



European Foundation for the Improvement of Living and Working Conditions

# **Social Dialogue and the Recession**

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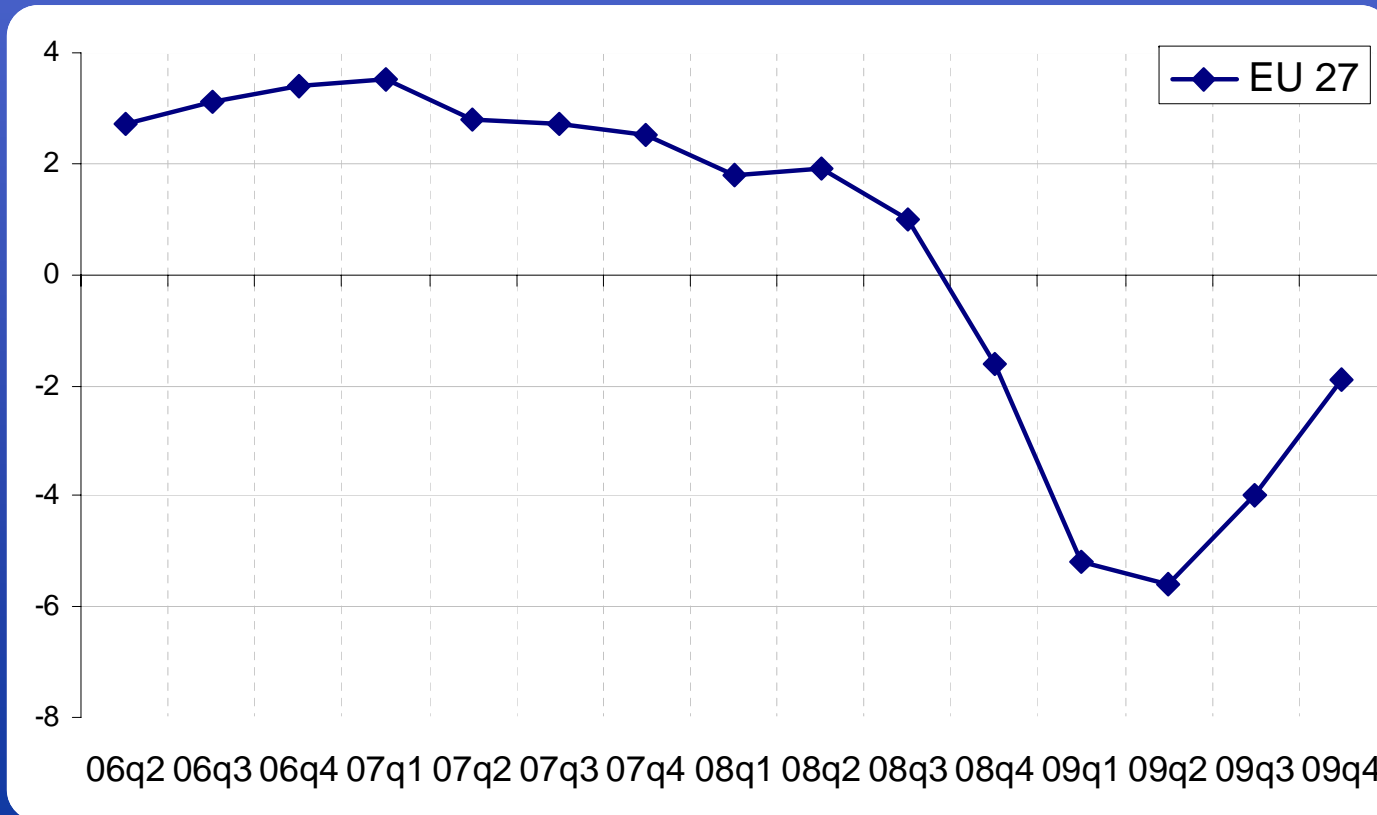


## Outline

- Economic context in brief
- Social Dialogue during the Recession – main features
- Examples from the automotive sector
- Why Social Dialogue matters in times of crisis
- Factors of success for Social Dialogue



