

# Collective Bargaining in a Time of Crisis

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## 1. Introduction

The magnitude of the deterioration in economic conditions since mid-2008, and the consequences for employment and employment conditions, are unprecedented in the post-war era in western Europe. Likewise, they are unknown in central and south-east Europe since the economic upheaval that accompanied the post-communist transition twenty years ago. In the present paper we consider the capacity of collective negotiators across the EU to frame and agree measures which respond to the challenges thrown up by the financial and economic crisis. Three main questions arise. First, what has been the incidence and character of negotiated responses at different, inter-sector, sector and company, levels? The prominence or otherwise of collectively agreed measures provides a critical indication of the continued robustness of collective bargaining as a central mode of labour market governance in (most of) Europe's social models. The character of agreements refers to the substantive measures, in the form of collective goods, provided as protection against uncertainty, but also to the (re)distribution of uncertainty involved and to procedural innovations. Second, what factors influence the cross-country and cross-sector pattern in terms of the incidence and the nature of crisis-response agreements? Four types of factors will be posited as potentially relevant: economic conditions; public policy; industrial relations institutions; and employer and trade union strategies. Third, what might be the medium-term implications of the crisis, both substantively and procedurally, for collective bargaining? The impact of the crisis may have served to reinforce existing trajectories, towards greater prominence of employment as a focus of substantive trade-offs (Léonard, 2001) and, procedurally, towards greater decentralisation of collective bargaining (Marginson and Sisson, 2004; Visser, 2005), or it may have prompted new directions of travel.

In addressing these questions, the paper focuses on crisis-related developments in collective bargaining in the private sector across the EU since the onset of the crisis during 2008. The agreements, and unsuccessful negotiations, that it considers take one of two forms: specific agreements, or negotiations, aimed at tackling the effects of the economic downturn; and crisis response measures adopted as part of 'regular' collective agreements, or negotiations on pay and/or other matters. The public sector will be addressed only briefly (see Box 1 in the Annex). The austerity measures aimed at scaling back public deficits embraced by most EU member states in the opening half of 2010, although rather earlier by some including Ireland, Hungary and the Baltic States, carry major consequences for employment and employment conditions in the public sector. However, implementation is still at an early phase in many

countries and the specific nature of the consequences, and therefore the issues to be dealt with by collective negotiators, is as yet not fully clear.

The paper's analysis is cross-nationally and cross-sectorally comparative. Whilst being alert to innovations in the substance of agreements and in procedural arrangements, the data available preclude a systematic comparison over time. Empirically, the paper draws on two reviews and analysis of secondary sources already undertaken by, respectively, two of the authors and the third working jointly with another colleague<sup>1</sup> (Glassner and Keune, 2010; Carley and Marginson, 2010; Marginson and Carley, 2010). A detailed empirical account of crisis-induced developments in private sector collective bargaining across the EU will not be presented here. Instead, readers are referred to these two sources. Examples of particular agreements will be used to illustrate the paper's arguments.

The structure of the paper is as follows:

## **2. A framework and some propositions**

The character of collective agreements concluded in response to the crisis can be approached in three differing ways. One is to examine the various ways in which they aim to provide protection against the economic uncertainty which the crisis invokes. For workers, uncertainty over employment and/or income is uppermost, with increased uncertainty arising from four main factors: job loss; deterioration in pay and conditions; reduced expectations of finding a replacement job, in case of redundancy; and availability of relevant collective goods. Employers face economic uncertainty too, with key factors from the perspective of managing the workforce including: the timing and strength of an upturn in economic activity; retention of trained and experienced labour until such time as an upturn materialises; securing immediate reductions in costs; and maintaining cooperative relations with the workforce. Collective negotiations offer the prospect to both workers and employers to conclude measures which provide a degree of protection against these respective sources of uncertainty. The measures envisaged may variously address: maintaining employment; identifying alternatives to redundancy; assisting workers made redundant, including skill enhancement; reducing costs and increasing flexibilities; enhancing skills through in-work training; and short-time work and temporary lay-offs. More generally, agreements can expand the available range of relevant collective goods. For both workers and employers trade-offs between different forms of uncertainty are likely to be involved in any negotiation. Short-time work, for example, entails a trade-off for the workforce between reducing the prospect of job loss and incurring loss of income. For employers, the trade-off is between reduced scope for radical cost reduction and retention of trained and experienced labour. In this particular instance, as is discussed below, intervention by the state modifies the terms of these trade-offs.

A second, and related, consideration is the balance between protection measures with a longer term-perspective, aiming at the maintenance of employment and high-skilled labour, and those aimed at immediate cost reductions, such as wage freezes or cuts, enhanced

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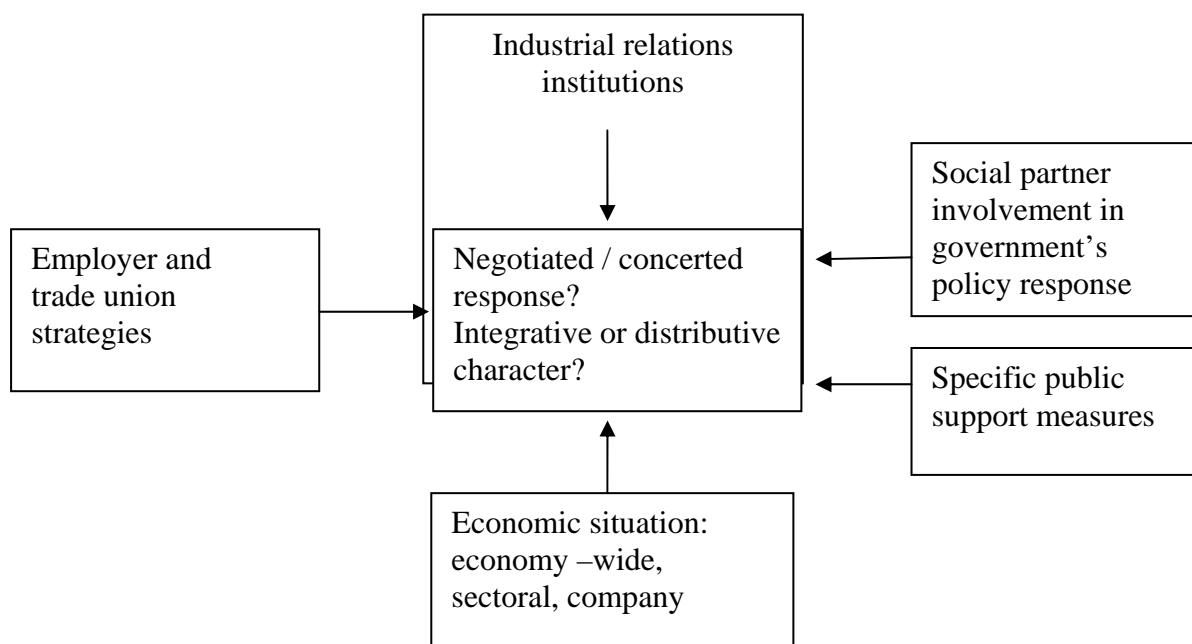
<sup>1</sup> The authors acknowledge the contribution of Mark Carley to the collection and analysis of collective agreements during the crisis (see also Carley and Marginson 2010; Marginson and Carley 2010).

flexibilities and job loss. The balance can be usefully framed in terms of the distinction between integrative and distributive elements proposed by Walton and McKersie (1965). To the extent that measures aimed at immediate cost reductions dominate, the distributive element, in which one party's gain is offset by an equivalent loss to the other party, will be uppermost in the outcome of negotiations. Put another way, a principal outcome is redistribution of the costs arising from crisis-induced uncertainty. The more there is (also) an emphasis on measures providing protection against uncertainty, the greater the scope for integrative elements to feature in outcomes, from which both parties can gain.

A third line of approach towards the character of crisis-response agreements concerns their procedural provisions. In this respect, innovation may be envisaged in the levels and process of collective bargaining. Following Walton and McKersie (1965), changes in the substantive agenda of collective bargaining, and in the balance between distributive and integrative elements, are often predicated on – or call forth – procedural innovation (Marginson and Sisson, 2004). At the same time, attempts to grapple with major substantive uncertainties may be facilitated by the (degree of) procedural certainty which existing arrangements for collective bargaining offer. Following the insights of neo-institutional analysis, familiarity with 'tried and tested' arrangements can provide reassurance for employers and trade unions alike. This suggests that procedural innovation is likely to be incremental rather than radical in nature, and involve taking things further in directions which are already being travelled (e.g. Streeck and Thelen 2005). Radical procedural change is only likely to occur in the face of conflicts which precipitate the breakdown of existing arrangements.

It is far from axiomatic that collectively negotiated measures will be prominent as a response to the crisis. Indeed, as will be shown below, unilateral employer responses seem to have been widespread in several countries and amongst the private service sectors. Four main types of factor can be identified as influencing the cross-country and cross-sector pattern of incidence and character of crisis-response agreements, as shown in Figure 1 below.

