

# Industrial Relations in Europe 2010

## Executive summary



Social Europe



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# EXECUTIVE SUMMARY

The Industrial Relations in Europe 2010 report reviews trends and developments in the collective relationships between workers, employers and their respective representatives over the past two years. It is the sixth such report by the European Commission and builds on the 2008 edition. As the period under review coincided with the onset and spread of the worst economic crisis in recent history, this report looks closely at the way industrial relations systems across the European Union coped with the crisis, affected its course and influenced outcomes.

The report illustrates that the economic crisis presented industrial relations actors and institutions across the European Union with unprecedented challenges. On the whole, industrial relations in Europe have been shown to be robust under strain and have been vital in mitigating the effects of the recession, although not to the same extent in all countries. Trade unions and employers' organisations were recognised as being major interlocutors for several governments seeking to respond to the crisis. Together with monetary and fiscal stimulus policies, negotiation and consultation involving the social partners have played a significant role in limiting negative social consequences. However, the importance of this has varied considerably across the Member States.

The recession produced its most severe initial impact in countries that were most vulnerable to the financial origins of the crisis, leading to early tensions between social partners there. As the crisis spread and affected more Member States in 2008 and early 2009, a consensus developed between social partners in many countries on the need for rapid action to preserve employment and to stimulate the economy. This went hand in hand with a better coordinated response to the crisis at European level. Social dialogue led to innovative responses in many Member States and sectors, such as the introduction or extension of short-time working schemes. The success of these measures is evident: the overall rise in unemployment has been less severe than had been feared relative to the dramatic drop in economic activity. Many companies across the European Union harnessed the benefits of social dialogue and accompanying government measures, which enabled them to absorb the shock of the recession through internal flexibility, such as reducing the hours worked, rather than being forced to use external flexibility and having to dismiss workers.

The picture is not uniform across the European Union, however. Some Member States were particularly hard hit and experienced massive increases in unemployment,

while in others there was hardly a recession at all. Variations in the traditional role and strength of different countries' social dialogue institutions were also an important factor in determining whether compromise and agreement between social partners was possible. Consequently the degree of consensus or disagreement varied widely between countries and between economic sectors, with conflicts emerging in a number of Member States. Lately these disagreements have centred on the necessity and extent of austerity measures to reduce public deficits, the reform of social security and pension systems and future wage policy. While a general consensus has emerged on the need for long-term reforms and forward-looking responses to the crisis, the disagreements on specific policy measures may stem from a more fundamental divergence of views between the two sides of industry about the root causes of the crisis.

Nonetheless the social partners have often been influential in bringing new ideas to the attention of policymakers at all levels, as they are the interlocutors who know best the world of work. Throughout the crisis and despite a fair share of conflict, they have forged a remarkable degree of coordination and solidarity across Europe, largely resisting the temptation to call for protectionist national responses. This has also distinguished this recession from similar events in the past. At European level, several agreements concluded by the social partners make a real difference for all workers in the European Union, addressing issues such as parental leave, health and safety at work or inclusive labour markets.

In addition, social partners at both national and European level are paying increasing attention to the transition to a low-carbon economy and they have contributed concrete proposals for investment in green technologies and skills to the recovery plans of several Member States. In the long run, social dialogue will be crucial for a well-managed and socially just transition to a low-carbon economy. This will also have a positive impact on the awareness of the need for increasing specific research and innovation addressing these challenges. Besides contributing to climate change related policy-making, social partners are introducing a green dimension into their dialogue, in particular at company level. They contribute directly to the transition through awareness-raising, labels or research, albeit to different degrees depending on the quality of industrial relations in the Member States.

As this report indicates, the recession has important consequences for the role of the state and public

policies in society and the economy. The economic crisis heightens the pressure to modernise public services, which is accentuated by the need to consolidate public finances and reduce deficits. The success of policy measures in the public sector will therefore be crucial to Europe's ability to exit the crisis permanently. Important choices need to be made by governments and social partners in the process of modernisation and structural change in public services. For this reason, the next edition of the Industrial Relations in Europe report will look in more detail at industrial relations in the public sector.

