

ETUI
Collective Bargaining in Europe 2001

edited by Giuseppe Fajertag

**Collective Bargaining
in Europe**

2001

edited by Giuseppe Fajertag

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The 2001 collective bargaining round in Europe

Giuseppe Fajertag, ETUI, Brussels

1. ECONOMIC AND SOCIAL BACKGROUND:

GROWTH SLOWDOWN BUT NOT A RECESSION

Economic growth in 2001 in the European Union was only 1.7% and 1.6% in the Euro area (Table 1). This was the worst performance since 1996 and represented more than a halving of the 3.4% rate recorded in the year 2000.

This poor performance can be attributed to the simultaneous slowdown of the world economy and particularly the rapid entry into recession of the US economy. This process was dramatically accelerated by the terrorist attacks in the United States on 11 September. The Japanese economy was badly affected by the steep decline in global information and communications technology (ICT) investments and in the worldwide imports and exports of these products. Also many emerging market economies (Singapore, Thailand, Argentina and Brazil) were in recession or on the brink of it.

The European economy was simultaneously influenced by the negative price and output effects in the agricultural and tourism sectors as a consequence of the crisis in the beef industry ('mad cow' and foot-and-mouth diseases); however, the main causes of the lower GDP growth are to be found in the contractions in the manufacturing industry and in the trade, transport and communication sectors.

Although GDP slowdown in 2001 occurred generally throughout Europe, its intensity and social implications were quite different from one country to another.

Economic forecasts at the beginning of 2002 were moderately optimistic and suggested that the first signs of economic recovery are already evident in the USA (with a 2.7% forecast for the whole year) and, to a lesser extent, in Europe where GDP growth in 2002 is not expected to exceed 1.5%, with a more or less marked downwards trend vis-à-vis 2001 for almost all the EU countries.

Table 1: GDP growth, inflation, unemployment and employment in 1999-2001 in Europe, USA and Japan

Country	GDP ^(a)			Inflation ^(b)			Unemployment ^(c)			Employment ^(d)		
	1999	2000	2001 ^e	1999	2000	2001 ^e	1999	2000	2001 ^e	1999	2000	2001 ^e
Austria	2.8	3.0	1.0	0.5	2.0	2.3	3.9	3.7	3.6	1.2	0.5	0.2
Belgium	3.0	4.0	1.0	1.1	2.7	2.4	8.8	7.0	6.6	1.4	1.6	1.1
Denmark	2.1	3.2	0.9	2.1	2.7	2.3	5.2	4.7	4.3	1.1	0.7	0.5
Finland	4.0	5.7	0.7	1.3	3.0	2.7	10.2	9.8	9.1	2.7	1.8	1.2
France	2.9	3.1	2.0	0.6	1.8	1.8	11.2	9.5	8.6	1.8	2.2	1.9
Germany	1.8	3.0	0.6	0.6	2.1	2.4	8.6	7.9	7.9	1.1	1.5	0.2
Greece	3.4	4.3	4.1	2.1	2.9	3.7	11.6	11.1	10.2	-0.7	-0.3	-0.1
Ireland	10.8	11.5	6.8	2.5	5.3	4.0	5.6	4.2	3.8	6.3	4.9	2.9
Italy	1.6	2.9	1.8	1.7	2.6	2.3	11.3	10.5	9.5	1.1	1.6	1.6
Luxembourg	5.7	9.5	5.1	1.0	3.8	2.4	2.4	2.4	2.4	5.0	5.6	5.7
Netherlands	3.7	3.5	1.1	2.0	2.3	5.1	3.4	3.0	2.4	2.5	2.4	2.1
Norway	1.1	2.3	1.7	2.2	3.0	3.0	3.2	3.3	3.5	0.4	0.5	0.4
Portugal	3.4	3.4	1.8	2.2	2.8	4.4	4.5	4.1	4.1	1.8	1.7	1.6
Spain	4.1	4.1	2.8	2.2	3.5	3.2	15.9	14.1	13.0	3.5	3.1	2.4
Sweden	4.5	3.6	1.2	0.6	1.3	2.7	7.2	5.9	5.1	2.3	2.2	2.0
Switzerland	1.6	3.0	1.7	0.3	1.7	0.8	2.7	2.0	1.8	0.4	1.0	0.7
United Kingdom	2.1	2.9	2.2	1.3	0.8	1.2	6.1	5.5	5.1	1.1	1.0	0.8
EU 15	2.6	3.3	1.7	1.2	2.1	2.3	9.1	8.2	7.6	1.6	1.7	1.2
Euro area	2.7	3.4	1.6	1.1	2.4	2.5	9.9	8.9	8.3	1.7	1.9	1.3
Bulgaria	2.4	5.8	4.2	6.2	10.3	7.5	13.7	17.8	18.3	n.a.	-3.5	-2.0
Hungary	4.2	5.2	3.8	10.0	9.8	9.1	7.1	6.4	5.9	3.6	1.0	0.4
Poland	4.0	4.0	1.5	7.3	10.1	5.6	13.9	16.0	18.6	-3.9	-0.2	-2.9
Slovak Republic	1.9	2.2	2.7	10.6	12.0	7.4	16.4	18.6	18.8	-1.6	-1.5	0.1
USA	4.1	4.2	1.2	2.2	3.3	3.0	4.2	4.0	4.8	1.9	1.9	-0.1
Japan	0.8	1.5	-0.5	-0.3	-0.7	-0.6	4.7	4.7	5.1	-0.8	-0.2	-0.5

Notes: ^{a)} Real GDP, percentage variation over the previous year

^{b)} For EU: harmonised index of consumer prices, percentage variation

^{c)} As % of civilian labour force, Eurostat figures for EU countries.

^{d)} Total employment % change on preceding year, Eurostat figures for EU countries.

^{e)} Estimates

Sources: OECD 2001; European Commission 2002

Inflation in Europe accelerated in April-May 2001 largely due to high oil prices and increases in food prices but remained moderate throughout 2001, at 2.5% on an average for the Euro area and 2.3% for the whole European Union (as shown in Table 1). European inflation was just a few decimal points above the levels registered in 2000 and was below the 3% rate recorded in the USA. However, due to moderate pay increases negotiated in most European countries in 2000 and 2001, higher than expected inflation translated into a more modest growth of real wages.

Inflation markedly decreased in Bulgaria, Poland, Hungary and the Slovak Republic, falling below the 10% mark in all these countries for the first time, but in most cases this entailed the application of excessively rigid macro-economic policies that produced further deteriorations in the already dramatic labour market trends of these countries.

Reduced economic growth had consequences on net **job creation** in 2001. In fact, employment growth fell from nearly 2% in 2000 to slightly above 1% in 2001. Job creation was very modest in Germany, Austria and Denmark. Employment growth (see Table 1) was higher than average in Luxembourg (5.7%), Ireland (2.9%), Spain (2.4%), France, the Netherlands and Sweden (at around 2%), Italy and Portugal (1.6%).

Employment levels continued to fall in Poland (-3%) and Bulgaria (-2%) and remained almost unchanged in Hungary and the Slovak Republic.

In 2001, **unemployment** decreased to an average of 7.6% in the European Union as a whole (8.3% in the 12 Euro countries). While the situation continued to improve in all EU countries, unemployment remains high in Spain (13%), Greece (10.2%), Italy (9.5%), Finland (9.1%) and France (8.6%). Unemployment is below the 5% mark in Luxembourg, the Netherlands, Switzerland, Norway, Austria, Ireland and Portugal and just above 5% in the UK and Sweden. It can therefore be said that, in a growing number of European countries, labour market performances are at the same level or even better than those recorded in the USA (where, as in Japan, unemployment increased in 2001).

In most central and eastern European countries, with the exception of Hungary, unemployment levels increased (see figures for Bulgaria, Poland and the Slovak Republic in Table 1) and are now above 18%, while employment growth continues to be negative.

2. WAGES: FROM WAGE MODERATION TO WAGE CONTROL?

The 2001 collective bargaining round in Europe did not see any major change in the largely prevailing trend of wage moderation initiated at the beginning of the 1990s as an important component of the general macroeconomic discipline and supranational coordination required by EMU.

Several European countries are covered by multi-annual pay agreements generally concluded in the framework of national pay policy guidelines. In Belgium and Finland, for example, sectoral wage negotiations were conducted under the terms of national incomes policy agreements (or social pacts) covering 2001 and 2002. A longer time span of three and four years applies to sectoral bargaining in Denmark (2000-2004) and Sweden (2001-2003). In Germany, because of the long periods of validity of collective agreements concluded in 2000, no pay bargaining took place in many important manufacturing and services sectors during 2001.

Nominal wage growth was in line with the moderate trends of previous years. The aggregate figure for the European Union was 3.2% (it was 3% in the year 2000) and 2.7% for the 12 countries of the Euro area (2.5% in 2000). However as indicated in Table 2, higher inflation rates in a number of countries contributed to the erosion of those minor increases, consequently **real wage growth** remained unchanged at the same levels recorded in 2000, i.e. around one percentage point for the EU as a whole and a mere 0.3% for the Euro area. Preliminary figures for 2001 indicate that real wages actually decreased in Germany and Italy, while in the Netherlands real wage growth was only 0.1%. More substantial real increases were recorded in 2001 in Ireland (4.5%), the United Kingdom (3.7%), Greece (3.1%), Sweden and Denmark (2% in both cases). Real wage growth was also positive in Hungary, Poland and the Czech Republic.

In last year's report (Fajertag 2001) we raised the question of a possible new approach to wage moderation in the post-EMU industrial relations scenario. The first signals of change that we noted last year seem to have been confirmed by developments in 2001.

It is clear that in 2001, as in previous years, wage increases all over Europe remained generally moderate and wage moderation was in most cases based on tripartite social concertation, via incomes policy agreements or social pacts.

Table 2: Nominal and real wage growth in 1998-2001 in Europe, USA and Japan

Country	Nominal ^(a)				Real ^(b)			
	1998	1999	2000	2001 ^(c)	1998	1999	2000	2001 ^(c)
Austria	2.8	2.4	2.1	2.8	2.3	1.6	0.5	0.4
Belgium	2.0	3.2	3.2	2.6	1.0	2.1	0.9	0.3
Denmark	3.2	4.0	3.9	4.2	1.4	1.4	0.7	2.0
Finland	4.1	2.1	3.9	4.5	2.2	1.0	0.4	1.8
France	2.4	2.4	1.9	2.0	1.6	2.0	0.4	0.8
Germany	1.1	1.4	1.2	1.6	0.0	1.0	-0.2	-0.2
Greece	6.0	4.8	6.1	6.2	1.5	2.4	3.0	3.1
Ireland	6.9	5.3	8.7	9.2	3.0	1.9	3.8	4.5
Italy	-1.8	2.4	2.9	2.8	-3.8	0.3	0.0	-0.1
Luxembourg	0.9	3.5	5.6	5.3	-0.8	2.0	2.7	2.4
Netherlands	2.8	3.3	4.6	4.6	1.1	1.4	1.7	0.1
Norway	7.5	5.7	4.2	4.8	4.8	3.7	1.1	1.8
Portugal	3.7	4.2	6.3	5.8	1.1	1.9	3.4	1.3
Spain	2.9	2.7	3.4	4.3	0.9	0.3	0.2	1.1
Sweden	3.3	1.3	8.7	3.8	2.3	0.3	7.8	2.2
Switzerland	0.8	1.9	1.4	2.8	1.1	1.5	0.5	2.0
United Kingdom	5.1	5.3	4.1	5.2	2.6	3.7	3.4	3.7
EU 15	2.2	2.8	3.0	3.2	0.5	1.5	1.1	1.1
Euro area	1.4	2.3	2.5	2.7	0.0	1.0	0.3	0.3
Czech Republic	4.8	4.9	7.0	7.4	-4.3	1.1	4.2	3.1
Hungary	17.1	11.6	13.0	13.7	3.8	0.9	3.4	4.7
Poland	15.5	14.0	9.7	8.0	4.0	7.1	0.1	2.6
USA	4.5	4.1	5.1	5.2	3.4	2.4	2.4	3.3
Japan	-0.6	-0.9	0.6	-0.9	-0.8	-0.2	1.7	0.6

^{a)} Nominal compensation per employee; total economy

^{b)} Real compensation per employee, deflator private consumption; total economy

^{c)} Estimates Nov. 2001

Sources: EC 2001; OECD 2001

Even if we are still in a transition phase, various national developments indicate that some significant changes are occurring in the wage bargaining policies of European trade unions. They do not seem, however, to date to denote a common European (co-ordinated) strategy or trend but appear rather as national-level attempts to adapt established industrial relations systems to the modified economic environment following EMU.

In Belgium, contrary to the recent experience, the so-called ‘wage norm’ centrally agreed between the social partners for the 2001-2002 bargaining round is only used indicatively; therefore, the framework agreed at central level does not limit but rather consolidates and reinforces the return to free and responsible bargaining at sectoral level. It is no longer a case of moderating pay but rather of keeping wage growth under control.

In the Netherlands, starting from mid-2001, the issue of wage moderation has been central on the social partners’ and political agenda. In the context of the highest level of inflation in the EU (5.4% in May 2001), employers’ organisations called on the trade unions for a ‘sensible’ wage development, blaming them for the fact that recent collective agreements have focused mainly on pay-related matters and neglected other issues such as conditions of employment and training. The trade unions considered that the inflation hike could be largely attributed to the government’s decisions to introduce higher VAT rates, environmental taxes, rents and energy prices. At the end of 2000 the unions had set a target for a wage increase of 4%, which was reasonably successful in influencing collective bargaining in 2001. However, the decentralisation of bargaining (strongly supported by employers) had an impact on pay outcomes, in terms of wage drift, largely due to labour market bottlenecks in a context of almost full employment. In such a complex situation, the main parties in the ruling coalition believed that the government should reach a new agreement with the employers and unions in order to prevent a wage explosion. The Labour Party (*Partij van de Arbeid*, PvdA), in particular, has called for some sort of a new version of the 1982 ‘Wassenaar agreement’ between the social partners and government, whereby additional investments in healthcare and education and training would provide the incentive offered by the government in exchange for controlling wage demands.

In Germany, as already mentioned, the increase in collectively agreed pay in 2001 continued the overall moderate development in wages since the mid-1990s. Moreover, the increases in actual pay and total labour costs were even lower than that in agreed pay, due to ‘negative wage drift’ and a slight reduction in employers’ social security contributions.