**Fig. 1: Influences shaping social partner responses to the crisis**



Source: based on Glassner and Keune (2010)

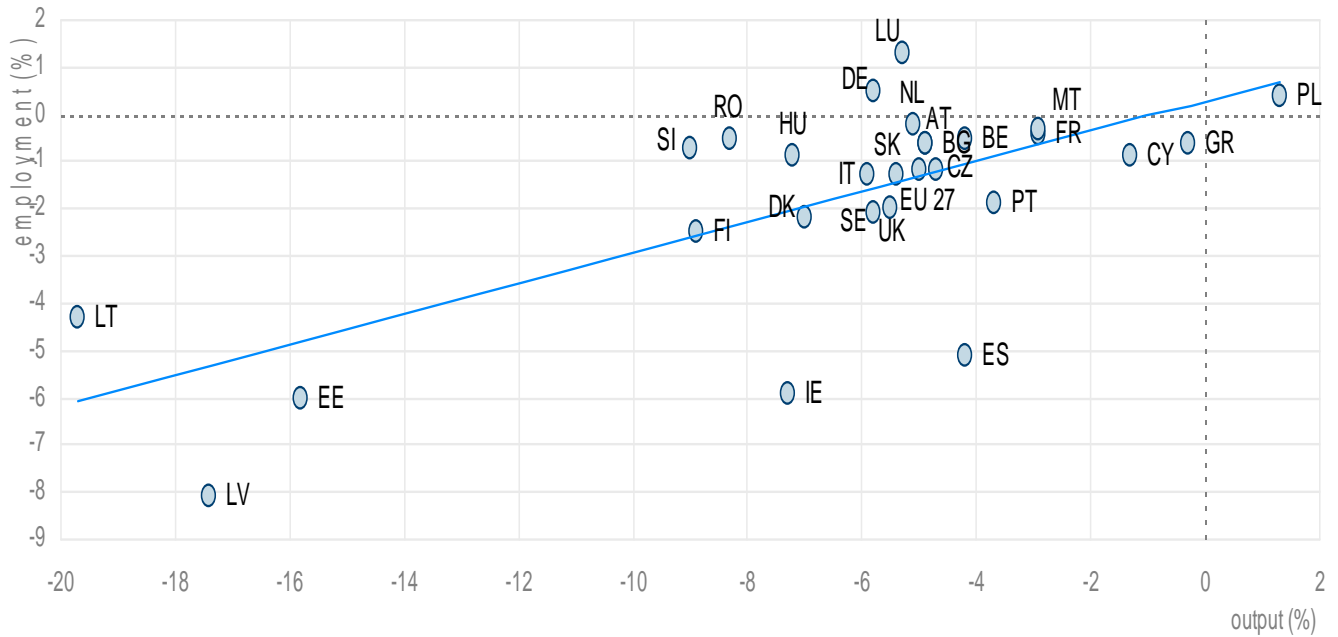
The economic situation during the course of the crisis at national, economy-wide level and in different sectors has varied in the magnitude of the downturn experienced, the timing of its onset, the duration of its prolongation and the point at which the upturn arrived (Marginson and Carley, 2010). The onset of the crisis occurred relatively early in Ireland and the Baltic States, and relatively late in Greece, Bulgaria, Poland (which hardly fell into recession), Romania and Slovakia. The steepest falls in GDP have been experienced in the Baltic States, which considerably exceeded those in the next group of countries, which comprised Finland, Ireland, Romania and Slovenia. As just mentioned, GDP has barely declined at all in Poland, whilst the decline in GDP has also been relatively modest in France. By the end of 2009, most countries had experienced an upturn in GDP, with six remaining in recession: Greece, Ireland, Sweden, Cyprus, Latvia and Romania. It remains to be seen whether the impact of the public austerity measures which are sweeping across the EU during 2010 might trigger a second dip in GDP in some countries. Sectorally, the output decline in manufacturing and construction has been much sharper than in private services, although there are noticeable differences within both the broad manufacturing and service sectors (Hurley et al., 2009). In manufacturing, the steepest decline has occurred in textiles and clothing and in metalworking, including the automotive sub-sector, whereas food manufacturing and pharmaceuticals have been least affected. In services, the retail and transport and communication sectors have been hardest hit, whilst computing services has continued to register output growth.

The employment consequences of the crisis have not (yet) been as severe as might have been expected given the depth of the downturn in output and experience of previous recessions (Marginson and Carley, 2010). The decline in output has not, in the majority of countries,

been mirrored by an equivalent fall in employment, or rise in unemployment. Figure 2 shows the relation of changes in gross domestic product (GDP) and employment in the EU member countries between the second quarter of 2008 and the second quarter of the following year when the full impact of the output crisis was felt in Europe (ETUI 2010). The Baltic countries are exceptions, suffering the largest losses both in terms of employment and output, with output contracting by more than 17 and employment plummeting by above 8 percentage points within one year. Likewise, in Ireland both GDP and employment decreased to a considerable extent (- 7.3 and - 5.9 percentage points, respectively). In Spain the decline in output (around - 4 percentage points) has been below the EU-average whereas employment slumped by about 5 percentage points, compared to the EU-average decline of 1.2 percentage point. This contrasts to the situation of countries such as Luxembourg, Germany and the Netherlands that fared much better in terms of maintaining employment despite declines in GDP (slightly) above the EU-average. Sectorally, employment decline has been noticeably less than the decline in output in both manufacturing and private services, whilst in construction employment levels have tended to track the downward trend in output.

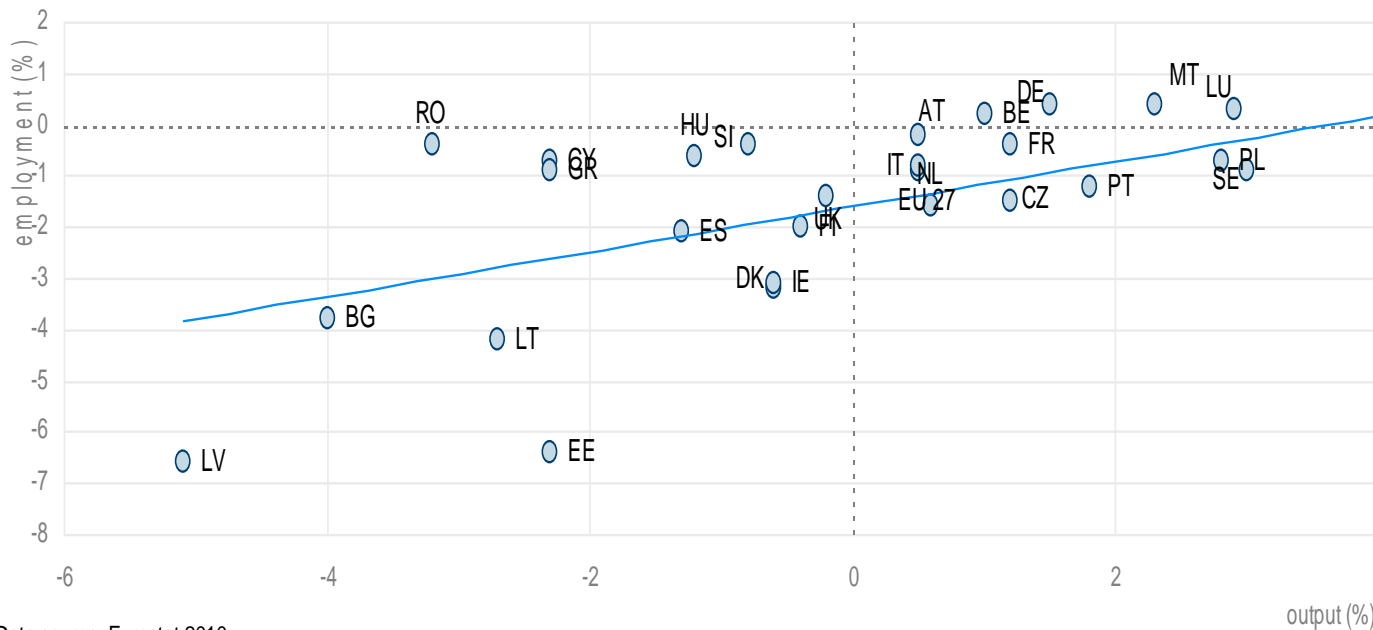
Employment effects are well-known to lag those in output during a recession, and by mid-2010 the employment situation was continuing to deteriorate in most countries even though in the majority output had begun to rise (Figure 3). Employment shrank further in Bulgaria, the Czech Republic, Denmark, Estonia, Greece and Slovakia in the first quarter of 2010 as compared with the same quarter of the previous year. Nonetheless, job loss has – to some significant extent - been mitigated by a decline in average hours worked. The role of the statutory short-time working schemes implemented in many countries (see below), and of collectively negotiated adjustments to working time, which are reviewed in later sections, appears to have been significant.