For the foreseeable future, the social partners have a vital role to play in the implementation of the Europe 2020 strategy for smart, sustainable and inclusive growth. Europe needs to make full use of the problem-solving potential of social dialogue at all levels if it is to realise its objectives. The crisis has shown that the European industrial relations system, in all its diversity and at all levels (company, sector, cross-industry, national, European), is crucial to the success and stability of the European social model and will continue to be of importance as the European Union exits the crisis and enters a renewed period of growth.

## Structure of the report

The report comprises seven chapters. Chapter 1 gives an overview of the main characteristics of industrial relations institutions. It reports on the organisation of workers and employers, collective bargaining, industrial action and state involvement in industrial relations, reviewing variations and trends since the turn of the century.

The second and third chapters analyse social dialogue developments in the face of the economic crisis. Chapter 2 sets the scene by outlining the main economic parameters of the recession and the policy debates amongst social partners in the Member States and at EU level. It examines the views of social partners on the crisis and their differing analysis of its nature and exit strategies, showing where consensus developed and where disagreement predominated. Chapter 3 presents the concrete actions agreed on by social partners to address the challenges identified in the previous chapter, their innovations in procedure and the outcome. In some cases, persistent blockage and conflict rather than consensus were the order of the day. The analysis focuses both on the cross-industry dimension and on sectoral and company-level developments.

Chapter 4 covers wage bargaining and minimum wages in the Member States, with a particular focus on the continuing decentralisation of collective bargaining and the increasing use of wage flexibility in the form of variable payment systems. Chapter 5 explores the effect that the transition to a low-carbon economy will have on industrial relations systems and the extent to which the topic already features on the social partners' agenda. The chapter also shows how social partners themselves contribute to the necessary greening of the economy and the corresponding restructuring.

The final two chapters of the report provide an overview of developments at European level. Chapter 6 outlines the activities of the European social dialogue committees, many of which are actively addressing the consequences of the crisis. It reports on the many instruments that are used in the European social dialogue, from binding agreements to guidelines, which help to make real improvements in the daily lives of the vast majority of workers and companies in the European Union. Finally, Chapter 7 details employment-related legislative developments in the EU, focusing on labour law, health and safety legislation and equality rights in employment.

## Chapter 1: Variations and Trends in European industrial relations in the 21st century's first decade

Earlier trends towards declining union density, decentralisation of collective bargaining and greater employee participation continued, and the company level has become more prominent. Continuity can be seen in the high levels of employer organisation, bargaining coverage, and a slightly less pronounced role for government in industrial relations.

The picture of industrial relations systems in the EU is one of diversity. The organisation of the social partners, collective bargaining over pay and primary working conditions, and industrial action remain varied. Only where there is scope for EU intervention — as on employee representation within the enterprise — is some tendency towards convergence apparent.

The power and presence of trade unions is determined by various factors. The level of membership is an important determinant of trade union power, while the structure of membership influences the extent to which unions can legitimately claim to be representative of



workers or even of those currently outside the labour market. Other factors are the support to trade unions given by the legal framework; unity and cooperation inside and outside the union movement; the relationship with other actors; leadership, internal organisation and membership participation; a coherent value system; and the standing of the unions and their leaders in the eyes of the public.

Trade unions at European level demonstrate a high degree of unity. The European Trade Union Confederation (ETUC) brings together 64 national confederations. The ETUC is represented in each country of the EU-27 and its market share at the European level is close to 88 %.

Overall, trade union membership continued to decline but there are large variations between countries. The proportion of union members among all workers across today's EU-27 fell from 27.8 % in 2000 to 23.4 % in 2008, with unions losing nearly 3 million members. This is the result of lower and declining unionisation rates among young people, and the difficulty of recruiting and retaining members in the services sector, in small firms, and among those with flexible and fixed-term employment contracts. Consequently, unions are ageing and increasingly reliant on the public sector. Announced job losses in the public sector are therefore a threat to the unions, as this is where they have the highest membership numbers in nearly all countries. Within this general trend, there are still huge differences across countries. In 2008, union density varied from 68.8 % in Sweden to 7.6 % in Estonia. Trade unions in Lithuania, Estonia, Slovakia, the Czech Republic and Poland have experienced the largest decline in membership since 2000 in percentage terms, while union membership has increased in Spain, Cyprus, Greece, Belgium and Italy. However, only in Belgium has there been no decrease in the share of union members among all workers.