Recent pay and labour cost developments have consistently contributed to an improvement of the price competitiveness of German businesses. However, this has not contributed to an overall improvement in economic performance. On the contrary, Germany has suffered one of the lowest growth rates in Europe and has performed poorly in terms of job creation and reduction of unemployment.

Since December 1998 a new permanent tripartite arrangement at national level, with various issue-related working groups and regular top-level talks between the leading representatives of the government and the social parties, the so-called 'Alliance for Jobs, Training and Competitiveness' (*Bündnis für Arbeit, Ausbildung und Wettbewerbsfähigkeit*) was established. In January 2000, the Alliance adopted a joint statement on an employment-oriented bargaining policy that included some recommendations for subsequent bargaining rounds. Even if these recommendations represented a rather vague compromise between the social partners, they undoubtedly provided support for a policy of pay restraint, and therefore had an important influence on the moderate results of the 2000 and 2001 bargaining rounds. The impact of the statement on collective bargaining was also the main reason for the fact that the role of the Alliance attracted growing scepticism within the unions.

Against this background, various trade union leaders had declared that they would not support a similar statement in 2002, and insisted that the Alliance had no competence in the field of pay policy. In the view of the unions, it is necessary to strengthen domestic demand in order to overcome the current economic downturn and to create new jobs. The employers' associations have sharply rejected these claims and called for a continuation of the moderate pay policy.

The German unions have used a study published in October 2001 by the German Institute for Economic Research (*Deutsches Institut für Wirtschaftsforschung*, DIW), comparing French and German pay developments and their impact on growth and employment, to support their position (Logeay and Volz 2001). The DIW study found that France's considerable increase in employment and noticeable reduction of unemployment could be ascribed to a combination of various economic policy measures, such as growth policy, labour market policy and reduction of working time. The study focused in particular on diverging pay developments in France and Germany. While Germany has pursued a wage moderation policy since the middle of the 1990s, wage policy in France between 1997 and 2000 was not geared to a reduction of unit labour costs.

While in Germany unit labour costs increased by a total of about 1.6%, in France they increased by about 5.7% from 1997 to 2000. In this period, the French economy grew by around 3% per year, compared with around 2% in Germany. The DIW study concluded that the higher pay developments in France were one important element in the increase of domestic demand and growth in employment.

Taking into consideration pay developments in France, the president of IG Metall, Klaus Zwickel, presented the pay claims of between 5% and 7% put forward in December 2001, for the 2002 collective bargaining round.

Something different has been happening in Spain where, by the end of 2001, the social partners had reached an important central agreement covering a wide range of issues from pay to employment and working time organisation. This agreement, reached in order to avoid an announced intervention by the government aimed at a reform of collective bargaining, will run to the end of 2002, but will be assessed by the social partners in September 2002 with a view to looking at the possibility of reaching a follow-on agreement. On the central issue of pay, the social partners agreed to put into place a policy of moderate pay growth during 2002 taking as a first reference point the inflation forecast for 2002 issued by the government but also allowing for higher increases within the limits set by productivity growth.

In Italy, finally, the situation appears extremely confused and open to unpredictable developments. The national social pact of July 1993 and the collective bargaining mechanism that it put in place are still formally in existence. However, since the 2001 elections, the new centre-right coalition government has declared their unwillingness, supported by the employers' organisation, to continue the policy of 'social tripartite concertation', which had supported wage moderation in the 1990s. Moreover, the three national trade union confederations have totally diverging views concerning whether to continue or radically change the existing two-tiered collective bargaining system. It could be reasonably expected that the complex machinery of social consensus put in place by the 1993 central agreement will collapse in the near future to be replaced by a more conflictual and fragmented scenario. This possible outcome is not, however, unanimously shared. Observers from different quarters consider a pattern of industrial relations based on conflict and trade union antagonism to be self-defeating and difficult to reconcile with the economic discipline imposed by EMU. This view appears to be shared by wide sections on the employers' side as indicated by the recent conclusion, along lines similar to the 1993 social pact, of the important national collective

agreement for chemical workers. This agreement was reached without any strike and with a united trade union platform. On the other hand, just a few months earlier, the national collective agreement for the metal and engineering sectors had been signed by only two trade unions (CISL and UIL) and rejected by the third, CGIL.

Table 3: Real unit labour costs (*) in the European Union, USA and Japan 1998-2001

Country	1998	1999	2000	2001
Austria	-0.4	0.1	-1.5	0.1
Belgium	-0.8	0.4	-0.6	0.1
Denmark	0.6	-0.1	-2.2	1.1
Finland	-2.3	0.9	-3.2	2.8
France	-0.4	0.8	0.1	0.3
Germany	-1.1	0.1	0.2	-0.1
Greece	1.2	-2.2	-1.9	-1.2
Ireland	-2.2	-3.1	-1.9	0.3
Italy	-4.8	0.2	-0.6	-0.1
Luxembourg	-1.2	0.2	-1.7	4.9
Netherlands	-0.2	0.4	-0.3	0.4
Portugal	-1.0	-0.7	1.5	0.8
Spain	0.0	-0.7	-1.0	0.0
Sweden	0.3	-1.5	6.1	2.5
United Kingdom	0.6	1.5	0.4	1.3
EU 15	-1.0	0.3	-0.1	0.4
Euro area	-1.5	0.0	-0.4	0.0
USA	1.0	0.4	0.6	1.7
Japan	0.9	-1.1	0.5	0.6

(*) Nominal unit labour costs divided by GDP price deflator

Source: European Commission 2002

A final aspect to be taken into account when analysing pay developments over the last couple of years is the growing difficulty of controlling (or moderating) wage growth in all those countries with full employment or labour shortages and bottlenecks. A widespread wage drift well above the centrally defined (or suggested) rates becomes almost inevitable, in particular in those countries with

a high degree of decentralised wage determination, as is the case of the Netherlands and most Nordic countries.

As shown in Table 3, real unit labour costs remained almost unchanged in 2001. We can consider this as a measure of competitiveness that compares total wages to total output. If wages rise but productivity rises faster, unit labour costs fall. Unit labour costs show the combined effect of changes in productivity and wages on the cost of production. The development of unit labour costs in Europe in 2001 is quite surprising when considering the generalised output contraction coupled with a relatively good performance of European labour markets in terms of job creation and further reduction of unemployment. It undoubtedly indicates that in most cases pay increases are lagging behind the increase in productivity. This is also a clear indicator that the profit share in national income, which grew markedly throughout the 1990s, is continuing to increase and appears unlikely to fall in the coming years.

3. WORKING TIME: MORE FLEXIBILISATION, LIMITED REDUCTIONS

Working time, and particularly the reduction of working hours, was probably a less important bargaining issue in most European countries than had been the case in recent years.

In Belgium, as of 1 October 2001, three possibilities for reducing employer contributions are now applied in the case of employers who reduce working time by at least one further hour below the 38-hour week and/or employers who introduce the 4-day week. As of 1 January 2003, the statutory working week will at all events be 38 hours. In any case, the introduction of the 38-hour week is possible before that date if a collective agreement is concluded.

In France, a report¹ published in mid-2001 found that the 35-hour law had a genuine impact on actual working time for 62% of full-time employees in companies with more than 20 employees now working a 35-hour week. It is estimated that the agreements on the reduction of working time signed up to December 2000 generated a net total of 265,000 new jobs. The total expected effect, including firms with fewer than 20 employees, would be the creation of around 500,000 jobs. The combination of productivity gains, agreements on pay restraint and state funding has enabled the reduction of working time to be

¹ <http://www.eiro.eurofound.ie/2001/07/Feature/FR0107170F.html>

brought about without lowering monthly pay or negative impacts on companies' competitiveness.

However, a second study by the Labour Ministry research unit (DARES 2002) shows that the impact of the statutory 35-hour week has been less than expected within larger companies. The reduction in working time in companies which moved to comply with the law in 2000 averages around 8%, some way short of the 11.4% difference between the previous statutory 39-hour week and the new 35-hour week. This is explained to some degree by the fact that certain companies already operated on the basis of fewer than 39 hours weekly prior to the introduction of the new regulations. A further explanation is that the second stage of legislation allowed for rest breaks to be excluded from the calculation of working time, an option taken up in one fifth of all companies, mostly in larger employers.

The report indicates that only 40% of companies in France have substantially modified their working time arrangements. The majority of companies opted simply to grant more paid leave. Where working time practices have changed, more than one third of companies have introduced variable, annualised hours, with an average ceiling on weekly working time of 42 hours. The average agreed advance notice required for changes to working schedules is 11 calendar days – significantly higher than the 7 days provided for under statute.

The study confirms that 98% of staff moving to a 35-hour week in 2000 maintained their previous rate of pay, compared to 92% prior to 2000. One third of workers encountered a pay freeze – compared to one half in preceding years – whereas 14% of staff agreed to pay moderation as part of their company (or sectoral) agreement on reduced working time.

In Belgium, since 1 January 1999, the statutory working week has been 39 hours. The Law of 10 August 2001 modified this, and from 1 January 2003 the statutory working week will be 38 hours, without loss of pay.

In Denmark, although reducing weekly hours has never been a point on the bargaining agenda, there was a good deal of pressure before the 2000 bargaining round for improvements in annual leave, resulting in the negotiation of an extra five days, which will be phased in over the four-year lifetime of various agreements.

In return for this employers have gained concessions in many cases on the scheduling of working time, for example by widening the definition of the 'normal' working day. Another area where increased flexibility has been gained

is in reference periods for calculating weekly working time; according to private-sector employers' federation DA, some 67% of agreements in their bargaining area now allow working time to be averaged over a period of 12 months or longer.

In Germany, working time has not been a major bargaining issue over the past couple of years, with attention focused on early retirement and pensions. However, increasing numbers of employees are now covered by flexible working time arrangements built around 'individual working time accounts' (*Arbeitszeitkonten*) of shorter or longer duration.

A new collective agreement for a 'plant within a plant' at Volkswagen will introduce several major innovations on pay, hours and work organisation. From October 2002, under project '5000 x 5000', VW will hire 3,500 unemployed people, initially on six-month fixed-term training contracts, to produce a new minivan at the company's main site in Wolfsburg with a possible further operation employing 1,500 people in Hanover. The 5,000 employees will initially receive an average monthly salary of DEM 5,000.

The agreement provides for a basic average working week of 35 'value-adding' hours. Hours will be highly flexible, with an individual working time account subject to a maximum of 42 hours in any one week and work on up to ten Saturdays a year. Failure to meet volume or quality targets will oblige employees to make up shortcomings by extra work without pay. If the problems are attributable to the company, rectification work will count as a working time credit. There will be a grievance procedure to resolve disputes.

In the Netherlands, labour market shortages already put an end to the reduction of working time some years ago. In fact the possibility of working longer hours is even being reintroduced in some sectors. A shortage of police personnel, for example, has meanwhile led to the possibility of working 38 hours a week instead of 36. Many collective agreements contain options such that workers can choose to work longer or shorter hours or can make other personal choices in working conditions in exchange for a higher or lower wage. This is also referred to as the cafeteria system.

In recent years there has been wide political discussion in Sweden about the prospect of legislative action to reduce the statutory working week. An official commission reported on the subject in early 2000 after a two-year examination of the issues. Although there was some expectation that legislation would be forthcoming, the Government decided to shelve the issue until after the next general election, due in 2002, after it failed to gain support for its proposals

from its political allies, notably the Green Party, which held out for much larger working time cuts than the proposed five days a year. In the meantime, yet another committee has been established to examine the matter; it is due to report its findings by June 2002.

At present, many collective agreements in Sweden have some provisions on possible cuts in working time, with employees usually having to agree in return to greater employer freedom in scheduling working time. Some go further, setting aside a pool of money that may, according to individual employee preference, be used to finance either extra time off, pension contributions, a shortened working week, training or cash payments.

5. EUROPEANISATION OF COLLECTIVE BARGAINING: TOWARDS GREATER AND BETTER COORDINATION OF WAGE BARGAINING

As mentioned in last year's report (Fajertag 2001), in December 2000 the ETUC Executive Committee adopted a Recommendation on the coordination of collective bargaining which defined a European wage guideline, devised as an annual recommendation for national trade unions and to provide an indication concerning the optimum wage rise at national level. The formula for nominal wage increases referred to the rate of inflation plus productivity gains. It was also stressed that this wage guideline could be used for wage increases only and/or other uses having an impact on the total wage bill such as job creation, working time reductions, training, early retirement schemes and reduction of the gender pay gap. The implementation of the guideline is fundamental to achieving the ETUC's aim of preventing wage dumping and supporting the harmonisation of living and working conditions in the EU and in the applicant countries through upwards convergence.

During 2001 the ETUC continued monitoring wage developments and a first report on the coordination of collective bargaining in Europe² was presented at the ETUC Executive Committee meeting in December 2001.

Looking to the figures provided by Emmanuel Mermet (2002), it clearly appears that, contrary to what happened in 2000, pay developments in a large number of European countries are close to the ETUC wage guideline. It should also be noted that almost no country suffered a loss of purchasing

² <http://www.etuc.org/ETUI/CBEurope/EurActiv/CBCRep01EN.cfm>

power with wages increasing above inflation (which is the first prerequisite of the guideline).

In September 2001 the fifth annual meeting of trade unions associated with the 'Doorn Initiative' took place in Houffalize (Belgium). This alliance aimed at co-ordinating bargaining objectives across Germany, Belgium, the Netherlands and Luxembourg has since 1997 included representatives from the trade unions of the four countries in regular meetings to jointly discuss wage claims and employment policies with the declared objectives of avoiding wage competition in Europe and promoting measures to increase employment and purchasing power .

The Doorn group summarised the main results of its 2001 annual meeting as follows³:

In 1999-2001, the unions involved believed that they concluded 'responsible' collective agreements. At the same time, the Doorn group expressed concern about the relatively weak economic growth of the Euro area, which the unions believed was partly caused by the restrictive monetary policy of the European Central Bank. The unions also underlined that a policy of 'wage restraint' has not been an adequate tool to strengthen economic growth, but on the contrary might have further weakened internal demand within the euro-zone. Therefore, the unions decided to continue with their 'Doorn declaration' according to which collective bargaining settlements should 'correspond to the sum total of the evolution of prices and the increase in labour productivity'. Besides pay policy, the Doorn group confirmed its aim of achieving a stronger coordination of so-called 'qualitative aspects' of collective bargaining. In 2002, the unions involved will focus on the issue of 'lifelong learning' and will jointly demand that: lifelong learning becomes a right for every employee; employee representatives and trade unions should be able to control employers' initiatives on continued training; and initiatives on continued training should be seen first of all as 'investments' and therefore must be paid for by employers.