**Fig. 2: Change in GDP and employment, 2008Q2-2009Q2**



Data source: Eurostat 2010

**Fig. 3: Change in GDP and employment, 2009Q1-2010Q1**



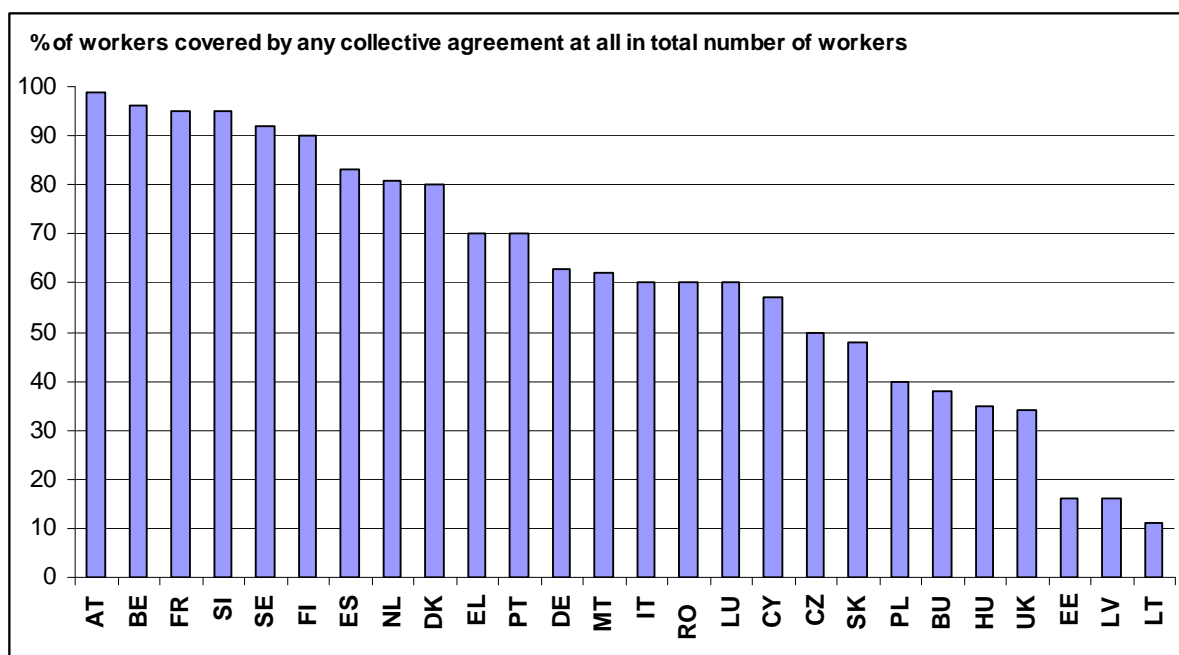
Data source: Eurostat 2010

This cross-national and cross-sectoral variation both conditions the need for and magnitude of public policy measures, and also the pressures on employers and trade unions to respond through collective agreements. Accordingly, the incidence of crisis-response agreements might be expected to be higher in countries and sectors which have been more severely affected by the crisis, than those where the impact has been comparatively less sharp. The

relationship between economic situation and the (substantive) character of crisis response agreements is, however, likely to be more complex, as the scope for measures which provide protection against uncertainty will be narrowed the more severe and protracted the downturn. Also, the changing economic situation may affect the power balance between workers and employers, which may then lead to changes in both the incidence and character of agreements.

Although industrial relations institutions across the EU display some important commonalities, they also contain considerable variation. Three aspects of the institutional arrangements governing collective bargaining are central to present concerns. First, whether structures for collective bargaining are multi- or single-employer in nature represents a key difference in prevailing governance mechanisms (Table A in the Annex). Under multi-employer bargaining, the alternative of unilateral employer regulation is greatly reduced, if not eliminated altogether, as compared with single-employer arrangements where unilateral employer regulation is an ever present substitute for the joint regulation that collective bargaining entails (Traxler, 2003). Moreover, with multi-employer bargaining arrangements, the possibility exists of higher levels – sector and inter-sector - establishing frameworks which can facilitate and govern further negotiation at company level. Second, whether under multi-employer bargaining arrangements there are provisions which closely articulate negotiations at the higher and company levels, respectively, is a crucial second-order distinction. Higher-level agreements can only frame and constrain company negotiations in the presence of effective multi-level governance arrangements (Nergaard et al., 2009; Traxler et al., 2008). Third, collective bargaining coverage (i.e. the percentage of the workforce covered by collective agreements) has a crucial bearing on the capacity of collective bargaining to assume a prominent role in developing crisis-response measures. Coverage is strongly associated with bargaining arrangements: collective bargaining coverage under multi-employer bargaining is markedly higher than under single-employer bargaining (Traxler et al., 2001). Figure 4 indicates collective bargaining coverage rates, as the percentage of all workers covered by any agreement, in EU countries for which data are available.

Fig. 4: Collective bargaining coverage in the EU, 2006 (to be updated!)



Source: European Commission 2008

Accordingly, negotiated responses to the crisis are more likely to cover a greater proportion of the workforce in countries and sectors where multi-employer arrangements prevail. Under single-employer bargaining, limited bargaining coverage means that unilateral, management responses will be widespread. In terms of the (substantive) character of agreements, because under multi-employer bargaining, sector and inter-sector agreements can provide a central steer to company level negotiators (which thereby reduces the transactions involved in searching for appropriate solutions at lower levels), the range and variety of measures which provide some protection against employment uncertainty is likely to be greater than under single employer bargaining. These higher-level agreements can provide company level negotiators with a number of pre-conceived instruments and trade-offs which facilitate reaching agreements at the company level. Moreover, the institutional protection that multi-employer bargaining provides against possible management exit from joint regulation will result in a more favourable balance between uncertainty protection measures and those which essentially (re)distribute its costs than under single-employer bargaining. Amongst countries and sectors with multi-employer bargaining arrangements, these effects on agreement incidence and character are expected to be mainly in evidence where effective multi-level governance arrangements are present.

Public policy has shaped the extent and character of crisis-response agreements in at least two ways. The first, which has been addressed by Carley and Marginson (2010) and Glassner and Keune (forthcoming), is the involvement of employers' organisations and trade unions in framing and subsequently endorsing – either tacitly or explicitly – anti-crisis packages of measures introduced by governments. However, as it relates more to processes of national-level social dialogue than collective bargaining per se it is not considered here. Typically



such packages have included a range of labour market measures, in some cases as part of a broader set of economic measures and in other cases not. The second are the specific short-time working or partial unemployment schemes (hereafter short-time work schemes) aimed at maintaining employment that have been mobilised in many EU-15 countries and newly introduced in several of the post-2004 Member States (see Annex Table B). These schemes establish a context within which employers and trade unions can negotiate further measures responding to the effect of the crisis in particular sectors and companies and directly require negotiations to implement them. In short, there is potentially an important interaction between statutory provision as a mode of labour market governance, in the guise of such specific public policy measures, and collective bargaining. Accordingly, the incidence of negotiated responses can be expected to be enhanced by the presence of a short-time work scheme. As to their character, these responses are likely to be more integrative, as the short time work schemes facilitate protection against uncertainty for workers as well as cost reduction and retention of employees and skills for employers.

However, we are not advocating economic or institutional determinism. Employers' and trade unions' responses are conditioned but not determined by the economic situation, industrial relations institutions and government policy. Responses are also the product of their own respective strategies. Employers and trade unions exercise choices, have the potential to advocate innovative solutions or to rely on the tried and tested ones, to engage in compromises in the face of differences of interest and to test their relative strength through conflict. An assessment of these strategies can not be presented here, however, since it requires in-depth data of a kind which is not available on a comprehensive basis across the countries of the EU.

The medium-term implications of the impact of the crisis for collective bargaining seem likely to reinforce, rather than undermine, the predominant trajectories of the past twenty years. Substantively, since the 1980s the parameters framing wage bargaining have progressively shifted their orientation from productivity to competition (Schulten, 2002). Under the former, the emphasis was on an exchange between more productive working, and thereby growth, and real wage improvements, whilst under the latter the emphasis is on an exchange between lower cost and more flexible working, thereby maintaining competitiveness, and real wage restraint. Increasingly too, employment has become a central focus of negotiated trade-offs under a competition-oriented bargaining regime, a feature which was first reflected in the rise of so-called 'pacts for employment and competitiveness' at sector and above all company levels during the 1990s (Sisson and Artiles, 2000). Indeed, Léonard (2001: 30) contends that 'employment is becoming a new "general equivalent" against which a variety of issues are negotiated, such as wages and flexibility'. As potential relocation of activity has become an ever more prominent part of the context framing collective negotiations during the 2000s, the tendency for employment to become the equivalent against which other matters are traded-off has become even more pronounced (Ahlers et al., 2007; Marginson and Meardi, 2009).

Procedurally, the dominant trajectory has been towards greater decentralisation of the levels at which collective bargaining takes place, with increasing space being opened-up for company-level negotiation in particular (Marginson and Sisson, 2004: Ch 7). In many of the

countries of western Europe, this has come about through an ‘organised’ process (Traxler, 1995) whereby the scope for negotiation at lower levels is specified by agreements at higher levels. The extent to which an organised route to decentralisation has been taken, the procedural provisions through which it has been effected, and the higher level which provides the frame (sector, inter-sector or – in the case of France – the state) vary (Arrowsmith and Marginson, 2008; Visser, 2005). And in some countries, such as Spain, the relationship between higher level agreements and what happens at lower levels remains un- or under-specified, as noted above. In contrast, developments in the UK since the 1970s followed a ‘disorganised’ process of evolution, in which multi-employer agreements in most parts of the private sector have been swept away in favour of company-based arrangements, i.e. either company collective agreements or unilateral employer regulation. Amongst the EU’s post-2004 member states multi-employer arrangements form the cornerstone of collective bargaining only in Slovenia. Here too, recent developments have been in the direction of organised decentralisation.

These two types of decentralisation are connected, since bargaining over the trinity of employment, flexibility and competitiveness has fuelled the pressure for decentralisation across the board. Frequently, the trade-offs involved are only realisable in specific terms at company level: ‘bargaining on employment reflects the development of a “different paradigm” of industrial relations, characterised by greater decentralisation, higher interdependency of the social actors in the regulation of production processes, leading to agreements specifying contractual arrangements at the local level’ Léonard (2001: 30). As a result, Visser (2005) suggests that, in the countries of western Europe where multi-employer arrangements continue to act as the cornerstone, sector agreements may only be able to survive by denying their historic functions of specifying and enforcing universal standards.