For employers' associations, discipline and cohesion rather than membership are the key issues. National confederations of employers in the EU outnumber national union confederations. At the sector level employers' associations tend to be more differentiated and numerous than the trade unions. Collective bargaining is often no longer their main role. Services and lobbying have become much more prominent. The organisational centralisation of employers is lower than union centralisation in all Member States as a result of both the lower authority and the greater fragmentation of employers' organisations.

Three organisations represent employers at the European level. *BusinessEurope* is the general organisation for businesses in all sectors of the privately owned economy. The European Association of Craft, Small and Medium-sized Enterprises (UEAPME) represents small and medium-sized businesses in Europe. The European Centre of Enterprises with Public Participation and of Enterprises of General Economic Interest (CEEP, Centre européen des entreprises publiques) represents enterprises and organisations with public participation or carrying out activities of general economic interest.

At the sectoral level, there is even more diversity among European employers' organisations. However, only a minority of these are employers' organisations in the strict sense. Such organisations are mainly found in those sectors where a sectoral social dialogue has developed (see Chapter 6).

The density of employers' organisations is more than double that of trade unions, but while the level of employer organisation in the EU appears stable and high, employers' associations are challenged by changes in their environment, such as national and transnational mergers of firms, a greater emphasis on company as opposed to sector bargaining, and pressure for greater effectiveness in European and global representation.

The role, coverage and effectiveness of collective bargaining differs widely across EU Member States. A large two thirds majority of European employees are covered by collective agreements, but decentralisation of actual pay setting has continued and sector agreements are increasingly being amended by company-level agreements and arrangements.

As indicated in the *Industrial Relations in Europe 2008* report, it is the rate of employer organisation rather than the rate of unionisation that determines collective bargaining coverage. High bargaining coverage occurs under multi-employer bargaining, and requires the existence of organisations of employers with a mandate to negotiate agreements with the representatives of employees.

Statutory employee representation at company level is a key feature of European industrial relations systems. Legal provisions are based on Directive 2002/14/EC on information and consultation. Some convergence towards a broader range of rights is apparent, yet there is concern that cross-border mergers and increased

financial risk-taking have made works councils and other employee representation bodies less powerful than they once were.

The state is involved in industrial relations in various ways. The state can influence decisions regarding wages, hours and working conditions. Government intervention is associated with statutory minimum wages, the extension of collective agreements and the negotiation of pacts with social partners. Direct government intervention tends to be a substitute for coordination by the social partners themselves.

## Chapter 2: The crisis: challenges and social partner perspectives

The economic crisis was an unprecedented challenge for European industrial relations systems. The economic and financial crisis presented industrial relations actors and institutions across the EU with formidable challenges. In central and south-eastern Europe, the worst crisis since the transition to a market economy two decades ago proved a hard test for the industrial relations institutions established since then.

While the magnitude and timing of the recession differed between Member States, EU GDP declined by over 5 % between the first half of 2008 and the first six months of 2009. Growth only resumed at the beginning of 2010. The severity of the crisis varied between countries, ranging from a GDP decline of 15 % in the Baltic states to small growth in Poland. The onset of the recession and the timing of renewed growth also differed between Member States.

In most countries, private consumption declined less than GDP, so that purchasing power was an important factor in sustaining economic activity. The trend in consumption reflected wage developments up to the end of 2009, with real wage growth of 1.4 % in the EU in 2009. Contrary to this trend, wages declined, sometimes steeply, in the Baltic states, Ireland, Greece and Hungary, and they essentially stagnated in Germany, France, Sweden and the UK.

Growth in nominal labour costs in the EU was lower in 2009 than in 2008, but was 1.5 times above growth in nominal wages. Productivity fell by 2.5 % in 2009 across the EU, and unit labour costs rose by 3.0 % in real terms in 2009. The crisis had a dramatic effect on the public finances of Member States.

Across the EU, public deficits grew from 2.3% of GDP in 2008 to 6.8 % in 2009; in 11 Member States, deficits increased by over 5 % of GDP.

In general, the employment consequences of the crisis in the EU have not been as severe as might have been expected. Employment dropped by 2.5 % across the EU between the second quarters of 2008 and 2010, less than half of the decline in GDP. Unemployment increased to a record 9.6 % in each of the first three quarters of 2010. To a significant extent, the recession has been tackled through the internal flexibility of companies, by a decline in hours worked rather than through redundancies. Short-time working schemes and other collectively agreed adjustments to working time played a considerable part in this outcome (see Chapter 3).

