

Informal Meeting of Ministers of Labour and Social Policy Riga 21 – 22 April 2015

Background note and steering questions for discussion

The Latvian Presidency organises the Informal Meeting of Ministers of Labour and Social Policy (hereinafter – the Informal meeting) to address broad issues related to strengthening the role of social dialogue in the European economic governance and other policy processes.

The background note contains steering questions for the following discussions within the framework of the Informal meeting:

- 1) Plenary session I “The role of social dialogue for inclusive growth”;
- 2) Two parallel workshops:
 - a) Workshop 1 “Existing and emerging challenges for social dialogue”,
 - b) Workshop 2 “Social dialogue and wage setting – experience and recent developments”;
- 3) Plenary session II “Towards a true and responsible social dialogue”.

The Latvian Presidency acknowledges the input of the European Foundation for the Improvement of Living and Working Conditions (Eurofound) in the preparation of the background note.

Plenary session I: The role of social dialogue for inclusive growth (21 April)

Inclusive growth is one of the three priorities of the Europe 2020 Strategy to achieve a high-employment economy delivering economic, social and territorial cohesion. Inclusive growth means empowering people through high levels of employment, investing in skills, fighting poverty and modernising labour markets, training and social protection systems so as to help people anticipate and manage change, and build a cohesive society¹.

According to Article 151 Treaty on the Functioning of the European Union, the promotion of dialogue between management and labour is recognised as a common objective of the European Union (EU) and the Member States.

¹ Communication from the Commission – Europe 2020 – A strategy for smart, sustainable and inclusive growth, European Commission, March 2010.

The International Labour Organisation (ILO) defines social dialogue as “*all types of negotiation, consultation or simply exchange of information between, or among, representatives of governments, employers and workers, on issues of common interest relating to economic and social policy*”. The dialogue can “*exist as a tripartite process, with the government as an official party to the dialogue or it may consist of bipartite relations only between labour and management (or trade unions and employers’ organisations), with or without indirect government involvement*”.

The European labour markets are facing serious short term and longer term challenges. The legacy of the financial and economic crisis is still persisting, in some cases exacerbated by decisions taken or imbalances accumulated before the crisis. The impact of the crisis has not been even across all groups or sectors. Even in the Member States that have emerged relatively unscathed from the crisis, it is reported that the impact has been most severe on the young and lower skilled. Labour market duality and segmentation have led to unfavourable labour market outcomes, especially for the youth, with a risk of long lasting impact on the society as a whole.

Longer term consequences of the global financial crisis, like increase in inequality with gradual decline of medium qualified manufacturing jobs, have raised more fundamental questions on how income is shared across societies, including on evolution of the wage shares. With long term unemployment at elevated levels and being a particular concern², insider-outsider divide in the labour markets has become more pronounced; responsive education systems and lifelong learning are increasingly gaining in importance³. At the same time, demographics including population ageing, migration and international competition are long term developments impacting the inclusiveness endeavours.

The Council of the EU recently identified the need to better involve social partners and civil society in discussions on how to improve job quality and ensure sustainable labour market inclusion while taking due account of job demand. The Member States and the European Commission were invited to work together with social partners, within their respective competences, towards delivering inclusive labour markets⁴.

Against this background, Ministers are invited to consider **the following questions**:

- What is the role of social partners in tackling short term and longer term labour market challenges, including the insider-outsider divide and labour market segmentation?
- Are there trade-offs between competitiveness and social inclusion? If yes, how can they be managed?
- What is the role of social partners in contributing to a floor of social rights and equal opportunities? In cases where inequalities are increasing, what is the role of

² World Employment and Social Outlook – Trends 2015, ILO, January 2015.

³ Employment and Social Developments in Europe 2014, EC, January 2015.

⁴ Council Conclusions – Moving towards more inclusive labour markets, Council of the EU, March 2015.

enhanced redistribution policies including redistribution of opportunities? What contribution can social partners make in this regard?

- How can initiatives such as the Investment Plan, the Energy Union and the Digital Single Market contribute to equitable growth and job creation? What is the role of social partners in this regard?

Workshop 1:
Existing and emerging challenges for social dialogue (22 April)

More varied production models in predominantly service or knowledge economies have emerged in recent decades. Technological change and digitalisation are increasingly gaining pace with shift from traditional medium skilled jobs in manufacturing and services towards both high skilled and low skill occupations with possible implications for gender gaps.

