup>139</sup> Case C-278/05 - *Robins and Others*.

<sup>140</sup> Judgment of the Court of 28 November 2013 - *Maria Albertina Gomes Viana Novo and Others v Fundo de Garantia Salarial*.

<sup>141</sup> Judgment of the Court (Grand Chamber) of 15 January 2014 - *AMS v CGT*.

employer, AMS, since these provisions do not have horizontal direct effect. Subsequently, the Court decided that Article 27 of the EU Charter, alone or in conjunction with Directive 2002/14, cannot be invoked in a dispute between individuals in order to disapply a national provision which is not in conformity with the Directive.

In relation to **Directive 98/59/EC (collective redundancies)**, the ECJ delivered one judgement. This Directive requires employers to consult staff representatives in the case of collective redundancies. It specifies the issues which these consultations must cover and the information which the employer is required to provide during the consultations. In addition, the Directive establishes the procedure and practical arrangements for collective redundancies.

Following infringement proceedings launched by the Commission against Italy, the ECJ clarified in case **C-596/12**<sup>142</sup>, that Directive 98/59/EC protects all workers, including directors ("dirigenti"), in case of collective redundancies by including them in the procedure of information and consultation of workers aiming at avoiding or reducing the number of such redundancies.

In relation to **Directive 2005/56/EC (cross-border mergers of limited liability companies)**, the ECJ delivered one judgment related to employee participation. This Directive facilitates the cross-border mergers of limited-liability companies. It contains provisions regarding the employee participation in the companies resulting from cross-border mergers.

In Case **C-635/11**<sup>143</sup>, the Court had to examine the transposition of Article 16 of the Directive – related to employee participation – by the Netherlands. According to Article 16(1), the company resulting from the cross-border merger shall be subject to the rules in force concerning employee participation, if any, in the Member State where it has its registered office. However, Article 16(2) spells out three exceptions to this principle. The Dutch law was not transposing the third exception: where national law does not provide for employees of establishments of the company resulting from the cross border merger that are situated in other Member States the same entitlement to exercise participation rights as is enjoyed by those employees employed in the Member State where the company resulting from the cross border merger has its registered office, the participation of employees in the resulting company shall be regulated, *mutatis mutandis*, according to the principles and procedure of Directive 2001/86/EC (the 'SE Directive') and a Special Negotiating Body shall in principle be set up before the merger. In consequence, the Court of Justice has declared that the Netherlands had failed to fulfil its obligations under this point of the Directive.

---

<sup>142</sup> Judgment of the Court of 13 February 2014 - Commission v Italy.

<sup>143</sup> Judgment of the Court of 20 July 2013 - Commission v Netherlands.



## 6.3. Health and safety of workers

### 6.3.1. Strategic Framework on Health and Safety at Work 2014 – 2020

On 6 June 2014, the Commission adopted a new Strategic Framework on Health and Safety at Work 2014 – 2020<sup>144</sup>. This Framework identifies three major health and safety at work challenges:

- to improve implementation of existing health and safety rules, in particular by enhancing the capacity of micro and small enterprises to put in place effective and efficient risk prevention strategies;
- to improve the prevention of work-related diseases by tackling new and emerging risks without neglecting existing risks;
- to take account of the ageing of the EU's workforce.

The Strategic Framework proposes to address these challenges with a range of actions under seven key strategic objectives:

- Further consolidating national health and safety strategies through, for example, policy coordination and mutual learning;
- Providing practical support to small and micro enterprises to help them to better comply with health and safety rules. Businesses would benefit from technical assistance and practical tools, such as the Online Interactive Risk Assessment (OiRA), a web platform providing sectoral risk assessment tools;
- Improving enforcement by Member States for example by evaluating the performance of national labour inspectorates;
- Simplifying existing legislation where appropriate to eliminate unnecessary administrative burdens, while preserving a high level of protection for workers' health and safety;
- Addressing the ageing of the European workforce and improving prevention of work-related diseases to tackle existing and new risks such as nanomaterials, green technology and biotechnologies;
- Improving statistical data collection to have better evidence and developing monitoring tools;
- Reinforcing coordination with international organisations (such as the International Labour Organisation (ILO), the World Health Organisation (WHO) and the

---

<sup>144</sup> COM(2014) 332.