The magnitude and timing of the employment decline have varied between countries, with the Baltic states, Ireland and Spain being particularly hard hit, with a fall in employment which mirrored or exceeded the drop in GDP. Workers employed on temporary contracts have been more exposed to job loss than those on open-ended or permanent contracts.

The different outcomes in economic and employment developments are due to two main factors. Economies underwent different types of recessions, either originating in the construction and real estate sector, causing immediate job losses, or caused by a collapse in business confidence and trade, affecting primarily manufacturing. Reactions of social partners and public authorities to the crisis differed and may explain the outcomes (see Chapter 3).

There were important sectoral differences in the impact of the recession. The industrial sector was the hardest hit, although a reduction in hours worked offset some of the decline in activity, so that the fall in manufacturing employment was considerably smaller than the decline in output. During the worst of the crisis, public services contributed to sustaining economic activity but budgetary austerity measures are likely to put a halt to this role for the public sector.

Social partners agreed at the outset on the need for public stimulus measures, albeit with differences in emphasis. Employers' organisations gave priority to ensuring access to credit for companies, measures to reduce labour costs and reductions in taxation. Trade unions urged a larger fiscal stimulus, and measures to sustain purchasing power and to boost public investment.

The degree of consensus and conflict between the social partners has differed widely between the Member States. In 12 countries, consensus was dominant. Amongst these are EU-15 Member States with robust social dialogue institutions. In others, policy consensus has also dominated at least partly, where tripartite structures have been mobilised and/or joint platforms forged between the social partners. In 11 countries, disagreements prevailed. Neither the severity of the crisis nor the differences in industrial relations systems can explain the dominance of consensus or conflict. These include Member States with comparatively weak social dialogue institutions, but also countries with traditionally more robust industrial relations systems. In terms of institutional effects, the lines of similarity and difference between countries therefore reach across the distinction between ‘old’ and ‘new’ Member States.

### Chapter 3: Negotiating the crisis: social partner responses

Through the processes of social dialogue, employers and trade unions have played a prominent role in countering the impact of the crisis. There is, however, considerable variation across countries and sectors. It appears that differences in the economic situation have influenced the pattern of negotiated responses more at sectoral levels than between countries. The influence of industrial relations institutions is significant as are public policy and the extent to which social partners are involved in it. In a majority of Member States, the cross-industry social partners attempted to reach agreement on measures to address the crisis. Explicit attempts to negotiate bipartite or tripartite national agreements aimed at addressing the crisis were made in 16 Member States. While some focused principally on employment issues such as short-time work and wage moderation, others dealt with a wider range of measures.

The magnitude of the crisis in the Member States did not determine whether attempts at negotiation were successful but public policy has played an important role. Existing social protection systems and active inclusion policies provided a baseline of support during the crisis on which social partner solutions could be built. In addition to the evident role of governments in the conclusion of tripartite agreements, they have frequently played an important role in supporting bipartite ones.

Crisis response agreements at sectoral level were influenced by traditional practices and company-level

agreements were more widespread. Sector-level negotiations are confined to a group of countries with well-established multi-employer bargaining arrangements. They also occur mainly in manufacturing sectors, with relatively little evidence of negotiations in the private service sectors. At company level, agreements addressing the consequences of the crisis are spread across a wider range of countries.

While real wages increased considerably in 2009, average earnings grew much more slowly. In most Member States the crisis depressed average agreed pay increases in 2009, but rarely to a great extent. Declining inflation meant higher increases in real wages. But the effects were felt more deeply in actual earnings than in the basic pay rates set by collective agreements, owing to reduced working hours and/or cuts in elements of remuneration.

In the manufacturing sector, measures have been introduced both in specific sector agreements aimed at tackling the employment effects of the downturn and as part of ‘regular’ agreements dealing with pay and conditions of employment. The main theme was short-time work, but other innovative responses such as ‘employee leasing’ were also observed. Many agreements related exclusively or partly to short-time work. Others involved ‘concession bargaining’, with trade-offs between some form of employment guarantee in return for employee flexibility in terms of pay and conditions.

Company-level agreements in the services sector focused on concessions on pay and working conditions, while short-time work featured relatively little. Agreements were mainly concentrated in the civil aviation and post and telecommunications sectors. Over a third of the agreements related to company cost-reduction programmes and provided for a range of employee sacrifices without employment guarantees in return. Half of the remaining agreements also provided for pay cuts or freezes, but in return for guarantees in respect of employment.