### **3. Responses to the crisis through collective bargaining at sector and inter-sector levels**

In those countries where collective bargaining takes place at inter-sector level, the outcome of negotiations aimed at addressing the crisis has varied (Carley and Marginson, 2010; Glassner and Keune, 2010). In Belgium and the Netherlands, two-year agreements responding to the crisis were concluded in December 2008 and March 2009, respectively. In Spain, employers and trade unions were unable to reach a cross-sector framework agreement laying down recommendations for lower-level bargaining for 2009 (such agreements had been negotiated annually since 2002), but in 2010 the practice has been resumed with an unprecedented 3-year agreement. The inter-sector agreement concluded in Ireland in September 2008, due to run for up to three years, was the subject of unsuccessful negotiations to revise it. The agreement formally collapsed at the end of 2009 when the employers withdrew from it. Yet, the employers and trade unions subsequently adopted joint guidelines for the company level negotiations that would ensue in its place. In Finland, where up until 2007 inter-sector agreements were a principal feature, talks in late 2009 between employers and trade unions over a possible inter-sector framework for lower level negotiations were, however, unsuccessful. Also, in Slovenia, the crisis accelerated longer term processes that led to the termination of a tradition of national social pacts that had prevailed since 1993 (Stanojevic 2010).

Although wage developments are central to these inter-sector agreements, the agenda also extends to non-wage elements. Outcomes typically involve some trade-off involving wage moderation and employment and/or competitiveness objectives. The Belgian agreement sought to achieve a balance between companies' competitiveness, workers' purchasing power and employment levels, and included measures for a modest increase in purchasing power without increasing employers' wage costs, increases in benefit for those on short-time work, some improvement in social benefits and incentives for employers to recruit among the long-term unemployed. The agreement was predicated on intervention by the state for the realisation of some of the measures specified. The Dutch agreement also entailed wage moderation, alongside measures to promote employment and training, and provided assistance for redundant workers. The central aims of the Spanish agreement are an improvement in purchasing power consistent with the protection and creation of employment. The agreement recommends moderate increases in wages, the inclusion in collective agreements of measures to mitigate job loss, promotion of open-ended rather than temporary employment, and enhanced workforce training and flexibility. As noted above, a striking feature is the 3-year duration of the agreement, which is intended to reduce uncertainty for workers, through safeguards against unanticipated rises in the cost of living, and for firms in terms of greater predictability over their labour costs.

The principal procedural role of these inter-sector agreements has been maintained. This is to frame negotiations at sector and/or company levels – rather more tightly in Belgium than in the Netherlands or Spain. With the collapse of the national pay agreement, the rules of the game have changed more radically in Ireland. The adoption of the guidelines for negotiations at company level suggests, however, a shared concern on the part of the central employer and trade union organisations to try and steer the new, decentralised process.

At sector level, crisis-response measures have been the subject of specific agreements, in some instances, and included as additional elements in regular, periodic agreements, in others. Carley and Marginson (2010), reviewing a range of European-wide secondary sources<sup>2</sup>, find crisis-response measures in one form or the other to be a feature of agreements in one or more sectors in eight countries: Belgium, Denmark, Finland, France, Germany, Italy, the Netherlands and Sweden. As the authors note, although the inventory is not exhaustive, available evidence strongly indicates that further sector agreements elaborating crisis-response measures are also confined to these countries.

There seems to be an absence of agreements in Spain, Portugal and Greece, and in those central eastern European countries where negotiations take place at sector level. The eight countries are all ones whose arrangements for multi-employer bargaining contain procedural provisions which govern the relationship between bargaining at the sector (and, where relevant, inter-sector) and company levels.

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<sup>2</sup> The sources included Eurofound's European Industrial Relations Observatory and European Restructuring Monitor; the ETUI's Collective Bargaining Newsletter; two private-subscription based online services, European Employment Review and Planet Labor; and, in some cases, the websites of the companies or trade unions involved.

The bulk of the agreements identified are in manufacturing; there are fewer in private services. Within manufacturing, metalworking is the most strongly represented sector (in Denmark and Sweden as part of agreements covering other manufacturing sectors as well), followed – at some distance – by chemicals. In private services, amongst the agreements identified banking was the only sector which featured in more than one country.

These agreements represent the outcome of negotiations which will have involved disagreements, tensions and, in some cases, conflicts before their conclusion: ‘disagreement and conflict are in many cases key elements of the process that leads to negotiated responses’ (Glassner and Keune, 2010: 19). For example, deadlock in Austria’s metalworking negotiations in 2009 was accompanied by threats of industrial action. The impasse was overcome, temporarily as it turned out, by concluding an agreement on wages and referring contentious employer proposals for more flexible working time arrangements to further negotiations. These subsequently failed to reach a conclusion by the set deadline.

Several themes are prominent amongst the measures envisaged in these crisis-response agreements. A first is the introduction or improvement of *short-time work schemes*. An agreement in Sweden’s manufacturing sector introduced a short-time work and temporary lay-off scheme (there is no statutory scheme in Sweden), aimed at preserving jobs, supporting incomes and providing workers with training opportunities during downtime. Elsewhere, as in French chemicals, French and German metalworking and Italian banking, retail and tourism, measures aimed to improve existing statutory schemes, for example by supplementing benefits above statutory minima or through provision of training opportunities; to reduce their costs to employers, for example through modifying compensation arrangements; or to provide an option to extend schemes beyond their statutory term. The most far-reaching provisions on short-time working have been specified in the German metal sector. The agreement concluded in spring 2009 provides for two modes of setting additional allowances at the company-level (Vogel 2009). Furthermore, the agreement includes an opening clause on the implementation of training measures at the company-level for workers in short-time work. As an incentive for employers, no additional short-time work allowances have to be paid during the period of training. The metal sector agreement concluded in February 2010 is a continuation of the social partners’ approach aimed at overcoming the crisis without major job losses. The agreement guarantees a step-wise wage increase that can be suspended in cases of temporary financial strain at a company, a 12-month employment guarantee for workers on short-time working, a new option for the further reduction of working time and a new mode of calculation of short-time working benefits that allows companies to pay out the annual leave and the 13<sup>th</sup>-month salary in proportion to the hours worked.

A second theme is actions to *prevent or mitigate job loss* with options to maintain employment being created or revised in agreements in metalworking, chemicals and banking in, variously, Belgium, France, Germany and Italy. This included an innovative ‘employee leasing’ measure in French and German metalworking and German chemicals, under which surplus staff can be loaned to companies which have shortages. The leased employees are recalled when activity picks up. Social partners in the Dutch road haulage sector agreed on three measures that have to be further specified at company level by the management and a

union representative: first, older workers threatened by unemployment get guarantees that they can enter the pre-pension scheme; second, a flexibilisation of working time schedules through the temporary expansion of the obligatory and voluntary time-for-time regulations; and, third, the employer gets the right to determine unilaterally when the working time reduction days agreed in the sector collective agreement have to be taken up. Furthermore, the social partners established a temporary mobility centre that aims at facilitating employment of unemployed truck drivers and crane operators. A similar agreement that combines wage-flexibilisation, settling conditions for early retirement of workers and life-long learning for which a sum of €30 million will be made available has been concluded in the Dutch metalworking and electro-technical sectors in January 2010. Likewise, the agreement concluded in the Italian chemical sector, valid from 1 January 2010 to 31 December 2012, can be regarded as particularly favourable for workers. It provides for annually increasing wage rates, training measures – in particular for workers that have been dismissed – and an increase of contributions to the sector's supplementary pension and healthcare funds by employers.

*Support for redundant workers* is a third theme, incorporating a range of measures including advice, retraining and outplacement, as instanced by an agreement in Italian pharmaceuticals, and enhancing redundancy benefits, as in Denmark's 2010 manufacturing agreement. Likewise, in Belgium – in addition to other crisis measures on the temporary reduction of working time that provide for a partial compensation of income losses – an additional redundancy benefit is granted to workers who were made redundant due to economic reasons in the period of January to September 2010. The agreement concluded in the Swedish manufacturing sectors in spring 2010 ensures that the re-employment of former workers who have been made redundant has priority over the use of temporary agency workers. If employers make use of temporary agency workers regardless of this provision they are obliged to pay a 3-months salary to the workers made redundant.

In general, a fourth theme - *wage moderation* - was a feature of sector agreements concluded during 2009, with the increases specified being lower – although not drastically so – than those in the previous year (Carley, 2010 – EIRO annual pay report). This development appears to have become more marked in agreements concluded during the early months of 2010, as evidenced by the German collective agreements concluded in the first months of 2010 (Bispinck 2010). More specifically, some wage agreements also elaborate (further) crisis response measures. Agreements in other sectors concluded as part of Denmark's recent round of multi-annual sector negotiations, tend to follow the pattern established in the manufacturing agreement in which wage moderation is accompanied by improvements to redundancy benefits and pension entitlement (Due and Madsen, 2010). In Belgium, many of the sectoral agreements concluded within the framework of the 2009 inter-sector accord respond to its crisis-response guidelines (see above), resulting in modest income increases for workers but even more modest growth of labour costs (EIRO, 2009).