Organisation for Economic Co-operation and Development (OECD) and partners to contribute to reducing work accidents and occupational diseases and to improving working conditions worldwide.

The Strategic Framework identifies instruments to implement these actions: social dialogue, awareness raising, enforcement of EU legislation, synergies with other policy areas (e.g. public health, education) and EU funds, such as the European Social Fund (ESF) and the Employment and Social Innovation (EaSI) Programme, are available to support the implementation of health and safety rules.

The Framework will be reviewed in 2016 in order to take stock of its implementation and to take into account the results of the on-going comprehensive evaluation of the EU occupational health and safety legislation which will be available by the end of 2015.

### *6.3.2. Ex-post evaluation*

In accordance with Article 17a of Directive 89/391/EEC on the introduction of measures to encourage improvements in the safety and health of workers at work, all Member States submitted national reports on the practical implementation of 24 EU directives on safety and health of workers for the period 2007-2012. The reports were submitted in the context of a newly established five-yearly exercise, in which by the end of 2015 at the latest the Commission will produce a report based on a comprehensive review of the EU health and safety directives. The report will be based on the above-mentioned national reports and an evaluation report by an independent external contractor. In addition, the Commission will use the experience it has gained from monitoring the transposition and application of the directives in the Member States. This evaluation contains several and significant elements of a REFIT fitness check – covering relevance, effectiveness (including cost-benefit and administrative burdens) and coherence of the legislation<sup>145</sup>. Due to its broader scope and specific regulatory regime under the Framework Directive, the ex-post evaluation goes beyond a simple evaluation of legislative measures in place and covers also results of research and new scientific knowledge, with a special focus on SMEs<sup>146</sup>. Availability of these evaluation results is a prerequisite for any new proposals in the area of OSH acquis.

### *6.3.3. Electromagnetic fields*

On 26 June 2013, the European Parliament and the Council adopted Directive 2013/35/EU on the minimum health and safety requirements regarding the exposure of workers to the risks arising from physical agents (electromagnetic fields)<sup>147</sup>. Following the adoption of Directive 2004/40/EC<sup>148</sup> in the same field, serious concerns were expressed by stakeholders as to the potential impact of the implementation of that Directive on certain professional activities. The

---

<sup>145</sup> SWD (2013) 401

<sup>146</sup> SWD (2013) 401

<sup>147</sup> OJ L 179, 29.6.2013, p. 1.

<sup>148</sup> OJ L 159, 30.4.2004, p. 1.

Commission examined attentively the arguments and decided to thoroughly reconsider some provisions on the basis of new scientific information. The new Directive repeals Directive 2004/40/EC and clarifies the definitions of adverse effects on health, introduces updated exposure limit values and action levels, as well as a number of provisions to make it easier for employers to carry out the risk assessment. Under certain conditions whereby employers must demonstrate that workers are protected, derogations apply to medical magnetic resonance imaging (MRI) equipment. Member States shall transpose Directive 2013/35/EU by 1 July 2016. In order to facilitate the implementation of this Directive, the Commission is preparing a non-binding practical guide which will be published by the end of 2015. The guide will address, inter alia, the determination of exposure, the conduct of the risk assessment, measures aimed at avoiding or reducing risks, medical examinations and health surveillance.

#### *6.3.4. Classification, labelling and packaging of chemical substances*

On 26 February 2014, the European Parliament and the Council adopted Directive 2014/27/EU amending five Directives on health and safety at work which refer to chemical classification and labelling requirements<sup>149</sup>. The directives are Directive 98/24/EC (chemical agents), Directive 2004/37/EC (carcinogens and mutagens), Directive 92/58/EEC (safety signs), Directive 92/85/EEC (pregnant workers) and Directive 94/33/EEC (young people at work). The new Directive adapts these Directives to Regulation (EC) No 1272/2008 on the classification, labelling and packaging of substances and mixtures. This Regulation lays down new requirements aiming to implement, within the European Union, the United Nations Globally Harmonised System for chemical classification and labelling. It was necessary to amend these five directives to ensure that the current level of worker protection is maintained.