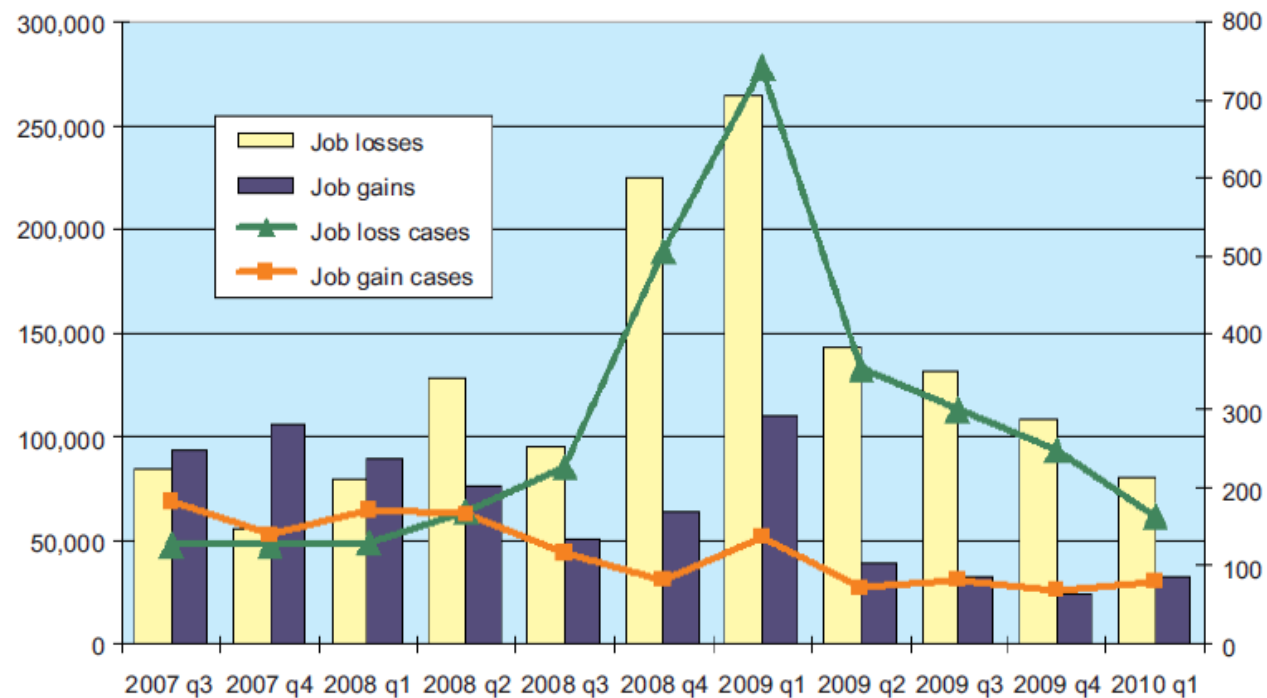
## European Economic Context GDP volumes percentage change quarterly (Q/Q-4)