The 'Doorn group' also criticised all forms of indirect pay competition between countries, such as downward tax competition or competition on cuts in social security contributions. The unions involved agreed that neither of these should be taken into account when drawing up their pay claims.

³ The text of the Doorn group press release (in French, German and Dutch) can be found at <http://www.etuc.org/ETUI/CBEurope/EurActiv/DoornFR01.pdf>

In the period up to the next annual meeting, which should take place in the Netherlands in autumn 2002, the Doorn group wants to take the following practical steps: a) setting up an e-mail list of the main negotiators of the unions involved in order to improve the exchange of information on ongoing collective bargaining; b) examining the possibility of establishing a permanent secretariat of the Doorn group; and c) drawing up a dossier on the working time policy of the unions involved.

6. GENDER ISSUES

In several European countries, gender issues were dealt with during 2001 either via specific legislation on equality issues or by putting forward specific claims on equal pay, low pay and reconciliation of working and family life. Though continuous progress has been made on these topics in several European countries, the general impression is that much still remains to be done. Some of the most important national developments are summed up in the following notes.

In **Bulgaria**, the Constitution proclaims the principle of equality of all citizens before the law and the Labour Code contains provisions for elimination of all gender-based discrimination at work. However, gender issues are still not subject to special attention in collective bargaining. The Equal Opportunities Bill has not been adopted yet. The formal nature of gender equality in Bulgaria can best be seen on the labour market. Over 52% of all registered unemployed are women. Gender inequality is evident in the occupational segregation by sectors and jobs occupied. Women's pay amounts to 76.8% of men's pay.

In **Denmark**, a survey conducted by the LO in 2001 showed that Danish fathers made only minor use of their rights to paternity leave. By aggregating the various existing possibilities of leave, a Danish father could have 66 weeks free, including parental leave of up to 52 weeks. But less than 4% of fathers take advantage of this possibility. On average men use just 2.2 weeks of their entitlement during the child's first year of life, whilst women are home on average 44.8 weeks.

To mark the 25th anniversary of the Danish equal pay law, the Labour Ministry held a conference on equal pay and presented a new bill amending the equal pay law based on another survey by the Social Research Institute, SFI. The conclusion of the survey was that, despite the 25 years of the law's existence, the country had come no further than good intentions. Conspicuous pay differences remained between men and women. To some extent the difference

could be based on differences in human capital, but around 12% of the differences remained inexplicable.

In **Finland**, gender has been taken into account in centrally negotiated incomes policy agreements by including special pay increases for sectors with female employees as a majority. Gender equality adjustment is also included in the Incomes Policy Agreement for 2001-2002 even though employers were reluctant to accept it. In their view, gender equality adjustments place an excessive burden on wage costs in those sectors where there is no scope for additional wage increases.

In **Greece**, the labour market position of women continues to be more unfavourable than that of men. More specifically, in spite of the fact that the employment rate of women rose between 1991 and 2000 from 35.4% to 40.9%, it is significantly lower than the corresponding rate for men, which, in 2000, was 71.1%. The rate of female labour market participation, meanwhile, was around 49.6% in 2000, as against 77.1% for men. The percentage of unemployment among women is also more than double that among men – in 2000 16.7%, as against 7.3% for men. Though the social partners are favourably disposed towards the promotion of equality between the sexes on the labour market and have been involved in measures to promote the employment and vocational training of women, they have as yet paid little attention to the basic matter of the pay gap between the sexes and, in particular, have themselves taken no specific measures to promote pay equality between the sexes.

The difference between men's and women's wages in **Hungary** remained 19% in 2001. It is mainly attributable to women's lower position in the workplace, as well as to the low pay in the traditional "female" industries like textiles. The collective agreement may contain certain benefits for women (positive discrimination in this sense) such as extra holiday or an additional day off per month for mothers. Working mothers have legal rights in relation to child care, for example, when a small child is ill, the mother is entitled to sickness pay.

There are no longer any working conditions in **the Netherlands** geared specifically to strengthening the position of women. The policy pursued by the Cabinet and the social partners aims to place both men and women in a position to combine work and care. The Cabinet makes provision for a number of statutory rights and benefits at a minimum level or even below that level, which can be complemented by the social partners in collective agreements. The legislation is relatively recent and is based on a number of pillars, such as the

Adjustment of Working Time Act of July 2000, and the Work and Care Act, in force since December 2001. Settlements can be made in collective agreements in addition to statutory regulations. In 1999, 39% of the collective agreements concluded contained some provision concerning pregnancy and maternity leave. However, only 6% of those agreements contained settlements complementing the statutory provisions on the length of leave and how it is to be paid. Attention is devoted to various forms of leave in most collective agreements, but only a minority contain supplementary provisions on leave and payment. Settlements are mainly made as a combination of arrangements which link up with the official regulations.

Although, in **Norway**, the wage differences between men and women are getting smaller, a significant effort still has to be made if the gender wage gap is to be closed completely. The Gender Equality Act is in the process of revision with a view to reinforcing the Act as a tool for promoting equality. The previous labour party government put forward a proposal to change the Act in the spring of 2001, entailing, among other things, the introduction of a duty on the employer to report on the equal opportunity situation in the enterprise, a general ban on sexual harassment – in accordance with the European Commission’s proposal for a revision of the 1976 Equal Treatment Directive – and efforts to make it easier to claim compensation in the case of discrimination. The proposals were placed before parliament again by the incoming centre-right coalition government and approved by the Norwegian parliament in the spring of 2002.

In **Poland** women experienced no significant change in their situation on the labour market. Their labour continues to be less in demand than men's in many industries. Unemployment has clearly brought this problem into the open: some employers dared to demand that young women state they were not pregnant or provide written statements that they did not intend to have children in the future. Legal regulations have, however, been adopted to prevent this sort of practice in the future; they bear witness to the implementation of the European Union Directive on non-discrimination against women.

The most important change for women concerns the reduction of maternity leave to 16 weeks for a first child, 18 weeks for subsequent children and 26 weeks in the case of twins. This is a setback, since regulations in previous years entitled women to take 20 weeks of maternity leave for a first-born child. The withdrawal of the right to a longer period of maternity leave is attributable to the costs of such arrangements.

In **Portugal**, despite the unions' and governments' efforts to promote new regulation in this field, equal opportunities for women and men are still a neglected issue in collective agreements. There have been numerous agreements relating to maternity and paternity, but very few results have been recorded with regard to equality rights as such.

In March 2001, the **Slovak** government approved the Concept of equal opportunities for women and men. The Concept reflects equal opportunity principles included in international and EU documents, which are especially relevant for Slovakia in its EU accession talks (*acquis communautaire*). The Concept is an outline of strategic steps concerning the legal and institutional facilitation of equality in three main areas: labour market, public and political life and harmonisation of family and working life. It also points to gender-based differentiation of wages, the segregation of male and female jobs and inequality in the remuneration of men and women (the average ratio of women's wages to men's wages is approx. 75 : 100).

A number of measures seeking to promote equal opportunities are being developed in **Spain**, most notably Act 39/1999 regarding Work-Life Balance. Prior to this Act being passed after being debated by Parliament, there was a period during which the social partners were consulted. CC.OO. and UGT made a series of proposals during this consultation period, but these were only partially incorporated into the Act which omits a number of elements relating to motherhood, protection against health risks and parental leave considered by the trade unions essential for the correct transposition of EU Directives and for encouraging men to make use of their existing rights in order to achieve an appropriate work-life balance.

The trade unions' collective bargaining guidelines recommend that the texts of collective agreements be adapted to the new legislation so that employees' recognised rights are reflected as far as possible through the inclusion of a number of proposed improvements. The 2000 collective bargaining round saw the first moves to adapt collective agreements to the Work-Life Balance Act, but the fact that there are still many agreements that have not been adapted constitutes a serious impediment to people's ability to exercise their employment rights fully, in spite of the fact that the Act sets minimum standards.

The European Commission, in the 2001 edition of its Joint Employment Report, highlighted the gender pay gap as one of the key challenges that needs to be addressed by the **UK** Government. The gender pay gap issue had a high profile throughout 2001 as a result of two major inquiries.

The independent Equal Pay Task Force recommended that the Government should legislate to require employers to carry out regular equal pay reviews and this was strongly supported by the TUC and unions. The Government stated that at this stage it was not considering this approach but that it would provide funding to develop equal pay review models for use in the workplace.

In the summer the TUC received funding from the Government for a pilot project that aims to provide training on equal pay issues to 500 union workplace representatives in spring 2002. The purpose is to give union representatives the confidence and skills to discuss and participate in equal pay audits with employers and to maximise the role of collective bargaining in reducing the gender pay gap.

The Government's response to the second review, published in December 2001, included an announcement of a new measure to make it easier for women to get information from employers about whether they have equal pay problems. The Government also said that it would be encouraging all employers to conduct employment and pay reviews covering all aspects of women's employment. The TUC and unions welcomed these measures but stressed that if this voluntary approach did not succeed, then the Government should make equal pay reviews a legal requirement.

The Government is also taking forward measures to speed up and simplify employment tribunal cases relating to equal pay and the Employment Bill currently progressing through Parliament includes a requirement for employers facing such a challenge to provide certain information in response to a questionnaire.

7. SUMMARY AND OUTLOOK FOR 2002

The 2001 collective bargaining round took place in a relatively difficult economic context, which deteriorated in the second half of the year. At the beginning of 2002, the risk of economic recession seemed to have been averted and the first signs of economic recovery were appearing.

No major changes were registered in 2001 for collective bargaining in Europe; the largely prevailing trend was still that of wage moderation started at the beginning of the 1990s as part of the general macroeconomic discipline and supranational coordination required by EMU.

Projected inflation remains the key indicator for wage settlements but its precise impact depends on the length and timing of pay negotiations, and on the effect

of national incomes policies and longer-term pay deals. Several European countries are covered by multi-annual pay agreements generally concluded in the framework of national pay policy guidelines. These kinds of agreements have contributed to buffer the impact of short-term inflation upsurges on wages and have proved in most cases successful in safeguarding purchasing power in a deteriorating macroeconomic environment.

In the last couple of years some European countries with full employment or labour market bottlenecks have experienced growing difficulties in their attempts to keep wage growth under control. A considerable degree of wage drift, sometimes well above the centrally defined rates, has been almost inevitable, particularly in those countries with a high degree of decentralised wage determination (the Netherlands and most Nordic countries).

No major progress took place during 2001 on the reduction of working time. The 35-hour legislation in France has proved successful in terms of job creation and has certainly contributed to France's generally good economic performance in recent years. However, this experience remains isolated at the European level. Some interesting, and often controversial, initiatives have taken place in terms of working time flexibility but they remain extremely fragmented and an overall assessment of their impact on the quality and intensity of working life is almost impossible.

Collective bargaining systems are still adapting to the introduction of the Euro; however, various national developments indicate some relevant changes in the wage bargaining policies of European trade unions are occurring. Those changes do not to date show a common European strategy or trend but appear rather as national-level attempts to adapt established industrial relations systems to the modified economic environment following EMU.

In any case, progress towards a European coordinated trade union pay bargaining strategy is evident. The implementation of the ETUC pay guideline during 2001 has undoubtedly been something more than a pedagogical exercise for the ETUC affiliated unions.

Wage growth forecasts always represent a quite difficult exercise, in particular when some of the most important wage agreements have not yet been concluded in a large number of European countries. Figures provided in Table 4 below, based on European Commission estimates in April 2002, should therefore be read with caution. Serious tensions among the social partners and governments have not yet been solved in many European countries and the resulting shifts in the tripartite balance of power may strongly influence and

change the expected developments. At the moment it can be said that wage developments for the coming years should not deviate from the wage moderation path which has been put in place and consolidated all over Europe since the beginning of the 1990s. Wage developments for 2002 seem to be by and large in line with the ETUC pay guideline, while there is a risk of wage increases below the ETUC guideline for 2003.

**Table 4: Inflation, productivity and wage growth for 2002-2003
(based on April 2002 EC forecasts)**

	Inflation		Labour Productivity		Inflation + productivity (A)		Nominal wage increase (B)		ETUC pay guideline (B-A)	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
Austria	1.6	1.7	1.6	2.0	3.2	3.7	2.4	2.6	-0.8	-1.1
Belgium	1.7	1.7	1.0	1.9	2.7	3.6	3.2	3.2	0.5	-0.4
Denmark	2.3	2.1	1.6	2.1	3.9	4.2	3.6	3.8	-0.3	-0.4
Finland	2.0	2.1	1.7	3.0	3.7	5.1	3.5	3.8	-0.2	-1.3
France	1.7	1.6	1.1	1.6	2.8	3.2	2.5	2.8	-0.3	-0.4
Germany	1.8	1.7	1.2	1.9	3.0	3.6	2.4	2.6	-0.6	-1.0
Greece	3.6	3.2	3.4	3.7	7.0	6.9	6.6	5.8	-0.4	-1.1
Ireland	4.5	3.3	2.4	3.9	6.9	7.2	8.1	6.9	1.2	-0.3
Italy	2.2	2.0	0.6	1.5	2.8	3.5	2.7	2.9	-0.1	-0.6
Luxembourg	2.0	2.2	0.9	2.1	2.9	4.3	3.7	4.0	0.8	-0.3
Netherlands	3.5	2.2	0.9	1.8	4.4	4.0	5.2	4.5	0.8	0.5
Portugal	3.1	2.4	1.2	1.8	4.3	4.2	4.4	3.7	0.1	-0.5
Spain	3.0	2.5	0.9	1.1	3.9	3.6	3.5	3.0	-0.4	-0.6
Sweden	2.2	2.2	2.1	2.5	4.3	4.7	3.9	4.0	-0.4	-0.7
United Kingdom	1.6	1.8	1.8	2.3	3.4	4.1	4.3	4.5	0.9	0.4
EU 15	2.1	1.9	1.2	1.9	3.3	3.8	3.3	3.3	0.0	-0.5
Euro area	2.2	2.0	1.1	1.8	3.3	3.8	2.9	3.0	-0.4	-0.8
USA	1.4	2.4	3.5	2.5	4.9	4.9	3.9	4.0	-1.0	-0.9
Japan	-0.9	-0.1	-0.3	0.9	-1.2	0.8	-2.9	0.1	-1.7	-0.7

Source : European Commission (2002)

The following developments in the collective bargaining and industrial relations areas can be expected at the national level for the year 2002.