#### *6.3.5. Scientific Committee on Occupational Exposure Limits (SCOEL)*

On 3 March 2014, the Commission adopted Decision 2014/113/EU setting up a Scientific Committee on Occupational Exposure Limits (SCOEL) for chemical agents and repealing Commission Decision 95/320/EC<sup>150</sup>.

Decision 2014/113/EU aligns the functioning of SCOEL with the Commission's rules on expert groups. For that purpose, it establishes a new selection procedure of the members via an open call for expression of interest, in line with the principles of transparency and equal opportunities for highly qualified and specialized scientific experts. It reinforces the continued importance of the ethical principles of excellence, independence and impartiality for the functioning of SCOEL and foresees the granting of special allowances to the members.

---

<sup>149</sup> Directive 2014/27/EU of the European Parliament and of the Council of 26 February 2014 amending Council Directives 92/58/EEC, 92/85/EEC, 94/33/EC, 98/24/EC and Directive 2004/37/EC of the European Parliament and of the Council, in order to align them to Regulation (EC) No 1272/2008 on classification, labelling and packaging of substances and mixtures, OJ L 65, 5.3.2014, p. 1.

<sup>150</sup> OJ L 62, 3.3.2014, p. 18.

In October 2014, the Commission launched an open call for expression of interest with a view to appointing members for the next term of office of SCOEL<sup>151</sup>.

#### *6.3.6. Protection of workers from the risks related to carcinogens and mutagens at work*

Further to the intention of the Commission to adapt existing directives to reflect changes in scientific knowledge and technical progress, the Commission put to tender two studies on the socioeconomic, health and environmental impact of amending Directive 2004/37/EC on the protection of workers from the risks related to exposure to carcinogens or mutagens at work<sup>152</sup>, by introducing binding occupational exposure limit values (BOELVs) for a maximum of 25 substances and on the possible extension of the scope of the Directive to substances toxic to reproduction. Following consultation by the Commission, the Advisory Committee on Safety and Health at Work (ACSH), in December 2012 and May and November 2013, the Commission consulted the Advisory Committee on Safety and Health at Work (ACSH) which adopted opinions with a common position and specific comments of the three interest groups (workers, employers, governments) on:

- A possible extension of the scope of Directive 2004/37/EC to substances toxic to reproduction;
- The inclusion of certain Process Generated Substances in Annex I of the Directive; and
- The possible introduction of binding occupational exposure limit values (BOELVs) in the Directive for a maximum of 25 substances.

The preparatory work on the development of the impact assessment report is on-going.

#### *6.3.7. Fishing vessels*

A non-binding guide to best practice with a view to improving the application of related Directives on protecting the health and safety of workers on fishing vessels of less than 15 meters will be published in 2015. The guide is designed to assist fishers to better understand their role and responsibilities in complying with the health and safety Framework Directive 89/391/EEC and a number of individual Directives. The existing Fishing Vessel Directive 93/103/EC is not applicable to vessels of less than 15 m in length, though the Framework Directive does apply to vessels which are not covered by Directive 93/103/EC.

---

<sup>151</sup> OJ 2014/ C 373/12, 21 October 2014

<sup>152</sup> Directive 2004/37/EC of the European Parliament and the Council of 29 April 2004 on the protection of workers from the risks related to exposure to carcinogens or mutagens at work (codified version), OJ L 229, 29.6.2004, p 23.

### 6.3.8. Extractive industries

A study by an independent contractor has been published<sup>153</sup> to update the information contained in the 2009 Commission Report on the practical implementation of Health and Safety Directives 92/91/EEC (mineral extraction through drilling) and 92/104/EEC (surface and underground mineral extraction)<sup>154</sup>.