*Greater flexibility in and/or decentralisation of wage setting* is a fifth theme. Greater flexibility comes in the form of provisions in agreements in some German manufacturing sectors which enables the timing of the sectorally defined wage increases, or one-of payments paid in lieu of an increase, specified to vary in companies. The agreement concluded in the

German metal sector in November 2008 is an example. It stipulates (besides a lump sum and a special one-off payment) a general pay increase in two steps, which can be suspended if the company's financial situation is particularly strained. The provisions have to be implemented via a local, company-level agreement. Some agreements in Finland and Sweden have gone further, providing for pay bargaining to become decentralised to company level, a development which represents significant procedural innovation. For instance, the 'pilot agreement' reached by the Finnish social partners for blue-collar workers in the technological manufacturing sector (that is, electronics, mechanics, ICT and metalworking) concluded in August 2009 provides for the possibility of 'incremental' wage increases at the company level according to conditions set in the sectoral agreement. At the company level, pay rises set in the sectoral agreement can be delayed or even not implemented under certain circumstances – for example, if a company's present financial situation cannot reasonably take the strain of higher labour costs; if demand is exceptionally weak; or if the wage increases would threaten jobs. A similar agreement that provides for the renegotiation of wage increases in 2010 and 2011, taking into account the company's economic situation, was later agreed for salaried employees in this sector. In Sweden two collective agreements for employees in the technological sector (that is, engineers, architects and other professional technical staff) secure a general pay increase for a period of one year, which can be undercut, however, if the company faces temporary financial difficulties.

The five themes embrace a range of different forms of protection against uncertainty. For workers, uncertainty over job loss is addressed by measures under the first and second themes. Deterioration in pay and conditions is addressed by some of the measures under the second, such as supplementing statutory minima, and by the fourth, insofar as agreements provide for some increase in purchasing power. Expectations of finding a replacement job are addressed by measures under the third theme. The range of relevant collective goods has been expanded by new measures introduced under each of the first three themes. Trade-offs in protection between the employment and income aspects of uncertainty are apparent, under the first theme and insofar as the fourth involves a package of measures. For employers, retaining trained and experienced labour is addressed by measures under the first theme, and also some under the second such as employee leasing. Securing an immediate reduction in costs is addressed by the first, whilst the fourth constrains growth in labour costs and the flexibility measures under the fifth provide additional protection for firms in financial difficulties. A trade-off in protection is apparent between the cost of measures under the first three themes and the benefits of maintaining co-operative relations with the workforce. Measures such as short time work strike a balance between maintaining employment, in particular highly skilled labour in the export-dependent manufacturing industries, supporting workers' purchasing power by guaranteeing a (partial) compensation for income losses due to working time reductions, and increasing companies' internal flexibility and external competitiveness (often short time working is coupled to training for employees during the phases of non-activity). In this way, they provide a public good of particular relevance against the background of the economic crisis. In combination with collective agreements that counter the deterioration of pay these measures are contributing to sustain and stabilise domestic demand. Thus, instruments such as short time work and collective bargaining provide a public good by reducing uncertainty with regard to macro-economic developments and by improving the conditions for a sustainable economic up-turn.

The fifth theme also represents a trade-off between increased (short-term) employment security for workers and losses in income. The flexibilisation and/or decentralisation of wage setting via the temporary suspension of wage increases (and one-off payments) in companies in financial difficulties allows for short-term crisis responses in accordance with the economic situation of the individual company. For employees the trade-off in the form of income losses resulting from wage suspension and/or wage increases below the rates settled in (multi)sectoral agreements is mitigated in two respects. First, the suspension of wage increases is *temporary* in nature and contingent on certain conditions. Secondly, deviations from wage norms settled in higher-level agreements have to be in line with the procedural rules stipulated in higher-level agreements and/or labour law. The second aspect refers to the reduction of uncertainty for employees through procedural rules and certain institutional prerequisites of the industrial relations system.

The nature of the evidence available does not permit a thorough assessment of the balance between integrative and distributive elements of these agreements. Two observations can, however, be made. First, the majority of the agreements specified a package of measures, indicative of an agenda of sufficient scope to facilitate the trade-offs in negotiations which result in integrative elements to the outcome. As indicated above, trade-offs are indeed apparent between different aspects of uncertainty. Second, an integrative element is an evident feature of some of the measures adopted, most notably agreements on short-time work and temporary lay-off and those on employee leasing. The agreements improving and/or extending statutory short-time schemes underline the role that state intervention has played in prompting collective negotiation and in enhancing the scope for integrative elements to the outcome.

The principal form of procedural innovation has been consistent with the trajectory of organised decentralisation which has predominated over the past twenty years, and involved opening up or enhancing scope for company level negotiation within parameters specified in sector agreements. The introduction of flexibility over the timing and amount of payments due in agreements in Germany's chemicals, metalworking and textile sectors is effected by additional opening clauses which require company agreements to trigger implementation. The multi-annual agreements in Finnish technology and for professional staff in Swedish engineering (see above) move pay bargaining down to the company level, with no general sector-wide increase being set beyond the first year. The Swedish manufacturing sector's short-time working scheme requires local, company negotiations to implement the provisions specified in the sector agreement. More generally, several of the other specific crisis-response sector agreements required company agreements to implement the measures specified. A different kind of procedural innovation was evident in three Italian agreements, metalworking, pharmaceuticals and retail, which established joint monitoring arrangements to anticipate economic and labour market developments in the sector and/or oversee the take-up of the employment-related measures specified.

Procedural innovation is also the result of social partner negotiations on lifelong vocational training in France. The interprofessional agreement concluded by the five main union confederations and the most important employers' associations in January 2009 was

transposed by law in November of the same year. The law guarantees the right to individual vocational training for low-skilled workers and job-seekers, simplifies procedures to apply training programmes and better addresses companies' skill requirements. The implementation of the law involves collective bargaining actors at the sectoral and company level. In the metal sector for instance social partners concluded an agreement on the anticipation of businesses skill needs and the safeguarding of workers' professional career in May 2010. Measures include training and mobility programmes, action plans on life-long learning in companies, and the reinforcement of the sectoral labour market observatory.

#### **4. Company level responses**

The incidence of company (and establishment) agreements specifying crisis response measures varies between countries and across sectors. Ninety per cent of the 96 company agreements reviewed by Carley and Marginson (2010) are accounted for by EU-15 countries. In addition to the eight countries in which crisis-response measures feature in sector agreements, Spain and the UK were also prominent. Amongst the central east European member states agreements were identified in the Czech Republic, Hungary, Poland, Slovakia, Bulgaria and Romania, but not amongst the Baltic States. Almost eighty per cent of the 96 agreements concerned companies in the manufacturing sector. Within manufacturing, those in metalworking predominate and particularly the automotive sub-sector. In private services, agreements are most prevalent in civil aviation and posts and telecommunications.

Carley and Marginson (2010) underline that crisis-response agreements have been much more prevalent than indicated by the 96 cases they review. In particular, in several countries, including Austria, Belgium, Denmark, Germany, Italy and the Netherlands the introduction of statutory short-time work, or similar, schemes requires company agreements, and has been the focus of widespread negotiating activity. The same applies to the agreement in Sweden's manufacturing sector establishing a scheme: more than 170 local agreements were reported to have been reached within six weeks of the scheme's introduction (Eurofound, 2009). Nonetheless, they conclude the underlying sector and pattern probably differs little from that evident amongst the 96 agreements. There is little to suggest that there are significant numbers of agreements which have not been captured by the range of secondary sources<sup>3</sup> used in the post-2004 member states of the EU or in EU-15 countries such as Greece and Portugal. In the case of private services, statutory short-time work schemes – which have been a major focus of company agreements in manufacturing (see below) – do not cover the service sectors in many of the relevant countries.

Crisis-induced restructuring has frequently been a source of contestation between management and workforce, with conflicts preceding a number of agreements. For example, in manufacturing Glassner and Keune (2010) report that industrial action was taken by the workforce prior to agreements being concluded at Case New Holland and Indesit in Italy, and at Siemens in the Czech Republic, whilst negotiations over restructuring at InBev's

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<sup>3</sup> The sources are the same as those identified for the sector agreements – see footnote 2. In addition, questions aimed at eliciting information on crisis-response agreements at sector and company levels were included the questionnaire for EIRO's 2009 annual review of industrial relations developments in each EU member state, which form the basis an overview report prepared by Mark Carley.



operations in Germany and in Belgium were both accompanied by industrial action. In services, there has been considerable conflict around crisis-response negotiations in airlines, including Alitalia, Aer Lingus, British Airways, Finnair, LOT, Olympic Airways and SAS, reflecting the emphasis on employee concessions. Not all of these negotiations have yet resulted in agreement: some remain deadlocked. In the postal sector, negotiations over management plans for restructuring were the focus of industrial action in Austria and the UK before agreements were eventually concluded.