Particular strategic choices of the social partners account for much of the cross-country variation observed. This is apparent in the instances of those new Member States where agreements had not previously been concluded and in those EU-15 countries where agreements have not been concluded even though institutional capacity to do so exists.

The pattern of agreements at sector and company level suggests that social partner strategies have been shaped by institutional arrangements for industrial relations as



well as by public policy intervention in the form of statutory short-time work schemes.

In several Member States, the crisis led for the first time to social partner agreements at a cross-industry level. Insofar as the crisis has provoked negotiated or concerted responses, where governments or employers might otherwise have acted alone, an issue is the sustainability of such agreements, particularly in several central and east European countries where they were hitherto unknown. There is no indication at present that the parties envisage further negotiations or agreements, but neither can the parties unlearn the process. At sector level, a striking feature is provisions which enhance competence for wage setting at company level. The crisis may thus prove to have further accelerated the long-running trend towards decentralisation.

#### Chapter 4: Wage flexibilisation and the minimum wage

Wage flexibility has been an important element of debate during the economic crisis. The degree of wage flexibility depends to a large extent on factors such as the level and coverage of collective bargaining, the power relations between trade unions and employers, the use of performance-related pay systems and the minimum wage. It refers to the extent to which wages respond to market forces. This debate about wage flexibility took on extra importance during the economic crisis.

The degree of centralisation of wage bargaining varies widely between Member States. In many countries, the recent trend towards decentralisation of wage-setting arrangements and towards company and single-employer bargaining accelerated during the economic crisis. In general, bargaining is more centralised in the public than in the private sector. More centralised bargaining leads to more equal wages and working conditions. In addition, the percentage of employees covered by a collectively bargained agreement in countries with more centralised bargaining is markedly higher than in the countries where company-level bargaining is dominant.

Variable pay systems are increasingly used to provide additional elements of wage flexibility. More than half of workers in the EU have some form of variable pay system (VPS), facilitated by the decentralisation of wage bargaining. While employers are generally positive about VPS, trade union attitudes differ. Some unions see it as a way to give workers a share in company performance, whereas

others fear that it may create greater wage inequality and undermine the principle of equal pay for equal work.

Low pay affects one out of every 10 workers in the EU and in general, low pay is a bigger problem in countries with more decentralised bargaining structures and low collective bargaining coverage.

In many countries, the statutory minimum wage has had only a limited impact on the incidence of low pay. Twenty Member States have a statutory minimum wage. While the level differs widely between countries, the gap between the central and eastern Member States and the EU-15 has narrowed slightly in the past few years. Nevertheless, the seven countries with the highest incidence of low pay all have statutory minimum wages. In addition, in more than half the countries, the minimum wage lost value compared to the average wage during the past decade.

In those countries that do not have a statutory minimum wage, the wage floor is set by collective bargaining. In most of these countries, low pay is not a widespread problem. The main exception is Germany, where the incidence of low pay is above the EU average, although the government can make a collectively agreed minimum wage binding for an entire sector, and such statutory minimum wages now exist in a number of sectors.

#### Chapter 5: Industrial relations and the transition to a low-carbon economy

Climate change represents one of the greatest threats facing the planet. More and more, the transition to a low-carbon economy has been recognised as a necessity that involves social and economic opportunities and costs.

Social dialogue can help to create consensus for the transition to a low-carbon economy and contribute to a well-managed and socially just transition. Social partners can facilitate innovation and negotiate solutions for change which are to the benefit of workers and businesses.

The European Union is committed to local and global action to control climate change. Each Member State has also put in place its own domestic mix of policies. These efforts accelerated with the adoption of the European climate change package in 2008. Europe 2020 confirms these commitments and provides an integrated set of policies to achieve smart, sustainable and inclusive growth.

Not only new green jobs but above all the greening of the whole economy will involve structural change. It should have a small but slightly positive impact on the overall employment level, albeit with different effects across sectors, skill types and regions. Anticipation of future skills needs, responsive lifelong learning systems and well-managed restructuring processes are important.