The study reviews the provisions and the application of Directive 92/91/EEC, in particular the provisions on offshore oil and gas activities. It is also related to Directive 2013/30/EU on safety of offshore oil and gas operations<sup>155</sup>.

Based on the findings of this review, the study concludes that Directive 92/91/EEC should be updated, e.g. regarding the management of drilling activities and well control, and to clarify the roles and responsibilities of different parties involved. In addition, the study suggests additional actions to increase the Directive's effectiveness, such as developing guidance on good practices and the assistance of regulators. This will be considered in the context of the ex-post evaluation (see above point 6.3.2).

### 6.3.9. Vehicle risks

A non-binding guide to best practice with a view to improving the application of Directives related to protecting the health and safety of workers from work-related vehicle risks is under development as an electronic guide. The guide is designed to assist all those who come into contact with vehicles as part of their working day to better understand their role and responsibilities in complying with the health and safety Framework Directive 89/391/EEC and a number of individual Directives.

### 6.3.10. Statistics

Following the adoption of Commission Regulation (EU) No 349/2011 implementing Regulation (EC) No 1338/2008 of the European Parliament and of the Council on Community statistics on public health and health and safety at work, as regards statistics on accidents at work<sup>156</sup>, 2013 was the first year of mandatory data transmission for most of the variables according to the Regulation. The Regulation specifies that Member States must transmit to the Commission data on persons who had an accident in the course of work during the reference period.

---

<sup>153</sup> <http://ec.europa.eu/social/BlobServlet?d>

<sup>154</sup> COM(2009) 449 final

<sup>155</sup> Directive 2013/30/EU of the European Parliament and of the Council of 12 June 2013 on safety of offshore oil and gas operations and amending Directive 2004/35/EC, OJ L 178, 28.6.2013, p. 66.

<sup>156</sup> OJ L 97, 12.4.2011, p. 3.

### *6.3.11. Pilot project on health and safety at work of older workers*

Following a request by the European Parliament, the Commission is carrying out a pilot project on OSH of older workers<sup>157</sup>.

In this context, an assessment will be made of the appropriateness of a preparatory action to put in place a Union instrument ensuring that 75% of the population aged from 20 to 64 is in employment as set out in the Europe 2020 Strategy, and of promoting the physical and psychological health of older workers.

The Commission has concluded a delegation agreement with the European Agency for Safety and Health at Work, due to its experience in this area, to assist with the implementation of this project. The pilot project began in June 2013 and will run until the end of 2015.

### *6.3.12. Mental health in the workplace study*

At the end of 2012, the Commission launched a study on mental health in the workplace<sup>158</sup> with three objectives: (1) providing information on the situation in the EU and EFTA countries of mental health in the workplace; (2) developing a range of scenarios to help the Commission consider policy options aiming to ensure that workers are effectively protected from risks to their mental health in the workplace arising from workplace related conditions and/or factors; (3) preparing a guidance document helping employers and workers alike to fulfil their obligations concerning the protection of mental health in the workplace. The report will be available in 2015.

### *6.3.13. Asbestos*

In the wake of the adoption by the European Parliament, on 14 March 2013, of a Resolution on asbestos related occupational health threats and prospects for abolishing all existing asbestos<sup>159</sup>, the Commission services organised a meeting on 27 June 2013 of Member States representatives to hear their views on possible actions to further improve the protection of workers' health from exposure to asbestos-related problems, including some of the ones listed in the Resolution. The issue of the asbestos exposure limit value in the workplace, as set under Directive 2009/148/EC<sup>160</sup>, was also addressed during the meeting, further to recent scientific studies on the matter. The Commission services undertook to consult the Scientific Committee on Occupational Exposure Limits (SCOEL) on the issue.

---

<sup>157</sup> [https://osha.europa.eu/en/priority\\_groups/ageingworkers/ep-osh-project](https://osha.europa.eu/en/priority_groups/ageingworkers/ep-osh-project)

<sup>158</sup> <http://ec.europa.eu/social/main.jsp?catId=82&langId=en&callId=356&furtherCalls=yes>

<sup>159</sup> <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2013-0093+0+DOC+XML+V0//EN> - EP reference number: A7-0025/2013 / P7\_TA-PROV(2013)0093

<sup>160</sup> Directive 2009/148/EC of the European Parliament and of the Council of 30 November 2009 on the protection of workers from the risks related to exposure to asbestos at work (codified version), OJ L 330, 16.12.2009, p. 28.