There has been a rise of individualisation in society at large – affecting the self-perception of the workforce and their attitudes towards both their work and the collective institutions that represent their interests.

The growth of female employment and changing gender roles have brought a new emphasis on the issues of work-life balance, care arrangements and working-time patterns as topics for social dialogue. Population ageing is creating new demands, and discussions on mobility influencing both receiving and sending countries have increasingly gained attention. The flexibility needs of companies and workers have also been put on the agenda of social dialogue.

Taken together these factors have contributed to a de-standardisation (at least partial) of employment relations which has posed a major challenge to the traditional actors in social dialogue - whose role has been questioned not only in the practical sense of declining membership strength and organisational density, but as well in the reduced voice.

There has been a long-standing multi-country trend towards further decentralisation in collective bargaining. Furthermore, one of the impacts of the crisis on industrial relations was greater unilateral decision-making by some governments at the expense of social dialogue, in particular in the public sector.

Some Member States, particularly those in the most difficult financial straits, have seen the emergence of new social movements aiming to support workers who have been hit by the crisis, but who feel not represented or under-represented, by trade unions, principally young workers and precarious workers.

A key characteristic of the European social dialogue are own-initiative agreements (hereinafter autonomous agreements) that have to be implemented in accordance with procedures and practices specific to management and labour and the Member States. This mode of governance necessitates a functioning social dialogue at European and national level.

To date, the European social dialogue has delivered eight cross-industry agreements, one multi-sectoral agreement and eleven sectoral agreements. In total, the number of agreements signed equates to less than 2% of the texts signed in the European social dialogue.

Autonomous agreements constitute a demanding challenge for social partners, as they have to ensure their timely and adequate implementation and subsequent monitoring at national level. It has to be acknowledged that decentralised national social dialogue can impact its European counterpart, especially when it comes to the

implementation of autonomous agreements in accordance with the procedures and practices specific to management and labour in the Member States.

Against this background, the Ministers are invited to consider **the following questions**:

- How has social dialogue evolved in recent years and is it equipped to deal with the changing situation? What impact do the new forms of employment (e.g. mobile work, employee sharing) have in this regard?
- Are social partners in the traditional understanding still the fully representative and accountable actors? What are the implications and possibilities for sustainable activity of the newly emerging social actors?
- Could / should increases in union density rates and memberships in employers' organisations be supported by governments?
- What should be the future role of autonomous agreements?

Workshop 2:
Social dialogue and wage setting –
experience and recent developments (22 April)

In line with recent Council Conclusions, wages are a crucial element of job quality and workers well-being that encourages labour market participation. Wages have to be looked at in conjunction with the non-wage labour costs⁵.

In Article 153(5), the Treaty on the Functioning of the EU explicitly excludes pay from EU competence. In Article 152, the Treaty clearly recognises the autonomy of social partners. However, the EU reacted to the crisis by introducing the new European economic governance with wage setting considerations being important parts of the Memorandums of Understanding. Also, a noticeable feature of the Country Specific Recommendations (CSRs) is the emphasis placed on collective wage-setting becoming more decentralised.

The European Commission has used its Annual Growth Surveys to highlight how wage trends influence the prospects for recovery by playing a role both in competitiveness and in aggregate demand. The European Commission has framed CSRs recommending to several countries to take steps to reform, in consultation with social partners and in accordance with national practice, their systems of wage bargaining and/or wage indexation in order to boost job creation and/or competitiveness.

It has also been advocated that minimum wages, when set at appropriate levels and in relevant framework conditions, can help improve job quality and reduce in-work poverty.

At national level, the effects of higher or lower wages on aggregate demand and employment are context-specific and cannot be predicted or evaluated without taking into account the level of wages relative to productivity, the degree of openness of the economy of the country under consideration and the relative size of the different components of aggregate demand. At international level, if too many countries pursue wage moderation policies, the outcome is likely to be negative⁶ and lead to deflationary pressure.

The crisis has induced a further decentralisation of wage-setting in a number of Member States with the rationale of a quicker adjustment to economic cycles, competitiveness and productivity. Other changes concerned collective bargaining and its related mechanisms: less recourse to extension mechanisms, more opt-out and derogation clauses, and less continuation of collective agreements on expiry. It could be equally argued that decentralisation has taken place for some decades now, and that the crisis has merely accelerated the process, owing to the need for more flexibility and more tailoring of agreements to companies' individual circumstances.