The low-carbon economy has come onto the social dialogue agenda but remains marginal. Social partner involvement with the low-carbon economy differs from country to country depending on the organisation of industrial relations and on the number of years that climate change has been of interest to public authorities, the social partners and the public.

Social partners mostly act by influencing policymaking, including their own policy proposals. Standard tripartite social dialogue bodies rarely address low-carbon economy issues in a systematic manner. But, in many Member States, social partners participate in advisory bodies, such as sustainable development councils, together with other stakeholders. Some address directly the employment consequences of a low-carbon future.

Collective bargaining rarely addresses issues related to the low-carbon economy. But social dialogue at company level on environment and energy matters seems to be slowly developing. Some workers' representatives have information, consultation and sometimes negotiation rights in this respect.

In addition, social partners contribute to the implementation of low-carbon policies and practices. In most Member States, this direct contribution occurs through training and counselling, awareness-raising campaigns and research and innovation, often in cooperation with public authorities.

The transition to a low-carbon economy is being 'mainstreamed' into social partners' sphere of competence, notably restructuring and skills policies. The state is the main actor in the transition to a low-carbon economy and mobilises regulatory, market and financial instruments. It is in the management of the employment implications where social partners have direct competence.

At the EU level, there is clear commitment by social partners to dialogue on the economic and employment implications of the transition to a low-carbon economy.

European social partners influence policymaking and have started to explore the employment consequences and related best practices. The European cross-industry social partners have expressed a keen interest in climate-change-related policies and have recently taken a stance on their employment implications. The ETUC advocates a 'just transition' that is based on tripartite social dialogue, green and decent jobs, investment, green skills, with an emphasis on anticipation and management of change, and extended rights relating to the protection of health and of the environment at work. BusinessEurope advocates more flexible labour markets accompanied by efficient public employment services, active labour market policies and training. Anticipation of future skills needs must be improved, and science, technological, engineering and mathematical skills fostered. CEEP and UEAPME focus more on the areas of energy (efficiency) and transport, and have also contributed to the debate on employment and skills in the low-carbon economy. European social partners in six sectors — encompassing gas and electricity, wood, and the extractive industries — have adopted joint opinions in order to draw attention to the specific concerns of their sectors.

European social partners have also started to study the consequences of the transition to a low-carbon economy and related best practices in their autonomous bipartite dialogue. The ETUC, BusinessEurope, CEEP and UEAPME have launched joint research on the employment dimension of climate-change-related policies and intend to develop a common view on this topic in order to assess the role of social partners and to draw conclusions on the consequences for employment and skills. European social partners in eight sectors (e.g. electricity) have launched similar activities.

Some transnational company agreements address environmental protection and climate issues but as yet there are no instances of bipartite autonomous regulation at European level.

## Chapter 6: European social dialogue developments 2008–10

The economic crisis was the dominant subject of discussion in many European social dialogue committees.

The past two years were anything but 'business as usual' in European social dialogue. Discussions about the crisis led to a number of joint actions but also to disagreements. In March 2009, the Cross-Industry Social

Dialogue Committee failed to agree on a joint declaration due to fundamental differences of opinion about the causes of the economic crisis and the measures needed to address it. A number of sectoral social dialogue committees agreed on joint statements, including those for the chemical industry, construction, road transport, commerce, live performance, regional and local government, woodworking and furniture sectors.

Many European and national social partners at both cross-industry and sectoral level contributed to the public consultation on the Europe 2020 strategy. In June 2010, the Cross-Industry Social Dialogue Committee adopted a joint contribution, which expressed their belief that a number of objectives will be crucial for successful economic recovery: reform of the global financial system, restoring and improving growth dynamics to create more and better jobs, promoting skills and entrepreneurship, revitalising the single market, developing an integrated EU industrial policy, supporting new means of financing for investment, and combating poverty and inequality, among others. They identify social cohesion as a precondition for a dynamic and sustainable economy.

In the European social dialogue, work on the management of change took on special importance. The cross-industry social partners finalised a five-year project examining their role in economic restructuring in the EU. The Social Dialogue Committee for the Chemical Industry studied restructuring in the sector, while the Electricity Social Dialogue Committee published a toolkit for socially responsible restructuring.

The cross-industry European social partners signed an autonomous agreement on inclusive labour markets. The aim of the agreement, which will be implemented under the responsibility of national social partners within three years, is to make full use of Europe's labour force potential, improve job quality and increase employment rates in the face of demographic ageing. It covers persons who encounter difficulties in entering, returning to or integrating into the labour market and those in employment who are at risk of losing their job.