Belgium

After the conclusion of the Belgian Presidency of the European Union (second half of 2001) the government approved a memorandum on socio-economic priorities for the 2002-2003 period. The memorandum clearly announces the course which the government intends to follow: it wants to influence the intersectoral negotiations for the 2002-2003 period by forcing the social partners into a straitjacket which takes no account whatever of trade unions concerns (more flexibility, further reductions in employers' contributions, increase in the minimum wage by decreasing contributions and not by increasing the gross amount) - all the more reason for the trade unions to remain mobilised and to stick to their demands.

Bulgaria

To make an objective assessment of the developments in 2002 is rather difficult. The trust in the new government is now much lower. The government itself is not stable enough and the replacement of some of its members has already begun. There are apprehensions in the economic field that the parameters of the macro-framework will not be fulfilled. The inflation rate in January 2002 was rather high - 2.8%. Salaries in the budget sphere have risen by 5% since January and another 5% rise is expected in October. The trade unions insist on a 20% increase. There are grounds to expect industrial action in a number of enterprises. Thus 2002 appears to be a difficult year for the living standards of the Bulgarian population and the social dialogue.

Denmark

In 2002 the government, local authorities and counties negotiate the renewal of a two-year agreement. In 2003 the slaughterhouses and the finance sector will be negotiating again. Both these sectors negotiated two-year agreements in 2001. There are also mid-term negotiations in the manufacturing area, but, as agreed, without the right to take industrial action. In 2004 it will be the turn of the dominant LO/DA sector (manufacturing, building and transport) to renew the current 4-year agreement. In 2005 agriculture negotiates in the so-called green sectors (LO/SALA), which in the 2001 negotiations followed the 4-year period of the private sector.

With negotiations every year, pay increases can develop into a spiral which, at a time when the LO/DA is looking to continue the “spirit of 2000”, already exceed what was intended in the country’s dominant, pay-setting area.

Finland

Most of the current collective agreements are based on the centrally negotiated Incomes Policy Agreement for 2001-2002. They will expire at the end of January 2003. In the course of 2002 possibilities for a new centrally negotiated incomes policy agreement will therefore be considered. The most serious and official negotiations will take place during the latter half of this year.

The Incomes Policy Agreement for 2001-2002 also includes a negotiation clause according to which the contracting parties agree to resume their negotiations in August 2002 to review the actual and the projected trends of the economy, and to assess the ways in which the aims of the agreement have been reached. On the basis of this kind of assessment the partners will negotiate, with one another and with the Government, on the action needing to be taken. Like the autumn of 2000, the autumn of 2002 will be a critical period during which the nature of coming collective agreements will be settled.

The big question during the next negotiation round is whether the Incomes Policy Agreement for 2001-2002 will be followed by another centrally negotiated agreement or whether the next collective agreements will be based on industry-level negotiations. Within the tradition of tripartite cooperation it would be natural for a new centrally negotiated agreement to be signed in the autumn of this year. It is likely that, as in the autumn of 2000, a serious attempt at achieving such agreement will be taken.

France

The re-elected President and the new centre-right parliamentary majority will have to tackle social protection issues of major concern to the life of the country. Pension systems and procedures for access to retirement pensions will be foremost among such matters. The subject is so sensitive, and the events of December 1995 will be so vivid in the memory of the politicians, that the new government will have to bolster itself with guarantees as to the acceptability of its projects. Mr Chirac, before the elections, criticised the government for its failings on the subject of the social dialogue, no doubt recalling that in 1995 his Prime Minister refused to use the word “bargaining”

at a time when France was bogged down by strikes. The “pluralist left” government tried to initiate this consultation, with its appeal for a renewal of the social dialogue, but the legislative measures adopted at the end of its mandate relied more on compromise within the parliamentary majority than on discussions with professional organisations. The unions will have no easy task, faced with their grassroots members, when the bargaining has to take place on the very unequal situations that have been established between the private sector and the public sector, where union membership is at its strongest.

Regarding the method of social dialogue and bargaining, in the five years of its life the multi-party government of the left has not provided all the guarantees that might have been expected not only by employers but above all by trade unions.

Over the past five years, the persistence of a high level of unemployment has been rendered acceptable by the upturn in job creation: a good economic climate, a reduction in hours of work, incentives for consumption, youth employment measures, and so on, have combined to make the space and time more propitious. There has been a substantial movement of bargaining, organised around the reduction in working hours, and its immediate effects have been perceived as beneficial. Collective bargaining over the period to come seems to be less immediately favourable to the interests of workers/voters.

Germany

The 2002 bargaining round dominated the headlines from mid-2001 onwards. The more the employers, institutes and politicians stressed the need for continued restraint, the more critical the trade unions became. According to DGB chairman Dieter Schulte, the concessions they had made with their wages policy in a bid to trigger positive developments on the labour market had not paid off. Faced with only modest growth in pay against a background of a significant rise in living costs, the trade unions announced early on that they were going to table hefty demands for the year to come. A top-level meeting of the “Alliance for Jobs” in November 2001 failed to reach agreement on a joint declaration on collective bargaining policy.

In January 2002 the regional collective bargaining committees of IG Metall agreed to call for wage increases of up to 6.5% and the introduction of uniform agreements for blue- and white-collar workers. Negotiations ended with a compromise. The long-term deal, from 1 March 2002 until 31

December 2003, gives employers scope to plan ahead and is reasonably weatherproofed against inflation. In addition, both sides can now embark on overhauling the grading structure with a deal on costs. On pay, there is a 'pay pause' for March and April. Employees will then get a one-off payment of euro 120 for May, equivalent to 4% of average monthly pay. From 1 June 2002, the total agreed pay-bill will rise by 4%, with a further rise of 3.1% from 1 June 2003. This will be used both to raise agreed rates, but not by the headline amount, and contribute towards financing the introduction of a uniform blue and white-collar workers' pay scale.

The chemical workers' union IG BCE had put in a claim for 5.5% for 2002. The new sectoral agreement reached in April 2002 has yielded a basic 3.3% pay increase. The agreement also includes steps to make adjustments to the industry pay scale, valued at an extra 0.3%, and scope for allowing annual agreed bonuses to vary in line with company performance.

Public sector agreements do not run out until the end of October, with the result that bargaining will start only after the elections to the German *Bundestag* have taken place in September 2002.

Greece

The social security question, and especially reform of the social security system, will be a major issue for the social partners in 2002, and the process of social dialogue is being developed to this end.

Negotiations are expected to start for signature of the new two-year national general collective labour agreement. A fundamental economic claim of the GSEE will be improvement in the real income of employees and convergence of their pay with their counterparts in the EU. The GSEE also intends to press its already established demand for a reduction in weekly working time to 35 hours without a reduction in pay.

Hungary

The national recommendation for the 2002 wage increases was reached after a few rounds of negotiations in December 2001. The proposal was agreed in the range of an 8 to 10.5% nominal wage increase, at an official inflationary target of 4-6%, aiming at a real wage increase of between 5 and 5.5%. The minimum wage was raised by a further 25%, to reach 50000 HUF (210 Euro), with the agreement of all social partners.

The harsh election campaign induced both the left and right parties to raise their bids and enter a spiral of election promises. The socialist-liberal coalition that won the elections by a narrow margin has started the fulfilment of election promises. It has been already decided that public service wages will be increased by 50% on average from September. Skyrocketing public sector wages will substantially outpace wages in the competitive sector and aggregate wage increases for the whole year could reach as much as 30%, which is beyond any expectations.

Ireland

During 2002 pay developments for most workers in the economy will be regulated by the (last) pay increases provided in the National Agreement for 2000-2002 (PPF, Programme for Prosperity and Fairness).

Significant tensions are already emerging. The employers are reluctant to enter a new national arrangement because of the considerable wage drift. It should also be noted that previous national pay agreements have been based on trade-offs between moderate wage increases and cuts in direct taxation. It is widely recognised that at present there is no scope for further cuts in personal taxation. The lack of such flexibility has not, however, dampened the expectations of some unions who have argued that significant pay increases are required if pay in Ireland is to catch up with wage levels in the rest of the EU.

The Government continues to acknowledge the role of the Social Partners in seeking a further National Agreement. If a new agreement is sought by unions, following intensive consultation with unions members throughout the summer months into September 2002, it is widely held that the existing model must be reformed to ensure greater flexibility and a better deal for low-paid workers.

Italy

Sectoral negotiations in 2002 should involve over six million workers due to the fact that a whole series of agreements is due to expire at the end of 2001. Among the most important of these are some in the public sector (health service, schools, local authorities, ministries, law and order), but also those in the finance, insurance and chemicals sectors. However, normal bargaining activity for the renewal of these important national collective agreements will be affected, and perhaps temporarily even halted, by the outcome of the stand-off between the trade unions and the government on the planned

legislation to suspend Article 18 of the Workers' Statute for four years on an experimental basis.

The trade unions have responded in united fashion with articulated strikes followed by a national general strike called for 16 April 2002. Tension and protests have also been exacerbated following the breakdown in negotiations on the pension system - and in particular on the government's proposal to reduce employers' social security contributions by 3-5% - due to trade union fears of negative repercussions for future retired workers and for the social insurance system as a whole.

The Netherlands

The prospects for the 2002 bargaining round are not yet clear. A few bargaining results have already been registered while negotiations for a number of contracts are progressing with great difficulty.

In the spring 2002 consultations between the social partners - brought together in the Labour Foundation - and the Cabinet, reductions in taxation and social security contributions were to be the main subject of discussion. However, since the Cabinet was not prepared to comply with this demand, the consultations were cancelled.

The trade union movement is also endeavouring to obtain tax concessions for training: workers should be given the opportunity to save up for this training on a so-called personal development account with tax advantages.

Norway

The 2002 wage round seems to imply a new dimension to the already heated debate about the future direction of the Norwegian collective bargaining system. While bargaining results in the exposed sector, assumed to set the pace for subsequent agreements, were relatively moderate, the domestically oriented service sector seemed to end up with a settlement far beyond this level - apparently signifying a farewell to economy-wide coordination of wage policies. There are fears among trade unions that the strengthened and more independent role of the Bank of Norway could undermine, in the short term, the gains acquired in current wage settlements, but more generally, and in the long term, the trade unions' ability to influence economic developments through coordinated incomes policy. Meanwhile, it appears likely that the employers' call for decentralisation will gain renewed momentum.

Poland

Even if the high level of unemployment should induce Poland's social partners to intensify social dialogue, the numerous structural loopholes in the industrial relations' system and, in particular, the existence of "redistribution cartels" and of structures remaining in conflict with each other make it impossible for labour and capital to come to terms. Unemployment is a constantly growing social problem but to date does not constitute a sufficient premise for entering into negotiations. Employers force solutions in industrial relations that favour a better adaptation to market competition, without taking into account trade union fears about job protection. Trade unions will not propose even temporary measures aimed at a reduction in labour costs. The centre-left coalition that came to power following the September 2001 elections will be working in extremely difficult conditions.

Portugal

The recovery of wages is the unions' top priority. Demands for increases hover around the 6.0% mark. An increase in holidays (25 days per year), the reduction of working time (35 hours per week), employees' rights with regard to continuous vocational training, equal opportunities, and health and safety provisions are other major issues on the unions' agenda.

The economic and political context is not favourable to the unions. There are signs of recession, and there have been several plant closures during the last few months with hundreds of workers being made redundant. Another important factor will be the policy pursued by the new right-wing government. This relates in particular to macro-level social concertation. On the one hand, the government's commitment is decisive for the implementation of the recent tripartite agreements. On the other hand, the strategy for future macro negotiations will condition collective bargaining. A further aspect of great importance will be the new government's position in relation to the employers' demand for new legislation on collective bargaining with the aim of opening the way for radical changes in the existing regulatory framework.

Slovak Republic

In the bargaining round completed for 2002 there were no special issues or changes compared to the previous year. Apart from the increased minimum wage (4,920 SKK), the next bargaining round in the autumn of 2002 will also be influenced by changes introduced in the new labour legislation, which

reflects the implementation of the EU Directives pertaining to EU candidate countries.

Until April 2002, employment conditions and labour relations in Slovakia were guided by the Labour Code in both the public and the private sector. The implementation of the new labour legislation introduces different employment conditions for private and public-sector employees - for the first time in over 40 years. Furthermore, the employment framework in the public sector will also be diversified for both public and civil servants.

Spain

The 2002 collective bargaining will be strongly influenced by the Interconfederal Agreement on Collective Bargaining. The 2002 Agreement is a mandatory agreement, which means that it must be applied to collective bargaining at sectoral and company level. Its criteria, guidelines and recommendations set very clear targets which relate specifically to this year. As far as wages policy is concerned, it establishes a system that has been jointly agreed by employers and employees and which is based on three key elements: the Government's inflation forecast, productivity, and a wage guarantee clause that guarantees the purchasing power of negotiated wages in the event of inflation being higher than forecast. It also covers other wage-related issues such as general guidelines with regard to performance-related pay.

United Kingdom

Settlements for the whole economy in the early part of 2002 are expected to be lower than last year because inflation was so low towards the end of 2001. The increase in average earnings for the whole economy is expected to be fairly subdued as a result of this trend and the dramatic decline in bonus payments compared with 12 months ago. However, it is also anticipated that certain groups of public sector employees will continue to achieve above-trend pay awards to tackle ongoing recruitment and retention problems in the sector.

Many commentators have forecast that growing pressures on government spending will require the Government to announce tax increases in its Budget in spring 2002. While the TUC has welcomed the opening up of the public debate about tax rises to fund improvements in the public services in the medium term, it has also argued that tax rises are not needed in the short term to keep the public finances on a sound footing.