⁵ Council Conclusions – Moving towards more inclusive labour markets, Council of the EU, March 2015.

⁶ Global Wage Report 2014/2015, ILO, December 2014.

However there is a continuing debate whether a more centralised approach and coordinated response in situations of considerable macroeconomic imbalances leads to faster results.

Supporters of a shift to wage negotiation at company-level argue that the outcomes better reflect local labour market conditions and productivity developments, allow greater wage differentiation across workers and between sectors, reduce employment adjustment rigidities and labour market dualities and enhance labour mobility within and across the euro area countries, thereby helping to reduce structural mismatch⁷. Nonetheless there is no clear evidence on decentralisation leading to better performance in terms of productivity and competitiveness or that there would be a clear association between specific wage-setting mechanisms and productivity in the medium term⁸.

There are considerable variations between Member States to what extent wage-setting mechanisms have been subject to change – although the underlying shift to decentralisation may occur in either an organised or disorganised manner. In some Member States the combined effect of more unilateral decision-making by governments and decentralisation of collective bargaining might have led to less multi-employer bargaining and a drop in collective bargaining coverage.

Unionisation and minimum wages are thought to reduce inequality by helping equalise the distribution of wages. It has recently been argued that decline in unionisation might have led to rise of the incomes in the top with increasing need to balance this development⁹.

In a range of countries government decisions were also to the fore in the changes of structures related to minimum wage-setting (e.g. plans to set up dedicated commissions) and to adjustments to indexation mechanisms.

Against this background, Ministers are invited to consider **the following questions**:

- Does the trend towards more decentralisation lead to better outcomes? How do shifts between centralised / decentralised bargaining impact the role of government to establish an enabling framework and to provide relevant information to the parties involved in wage determination? Can strengthened use of the different forms of employee participation contribute to the desirable developments?
- How does increased reliance on statutory minimum wages impact enterprise level and sectoral level wage bargaining?
- Regarding possible spill-over effects, is it possible or desirable to monitor - at EU level – the combined effects of wage developments in individual Member States in the EU/euro area?

⁷ Economic Bulletin, Structural reforms across euro area, ECB, March 2015.

⁸ Pay in the 21st century, Eurofound, 2014.

⁹ Finance & Development, IMF, March 2015.

Plenary session II:
Towards a true and responsible social dialogue (22 April)

Across the EU, there is a large diversity in the national systems governing social dialogue. However a number of factors appear to be of importance for effective social dialogue to take place, including in particular:

- 1) support of the public authorities;
- 2) autonomy of the negotiating parties;
- 3) trust between the parties.

The support of the public authorities can take very different forms – from logistical and technical support for the actors, through providing political incentives to the parties to engage in dialogue, up to legislative support to extend and generalise the outcome of negotiations. Examples of all these forms can be found at both European and national levels.

There are however important considerations that need to be taken into account in this respect, including how to ensure that the support provided safeguards and does not compromise the autonomy of social partners; how to keep incentives striving for higher membership numbers in the changing labour markets and does not exclude new emerging social dialogue actors from the process.

Better and timely involvement of the national and European social partners in the European economic governance processes will enable them to effectively contribute to strengthening the social dimension of the EU.

Some of the proposals have already been put into practice. The European social partners have been consulted prior to the publication of the Annual Growth Survey (AGS), and the dialogue with the Employment Committee (EMCO) and the Social Protection Committee (SPC) has further improved.

The Council (EPSCO) has discussed the involvement of social partners and endorsed EMCO guidelines in this respect¹⁰ to be followed by SPC as well¹¹. Started under the Italian Presidency, the European social partners participate directly in discussions at the informal meetings of the employment and social affairs ministers. The European social partners have welcomed this recent practice and the dialogue with EMCO and SPC as the preparatory committees for the Council (EPSCO).

A crucial element for an effective European social dialogue is also the articulation between European and national levels. One dimension of this aspect concerns the relationships between the national affiliates of European trade unions and employer organisations and the developments at EU level, viewed from a “bottom-up” perspective.

¹⁰ Annex ‘Social partner cooperation with EMCO: working methods’ – Council Conclusions on the 2014 Annual Growth Survey and Joint Employment Report: political guidance on employment and social policies, Council of the EU, March 2014.