In the light of these developments, the Commission services will consider what actions may be warranted in line with both the Resolution and the views expressed at the mentioned meeting. The Commission will also address the problems posed by exposure to asbestos under the on-going ex-post evaluation of OSH legislative acquis, the results of which are expected to be available by the end of 2015 (see above point 6.3.2).

#### *6.3.14 Nanomaterials*

To address concerns posed by workers' exposure to nanomaterials / nanotechnology and possible detrimental effects accruing from such exposure, the Commission undertook to have a study report and guidance document drafted.

### **6.4. Conclusion**

The period 2012-2014 witnessed dynamic developments in EU employment legislation:

- A number of important legislative acts were proposed by the Commission and adopted by the co-legislator in key areas. A few proposals are still undergoing examination by Council and Parliament but progress has been swift and final adoption can be expected during the year 2015.
- Evaluation of existing legislation and impact assessment of regulatory proposals has made visible progress both in terms of number and of quality, with Smart Regulation principles and criteria now fully mainstreamed throughout the employment area. By end 2015 nearly all EU Directives in this field will have undergone ex post evaluation.
- The very dynamic jurisprudence during the period testifies the importance of the monitoring and control work undertaken by the Commission in order to ensure compliance of national legislation with EU law or in response to national courts' preliminary questions to the ECJ. During the period, the number of complaints and petitions introduced by citizens on matters of employment law has continuously increased.

In particular, the EU legislators adopted the Enforcement Directive aiming at improving protection of posted workers while ensuring a level playing field in the single market by preventing circumvention and abuse of posting. In the area of health and safety at work, two directives were adopted, the first establishing minimum requirements regarding the exposure of workers to electromagnetic fields (a crucial revision of a 2004 Directive that met problems in its transposition) and the second on the alignment of five occupational health and safety Directives to the EU Regulation on the classification, labelling and packaging of chemical substances (CLP). The Council of Ministers adopted a Recommendation on a Quality Framework for Traineeships calling on the Member States to improve the quality of traineeships with the aim of easing transitions to work.

The Council agreed on a Directive on working time for mobile workers in inland waterway transport which implements an agreement by the social partners in this sector, and the Commission proposed a Directive to include seafaring workers in the personal scope of application of a number of EU labour law Directives. It proposed also a Decision aiming at the establishment of a European platform to enhance cooperation in the prevention and deterrence of undeclared work. These proposals are now subject to appreciation by the Council and the Parliament.

The Commission pursued further its work aiming at evaluating and reviewing the current EU labour law, in line with the 'smart' regulation principles. In particular, the 'fitness check' relating to three I&C directives was concluded with the finding that these Directives are broadly fit for purpose, i.e. are relevant, effective, coherent and efficient. Work is under way relating to the review of the Working Time Directive, the ex-post evaluations of the Fixed-term and Part-Time Work Directives and the Written Statement Directive. It is to be noted that a comprehensive evaluation of 24 EU Directives in the area of health and safety at work is on-going with results expected end of 2015.

Following an evaluation of the European health and safety strategy (2007-2012) and a public consultation, the Commission presented a new EU Strategic Framework on health and safety at work 2014-2020. The framework identifies the major challenges and key strategic objectives, and proposes actions and instruments to address these.

On 21 October, 3-4 December 2013 and 28 April 2014, the European Commission hosted in Brussels three conferences respectively on labour law, occupational diseases and working conditions. These conferences brought together almost 500 participants representing European institutions, governments, the International Labour Organisation, social partners, academics, experts and practitioners from all over the EU. The conferences gave the opportunity to discuss on the current state of play, challenges and risks, and to get important feedback from stakeholders on future EU policies and priorities in this area.