## Number of restructuring cases and total announced job losses and gains - 2007 q3 to 2010 q1

Figure 1: Number of restructuring cases and total announced job losses and gains

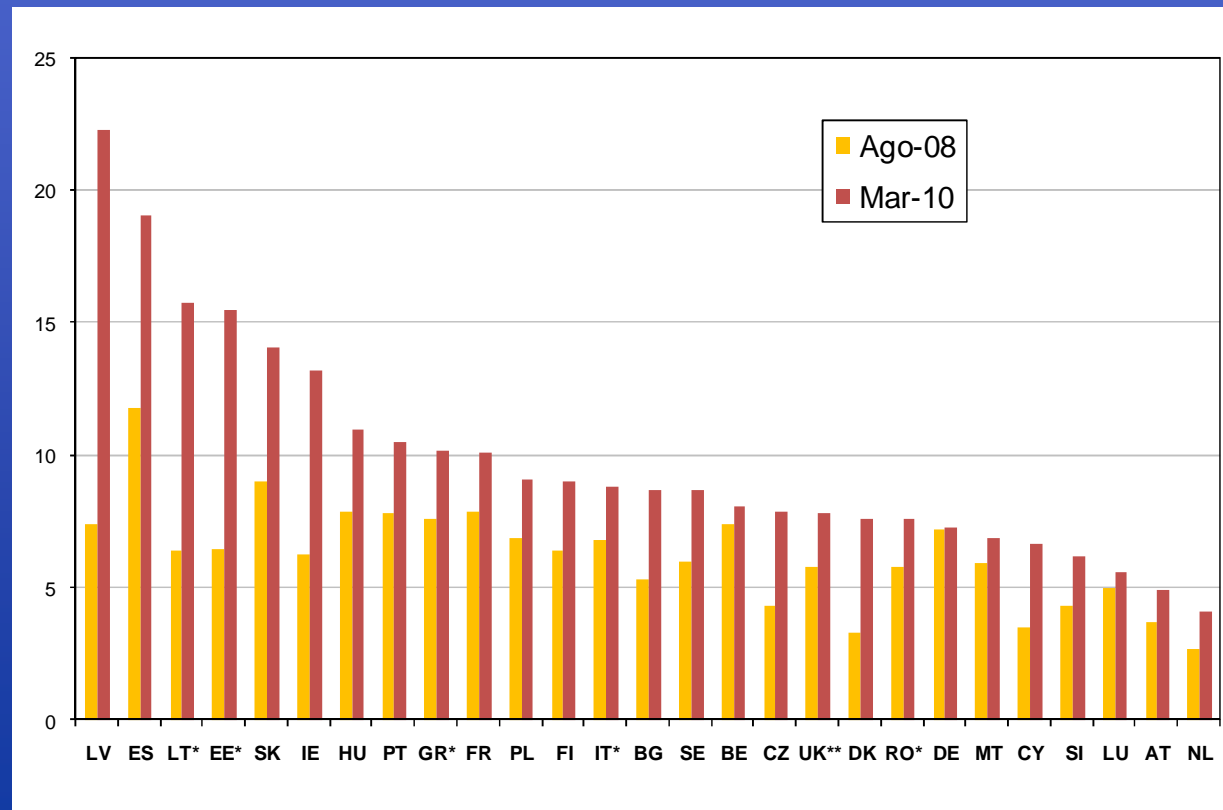


Source: ERM



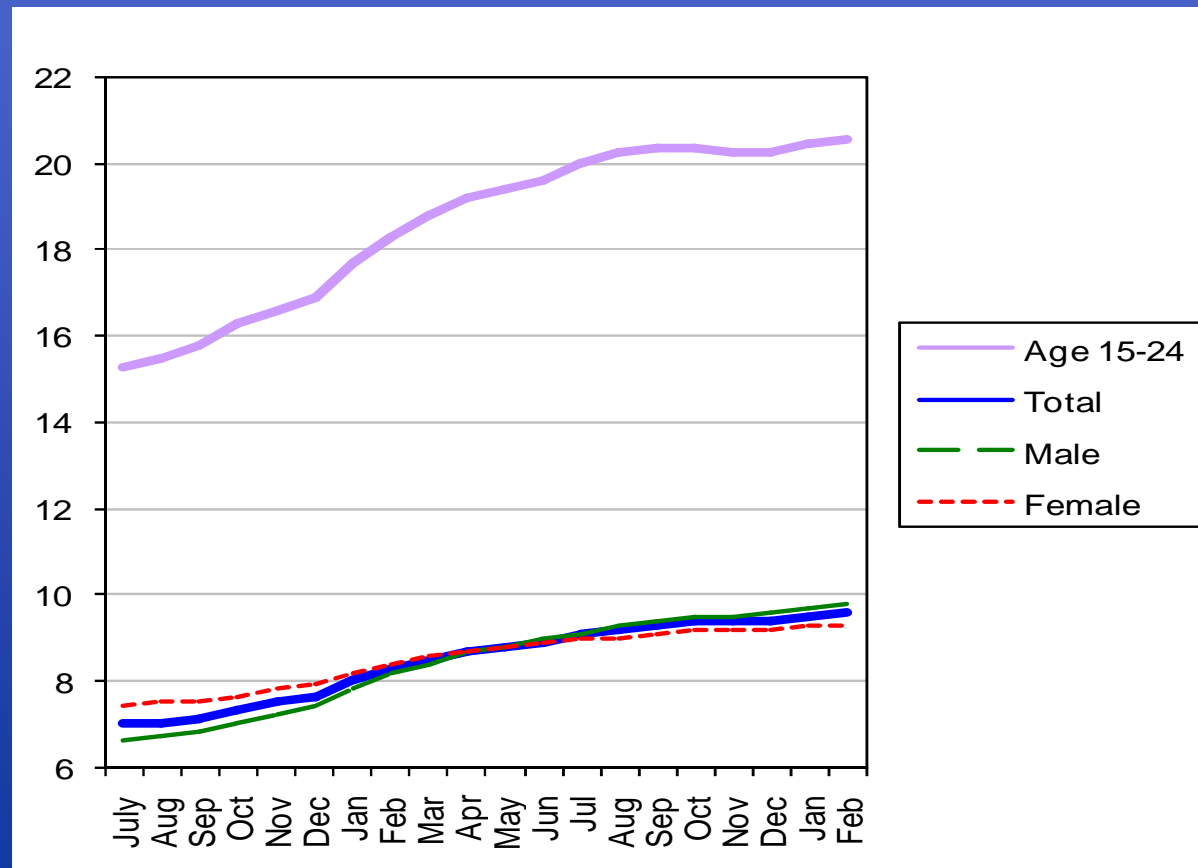
## Recession's impact on the Labour Market