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Belgium

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1. GENERAL BACKGROUND INFORMATION

Measures to upgrade social benefits

In the period under review (from autumn 2000 to the end of 2001), since the trade unions were not satisfied with the fact that certain parties in the government coalition wanted to skim off the existing margins in the social security system for other purposes (such as reducing taxes), they not only organised a demonstration on 3 October 2000 (with more than 30,000 participants), but also issued a unanimous statement on how they considered the social security margin should be used in 2001. The government met all of the trade union demands put forward in that opinion with the exception of the demand concerning the sustainability of social security incomes: improvements amounting to 10 billion BEF for income support, 6 billion of which was to be used for linking pensions and disablement benefits¹ to the consumer index in 2001. The fact that the absence of a system for adjusting social security benefits to real wages has consequences for the preservation of the insurance principle in the social security system (social benefits are reduced to basic amounts which have little proportion or indeed are in total disproportion with the wages previously earned!), was the factor which motivated the trade unions to take joint action at a large-scale demonstration organised on 20 May 2001 to call for social improvements. The unions managed to get some 40 organisations to join forces for that demonstration and to muster over 25,000 participants. The government responded with an extra billion BEF (instead of the 6 billion the unions had been demanding) and the organisation of a round-table conference on measures to modernise the social security system.

The intersectoral agreement (ISA) for 2001-2002

The national intersectoral agreement for the private sector in 2001-2002 was signed on 22 December 2000². This agreement is the result of the inter-trade

¹ The system for linking pensions and benefits to the consumer price index ensures that they keep pace with the wage trend.

² Details of the agreement are also provided in last year's report for Belgium (see Janssen 2001: 67).

negotiations which were launched in September 2000 and were followed by bargaining and agreements in the sectors. In the private sector, the branch negotiations went quite smoothly without major conflict, but there were several disputes in the public sector (mainly over the preparations for liberalising the public services and the consequences of those measures for the public market), and there have also been disputes more recently in the distribution sector.

The bankruptcy of Sabena and the restructuring of Marks & Spencer

After the conclusion of the ISA and the sectoral agreements for 2001-2002, there were two events which resulted in major job losses and made the negotiations between workers and employers difficult: these were the bankruptcy of the national airline Sabena and the closure of the Marks & Spencer establishments in Belgium.

Increasing precedence given to legal measures in collective disputes instead of social dialogue

More and more employers have been taking issues to the civil courts in recent months instead of resolving them through dialogue. In order to put an end to this practice the Minister of Employment published a draft document making provision for the compulsory intervention of a social mediator before employers are allowed to take legal action. In response to the publication of this text the employers agreed to negotiate on the right to strike. And this was successful, since the negotiations resulted in the “Protocol for settlement in the event of collective labour disputes”, in which both employer and trade union organisations called on their membership to resolve social disputes through dialogue as far as possible. This protocol provides on the one hand that employers should address a solemn recommendation to their affiliates in order to avoid legal action being taken in the case of issues connected with a collective dispute and, on the other hand, it provides that the trade unions should undertake to urge their membership to comply with the procedure for announcing strikes.

A step forward in the process for harmonising the status of blue-collar and white-collar workers

At the beginning of 2002 the social partners put forward a proposal with a view to equating the status of blue-collar and white-collar workers definitively, namely by systematically abolishing the unpaid sickness day.

Implementation of the provisions pertaining to credit hours

By way of implementation of the inter-sectoral collective agreement 2001-2002, the social partners meeting in the National Labour Council concluded, in February 2001, collective agreement n° 77 introducing a system of credit hours, reduction of individual working time and half-time work. As from 1 January 2002 this system replaces, in the private sector, the career break provisions governed by legislation dating back to January 1985.

In the interpretation and implementation of collective agreement 77 a number of points of fundamental disagreement arose which made the negotiations between employer and worker organisations very difficult for a long time. For the trade unions were calling for an interpretation of the credit hours system that would be as flexible as possible in order to make the system attractive, whereas the employer organisations wanted precisely to make the system less attractive through stricter interpretation of the provisions.

In December 2001 the social partners concluded collective labour agreement n° 77bis which clarifies and replaces the provisions of agreement n° 77.

Political climate

Since June 1999, the Belgian government has been a rainbow coalition consisting of liberals, social democrats and the green parties. There was no change of government in the period under review, and the next parliamentary elections are, in principle, scheduled for 2003. Belgium held the presidency of the European Council of Heads of State and of Government (of the EU) in the second half of 2001. In April 2001, the FGTB/ABVV (Belgian General Trade Union Confederation), CSC/ACV (Christian Trade Union Confederation) and ETUC presented a common memorandum to the Belgian Presidency in which they drew attention to their demands for action to strengthen the democratic dimension of Europe both at the political level and in the economic and social fields. In addition, in a joint opinion of the National Labour Council and the Central Economic Council the partners to the social dialogue unanimously informed the government of their priorities with a view to the forthcoming EU Presidency : the importance of social dialogue, greater transparency, better information and consultation on the Belgian contributions to European documents and procedures; greater involvement of the trade unions in issues relating to quality of work, pensions and social investments, etc.

And finally, the trade unions organised three demonstrations during the Belgian Presidency: the first was held in Liège on 22 September with 15,000 participants; at the second demonstration - in Ghent on 19 October with

10,000 participants - the FGTB/ABVV, CSC/ACV and ETUC presented a social declaration; and the third event was a European demonstration in Laeken on 13 December with 100,000 participants. At the latter event the trade unions mobilised their membership to call for a more European approach, for full employment, for more quality jobs, for a society of solidarity without discrimination or exclusion and for measures to control globalisation.

Economic climate

The economic environment in Belgium was particularly favourable in 2000: an economic growth rate in 2000 of almost 4%, a decrease in unemployment to below the European average, considerable improvement in the competitive capacity of undertakings, a sharp drop in the number of bankruptcies and the prospect of renewed stability in growth rate. In 2001 the economic growth rate dropped back to 1.1%, yet despite this decline the Belgian economy nevertheless managed to create 45,000 new jobs in 2001 - as against 62,000 in 2000. The explanation for this is that there is always a certain delay before undertakings adjust their workforce to the economic trend : whenever there is an economic downswing they do not immediately dismiss personnel (for fear that they will need them when the economy recovers again), but simply limit the number of hours of overtime worked, increase part-time employment and put workers on short time. The harmonised unemployment rate dropped from an average of 8.8% in 1999 and 7% in 2002 to 6.9% of the working population in 2001. This drop reflects the downward trend in the number of unemployed, which began in the second half of 2001. An economic growth rate of 1.3% is expected for 2002.

The priority demands of the trade unions

The content of the intersectoral agreement for 2001-2002 is absolutely in line with the trade unions' demands:

- Increase in workers' purchasing power by no more than 7% (the average wage margin for 2001-2002), comprising the indicative wage norm based on the wage developments expected in the three main neighbouring countries (Germany, France and the Netherlands) of 6.4%; a "growth bonus" of 0.4% depending on sectoral economic conditions (with which the sectoral pay negotiations can increase the indicative wage norm) and a cost of 0.2% for the solidarity measures decided in the agreement.

- Increase in the training efforts of undertakings by 0.2% of the total wage and salary bill during the 2001-2002 period (i.e. 1.6% of the total wage and salary bill by the end of 2002).
- Continuation of the efforts of undertakings to provide training and employment for risk groups (0.1% of the total wage and salary bill) during the 2001-2002 period.
- Promotion of the collective reduction of working time by reductions in employers' social contributions linked to an evaluation of their training efforts, job-creation, the fiscal situation, the sustainability of social security incomes and the improvement of social benefits.
- Promotion of the reduction of individual working time in a life-long perspective, in the form of a career break of 1/5 for five years, half-time or 4/5 work for persons over 50 years of age for an unlimited period of time, paternity leave of 10 days instead of 3 days, credit hours of 1 year for workers with at least 1 year's seniority.
- Promotion of a higher employment rate amongst older workers through incentives and voluntary initiatives without restrictions on the present early retirement schemes.
- Promotion of mobility through car-pooling incentives, company transport projects and public transport.
- Enhancement of equal opportunities through the reassessment or introduction of job classification systems.
- Concrete measures to ensure the sustainability of the holiday bonus system.
- Extra pay for 2 further days' holiday, i.e. 4 full weeks of double holiday allowance instead of 3 weeks and 3 days - in other words, 2 extra paid days' leave.
- Enhancement of the minimum wage through tax cuts.
- Launch of a process to eliminate the status differences between blue-collar and white-collar workers by abolishing the unpaid sickness day and extending the terms of notice.
- Promotion of the Belgian (and European) social model and the fundamental rights laid down by the ILO through the creation of an international solidarity fund.

Attitude of employers

The employers wanted first of all to link the announced reduction of personal income tax with the discussion on the wage margin. The trade unions refused to accept this linkage - because the tax reduction is primarily compensation for the past efforts made by wage earners to help to reduce the public deficit; because part of that operation (namely the indexing of tax scales) ensures primarily that purchasing power is maintained (not increased), and because the impact of this reduction in 2001 and 2002 has been fairly limited.

And secondly, the employers called for a further reduction in their contributions in order to eliminate "Belgian industry's handicap with respect to undertakings in other countries". The trade unions advocate that the further reduction in contributions for 2002 be subject to strict conditions, since this would strengthen their bargaining position with regard to employment and training measures and a further reduction in contributions would be made contingent on the improvement of social benefits.

And thirdly, the employers called for a reduction in the corporation tax rate in the context of the tax reform. The trade unions consider that tax reform must remain absolutely neutral in budgetary terms in accordance with the Federal Government's policy statement of October 2000.

The role of the government

On 9 October 2000 Belgian Prime Minister Guy Verhofstadt presented the Federal Government's policy statement (also referred to as the "State of the Union"), in which attention is focused on the following socio-economic issues:

- measures to strengthen the economy through
 - action to support purchasing power (by abolishing the so called 'crisis tax', reforming the taxation system and increasing the lowest benefits);
 - reform of corporation tax;
 - extension of the measures to reduce the financial burden on undertakings by harmonising the existing job-creation projects;
 - action to stimulate SMEs and the self-employed;
 - a proactive employment policy (measures to strengthen education and training in dialogue with the regional and local government authorities);
 - action to strengthen peace in industrial relations by involving a social mediator in labour disputes whenever one of the parties takes a matter to court;

- reform of public enterprises, or, in more concrete terms, action to save Sabena and rapid approval of the reform of the SNCB (Belgian Railways);

- **action to develop a solidaristic society** by organising a round-table conference on “social solidarity”, measures to activate persons drawing the lowest welfare benefits, and measures to reform the health insurance scheme and the pension scheme.

Application of the national intersectoral agreement for 2001-2002

The national intersectoral agreement for the private sector for the 2001-2002 period (the content of which was discussed above) creates a framework for sectoral bargaining and contains arrangements that have to be included in collective agreements concluded at the sectoral level (followed by company agreements as the case may be).

The main features of these sectoral collective agreements are as follows:

- **Purchasing power:** the sectoral agreements which give practical effect to the agreed percentage pay increases do not exceed the 7% limit. In some sectors payment of a one-off bonus has been agreed. In most sectors purchasing power is further improved by additional financial benefits and, in particular, an increase in the basic daily welfare allowances or an increase in the trade union bonus. In a number of sectors the system for linking incomes to the cost-of-living index has been changed and a system has been introduced where wages are adjusted to the consumer price index on one or two fixed dates each year.
- **Training:** several sectors have made use of the introduction of a general credit hours system for training and the payment of higher benefits to workers attending (further) training courses. Most sectors confirm the arrangements made in the 1999-2000 intersectoral agreement but had not stepped up their efforts.
- **Promotion of the reduction of collective working time:** reduction of the statutory working week to 38 hours by 1 January 2003, in undertakings in the independent retail trade and in the hairdressing and beauty care trades.
- **Promotion of the reduction of individual working time:** the principle of credit hours has been generally accepted and implemented in the various sectors. Most sectors go beyond the terms of the collective agreement by extending the credit hours and/or raising or broadening the threshold for using the credit hours system.

The debate is made difficult in many sectors by the controversy over the Flemish incentive bonus. After negotiations by the ministers of employment at the federal and regional level, an agreement was reached at the end of February 2000 establishing exclusive competence of the federal level with respect to incentive bonuses, with the exception of issues that are dealt with at the regional level such as training, credit hours and undertakings in difficulty or undergoing restructuring measures: it will be possible to supplement the federal bonuses with regional bonuses (in Flanders) if the credit hours are useful for activities which fall under regionalised fields of competence such as training provided for individuals.

- **Measures to promote a higher employment rate for older workers:** all sectors extend application of the existing early retirement arrangements, including those applicable to firms that are ailing or undergoing restructuring. Some sectors have made these arrangements less attractive by granting a bonus to workers in the 58-60 age group who continue their occupational activities or by making the employer, rather than the social fund, responsible for the payment of the early retirement supplement for persons under 59.
- A few sectors have set up **pension funds** (metal industry, garage industry, coach work, textile industry). Contributions have been raised in sectors which already have such a fund (metal construction).
- **Measures to promote mobility:** several sectors have raised the employers' contribution to over 60% of the price of a season ticket or have extended this contribution to other means of transport (in addition to public transport).
- **Measures to enhance equal opportunities:** several sectors have agreed to introduce analytical job classification systems or similar schemes. Some sectors have also earmarked funds for progress in this area.
- **Launch of a process to eliminate the differences in status between blue-collar and white-collar workers:** with regard to terms of notice, it is stated in most sectors that the provisions applicable are those contained in collective agreement no. 75.³ In some sectors agreement has been reached on bringing forward the date on which this collective agreement will enter

³ Following the adoption of that collective agreement, the terms of notice were extended to 35 days for seniority of 6 months to 5 years, 42 days for seniority of 5 to 10 years, 84 days for seniority of 15 to 20 years and 112 days for seniority of 20 years and more.

into force to 1 July 2002. As regards the agreements governing non-coverage of sickness, the unpaid sickness day has been abolished, maintained or extended by arrangements such as payment of 1 unpaid sickness day, 2 unpaid sickness days or all unpaid sickness days in question.⁴

- **Promotion of the Belgian (and European) Social model and of ILO fundamental rights:** some sectors (the food industry, for example) lower the threshold set for the creation of a trade union delegation (from 50 to 30 employees). Others (the flax industry, for example) have decided to set up an international solidarity fund or to transfer 0.05% of the annual wage into a fund in 2001 and in 2002 to promote international solidarity (textile and knitwear industry, flax processing, food industry).

The pension system

The ‘Silver Fund’ or the demographic reserve

The Silver Fund was set up on 1 January 2001 for the purpose of covering the additional expenditure of the statutory pension system in the ‘ageing’ period (2010-2030) without calling social protection in question and without having to raise taxes. The amount to be allocated to the Silver Fund each year (by Royal Decree) is determined on the basis of an annual Silver Memorandum, which is drawn up by the government after consulting the Central Economic Council and the National Labour Council. The Silver Fund cannot effect any expenditure until 2010 and can only do so when the extent of the debt is lower than 60% of GDP (around 2012).