The measures concluded in the 96 agreements fall mainly into six broad categories. The first is the introduction of *short-time work and/or temporary lay-offs*, in many countries based on statutory schemes, and determining the conditions of the workforce affected. Most common are agreements which set out the details of the short-time work arrangements and the pay guarantees involved, and often provide for statutory payments to be supplemented by the company. Other agreements involve issues such as an employment guarantee or part of a package of measures to mitigate job loss. The second category is other *variations in working time arrangements*, to avoid either redundancies or recourse to short-time work. The measures involved included forms of time account and adjustments to annual leave schemes. Measures aimed at *mitigating planned job losses*, including avoiding compulsory redundancies through use of alternative options, form a third category. Amongst the more common measures involved were provision of incentives for voluntary redundancy, promotion of early retirement (full or partial), non-renewal of fixed-term contracts, internal and/or external redeployment, and natural wastage through non-filling of vacancies. The fourth category is *support and compensation for redundant workers*. Apart from increases in redundancy payments, measures included provision of training, outplacement opportunities, advice in setting up independent businesses, and priority to be re-engaged by the company in the future. Negotiating activity under the third and fourth categories may be prompted by public policy intervention, in the form of the statutory requirement or encouragement found in a number of countries, including Austria, Finland, France, Germany, Italy, Poland, Spain and Sweden, to negotiate over ‘social plans’ or similar measures to accompany or mitigate planned collective redundancies.

*Employee concessions*, variously on pay, working time and other working conditions, represent the fifth category. Pay concessions come in various forms, including as a result of reduced hours (in the absence of a short-time working scheme), a freeze or cut in standard pay rates, and the temporary elimination or reduction of bonus payments. Concessions on working time include changes to time accounts and annual leave which enable employers to claw back time at a subsequent date. The sixth type concerns various forms of *employment guarantees*, which comes as a trade-off against other measures, most commonly employee concessions and/or short-time work. Employment guarantees are typically time-limited, and include commitments to maintain current levels of employment or to avoid compulsory redundancy. They can also entail employer commitment to maintain production or undertake investment at a particular location. A further theme, *training*, cuts across these categories, with training measures being specified in agreements dealing with short-time work, mitigating jobs loss (e.g. where redeployment is involved) and support for redundant workers.

The pattern differed as between manufacturing and services. In manufacturing, short-time work features in a majority of the agreements, reflecting the impact of statutory schemes in prompting negotiation in many of the countries concerned. An employment guarantee featured in around half of the agreements, whilst employee concessions did so in just under a third and variations in working time in a fifth. Around a fifth also featured measures mitigating job loss, whilst a smaller proportion of agreements contained measures to support, and improve compensation, for redundant workers. A majority of agreements specified a package of measures, with almost two-thirds covering two or more broad categories. As noted above, employment guarantees always feature as part of a package including other, concessionary, measures, and accounted for a clear majority of 'package' agreements. Single category agreements were most likely to address short-time work, followed by mitigating job loss and support for redundant workers.

In the service sector, short-time work featured much less prominently in collective agreements (reflecting the fact that in many of the countries concerned statutory schemes do not extend to the service sector). Service sector agreements concerning short time work can be found especially in transport (airlines) and telecommunications. Employee concessions were the most common theme amongst agreements, featuring in two-thirds. Employment guarantees feature in about a third, with a similar proportion featuring measures to mitigate job loss. Few agreements contained measures on supporting redundant workers, and none on varying working time. Although a similar proportion of agreements to manufacturing covered more than one broad category, the nature of the resultant packages differed. Crucially, an employment guarantee was part of agreements involving employee concessions in only half of the relevant cases. Civil aviation, in particular, was mainly characterised by straight concession agreements. Elsewhere, agreements combining employee concessions and either short-time work or mitigation of job loss were in evidence. There was no clear pattern amongst single category agreements.

As with the sector agreements, the different main themes which feature amongst the company agreements indicate the salience of a range of forms or protection against uncertainty. For workers, uncertainty over job loss is addressed by measures under the first, second, third and sixth categories. Some of the measures under the first, such as supplementing statutory minima, address deterioration of pay and conditions. Measures under the fourth category address expectations of finding a future job following redundancy. The range of available collective goods is expanded by measures under the first, third and fourth categories. A trade-off is most apparent in those agreements which provide some kind of employment guarantee, which is most commonly set against acceptance of a deterioration in pay and conditions (either through employee concessions or via short-time work). For employers, measures under the first theme address the retention of trained and experienced labour. Those under the second and fifth, and also the first, respond to securing immediate reduction in costs. The trade-offs involving the sixth, employment guarantees – which involve constrained flexibility over costs, suggests that concern to maintain co-operative relations with the workforce is also a relevant factor.

At best inferences can be drawn about the balance between integrative and distributive elements in these company agreements. The main one is that there is a considerable range,

between outcomes where the distributive element is dominant – as in those agreements which feature employee concessions with no offsetting measures, and those where the presence of an integrative element is signalled by the inclusion of some kind of employment guarantee. The former are primarily confined to the service sectors whereas the latter, although not entirely absent in services, are more widespread in manufacturing.

Two kinds of procedural arrangement have played an important role in promoting company negotiations and agreements over crisis-response measures. One is the presence of provisions of sector (and inter-sector) agreements requiring or inciting negotiations at company level. For example, hardship clauses and opening clauses dealing with issues of competitiveness, flexibility and employment usually tend to invoke company negotiations to effect their implementation. And company agreements on short-time work are clearly linked to the provisions of sector agreements in some countries. The other is public policy, in the shape of statutory short-time work schemes, which according to country can require, and if not may have the effect of encouraging, company-based negotiation, and statutory requirements to negotiate ‘social plans’ in cases of planned collective redundancies. By providing procedural certainty for company-level negotiators, the effect of sector agreements and public policy may well have facilitated the incidence and character of negotiated responses. There is limited information on procedural innovation in company negotiating arrangements, although one development is the establishment or strengthening of central bargaining arrangements where agreements address developments at two or more sites within a country (Zagelmeyer, 2009).

## **5. Accounting for variation in the incidence and character of negotiated responses**

To what extent does the respective influence of the four sets of factors identified in Figure 1 account for the cross-country and cross-sector pattern of variation in the incidence and character of crisis-response agreements at sector, inter-sector and company levels? A cautionary note is needed: whilst some assessment of the influence of economic situation, industrial relations institutions and specific public policy can be made, as noted above it is not possible to throw light on the influence of the strategic choices of employers and trade unions given the nature of the secondary data available. Patterns in the incidence of agreements according to these three factors, across countries and then across sectors, are assessed first. Any patterning impact of these factors on the character of agreements is then considered.

### *Incidence of agreements*

In accounting for differences in the incidence of crisis-response agreements across countries, two factors are influential: the nature of industrial relations institutions and the presence of specific public policy measures. In contrast, the economic situation, in terms of the depth of the crisis in different countries, does not appear to have exercised influence on the incidence of crisis-response agreements. Those countries which have experienced the sharpest declines in GDP – the Baltic States, Finland, Ireland, Romania and Slovenia – are not prominent in terms of the incidence of agreements. This remains the case even when controlling for the nature of industrial relations institutions (see below). Put another way, there is considerable variation in economic situation amongst those EU-15 countries where crisis-response

agreements have been more prominent, such as Belgium, France, Germany, Italy, the Netherlands, Spain, Sweden and the UK.

Turning to industrial relations institutions, the distinction between multi- and single-employer bargaining arrangements, and the related difference in collective bargaining coverage, would seem to exercise an important influence on the incidence of crisis-response agreements. Under multi-employer bargaining, insofar as sector agreements have been concluded, they entail extensive – and in those countries where extension arrangements normally apply, complete – coverage of the workforce concerned. In contrast, under single-employer bargaining, even where company agreements are reasonably prevalent, as in the UK, workforce coverage will be considerably less. In general, therefore, unilateral employer responses will have been substantially more widespread where single-employer bargaining arrangements prevail. Amongst the countries in which multi-employer arrangements prevail, those in which sector and inter-sector bargaining arrangements have been mobilised include most of those where there are procedural provisions which effectively frame and constrain subsequent company level negotiations. Conversely, where tightly specified articulation provisions are not a feature of multi-employer bargaining, as in Spain, Greece and Portugal and some central and south eastern Member States, sector-level arrangements seem not to have been mobilised.

The incidence of company-level agreements would also seem to have been higher amongst countries with multi-employer than those with single-employer arrangements. These empirical findings indicate that in a multi-employer bargaining setting decentralisation follows the ‘organised’ path (Traxler 1995). One reason is that sector (or inter-sector) agreements may specifically promote, or even require, further negotiation at company level. A second is that by providing a framework for negotiation at company level, the success or otherwise of a negotiation and the nature of the agreement concluded at company level becomes less dependent on specific power balances within the company (Glassner and Keune, 2010). Amongst those countries with single-employer bargaining arrangements it is noticeable that the incidence of agreements is highest in the UK, where collective bargaining coverage is also comparatively higher. Correspondingly, amongst the (majority of) central east European countries with single-employer arrangements, where collective bargaining coverage is comparatively lower, crisis-response agreements are limited incidence. In the Baltic States, where coverage is least, they have barely featured.

The role of public policy measures in prompting sector and company agreements is evident in the impact that statutory short-time work schemes have had, either by requiring the conclusion of company agreements for their implementation or by inciting additional negotiations at sector and company levels. Going forward, such schemes – and therefore their impact – are, however, time limited. The impact of statutory requirements for social plans in the case of planned collective redundancies in some countries is less noticeable, as evidenced by the smaller number of company agreements dealing with this theme as compared to those on short-time work. Any effect, however, is ongoing. In addition, it is in combination with multi-employer bargaining arrangements that the impact of short-time work schemes seems crucial. Statutory schemes have been drawn up and operationalised for the first time in several central east European countries, including the Czech Republic, Hungary, Poland,

Slovakia, Slovenia, Bulgaria and Romania. There is little indication, however, that these schemes have prompted collective negotiation amongst countries where, with the exception of Slovenia, bargaining is either exclusively or predominantly single-employer in nature. A contrario, the UK – where no such scheme exists - has seen a number of institutionally ‘uncushioned’ short-time work and temporary lay-off agreements, further suggesting that the more salient difference amongst countries with single-employer arrangements lies in the realm of the coverage and depth of collective bargaining.