¹¹ Joint EMCO-SPC opinion on the mid-term review of the Europe 2020 Strategy, endorsed by Council of the EU, October 2014.

Finally, the AGS 2015 proposes to further engage with the European social partners before AGS and discuss and receive feed-back on emerging trends or topical country-specific issues. Subsidiarity and legitimacy as well as final responsibility for the decisions taken are important aspects in this regard.

Against this background, Ministers are invited to consider **the following questions**:

- How can social partner organisations' capacity building, where needed, be pursued and best reconciled with autonomy considerations?
- In light of the emerging challenges and wage setting developments what elements need to be stressed when aiming at improving quality and responsibility of social dialogue?
- How can the national social partners best feed into the EU level social dialogue within the European economic governance? Whether and how should social partners be more and better involved in the design and implementation of the National Reform programmes? What other improvements in European Semester are needed?

Annex

Table 1: Changes in main level(s) of bargaining 2008 - 2014

Increased centralisation	Increased decentralisation
BE: Government-imposed outcomes to 2011 and 2013 cross-sector wage bargaining rounds, with no wage margin for further negotiation at sector level.	AT: single metalworking agreement replaced by agreements covering each of six sub-sectors (2012).
FI: Cross-sector wage agreements abandoned in 2007, but returned to in 2011 and 2013.	BG: acceleration of trend for sector agreements to be replaced by company ones.
	CY: acceleration of trend for sector agreements to be replaced by company ones.
	EL: legislative changes prioritising the company level and permitting negotiations with unspecified employee representatives in smaller companies prompted an upsurge in company agreements at the expense of sector ones.
	ES: legislative change prioritising the company level, together with social partner encouragement, increased the weight of the company level in wage-setting.
	FR: 2000 legislation requires companies with trade union representation to engage in annual pay negotiations.
	IE: breakdown of national wage agreement following employer and government withdrawal (2009).
	IT: 2011 cross-sector agreement weakened sector-level mandate over wage negotiations in favour of the company level.
	RO: cross-sector agreement abolished under 2011 legislation, which also had the effect of paralyzing negotiating activity in newly defined sectors. Wage negotiations now mainly at company level.
	SI: social partners failed to agree on a renewal of the 'fall back' cross-sector agreement, which applied in the absence of a sector one (2009).

Source: Eurofound 2013a-e, 2014a, Marginson/Welz 2015.

Table 2: Changes in linkages between levels 2008 - 2014

Ordering between levels	Opening and opt-out clauses	Extending bargaining competence to non-union representatives
	Opening clauses	
EL: 2011 legislation specifying that company agreements have priority over sector ones, although not over the cross-sector agreement, and can entail lower standards.	AT: one-off opening clause allowing in electronics providing the option not to implement the sector wage award in full (2009).	EL: 2011 legislation allowing negotiations with unspecified employee representatives in smaller companies (<50 employees)
ES: 2011 legislation specifying that company agreements have priority over sector and provincial ones, and can entail lower standards.	DE: one-off opening clauses allowing variation in implementation of wage increases in chemicals and metalworking (2009,2010).	FR: 2008 law allowing negotiations with works committees in smaller companies (<200 employees) where no union presence.
PT: 2012 Labour Code specifies that company agreements have priority over sector and provincial ones, and can entail lower standards.	FI: one-off opening clauses allowing variation in implementation of wage increases in several sectors (2010)	PT: 2009 legislation conferring bargaining competence on works councils in larger companies (500+ employees) with trade union consent.
	IT: 2012 cross-sector agreement promoting devolution clauses in sector agreements, aimed at widening the company-level agenda.	RO: 2011 legislation permitting negotiation with unspecified employee representatives where no 'representative' trade union present.
	NO: one-off opening clause in most private sector agreements providing the option not to implement the sector wage increase (2009).	
	PT: 2012 Labour Code enables elements of the sector bargaining agenda to be delegated to company level.	
	SE: 2010 short-time working agreement in manufacturing, facilitating local negotiation over shortened working time to maintain employment.	
	Opt-out clauses	
	BG: increase in the number of sector agreements with opt-out clauses.	
	CY: increase in the number of sector agreements with opt-out clauses.	
	EL: 2010 legislation introduced possibility for companies in economic hardship to opt-out of sector agreements.	