The second pension pillar

The trade unions are already expressing their doubts with regard to supplementary pensions, since they do not lead to greater solidarity amongst workers (supplementary pensions at company level are not exactly conducive to a great deal of solidarity!), but they adopt a qualified but positive attitude to the second pension pillar, which is based on three main factors: absolute precedence to the statutory pension, preference for sectoral settlements over and above company-related settlements, demand for financial and social security.

⁴ The abolition of the unpaid sickness day means that workers receive pay for the first sickness day. The payment of one, two or all sickness days in question means that workers receive pay for one, two or all sickness days for which there is currently no payment.

Changes concerning the levels of bargaining

Collective bargaining in Belgium remains centralised with a strict hierarchy of agreements. As has become traditional in the Belgian bargaining model, negotiations are held every 2 years and agreements are concluded first at the national level, then at the sectoral level, and then at the company level as the case may be.

The European employment strategy (guidelines) and ... employment policy in Belgium

The following has transpired from the interim report evaluating the impact of the European employment strategy in Belgium (commissioned by the Federal Ministry of Employment and Labour and drawn up by the DULBEA [Free University of Brussels] and the HIVA [Catholic University of Louvain]):

- as regards prevention and activation, the European employment strategy (guidelines) has brought a shift from the remedial to the preventive approach in employment market policy;
- as regards modernising the organisation of work (and more specifically the reduction of individual working hours) the European guidelines have had an impact not only on improving the status of part-time workers but also on harmonising the various career break systems;
- as regards equal opportunities, the European strategy is having an impact on pillar 1 (measures to enhance employability).

... the Belgian government

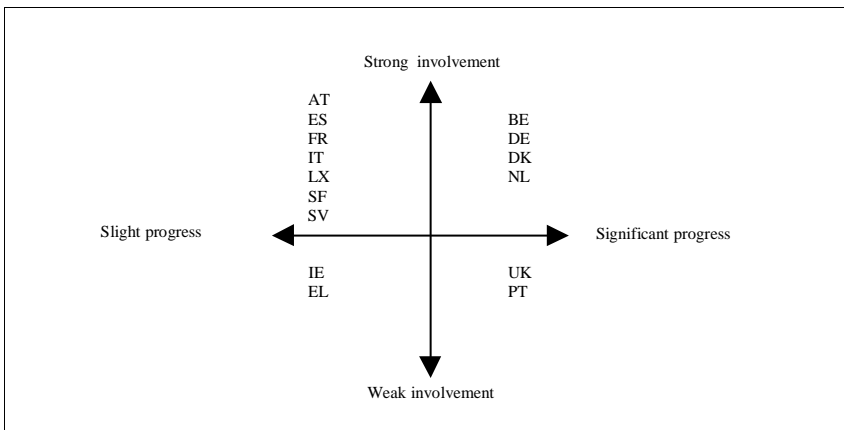
Employment policy in Belgium has for many years been firmly anchored in the European employment policy, which takes concrete form primarily in the European employment guidelines. Belgian employment policy is based on two main pillars. The first pillar aims to increase the demand for labour through measures to reduce labour costs. The second pillar, which is also known as the "active welfare state", aims to broaden labour supply in both quantitative and qualitative terms for measures which belong mainly to the first pillar of the European policy, i.e. efforts to combat long-term unemployment (particularly amongst young people), measures to activate unemployment benefits, action to combat drops in the employment level, measures to improve the qualifications acquired during basic training or in the course of work experience.

... the tradition in the Belgian social dialogue model

The European guidelines and recommendations have not yet changed in any way the tradition in the Belgian model of social dialogue. They are still to a certain extent at odds with the pace of social bargaining in Belgium.

... the Belgian social partners

Since the year 2000 the social partners have come to play a more important role in the development and elaboration of the national employment strategy. In fact, the Commission recognises that there is better involvement of the Belgian social partners in the procedure for drawing up the Belgian action plan: in a reference document for the Community report on employment in 2001 the Commission comes to the following conclusion concerning social partner involvement in the various Member States⁵:



The social partners are also to be involved systematically in 2002 in the context of the National Labour Council in consultations on the contents and implementation of the national action plan for employment in 2002 (in line with the same principles as were applied last year).

⁵ “Involvement” refers to the role played by the social partners in the preparation and implementation of the National Employment strategy. “Progress” indicates that the role played by the social partners was more significant in 2000 and has been since then.

The employment level of older workers

The intersectoral agreement for 2001-2002 pursues the same objectives as the previous intersectoral agreement, namely that of achieving a higher level of employment in general and amongst older workers in particular. The aim is to stimulate incentive and voluntary measures which are geared to keeping workers belonging to this target group on the employment market or to bringing them back. The social partners have made a considerable contribution to this objective by making a number of proposals. Both the social partners and the government agree, however, that when defining this policy it is essential to take account of the economic context, which has been deteriorating considerably since the second half of 2001.

Consultation and information between policy-makers and the social partners

The social partners have organised information and consultation meetings within the National Labour Council with the Belgian representatives on the European Employment Committee and the Social Protection Committee. The Central Economic Council is advocating similar contacts with the Belgian representatives on the Economic Policy Committee and the Committee on Financial and Economic Affairs. This expertise allowed the Belgian social partners to issue regular opinions in 2001 on specific European issues such as job quality and life-long learning and/or on the most important meetings of the European Council.

2. WAGES AND PURCHASING POWER

2.1. Nominal wage increases

Wage formation in Belgium is influenced to a great extent by the law of 26 July 1996 on the promotion of employment and the safeguarding of competitive capacity. That law requires the sectoral negotiating partners to take account of a maximum wage margin which is agreed between the social partners on the basis of the Technical Report of the Central Economic Council. The law stipulates that the maximum wage margin must comprise at least the wage indexation and the wage-scale pay rises (i.e. the pay rises which depend on the number of the years' service in the undertaking, age, etc.). Profit-sharing and contributions in the context of sectoral supplementary pensions are excluded from the wage margin if they comply with a number of statutory criteria.

In the last two intersectoral agreements (i.e. since the ISA for 1999-2000) the social partners have succeeded in setting aside the mandatory nature of the law of 26 July 1996 and giving it indicative value. This has meant that the wage norm imposed both in 1998 and in 2000 has been rejected and negotiations have been held between the social partners who reach agreements in full knowledge of the facts and thus take account of the technical reports of the Central Economic Council and the National Labour Council (...); these reports provide important reference data for the negotiations, but ensuing adjustments have to be geared more to internal indicators (productivity, etc.) rather than developments in neighbouring countries (...).

In the ISA for 1998 it was agreed that the wage cost per hour worked must not exceed 5.9% for the 1999-2000 period. And in that period the legislative machinery (i.e. the law of 26 July 1996) worked well: the wage increase agreed at the sectoral level and the general increase in wage costs were kept below 5.9%. The only two branches of industry where the wage increase exceeded the margin, the 'real estate, rentals and commercial services' sector and the 'transport, storage and communications' sector, are two sectors where (contrary to the situation in other branches of industry) there is no properly structured sectoral bargaining and the tensions on the employment market are more serious than in other sectors. The turnover percentage has risen to a large extent and there are more occupations for which no suitable candidates can be found. In the 'real estate, rentals and commercial services' sector this concerns informatics specialists, experts for administrative jobs, and security agents in particular. And in the 'transport, storage and communications' sector it is employees in the transport sector, technicians and vehicle drivers who are concerned.

In the ISA for 2000, the maximum wage margin for 2001-2002 was set at 7% (cf. above). That agreement recognised the importance of free but responsible⁶ negotiations in which all social partners assume their full responsibility with regard to wages, employment and training. The negotiations are free because it is merely an indicative norm and, in addition, the partners can negotiate a growth bonus. The ISA merely mentions an indicative figure of 6.4%, which furthermore is in no way intended as a

⁶ Responsible: i.e. on the basis of indicators drawn up jointly by the social partners in the Central Economic Council - primarily domestic indicators (as is the case in the neighbouring countries).

maximum but is an average value. It provides the opportunity to negotiate an extra one-off growth bonus of 0.4% in sectors where economic performance is good.

The wage development anticipated in Belgium for the 2001-2002 period (the wage development expected in the three neighbouring countries (+ 6.6%) plus the cost of all solidarity settlements ensuing from the ISA (0.2%) plus a non-recurrent margin of 0.4% in sectors with good results) observes the indicative norm negotiated in the 2001-2002 ISA.

2.2. Increase in workers' purchasing power

Belgium is one of the few countries where the automatic indexation of wages to changes in price levels (still) exists: wages and salaries adjusted to the health index (i.e. the consumer price index minus tobacco products, alcohol and certain petroleum products). In 2000 the health index brought a drop in purchasing power of 0.62% (2.54%-1.88%) compared to the index. In 2001, on the other hand, the health index brought an increase in purchasing power of 0.2% (2.7%-2.5%): the health index developed 0.2% faster than the consumer price index. The Federal Planning Office expects the health index to develop 0.1% (1.4%-1.3%) faster than the index.

3. WORKING TIME DEVELOPMENTS

Development of average working time

There was a 6% increase in the total number of annual hours worked in Belgium in 2001 (as against 1.5% in 2000). This increase was 1.1% in the private sector in 2001 (as against 2.1% in 2000). The number of part-time workers in Belgium is continuing to rise: the share of part-time employment rose from 20.7% in 2000 to 21.7% in 2001.

Measures concerning the collective reduction of working time

A new framework for the collective reduction of working time came into force on October 2001. In more concrete terms, as of 1 October 2001 three possibilities for reducing employer contributions are now applied in the case of employers who reduce working time by at least one further hour below the 38-hour week and/or employers who introduce the 4-day week: a non-recurrent reduction of contributions of 800 euros per worker and per hour of reduced weekly working time below 38 hours; a permanent reduction in contributions per quarter and per worker as of the fourth quarter following the introduction of the reduction of working time: 62,5 euros if the 37-hour week is maintained,

100 euros if the 36-hour week is maintained, and 150 euros if the 35-hour week or a shorter working week is maintained; an additional non-recurrent reduction of contributions of 400 euros per worker if the 4-day week is introduced. The collective reduction of working time (ultimately to arrive at the 32-hour week in 4 days) is and remains one of the trade union priorities, for it constitutes the cornerstone of two trade union demands: work for all, including those who are still excluded from the employment market, and more opportunities for improving the quality of life for those who already have a job.

As of 1 January 2003 the statutory working week will at all events be 38 hours. If the introduction of the 38-hour week is desired before that date a collective labour agreement must be concluded. This has happened, for example, in the independent retail trade and in the hairdressing trade.

Measures concerning the individual reduction of working time

1 January 2002 marked the beginning of a series of new measures concerning the individual reduction of working time, which replaced the career break system. These measures are the outcome of the ISA for 2001-2002 and are implemented in practice through collective labour agreement no. 77 of the National Labour Council. That agreement, which was signed in February 2001, provides the following, as of 1 January 2002, for all workers in the private sector: the introduction of the right for every worker to 1 year's time credited for training purposes, which can be extended by collective agreement to 5 years; the right to a 4-day week for every worker for 5 years. Meanwhile, workers aged 50 and over who have been working for 20 years are entitled to a form of partial early retirement in the form of a four-day week or half-time work. Furthermore, parental leave, career breaks for the purpose of palliative care and for looking after members of the family who are ill have been maintained. And finally, the government decided to introduce 2 weeks' paid paternity leave as of 1 July 2002: as of that date every new father can combine 3 days' time off with 7 days' leave, paid at the rate of 82% of the gross wage. A trade union demand for measures to help workers to reconcile family life and work has thus been met.

4. EUROPEANISATION OF COLLECTIVE BARGAINING

The "Doorn Initiative"

Since 1997, the trade unions in Belgium, Luxembourg, the Netherlands and Germany (the "Doorn Group") have been regularly endeavouring to reach agreement on their collective bargaining policy objectives regarding wages

and working conditions. The aim of this cross-border cooperation is to avoid downward competition in collectively bargained wages in the new European Monetary Union, and to support measures that promote purchasing power and employment.

One of the agreements reached at the fourth annual conference of the Doorn Group in Luxembourg in September 2000 was that two workshops would be organised in 2001; the first would examine ways and means of coordinating wages (Brussels, 29-30 March 2001) and the second would devote attention to the subject of possibly coordinating “non-wage negotiating topics” (Nunspeet, 17-18 May 2001).

The workshop in Brussels which was organised by the Belgian trade unions, had two objectives:

- to examine whether the coordination process of the Doorn Group could be improved by reflecting on the precise meaning of the concept of orientation so that everyone would interpret the scope of that orientation the same way;
- to examine whether the description of the results of collective labour agreements could be complemented with information on and an analysis of the accompanying government measures, primarily those concerning taxation and the financing of the social security system.

The workshop in Nunspeet (the Netherlands), which was organised by the Dutch trade unions, was to seek a non-wage subject on which the trade unions united in the Doorn Group could formulate similar efforts to be made in the course of collective bargaining and could organise joint activities including publicity work.

On 6 and 7 September 2001, the annual meeting of the Doorn Initiative took place in Houffalize (Belgium), at which the trade union representatives discussed the wage trend of the past few years with a view to the 2002 wage bargaining round as well as the economic background against which the negotiations had taken place in recent years. They agreed furthermore that with regard to collectively agreed demands which were not related to wages they would work towards concerted cross-border trade union action.

In the course of 2002, the unions taking part in the Doorn Initiative will:

- organise a seminar in March in Winterberg (Germany) on “strengthening the bond of collaboration in the Doorn Group context”, pursuing three objectives: a) finding a common response to the ECB recommendations for further wage restraint; b) implementing the agreements reached in

Houffalize, and more precisely the question of compiling a technical dossier on working time policy, and c) sounding out whether structural collaboration with the French trade unions is feasible.

- hold their annual conference in the Netherlands in October 2002;
- set up an electronic mailing list enabling the trade union negotiators to exchange information on wage agreements in their respective countries more rapidly;
- investigate the possibilities for establishing a permanent secretariat of the Doorn Initiative;
- reconvene in the Netherlands at the executive level in the autumn of 2002 to discuss the results achieved on the issue of life-long learning and wage policy for 2003;
- compile a dossier on working time policy in the permanent group of experts.