### Unemployment % in the Member States



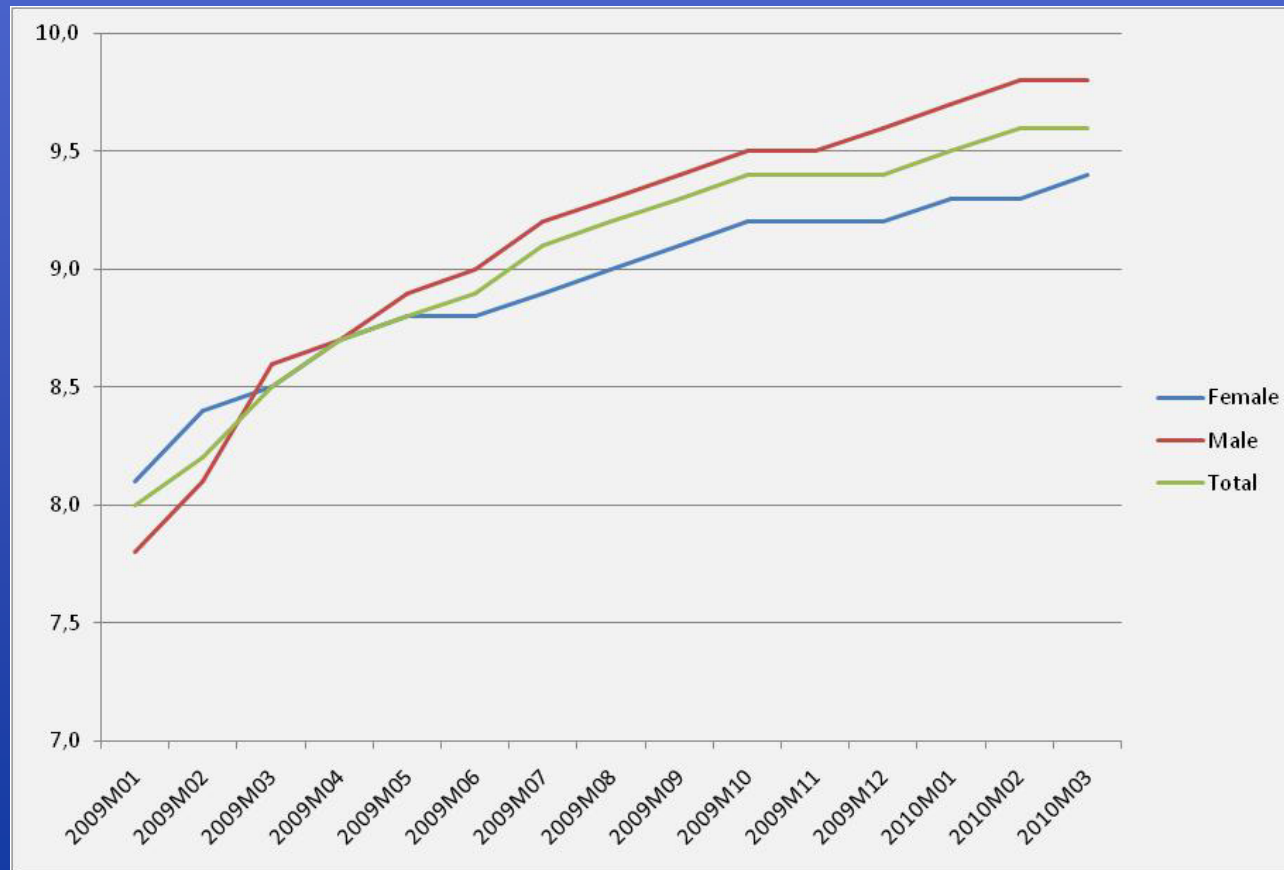


## Recession's impact on the Labour Market Unemployment % from July 2008 to Feb 2010





## Unemployment rate (EU 27) still on the rise...





## Projections

- IMF global growth estimate  
-1.1 % (2009) +3.1% (2010)  
(revised to 4%, according to Reuters, 18.04.2010 US -3.4 /  
+1.3 % emerging and developing economies: +1.7 /  
+5.1%)
- Euro area forecast: -2,7 (2009), +1,5% (2010)
- ILO unemployment projection from 39 (2007) to 59 million (2009)





## Social Dialogue

- Most countries have used Social Dialogue in the form of tripartite institutions, ad-hoc bodies, informal meetings, collective bargaining.
- Member States with active tripartite consultation
  - ▶ Netherlands, Belgium, Slovenia, Spain
- Little or none Social Dialogue at national level
  - ▶ Greece, Ireland
- Social dialogue but .. what results?
  - ▶ Romania, the Baltic Countries



## Short time/flexi time practices

- With or without Collective Bargaining
- Short time to reduce labour costs at enterprise level. Sometimes coexists with governmental measures to compensate the affected workers
- Examples Germany (Kurzarbeitergeld), Austria, Estonia, Spain, Netherlands, Belgium, France, Denmark etc.
- Although there are national differences, working week is usually shortened with unemployment funds to the employees while not working
- Sometimes coupled with incentives for training
- Sectors mostly used the scheme: Manufacturing, Automotive (incl. suppliers)
- But also... Temporary lay-offs for a pre-defined period with or without public support
- **ATTENTION:** temporary nature and combination with employability



## Some figures on use of short time

- Short time workers in DE: 137,000 Nov 2008 to 700,000 in February 2009
- DK: work-sharing increased from 33 cases in 2006 to more than 500 cases (over 12,000 workers) in first 2 months 2009
- FR: 146,000 workers on partially unemployment in last Q2008
- Belgium: 289,381 blue collar workers in temp unemployment for at least 1 day in Feb2009, an increase of 70% since Feb2008.



## The role of collective bargaining in shorter working time schemes

- Difficult choice of mass redundancies or accepting measures to decrease labour costs in exchange of job guarantees
- Too early to tell if they will be a success on the longer term
- Ought to be temporary
- Important to secure employability in the long run



## **Responses to the crisis – Automotive sector**

- Study covering 8 EU MS – FR, DE, HU, IT, SK, ES, SE and UK
- Identify the role of social partners at all levels in the definition of measures to address the economic and social impacts of recession;



## Responses to the crisis – Automotive sector

- Renault
  - ▶ Deteriorating Macroeconomic climate – restructuring programme (voluntary basis)
  - ▶ March 2009 - “Social contract for the crisis” – signed with four trade unions – maintain workers’ net pay during partial unemployment.
  - ▶ Professional and managerial staff also in partial unemployment.
  - ▶ Scheme financed 1/3 company, 1/3 state and 1/3 solidarity fund (fuelled by a reduction of 0,15% on all salaries).