Ordering between levels	Opening and opt-out clauses	Extending bargaining competence to non-union representatives
	ES: 2010 legislation introduced possibility for companies in economic hardship to opt-out of sector or provincial agreements. 2012 cross-sector agreement encouraged inclusion of opt-out clauses in sector and provincial agreements.	
	FR: 2013 cross-sector agreement, translated into law, introduces opt-out clause for companies in economic hardship conditional on no redundancies commitment.	
	IE: opt-out clauses on grounds of economic hardship introduced in sectors governed by binding wage-setting mechanisms (REAs, EROs).	
	IT: 2011 cross-sector agreement introduced opt-out clause from sector wage standards on grounds of economic hardship.	
	SI: increase in the number of sector agreements with opt-out clauses.	

Source: Eurofound 2013a-e, 2014a, Marginson/Welz 2015.

Table 3: Changes in the reach and continuity of collective agreements 2008 - 2014

Extension mechanism changed	Use of existing extension mechanisms changed	Continuation of agreements beyond expiry
EL: 2011 law in effect suspends extension by restricting its application to employers' association member companies.	BG: activation of hitherto unused extension procedures in some sectors	EL: 2012 law introduced a three-month time limit on continuation of agreements.
IE: extension via Registered Employment Agreements (concluded in some sectors) suspended following 2013 Supreme Court ruling.	DE: increase in the number of sectors where minimum wages declared legally binding, under posted workers legislation.	ES: 2012 law introduced a twelve-month time limit on continuation of agreements.
SK: controversy over whether the consent of individual employers is required before extension procedure applied, resulting in three changes in legislation (2007, 2010, 2014).	IT: court rulings confirming the legal validity of Fiat's new single-employer agreements call into question widespread practice of de facto extension of wage (and working time) clauses of sector agreements.	HR: 2012 law introduced a three-month time limit on continuation of agreements.
PT: 2012 Labour Code restricts extension procedures to sectors where employers' organisation member companies employ >50% of the workforce.		PT: 2009 law introduced an 18 month time limit on continuation of agreements, extendable to 5 years by agreement between the parties
RO: 2011 Social Dialogue Act curtails extension by restricting its application to employers' association member companies.		

Source: Eurofound 2013a-e, 2014a, Marginson/Welz 2015.

Table 4: Prevalent bargaining regime: 2008 v. 2013

Member State	Multi-employer (MEB) or Single-employer (SEB) bargaining prevalent	
	2008	2013
Austria	MEB	MEB
Belgium	MEB	MEB
Bulgaria	Mixed	Mixed
Croatia*	MEB	MEB
Cyprus	Mixed	Mixed
Czech Republic	SEB	SEB
Denmark	MEB	MEB
Estonia	SEB	SEB
Finland	MEB	MEB
France	MEB	MEB
Germany	MEB	MEB
Greece	MEB	MEB
Hungary	SEB	SEB
Ireland	MEB	SEB
Italy	MEB	MEB
Latvia	SEB	SEB
Lithuania	SEB	SEB
Luxembourg	MEB	MEB
Malta	SEB	SEB
Netherlands	MEB	MEB
Norway	MEB	MEB
Poland	SEB	SEB
Portugal	MEB	MEB
Romania	MEB	SEB
Slovakia	Mixed	Mixed
Slovenia	MEB	MEB
Spain	MEB	MEB
Sweden	MEB	MEB
United Kingdom	SEB	SEB

Source: J Visser, ICTWSS Database, Version 4, 2013, Marginson/Welz 2015. Notes: The coding as MEB or SEB is derived from the ICTWSS measure of 'Level', the predominant level(s) at which wage bargaining takes place. Values of 3, 4 and 5 indicate that the sector and/or the cross-sector level is predominant: these correspond to multi-employer bargaining (MEB); a value of 1 indicates that the establishment or company level is predominant: this corresponds to single-employer bargaining (SEB); a value of 2 indicates an intermediate situation where sector and company negotiations each, respectively, account for at least one-third of those covered by collective wage-setting arrangements. ICTWSS codes five countries as 2: BG, CY, FR, LU and SK / of these five countries, three are classified as 'Mixed' in the table: BG, CY, SK. Two countries, FR and LU, are classified as MEB: in the former, the wage provisions of sector agreements are almost universally subject to legal extension, whilst in the latter the cross-sector indexation mechanism accounts for an important component of wage increases. *Croatia is not included in the ICTWSS, and for 2011 has been coded on the basis of the EurWORK country profile. **Change in bargaining regime shown in red.**