5. FLEXIBILISATION OF WORKING CONDITIONS AND DECENTRALISATION OF COLLECTIVE BARGAINING

Collective wage bargaining is being extended more and more on two other new forms of employee earnings such as employee participation in profits and company results and supplementary pensions. While the government's plans relating to the two pension pillars can strengthen the sectoral level, worker participation would promote negotiations at the company level, where solidarity can play a lesser role. In other words, supplementary pensions give the sectoral level the margin required for negotiating on a new subject, while employee participation in profits and company results strengthens the undertaking as a level for consultation.

Although the statutory framework for worker participation already provides that a collective agreement must be concluded and that the joint committees must be involved in the delimitation of worker participation, the trade unions are still basically against this and are instructing their representatives to dismiss any employer proposals on the subject. The unions consider that wage formation must be and must remain a subject of negotiations between the social partners and that workers must be free to decide on any wage increases. They are of the opinion that profit-sharing undermines solidarity and leads to an even wider gap between sectors which can offer profit-sharing and those which cannot, between the private market sector on the one hand and the

private social sector and public sector on the other, between active workers and non-active workers, between executive employees and other employees.

6. GENDER ISSUES IN CURRENT COLLECTIVE BARGAINING AND LEGISLATION

Job classification

In the ISA 2001-2002 the Belgian social partners decided to continue the efforts of the previous 1999-2000 ISA to strengthen equal opportunities:

- to promote the use of analytical or equal-value classification systems in the sectors. The trade unions regard analytical job classification systems (developed preferably at the sectoral level with a fully developed sectoral framework) as a sine qua non for decent and fair pay and at the same time as a means of avoiding getting into a rut of outdated systems or drifting into systems of competition where emphasis is laid on the individual approach.
- to call for more resources, both financial and human, to support real progress in the field of equal opportunities for men and women.

The social partners concluded a collective agreement (no. 25 b) on 19 December 2001 to relaunch negotiations on the subject in the sectors.

Maternity protection

Within the framework of the revision of the 1952 ILO Convention no. 103 on maternity protection, the National Labour Council concluded a new collective agreement (no. 80) on 27 November 2001, which grants women workers with young children the right to paid breast-feeding breaks. The agreement entitles the employee to interrupt her work in order to breast-feed or to express milk. The breaks will not be paid for by the employer, but will be covered in the form of an allowance charged to the health insurance funds. The new right will apply from 1 July 2002.

7. OTHER SOCIAL TOPICS

Violence and harassment at work

The social partners negotiated in the National Labour Council on violence and harassment at work, but these negotiations did not lead to any agreement. The unions also subscribe to the draft bill presented by Minister Laurette Onkelinx on the protection of workers against violence, harassment and undesirable sexual behaviour at work.

Paid educational leave

On 17 July 2001 the National Labour Council issued an opinion (no. 1367) on paid educational leave, extending the field of application of the paid educational leave system to persons working half-time.

Outplacement

Negotiations are currently underway in the National Labour Council on entitlement to outplacement for workers of 45 years of age and older who have at least one year's seniority and are dismissed.

Temporary employment agency work in the building industry

On 19 December 2001 the National Labour Council issued an opinion (no. 1382) with proposals for amending the regulations on temporary employment agency work, which make it possible to carry out such work in the building industry.

8. OUTLOOK FOR 2002

After the conclusion of the Belgian Presidency of the European Union (second half of 2001) the Belgian government approved a memorandum on socio-economic priorities for the 2002-2003 period. The main socio-economic priorities in that memorandum are as follows:

- The introduction of a double budget control (February-March/June-July), the objective being to close the budget either balanced or with a slight surplus for the third year in succession (+ 0.1% in 2000, + 0.2% in 2001) in accordance with the Stability Pact.
- Completion of the Round-Table Conference on social solidarity with the question of how the active welfare State can provide appropriate social protection both now and in the future.
- Invitation to the social partners to discuss their fields (wages, employment and training) with a view to incorporating them into the ISA for the 2003-2004 period, which will be concluded in the autumn of 2002.
- Presentation of a bill for reducing corporation tax (from 40.17% to 34%) within a framework which is neutral in budgetary terms. To do so, the reduction of the tax base will have to be compensated by a reduction of the number of tax-deductible items allowed, which in fact boils down to broadening the tax base.

The social partners' response to that memorandum

The memorandum on socio-economic priorities for 2002-2003 clearly announces the course which the government intends to follow: it wants to influence the inter-sectoral negotiations for the 2002-2003 period by forcing the social partners into a straitjacket which takes no account whatever of trade union concerns (more flexibility, further reductions in employers' contributions, increase in the minimum wage by decreasing contributions and not by increasing the gross amount...) - all the more reason for the trade unions to remain mobilised and to stick to their demands.

Translation from Dutch by Carolyn Loane

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Bulgaria

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1. GENERAL BACKGROUND

1.1. Political developments

The year 2001 is fascinating as far as political developments in Bulgaria are concerned. After the previous frequent replacements of governments, the Bulgarian government completed its four-year term of office for the first time since the beginning of the transition. The UDF (Union of Democratic Forces) government, which was received with great hopes and enthusiasm in 1997, succeeded in securing macro-economic stability and economic growth but proved unable to translate this into better living standards and higher employment levels for the population. The health and pension reforms that had been initiated were not well conceived and were not supported by the population. Growing poverty and corruption led to a dramatic decline in confidence in the government and the institutions in general, and this preconditioned the results of the general elections in June 2001.

The June 2001 electoral results in Bulgaria are perhaps the biggest surprise in the history of post-communist Europe. The Bulgarian ex-monarch Simeon Saxe Cobourg-Gotha returned to Bulgaria after 55 years of absence and in only two months managed to win over a significant part of the Bulgarian electorate. The National Movement Simeon the Second (NMSS), which he founded, obtained 50 percent of the seats in Parliament (120 seats). The messages that ensured his success were of fundamental importance both for the country and for the individual Bulgarian citizens who believed in them: an efficient market economy; a rapid and significant improvement of the living standards of ordinary people; an end to corruption.

The ex-monarch took an oath in the Republican Constitution and took the office of Prime Minister. A coalition government was formed, in which the Movement for Rights and Freedoms (MRF) is represented by two ministers. The Cabinet was formed on expert rather than party principles. Young Bulgarians who at the time held good positions in prestigious financial companies in European countries were invited to become Cabinet members; two of the new ministers, both members of the Bulgarian Socialist Party, had worked in local government as mayors.

The picture of the convolutions of political life in Bulgaria was further complicated after the results of the presidential elections in November, in which the ex-communist Bulgarian Socialist Party (BSP) leader, supported by MRF, won a conclusive victory against the incumbent president, who was supported by UDF and NMSS.

1.2. Economic situation

Economic development during the period under review was determined by two challenges: the challenge of transition and that of Bulgaria's accession to the EU.

Some macroeconomic stabilisation was attained, and inflation was brought under control following the introduction of the Currency Board. The gross domestic product rose by 4.5% in 2000 compared to the previous year and remained constant for 9 months of 2001. For all that, a high social price had to be paid. The employment rate in the past two years dropped to an all-time low of 39.7% (December 2000). In September 2001 it was 40.8%: 44.4% for men and 37.5% for women. The unprecedented rise in the unemployment rate from 13.8% in December 1999 to 18.95% in December 2000, although under control to some extent, is still one of the highest in the EU candidate member countries. The figure was 18.1% in 2000 and 17.5% in 2001. Unemployment level was over 25% in real terms, considering the fact that unemployed persons who are not registered in the employment offices have not been taken into account. In some regions of the country the share of the unemployed was as much as 50-60% of the economically active population. Moreover, over two thirds of the registered unemployed are not eligible for benefits, nearly 40% are long-term unemployed, over 52% are women and some 30% are young people under 30 years of age.

The restrictive monetary policy limits the opportunities for internal investments in enterprises themselves. The down-sizing of the domestic labour markets and the limited potential of the foreign labour markets to absorb the redundant workers seem to be acting as an incentive to illegal and informal employment. Small and medium-sized businesses have been affected due to the high tax and social security burden on employers and have failed to generate new jobs and play the role of a buffer in the restructuring process.

The reported negative effect of the 'economic recovery' and the pressure on the part of the social partners induced the government to introduce several new aspects into its social and economic policy in August last year. At the

beginning of 2001 the tax and social security rates paid by employers were reduced by 5 and 2.4 percentage points respectively. The personal income tax rates were also reduced, as well as personal pension insurance rates (by 0.6%).

The analysis of the activities of the new parliament and government in the second half of 2001 has raised some serious issues concerning the efficiency of their present and future work. The new government announced its programme only on the 100th day of its rule. The greater part of the pre-election pledges that had ensured the success of the National Movement Simeon the Second in the elections were either postponed or forgotten. Despite the significant increase in the minimum wage from 85 to 100 leva, the promised significant rise of pensions and salaries in the budget sector did not take place and the promised interest-free loans to small private businesses were not provided. Instead, the prices of electricity, heating and telephone services went up, starting from 1 October 2001. The improvement of the living standards of ordinary citizens and of the conditions for business was evidently postponed yet again.

1.3. Legislative changes

Some significant success had been achieved in the last years of the UDF Government in the field of involving the social partners in the preparation and discussion of a number of laws in conformity with the European social model. The Social and Economic Council Act and the Social Investment Fund Act were passed in 2001 with the aim of financing and providing credits for initiatives relating to the development of employment and creation of new sustainable employment.

The Labour Code Amendment Act has been in force since the end of March 2001. The changes envisaged in it are the fruit of nearly 10 years' experience in collective bargaining and the need to consider the process of harmonisation of our labour legislation with European labour law in the process of negotiations for the country's accession to the EU.

The most important changes concerning collective bargaining and collective agreements can be summed up as follows:

- With regard to collective bargaining levels: – enterprises, sectors, branches and municipalities sign collective agreements.
- The legal regulation of the conclusion of collective agreements at the sectoral and branch levels was complemented by a procedure that is typical

of European countries: that of applying the agreement and its clauses to all enterprises in the sector or branch concerned. Another new development is the definition of the parameters of the sectoral and branch agreements through an Accord of the national workers' and employers' organisations. The municipal level in collective bargaining is clearly defined as being for activities funded from the municipal budget.

- Regulated accession to the collective agreement by means of an application *'under terms and conditions as defined by the parties to the Agreement'*.

1.4. Social dialogue at the national level. Trade union priorities

Social dialogue is developing at the national level in a pluralist environment. Four of the employer organisations have been recognised as representative, although their actual status has not been verified, and they participate in the National Council for Tripartite Partnership (NCTP). Some new employer structures have appeared in the past few years: the Union of Employers in Bulgaria, claiming to unite big capital, the Association of Foreign Employers in Bulgaria, the Association of American Enterprises, etc. The attitude of the Union of Employers in Bulgaria is particularly aggressive towards trade unions in general, and the CITUB in particular, and this organisation has taken a stance against the Labour Code, demanding that it be completely revised. According to members of the Union of Employers, collective bargaining is a 'socialist anachronism'.

Only two national Trade Union Centres have been recognised as representative at the national level – the Confederation of Independent Trade Unions in Bulgaria (CITUB) and PODKREPA CL – and these participate in the NCTP. According to the official census of trade union members in 1998, they accounted for about 95% of trade union members, with the other trade union centres covering the remaining 5%.

The conduct of the trade unions and their priorities in the national dialogue in 2000-2001 developed within the framework established under the agreements with the IMF and the tasks relating to the preparation for EU accession. The trade unions supported the reform with the clear awareness that the adherence to the rules formulated by outside factors often carried negative consequences affecting their members and the general assessment of their own activities. Of course this in no sense means that they acted as mere onlookers of the processes taking place.

At the end of 2000 and during the first half of 2001 the social dialogue continued to ebb and flow, becoming considerably narrower and less dynamic than at the beginning of the UDF Government's mandate. By tradition, no consensus was reached regarding the mechanism of increasing the minimum wage and the regulatory mechanism concerning wage increases in state and municipal enterprises in 2001; issues relating to restructuring and privatisation were barely discussed. After many delays the National Employment Plan 2001-2002 was developed in conformity with the European employment strategy and approved under pressure from the CITUB.

Unfortunately the trade union proposals put forward before and after the elections were not heard by the new Government. Despite the promise of a socially oriented policy including development of the social dialogue, the new Government sent some clear signals of formalisation and restriction of the social dialogue and its narrowing down to consultations and constraints on the rights of the social partners by amending individual laws.

Certain legislative changes and resolutions concerning living standards, employment and social security were adopted without consulting the social partners, despite the fact that, according to the Labour Code, they are subject to national negotiations. A unilateral decision was made to increase the price of electricity and heating for the population by 10% without any previous agreement with the NCTP. In response to this, the CITUB and PODKREPA CL filed a claim with the Supreme Court and an unprecedented ruling was issued revoking that government decision. However this did not stop the government from submitting a claim to the NCTP and increasing the price of energy despite all of the trade union objections.

The government is procrastinating with the enforcement of the Economic and Social Council Act and the setting up of the Council as well as the creation of a National Conciliation and Arbitration Agency.

2. WAGES AND PURCHASING POWER

The problem of wages has been one of the most difficult and controversial issues of the past two years. As a result of the financial and economic stability attained over that period, the downward trend in incomes was overcome to some extent. Although inflation was lower compared to 1996-1997¹, in 2000

¹ In 1997 the inflation rate was 1 158.4% compared to 1996. In 2000 the accumulated inflation was 128 344.8% compared to 1990 as base year = 100.0.

it was still high for a Currency Board economy – 11.4% (in December 2000 as against December 1999). In 2001 it was 4.8%. There is still no sustainable national incomes policy ensuring a progressive wage rise and a wage level that is closer to the pay levels in the other EU candidate members and member states. In view of the objective need for income policies to be changed, the social partners insisted on the introduction of effective wage and salary protection mechanisms. In actual fact, however, both governments were reluctant to become involved in any serious income negotiations. Wage and salary increases in state and municipal enterprises were effected under a restrictive centralised regulatory Ordinance, which acted as a barrier to higher pay in profitable companies and in companies receiving financial subsidies from the state. The higher salaries in the budget-funded sphere were in strict agreement with IMF requirements. In the final analysis, pay increases were secured first and foremost through cuts in the number of employees in the budget-funded sphere, which inflated the number of unemployed. This approach to the national policy failed to halt the growing devaluation of earnings over the years and to deal with spreading poverty, low consumption and lack of worker motivation.