Skills and training continue to be a core area of European social dialogue. European social dialogue committees in 16 sectors were active in this area. In particular, in 2009 the social partners in the personal services sector signed an autonomous agreement facilitating comparison of qualifications and cross-border mobility. The agriculture and hospitality sectoral social dialogue

committees are working on initiatives to enhance the transparency and compatibility of skills and qualifications. Five sectoral social dialogue committees have expressed interest in setting up European sector councils for jobs and skills.

The European social partners have a key role to play in the second phase of the flexicurity agenda. They are committed to jointly monitoring the implementation of the flexicurity principles, evaluating the role and involvement of the social partners, and drawing joint conclusions.

Health and safety remained an important area of activity for many European social dialogue committees. The European social partners in the hospitals and healthcare sector successfully negotiated an agreement on protection from sharp injuries, aiming to prevent injuries to workers caused by all types of sharp medical objects (including needle sticks). For this purpose an integrated approach to assessing and preventing risks, as well as to training and informing workers, is envisaged. The Personal Services Social Dialogue Committee launched negotiations on a framework agreement on the prevention of health risks in the hairdressing sector.

Mobility remained an important topic for the Cross-Industry Social Dialogue Committee and for sectors with a highly mobile workforce. The Cross-Industry Social Dialogue Committee carried out joint work on the consequences of the Court of Justice of the European Union's rulings in the Viking, Laval, Ruffert and Luxembourg cases relating to economic freedoms and fundamental social rights of workers. While they agreed on the identification of key issues, they expressed clear differences of opinion regarding the consequences of the rulings or the actions ahead. Discussions on mobility were held in the Inland Waterways, Construction, Hospitals, Agriculture, Private Security and Temporary Agency Sectoral Committees.

In the field of equality, the European cross-industry social partners successfully negotiated a revised EU framework agreement on parental leave. The revised framework agreement was implemented as Directive 2010/18/EU, which provides that each parent will be able to take off four months per child, with one month non-transferable between parents. The rights will apply to all workers regardless of their type of contract, and employees returning from parental leave will have the right to request changes to their work schedules for a set period of time.

Five sectors signed guidelines on third-party violence. Following the signature of the cross-industry social partner framework agreement on harassment and violence at work in 2007, the European social partners in the hospitals, regional and local government, commerce, private security and education sectors adopted multi-sectoral guidelines to tackle third-party violence and harassment related to work.

The Commission took stock of more than 10 years of European sectoral social dialogue. After more than a decade of experience with European sectoral social dialogue, the Commission published a staff working document assessing the functioning of the sectoral social dialogue committees and proposing possible improvements. The Commission intends to encourage the European and national sectoral social partners to fully use their area of negotiation, reinforce their administrative capacity and create synergies between sectors. Within this framework, the Commission also encourages the integration of new players as well as better participation of representatives from the new Member States.

Three new European sectoral social dialogue committees were launched during 2010 at the joint request of the respective European social partners. The first meetings of the committees in the metal, paper and education sectors have taken place, while the European social dialogue for central (government) administrations may soon be formalised following a two-year test phase. Social partners in the agro-food industry and sports sector are currently exploring the possibility of sectoral social dialogue committees.

## Chapter 7: Review of European legislation 2008–10

The adoption of a directive on temporary agency work and the recast European works councils directive were major achievements.

In the area of labour law, a number of important directives were adopted during the past two years. A major breakthrough was achieved with the adoption of a new directive on temporary agency work, which provides for a significant increase in the legal protection afforded to temporary workers while recognising the role of temporary agencies in promoting greater flexibility in the labour market and providing job opportunities.

Another success was the adoption of the recast European works councils directive. The joint opinion of the EU

social partners expressed during the co-decision process facilitated swift agreement on the final text. The new directive clarifies and strengthens the previous legislation from 1994 in several respects, particularly regarding the information and consultation rights of workers on transnational matters. In the context of the economic crisis, this legislation became particularly relevant.

In addition, the Commission is undertaking an evaluation of existing directives in order to review their effects, notably Directive 98/59/EC on collective redundancies, Directive 2001/23/EC on transfers of undertakings and Directive 2002/14/EC establishing a general framework relating to information and consultation of workers in the EU.