## Responses to the crisis – Automotive sector

- PSA Peugeot
  - ▶ Voluntary departures (especially in prof and manag) + partial unemployment
  - ▶ April 2009 – agreement signed with five TU – 100% salary for workers in partial unemp for up to 6 months.
  - ▶ During unemployment workers receive certified training to increase their internal and external employability.
  - ▶ Scheme financed jointly by unemployment insurance, state and company
  - ▶ July 2009 – 90% of pay for workers on partial unemployment without time limit.



## Why Social Dialogue matters in times of crisis?

- Measures: short-time ought to be temporary otherwise counter-productive
- Change focus > employability, strong emphasis on training
- Youth unemployment
- Safety net through a number of measures: social benefits, PES assistance, matching labour market needs
- Commitment shared by all parties





## Why Social Dialogue matters in times of crisis?

- IR institutions play a major role during the crisis: coordinated bargaining, employee representation, in the workplace, regular consultation AND.. social partners' capacity
- A, BE, D, DK, ES, FI, NL, SK, SI, SE
- But.. EE, EL, HU, IE, PL, RO, LV, LT faced difficulties building up consensus
- *TU views: job losses, flexibility but not security, wage cuts, green jobs, social costs*
- *Employers' views: financial stability, industrial competitiveness, ageing, flexibility, skills, innovation*
- CB at Sectoral and company level was proved to be successful, close to the problems at hand



## Why Social Dialogue matters in times of crisis?

- S.D: a significant factor in containing negative consequences of crisis
- The role of the state proved to be critical
- There is a risk that the economic hardship increases tensions between the social partners
- However, in many countries, social partnership and tripartite consultation have been regenerated
- Major disagreement: who pays for the cost of the crisis
- Next challenge: preparing for the exit from the crisis
  - ▶ Budgets, socio-economic policies appropriate for the times, new sustainable jobs



## **Social Dialogue – factors of success**

- Corporate culture based on employee participation and cooperative modes of decision making and enterprise development;
- Mutual trust among actors involved – management, interest representations and senior workers;
- Informal modes of social dialogue – “flat hierarchies” or open and direct communication – together with institutionalised dialogue and binding outcomes (eg. company agreements signed by both sides)



## Social Dialogue – factors of success

- Existence of concrete agenda of priorities, targets and tasks for social dialogue both on the side of management and employees;
- “culture” of employee interest representation and clear understanding of the employee interest representation body’s role and functions – commitment, motivation and competences of employee representatives are critical;
- The success of company-based employee initiatives and projects is also supported by trade union policies and initiatives at national and sectoral level (nationwide initiatives and campaigns)



## To conclude...

- Countries that actively implemented measures such as working time flexibility, short-time working and temporary lay-offs have been able to limit the extent of redundancies;
- Austria, France, Germany and The Netherlands – used combinations of those measures – experienced less dramatic increases in unemployment;
- **WARNING!** – measures such as short-time working and temporary lay-offs should be seen as temporary only – prolonging their application may lead to undesirable consequences in the long-run



## To conclude...

- The implementation of such measures are more likely to be successful if there is a broad involvement of social partners at all levels – national, sectoral and company level
- Countries with well established channels of dialogue had broader and successful involvement of social partners in the implementation of measures to limit the economic and social effects of the crisis;
- Efforts to build and strengthen the capacity of social partners and to engage in collective bargaining and social dialogue is crucial.



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### • 17 Feb 2010

#### [Poland: Union protests against allegedly unfair dismissals at Officina Labor](#)

A number of workers who joined the newly established branch of the Independent and Self-Governing Trade Union Solidarity at Officina Labor were dismissed in September 2009. The decision was met with strong trade union opposition, which included a demonstration in front of the company's head office in October. However, the company insists that the decision to dismiss the employees was not connected to their membership of the new trade union structure.

### • 17 Feb 2010

#### [Portugal: Employers dispute statutory minimum wage increase](#)

In December 2009, Portugal's Prime Minister announced a statutory monthly minimum wage increase of €25 for 2010, following guidelines defined in the 2006 tripartite agreement between the government and social partners. Trade unions welcomed the announcement. However, it sparked controversy among employers, who claimed that companies could not deal with such an increase due to the economic crisis. They thus presented a counter proposal of a €10 increase, which the government rejected.



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**Thank you!**