Across sectors, the considerable variations between, and within, manufacturing and private services are attributable to a combination of three sets of factors: economic situation, manifest in the varying extent to which particular sectors have been hit by the crisis; industrial relations institutions; and specific public policy measures. The impact of the crisis on manufacturing has been more severe than on private services. Within manufacturing, metalworking and the automotive segment of the sector in particular, has been especially hard hit. So too, have the chemicals and textiles sectors, in both of which crisis-response agreements feature, although less commonly than in metalworking. Amongst the service sectors, transport – which accounts for the largest proportion of agreements – is amongst the hardest hit. Given, however, the impact of the crisis on financial services, and banking in particular, more negotiated activity might have been anticipated here; likewise with retail distribution, which has also been hard hit.

Concerning industrial relations institutions, collective bargaining coverage is generally higher, and trade union organisation stronger, in manufacturing than in private services. These factors also help account for the variation evident within manufacturing and services, respectively. Metalworking, and the automotive sub-sector in particular, remain centres of trade union strength and collective bargaining coverage is high. A further institutional consideration within manufacturing is the extent to which sector agreements in metalworking had already been progressively opened up to create scope for company negotiations in the sector (Marginson and Sisson, 2004). In services, transport and communications are sectors where collective bargaining coverage is comparatively high and trade union organisation strong.

In terms of public policy measures, the key crisis-management tool of short-time working, which has been an important impetus to negotiations, is largely a manufacturing-specific phenomenon; in most of the relevant countries, schemes were generally not adopted in the service sectors.

#### *Character of agreements*

Consideration of the main themes or categories which characterise the measures adopted in the sector and company agreements, respectively, showed that they correspond to a rationale of providing protection against different forms of economic uncertainty confronting workers and employers. Crucially, trade-offs are apparent between different forms of protection for each group, as well as between employers and workers. For workers, the negotiated outcomes – in which short-time work, measures to mitigate job loss, employment guarantees and employee concessions are all, to differing degrees, prominent - suggest that protection against uncertainty over job loss has predominated over deterioration in pay and conditions.

Negotiated outcomes featuring measures to support redundant workers are less common, implying that protection against uncertainty in securing future employment is of second-order importance. In addition, the effect of negotiated outcomes featuring support for redundant workers together with some of those featuring mitigation of job loss and introducing short-time work has been to expand the range of available collective goods. For employers, protection against two forms of uncertainty - securing immediate cost reductions and retaining trained and experienced labour – is uppermost amongst negotiated outcomes, with the balance between these two contending factors varying. To the extent that the balance is towards retaining trained and experienced labour, cooperative relations with the workforce are more likely to have been maintained. The negotiated outcomes suggest that the main trade-off between workers and employers in terms of uncertainty protection has been between protection against job loss (for workers) and cost reduction (for employers), i.e. at the cost of deterioration in pay and conditions (for workers).

In accounting for variation in the character of agreements, an assessment is hampered by absence of in-depth data of the kind needed to uncover the balance between integrative and distributive elements in negotiated outcomes. Some tentative observations can nonetheless be made. First, the impact of economic situation can be discerned in one respect. Arguably, the severity of the crisis in Ireland as compared to Belgium and the Netherlands, served both to reduce the scope for integrative elements to feature in negotiations and to intensify distributive conflict, conditions which contributed to the breakdown of inter-sector negotiations and the collapse of the agreement. Second, and crucially, contrasting tendencies between the nature of company agreements in manufacturing and services strongly suggest that industrial relations institutions, and also specific public policies, are influential in shaping the balance between integrative and distributive elements. The trade-off of some form of employment guarantee found in all of the manufacturing agreements which entail employee concessions, and some of those on short-time work, is indicative of an integrative dimension to outcomes. The fact that they are particularly prevalent in the automotive sub-sector, where trade union organisation is strongest and company negotiation longest established and most developed, is strongly suggestive of the relevance of industrial relations institutions. The more mixed picture in services, with employment guarantees featuring in only a proportion of the agreements entailing employee concessions, in turn reflects broad differences from manufacturing in strength of trade union organisation and depth of company bargaining. The role of statutory short-time work schemes has not only been to increase the incidence of agreements in manufacturing as compared to services, but also to open up scope for continuing employment to be traded off against income loss (for workers) and skill retention to be traded off against immediate cost reduction (for employers). In short, such schemes have shifted the balance between distributive and integrative elements in outcomes towards the latter.

## **6. Conclusions: collective bargaining as a changing mode of labour market governance**

The prominence of the role played by collective bargaining in addressing the impact of the crisis, through agreements elaborating a wide variety of measures at inter-sector, sector and company levels, varies markedly across countries and also sectors. Under the multi-employer

bargaining arrangements of some, but not all, countries concerned, sector and inter-sector agreements have provided both a substantive steer to and procedural certainty for the parties at company level. In turn, this has prompted considerable negotiating activity at company level. Public policy, in the form of statutory short-time work schemes, has had a similar, and overlapping, effect amongst this same group of countries. Conversely, unilateral employer responses have most likely been widespread in a range of other countries. These include those with single-employer bargaining arrangements, amongst which most of the central east European member states figure alongside the UK, and possibly also those countries whose multi-employer bargaining arrangements do not specify a clear relationship between sector agreements and what happens at company level, such as Spain, Greece and Portugal.

As between sectors, the role played by collective bargaining has been more prominent in manufacturing than services, even after setting aside the comparatively deeper impact of the crisis on the former. As a corollary, unilateral employer responses have almost certainly been more widespread in services. Where multi-employer bargaining arrangements prevail, the contrast flows from the generally less developed nature of company-level bargaining arrangements when compared with manufacturing. Where single-employer arrangements prevail, levels of workforce organisation and hence collective bargaining coverage are generally lower than in manufacturing.

Looking to the implications for the medium-term, the impact of the crisis has indeed been to reinforce the predominant substantive and procedural trajectories of the past twenty years. Substantively, restoring competitiveness and maintaining employment are not only central to the agenda of crisis-response agreements, but have been the principal issues subject to trade-off. The wider effect is to further entrench the role of employment as a new ‘general equivalent’ (Léonard, 2001) against which competitiveness-enhancing, or –restoring, measures to reduce costs and/or increase flexibility are negotiated. On the one hand, this evidences the prevalence of a certain type of integrative agreement. On the other hand, such agreements resemble concession bargaining in which workers make concessions in exchange for some form of employment guarantee. The types of employment guarantee vary widely, going from commitments maintain current levels of employment to promises to avoid compulsory redundancies should job loss occur. This, combined with the importance of straightforward concession agreements, in particular in the private services, suggests that in a number of countries and/or sectors the crisis has led to a weakening of the bargaining position of workers and to an increased burden of uncertainty on their shoulders.

Procedurally, the changes observed involve arrangements under multi-employer bargaining, with the main development being further movement in the process of ‘organised decentralisation’ under which bargaining competence is devolved towards the company within the framework of sector agreements. Consistent with the recent direction of travel, such change appears incremental rather than radical in nature. Nonetheless the cumulative effect of incremental change can be to effect tangible shifts in the functioning and rationale of the institutions involved - in this case sector agreements, as also contended by Visser (2005) - in ways which reflect those proposed by Streeck and Thelen (2005). The exception is the breakdown of Ireland’s inter-sector bargaining framework. The prospect of this breakdown becoming a decisive rupture in which the decentralised, company-based determination of

wages which has ensued becomes largely ‘disorganised’, despite the joint effort of the central employer and trade union organisations to steer it, cannot be dismissed.

Growing focus on the company level resulting from ‘organised decentralisation, points to the importance of the provisions articulating negotiations between the sector and company levels. Sector agreements can only continue to provide the substantive and procedural protection which they have historically ensured if they embody effective arrangements for multi-level governance (Nergaard et al., 2009). It is the absence of these that underlies the suspicion, at the very least, that unilateral employer responses have been widespread at company level in countries such as Spain, Greece and Portugal. The same applies to those central east European countries where sector bargaining arrangements exist, with the exception of Slovenia.

The experience of negotiating crisis-response agreements confirms the interconnectedness of substantive and procedural developments. Frequently, the trade-offs involved are only realisable in specific terms at company level, which increases in significance as an arena for negotiations. Accordingly, implementation of short-time working has entailed negotiation at company level in many countries, either under the terms of a sector agreement or the provisions of statutory schemes. Further, several of the sector agreements specifying other crisis-response measures required implementation through a local agreement. Conversely, the seeming extent of crisis-response company negotiations in countries such as Belgium, Germany, Italy and Sweden reflects the central role of the company level in implementing the provisions agreed in sector and inter-sector agreements. The prominence of employment and competitiveness, including cost reduction, on the crisis-induced bargaining agenda suggests that the substantive role of employment as a ‘general equivalent’ has been further underpinned, whilst further organised decentralisation under multi-employer bargaining will prove to be the procedural legacy of the crisis.