Three agreements between European social partners were implemented by Council directives. The adoption of Council Directive 2010/18/EU implementing the 2009 framework agreement on parental leave concluded by the European social partners demonstrated the capacity of the social partners — and the EU institutions — to build on the previous 1995 agreement, which was also implemented as a directive. The new legislation strengthens and further clarifies the rights of working parents to take leave.

Council Directive 2010/32/EU implemented the framework agreement on the prevention of injuries from sharp instruments in the hospital and healthcare sector, concluded by the European social partners in the sector. The incorporation of this agreement into EU legislation constitutes a significant contribution to creating the safest possible working environment in the sectors concerned.

Following a consultation of the European social partners in maritime transport by the Commission, they decided to negotiate and subsequently agreed on the incorporation into EU legislation of a substantial number of provisions contained in the 2006 ILO Maritime Labour Convention. The agreement was implemented by Directive 2009/13/EC, which completes or amends existing EU provisions applying to the working conditions of seafarers, including working time.

In line with the Commission's better regulation agenda, work continued on the implementation of the EU strategy for health and safety at work 2007–12. In this area the developments during the period aimed to ensure a regulatory framework capable of continuously adapting to change while respecting the principle that legislation should be coherent, simple and effective and also meeting the objective of reducing the administrative

burden on companies. An example of this was the adoption of a third list of indicative occupational limit values for chemical agents (Directive 2009/161/EU), which shows the determination of the Commission to keep the EU health and safety at work acquis in line with the most recent scientific data available. Two 'codification' Directives 2009/104/EC on work equipment and 2009/148/EC on asbestos stem from the better regulation agenda. Good practice guides have been developed, aiming at facilitating and improving the practical application of certain health and safety at work directives such as those dealing with noise, construction and artificial optical radiation.

Equality rights in employment are being monitored and strengthened. The Commission continues to place great emphasis on monitoring the correct transposition and application of directives in the field of equality. This includes Council Directives 2000/43/EC and 2000/78/EC, which prohibit discrimination based on race and ethnic origin, religion or belief, disability, age and sexual orientation in employment and occupation across the EU. In October 2008, the Commission presented a proposal to amend the current provisions of Directive 92/85/EEC on maternity protection. The aim of this proposal is to provide for better reconciliation of private, professional and family life and thus allow more women to enter or stay in the employment market if they have children. In another important development, the application of the principle of the right to equal treatment between men and women will be strengthened for those working in a self-employed capacity, through Council Directive 2010/41/EU.

Major setbacks and difficulties were encountered in two fields: The failure of the amended working time directive and the interpretation and enforcement of the posting of workers directive.

A major setback occurred when the Commission proposal to amend the working time directive (2003/88/EC) was withdrawn, after the failure of the Council and Parliament to agree on a compromise. The proposal sought to identify a solution to the difficulties in implementing Court of Justice (CJEU) rulings on the SIMAP and Jaeger cases, as well as to address stakeholders' claims in regard to extension of the reference period for averaging weekly working time and the individual opt-out. The Commission responded to the failed conciliation by launching a review of the directive including an extensive evaluation exercise and a first consultation of the European social partners.

Another source of difficulties was the interpretation and enforcement of the posting of workers Directive (96/71/EC), including respect for collective social rights. In the wake of the CJEU rulings on Laval, Rüffert and Commission v Luxembourg, the Commission decided to step up its efforts to facilitate administrative cooperation among Member States, and promote debate with stakeholders. With such difficulties in mind, the Commission is reviewing the implementation and interpretation of the legal framework on posting of workers and has already launched (or commissioned) several external studies of the legal aspects and economic effects of the directive. These studies are still ongoing.



European Commission

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The Industrial Relations in Europe 2010 report reviews developments in the relationships between workers, employers and their respective representatives during 2008-10. This Executive summary of the report gives an overview of the impact of the economic crisis and the role of social partners in combating it. It then looks at the seven chapters of the report. These cover trends in European industrial relations, social partners' perspectives on and responses to the crisis, wage flexibilisation and the minimum wage, industrial relations and the transition to a low-carbon economy, as well as developments in EU social dialogue and legislation in 2008–10. The summary is available in electronic format in all official EU languages whereas the full report is available in English in printed format (ISBN 978-92-79-17861-0).

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