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**Annex:**

**Table A: Levels of collective bargaining in the EU**

	Inter-sectoral	Sectoral	Company	Predominance of MEB <sup>a</sup> or SEB <sup>b</sup>
Austria		XXX	X	MEB
Belgium	XXX	XX	X	MEB
Bulgaria		X	XXX	SEB
Cyprus		XX	X	MEB
Czech Republic		X	XXX	SEB
Denmark	X	XXX	XX	MEB
Estonia		X	XXX	SEB
France		X	XXX	MEB
Finland	XXX	XX	X	MEB
Germany		XXX	X	MEB
Greece	XX	XX	X	MEB
Hungary	X	X	XXX	SEB
Ireland	XXX		X	MEB
Italy		XXX	X	MEB
Latvia		X	XXX	SEB
Lithuania		X	XXX	SEB
Luxembourg		XX	XX	MEB
Malta		X	XXX	SEB
Netherlands		XXX	X	MEB
Poland		X	XXX	SEB
Portugal		XXX	X	MEB
Romania	X	X	XXX	SEB
Slovakia	X	XX	XX	SEB
Slovenia	XX	XX	X	MEB
Spain		XXX	X	MEB
Sweden		XXX	X	MEB
UK		X	XXX	SEB

Note: XXX = most important level, XX = important level, X = existing but marginal level; 'Blank' = level is non-existing

<sup>a</sup> 'Multi-employer bargaining'

<sup>b</sup> 'Single-employer bargaining'

Sources: Marginson/Traxler 2005, European Commission 2004, ETUI 2010<sup>4</sup>

<sup>4</sup> Available at: <http://www.worker-participation.eu/National-Industrial-Relations>

**Table B : National short-time working schemes and their implementation via collective bargaining**

National short-time working arrangements	Country/ countries	<ul style="list-style-type: none"> <li>• Based on labour law (LL)</li> <li>• Based on multi-level collective agreement (CA)</li> </ul>	Implemented by collective agreement	
			sectoral level	company level
Short-time working ('Kurzarbeit')	DE, AT	LL	**	**
Partial unemployment ('Chômage partiel')	FR	LL	*	**
Partial unemployment in case of 'entrepreneurial crisis'	PT	LL	*	**
Temporary economic unemployment	BE	LL	**	**
Reduction of working time ('Werktijdverkorting')	NL	LL	**	**
Short-time working, reduction of working time, wage subsidies for companies (compensation of indirect labour costs) and employees	PL, BG, HU, CZ, SK	LL	–	**
Short-time working, reduction of working time, labour cost subsidy for companies (social security contributions)	SE	LL	-	**
Wage Guarantee Funds ('Cassa integrazione guadagni')	IT	LL	*	**
Reduction of working time during production stops or suspension of production, compensation of indirect labour costs	RO	CA, (LL)	-	**
'Temporary lay-offs'	SE	CA	*	**
'Work-sharing'	DK	CA	*	**

Notes:

\*\* predominant level;

\* important level;

– bargaining level marginal or non-existent.

Sources: Glassner and Galgóczi 2009; Glassner and Keune 2010a; authors' own research;

### **Box 1: Collective bargaining and unilateral state decisions in the public sector**

The public sectors of most EU countries were the target of far-reaching **consolidation programmes**. Varying with the depth and the cycle of the crisis, measures such as wage cuts or freezes, the stoppage of new hires as well as outsourcing and privatising public services were adopted either relatively early, as for instance in the Baltic countries, Hungary and Ireland, or during the recent ‘Euro-crisis’, such as in Spain, Portugal and Italy. In other countries, measures to curb public expenditure were taken on a continued basis, such as in Ireland and Greece, where reductions or freezes of public employees’ salaries were implemented already in 2009 and followed by further consolidation measures in 2010 and – as in the case of Greece – in the forthcoming years.

Pay determination in the public sector in general differs largely from collective bargaining in the private sectors (e.g. Traxler et al. 2001). Although **collective bargaining** (at least for parts of the public sector) is an important wage setting mechanism in the vast majority of EU countries, wages are often set by **unilateral state decision** for certain segments of public sector workers, such as for instance in France, Italy, Spain, Portugal, Estonia, Latvia, Romania and Bulgaria (Glassner and Watt 2010). It has however to be noted that the prevalence of unilateral state decision as a wage setting mechanism increases in phases of fiscal and budgetary consolidation. The specific institutional bargaining setting in the public sector thus clearly reduces strategic choices of bargaining actors (first of all, trade unions), in particular in economic downturns. Furthermore, public policy measures such as **short time working** and **partial unemployment** were implemented only to a very limited extent in the public sector (mostly in state-owned companies in the transport and communications sectors).

In contrast to the private sectors, in particular the manufacturing industries, collective bargaining outcomes in the public sector – if they emerge at all – are rather **distributive** in character. The reason for this is that employment security in the public sector is obviously not tradable against wage moderation. In fact, cutting jobs on a large-scale was so far not a measure taken in the public sector in most European countries (with some exceptions such as Romania, Latvia and the UK), although employment freezes and the replacement of only a fraction of retired workers was a common policy response – and will be so in the forthcoming years as a measures included in austerity packages in a number of countries. The partly harsh and far-reaching **cuts of public sector wages** (that tend to exceed wage restraint in the private sectors in most EU countries) reflect the prior goal of governments as public employers *and* as agents for **fiscal consolidation**; that is **short-term cost-reduction**. Although skill-levels in the public sector are generally higher than in the private sectors, the retention of trained labour seems to be of lesser relevance in the financially strained public sectors. It can be concluded that due to the exposedness of the public sector to economic developments, the specific configuration of industrial relations in this sector and – related to this - the fact that the public sector is one of the most important targets of governments’ austerity measures, the outcome of integrative elements in collective agreements in the public sector is limited in the time of crisis.

**Summary of measures taken in the public sector between autumn 2008 and spring 2010:**

**Wage freezes** of public sector employees have been **discussed** or are **expected to be proposed by the government** in forthcoming negotiations end 2010 and during 2011 in **Austria, Finland** and the **Netherlands** after already tense negotiations in parts of the public sector in the first half of 2010. Likewise, in **France** wage freezes were discussed, as part of the austerity package announced in spring 2010. In **Germany** it is expected that the consolidation package includes the reduction of 10,000 jobs in central public administration by 2014.

A **wage freeze** has been adopted by **unilateral state decision** for employees in Ministries and publicly funded bodies in **Bulgaria** (for 2010), and for public sector employees in **Slovenia** (2009 and 2010) and **Italy** (for 2010). In **Portugal** a three-year wage freeze (2010 to 2010) has been unilaterally imposed by the government for civil servants and employees in public companies. Similarly, in the **UK** wages of public sector employees are frozen in 2010 and 2011.

Both **wage freezes and cuts of wages** in different segments of the public sector or for the entire public sector in subsequent years were imposed by **unilateral government decision** in **Estonia**, where wages in the general public sector were frozen in 2009, and wages of public health care workers were reduced by 8 to 10% in the same year. The **Irish** government imposed a pension levy that came into effect in 2009 and is expected to reduce wages by 5 to 7%, followed by further pay cuts in the general public sector by (inversely related to income levels) between 5 and 8% in 2010. In **Greece** the salaries of civil servants (up to a certain limit) were frozen in 2009 and the 13<sup>th</sup> and 14<sup>th</sup> month salaries cancelled. In early 2010 an 'emergency law' was adopted by the government that provides for a general wage cut of 7% in the wider public sector, including a reduction of Christmas and Easter bonuses. In the ensuing two years (2011-2012) wages of civil servants will be frozen. The **Italian** government decided that wages of public sector employees will be frozen in 2010, and salaries of high-wage earners will be cut by 5 (for annual earnings of €90,000 or higher) to 10% (for an annual income of €130,000 or higher) in the same year. In **Spain** the government imposed a wage cut of civil servants' wages by 5% in 2010, and a wage freeze in 2011. In the **Czech Republic** senior legal officials and other civil servants saw their salaries reduced by 4% in 2010. In **Romania** the state-imposed wage cut was even more draconic: Public sector employees see their wages reduced by 25% this year.

In some countries **wage freezes or cuts** were part of **tripartite 'crisis agreements'**. In **Hungary** the freeze of wages in the general public sector was settled in a tripartite agreement in autumn 2008. Likewise, the reduction of public employees' wages by 15 to 50% in **Latvia** for the year 2009 was settled in a tripartite agreement, as it was the case with the cut of civil servants' salaries by 8% in **Lithuania** that has been agreed on in a tripartite accord in 2008. In **Slovenia** the zero-increase of public sector employees' salaries in 2009 and 2010 was part of an agreement between the government and the representative unions of the public sector in February 2009.

In some countries, such as in Germany and Austria, **governments' consolidation plans** did **not yet** explicitly **target public sector wages**. However, bargaining rounds proved to be

difficult. For instance, although governments in **Austria** and **Finland** pushed for pay freezes in negotiations at the end of 2009 and the beginning of 2010, unions could secure marginal increases of around 1%. Likewise, in the **Netherlands** a 1.5% pay increase was settled in the municipal sector after several months of targeted industrial action by unions. In **Germany** a moderate wage increase (2.3% over 26 months) was agreed for public sector employees at the central and community levels in February 2010, following industrial action by the trade unions. However, in June 2010 the German government presented an austerity package with cuts concentrated in social services and welfare benefits. In the public administration large-scale job cuts are planned by 2014, and the Christmas bonus of public sector employees will not be paid out in 2011.

Source: Glassner and Watt 2010