2.1. Nominal and real average wage growth

Despite the absence of a clear income policy, some nominal pay growth was achieved under trade union pressure. The average annual wage was 238² lv in 2000 and 259 (projected) - in 2001. The nominal wage growth was 18.4% and 8.8% respectively. However, since inflation in 2000 was higher than the levels projected, a large part of the projections was ‘eaten up’. Furthermore, personal social security contributions increased from 4.5% to 9% and income tax rates remained virtually constant. The real average wage rise at the end of 2000 was thus barely 6.3%.

In 2001, nominal growth was lower than in 2000. This is to the ‘credit’ of the new government. Owing to the fact that the inflation rate accruing in the 9 months of 2001 was only 2.2%, the new ministers did not think it necessary to honour the 10% salary increase in the budget-funded sphere planned by the previous government for October and the payment of a 13th month salary at the end of the year. A 10% increase in heating and energy prices and a 12.9% increase in the charges for telephone services accompanied this restrictive

² 1 lev is equivalent to 1 DM and the exchange rate UD\$/Lev throughout the period was 1: 2-2.20.

approach. Consequently, real wage growth was only 3.8% - the lowest level in the past 5 years. (For the sake of comparison, it was 14.8% at the end of 1999). This increase is quite insufficient, bearing in mind that wages are now twice as low as they were in 1990.

2. 2. Wages and cost of living

These negative tendencies naturally mean that salaries cover an ever smaller part of the actual cost of living. The CITUB Institute for Social and Trade Union Research (ISTUR) carries out quarterly representative surveys to establish the minimum cost of living per member of a four-member household. It serves as a guideline in wage negotiations, hourly rates negotiations and in all cases where employees' interests in the public and private sectors are to be protected. The cost of living is calculated on the basis of a consumer basket of 502 goods and services necessary for the normal existence of the average statistical Bulgarian household. At the end of 2000 the average monthly cost of living was 245 lv, and the average wage 238 lv. The difference is even more striking if the comparison is made with the net wage, which amounts to 184.22 lv, i.e. the wage remaining after deducting the income tax and the social security contribution.

The picture was quite similar in 2001, when the average cost of living was 262.93 lv and the projected average net wage was 203.67 lv. Despite the reduction of social security contributions in 2001 (from 9% in 2000 to 8.4%) and the raising of the threshold for the taxation of the minimum wage, the tax and social security burden 'eat up' over 21% of workers' wages and salaries. This tendency towards lower net wages will continue, since under the new social security legislation the part of the social security contributions paid by employees will grow from year to year (from 8.4% in 2001 to 21% in 2007), while employers' contributions will be reduced, thus establishing a 50:50 ratio of social security contributions paid by employees and employers.

This impoverishment is confirmed by the NSI data concerning the total income per household member with wages as a major source of income. The total income in the past two years has been about 50% of the basic minimum cost of living while in 1990 it exceeded the latter by 8.4%. This means that over the 10-year period of economic reform a significant number of Bulgarian households have lived and are still living in ever growing poverty. According to statistical data, barely 10% of Bulgarian households have incomes up to the level of the cost of living.

2.3. Minimum wage and poverty threshold

In 2001 the minimum wage showed a nominal increase of 15.8% as against 2000, and of 10.5% in real terms. The real growth was twice as high as that recorded the previous year. In 2000 the government made a decision on the automatic adjustment of the minimum wage by the percentage of average wage increase, yet its absolute amount was still rather low compared to the preceding 6-month period : 75.33 lv. According to the national statistics for September 2001, nearly one third of employees worked in enterprises and received monthly wages below or close to the minimum wage. However, no consensus was reached in the positions of the social partners and the government.

In formulating its principles and proposals concerning minimum incomes protection, the CITUB benefits from the surveys carried out by the Institute for Social and Trade Union Research, since there is no officially established poverty threshold. Since 1998 ISTUR has been calculating the poverty threshold at the end of each quarter using its own small consumer basket including 77 essential commodities and services, ensuring the physical survival of the individual in accordance with the standards of the FAO.

The minimum wage in the country is below the poverty line calculated by ISTUR of the CITUB. At the end of 2001, the poverty threshold was 105.43 lv with a minimum wage level of 100 lv. After deduction of the mandatory social security contributions the final net amount dropped to 91.60 lv, which means that the minimum wage does not correspond to the required physical subsistence standards of the individual and does not express the real price of simple labour since it does not guarantee even elementary workforce reproduction.

2.4. Minimum and average wage ratio

The correlation between the minimum wage and the average gross wage for the country has grown considerably in the past two years. Thus in 2000 the minimum and average wage ratio was 31.7% while in 2001 it was 33.6%. This indicator shows that Bulgaria is lagging significantly behind the other EU candidate countries. The minimum wage in Poland, for example, is 43.3% of the average salary and in Slovakia 35.9%. This ratio is much higher in countries such as France and Germany, where it amounts to 50% of the average wage (Table 1).

Table 1: Nominal and real average monthly wage for 2000 и 2001

	2000	2001
Average wage (in Leva)	238	259 *
Minimum wage (in Leva)	75.33	87.25
Ratio in %		
Minimum wage as % of the average wage	31.7	33.6
Indexes – the preceding year as a base = 100		
Average wage	118.4	108.8
Minimum wage	117.7	115.8
Real wage		
Average wage	106.3	103.8
Minimum wage	105.6	110.5
Consumer price Indexes		
December of the preceding year as a base =100	111.4	104.8

*Forecast

2.5. Purchasing power of the minimum and average wage

In September 2001 the MW purchasing power showed some growth as compared to the same month in 2000. The real growth of the minimum wage was manifested in its 5 to 28.7% higher purchasing power with respect to some basic food products. The relatively stable price level also played a part in the maintaining and increase of the purchasing power. (Table 2)

The nominal wage growth and its steady rise in real terms do not mean at all that the living standards of the Bulgarian citizens have risen. A much longer time lag is necessary to overcome the income devaluation accumulating over the years of the transition.

2.6. Wages and labour productivity

Labour productivity as an indicator and argument in the collective bargaining process has been ignored, or at least not sufficiently appreciated, both at the national and sectoral and at the corporate level. The underlying reasons for this are to be found in the following circumstances.

Table 2: Purchasing power of the minimal and average monthly wage for 2000 and 2001

	Minimal Wage		Average Wage	
	2000	2001	2000	2001
Foodstuffs	2000	2001	2000	2001
Bread – kg	107	114	344.3	356.8
Rice – kg	64	83	207.8	258.8
Chicken – frozen – kg	20	22	66.0	69.7
Milk – L.	89	94	286.9	293.3
Eggs – piece	416	531	1338.9	1650
Sugar – kg	63	75	204.2	235
Potatoes – kg	107	144	344.3	447
Apples – kg	54	63	174.6	195

First, much greater importance is attached to inflation as a factor that must be compensated through a corresponding increase in pay levels. This practical approach is logical and easy to explain, bearing in mind the consumer price dynamics in Bulgaria in the period from 1991 to 1997 and the drive to retain the purchasing power of salaries as much as possible.

Second, *most* enterprises in Bulgaria not only failed to increase their labour productivity over long periods of time, but, on the contrary, even registered a considerable decrease and some found themselves in dire financial straits due to the lack of markets and their inability to compete and eventually went out of business. In these difficult economic conditions the labour productivity factor evidently played a positive role in the collective bargaining process in only a few companies.

Third, mainly mechanisms recording positive financial results were used in the Collective Agreements (most often in the form of quarterly and annual bonuses in the event of growth in profits to a certain level); however this was not always directly linked to labour productivity.

Table 3: Indexes of growth in gross value added, number of employed, labour productivity and real wage in Bulgarian industry (taking the previous year as a base =100.0)

Period	Gross value added	Number of employed	Labour productivity	Real wage
1 st quarter 2000/1999	104.5	90.0	116.1	104.1
1 st quarter 2001/2000	104.4	94.3	110.7	103.6
2 nd quarter 2000/1999	105.7	90.4	116.9	104.9
2 nd quarter 2001/2000	106.3	95.6	111.2	103.3

Source: National Statistical Institute

As shown by the data in Table 3, the rise in labour productivity was much faster than the growth in real wages in industry over the 1999-2001 period. It is evident here that the simplest way to cut labour costs is to reduce the number of employed persons, increase labour productivity and realise profits at the expense of intensified but inadequately paid labour. Moreover, average wages in Bulgaria are the lowest amongst the EU candidate member countries (Table 4).

Table 4: Average wage (in US \$)

Country	1999	2000
Slovenia	807	953
Poland	474	458
Czech Rep.	335	378
Hungary	284	324
Lithuania	273	242.5
Estonia	271.5	286.9
Slovakia	246	278
Latvia	226.5	237.8
Romania	127	125
Bulgaria	111	101

Source: Business Central Europe

According to data from the European Bank for Reconstruction and Development³, compared to the other EU candidate member countries, Bulgaria is the country with the lowest employment rate, the lowest incomes from wages and pensions, the lowest per capita GDP, the highest unemployment rate and the largest number of poor people. On the other hand, the Bulgarian population is, paradoxically, more highly educated than the population of the European Union as a whole⁴.

The above factors are having an extremely negative effect on the country's situation in the region and the opportunities for engaging in effective social dialogue. The low price of labour is attracting small investors (mainly from Greece and Turkey), who prefer to open up small and medium-sized enterprises in the dress-making and textile industry, which has traditionally rated favourably in the economic profile of the country. In most cases, however, these new employers do not observe the labour and social legislation in Bulgaria and refuse to negotiate and conclude collective agreements.

The policy of the CITUB as the biggest trade union centre seeks on the one hand to expose any such violations and unionise the employees from small and medium-sized enterprises and, on the other, to develop social dialogue at all levels and use all means and mechanisms of influence with a view to achieving higher pay for labour in the country. Reserves towards this end can be found both along the line of accounting for labour productivity in collective bargaining and raising the share of labour in the gross added value created (in the past 3-4 years it was barely 40-45%).

In the context of Bulgaria's accession to the EU, the country's position as far as the remuneration of labour is concerned is unfavourable in the extreme. To reach a level comparable with the least developed EU countries the required average annual real wage growth will have to be 15-20% for the next 7-8 years. This necessity is an exceptional challenge to collective bargaining in the country.

³ European Bank for Reconstruction and Development. Country Assessment Report, 2000.

⁴ EC. Education in Europe – 1999-2000.

3. WORKING TIME AND COLLECTIVE BARGAINING

Following long debates between the social partners, several significant amendments were made to the Labour Code in 2001 concerning working time, rest periods and leave.

The working week is a 5-day week with up to 40 hours normal weekly working time. The introduction of this uniform standard ended the different treatment of the sectors where no 5-day working week had been introduced and the normal length of the weekly working time had been up to 46 hours in a 6-day working week.

At the same time, however, an opportunity was provided both for extending normal working hours and for introducing part-time work. The changes along these lines can be summed up as follows:

Opportunities for longer working hours:

- For reasons concerning production, the employer may issue a directive in writing increasing working hours on certain working days and compensating for the increase by a proportionate reduction of working time on other working days following preliminary consultation with the workers' representatives.
- The longer working day must not exceed 10 hours. The employer is required to keep a special book recording any increases and respective compensations in working hours.
- Longer working hours are allowed for a period of up to 60 working days in one calendar year, but on no more than 20 consecutive working days.

Opportunities for introducing part time:

- The parties to the employment contract may agree on work during part of the statutory working hours (part time). In such cases they fix the length and schedule of working time.
- In the event that the amount of work decreases, the employer may unilaterally establish part-time work for the employees in the enterprise or in part of the enterprise for a period of 3 months in one year following preliminary agreement with the employees' representatives.
- The length of part-time work must not be less than half of the statutory working time.

As a result of these changes, the employer can calculate total working hours over a weekly, monthly or some other calendar period not exceeding 4 months. The above amendments of the Labour Code provide opportunities for greater flexibility and freedom to react to some objective changes in the economic situation as far as working hours and work organisation are concerned on the one hand and, on the other, for developing some new aspects of collective bargaining at the level of the undertaking.

The point at issue is the use of different mechanisms and barriers to any arbitrary extension of working hours and any failure to compensate for it. Basically, all decisions in this area should be agreed with the employees' representatives. This means that the trade unions should work out their positions well in advance so as to be able to defend them in the course of the negotiations with the help of various motives, mechanisms and acceptable compromises. Moreover, they can develop models of working time pre-emptively and agree on them with the employer.

The data in the table below show that full-time work is still the prevailing form of employment in the country. This finding is valid at least for the formal economy, since no data are available for the 'grey' sector. (Table 5)

Only 2.0% of employed persons work part-time, and the main reason given is the lack of enough work or inability to find another job.

The length of the basic paid annual leave was increased following the amendment of the Labour Code. The previous text provided for various periods of leave depending on years of service within a range of 14 to 18 days. The minimum length of basic paid annual leave is now set at 20 working days, and longer leave may be negotiated in the collective agreement. The length of leave for marriage, blood donation and death of relatives up to a certain degree of kinship as well as paid maternity leave for two and more children are also laid down by collective agreement.

The amendments to the Labour Code are obviously intended to guarantee minimum standards on the one hand and to provide opportunities for negotiating even more favourable conditions at the sectoral and corporate level on the other. How far this will be realised in practice will be shown by the very first attempts at collective bargaining in 2002. In this context it is rather difficult to provide an accurate and realistic evaluation of the possibilities for the development of flexible forms of employment and organisation of work and working time from the standpoint of the four pillars of employment.

Table 5: Employees by type of usual working time and sectors
(September 2001)

	Relative share (in %)			Average usual working hours per week		
	Total	In private sector	In public sector	Total	In private sector	In public sector
Total	100.0	100.0	100.0	40.6	41.3	39.9
Full-time employees	95.2	93.4	97.2	40.9	41.7	40.2
Part-time employees - share of persons working part-time because of:	2.0	2.7	1.3	21.4	21.4	21.3
Lack of work or no full-time jobs available	1.5	2.0	0.9	21.2	21.5	20.6
Attending school or training	0.1	0.1	0.1	18.1	17.0	21.7
Personal reasons or family responsibilities	0.1	0.1	0.1	20.8	20.5	21.3
Not classified	2.8	3.9	1.5	45.2	46.9	40.1

Source: Employment and Unemployment 3/2001. NSI

4. DECENTRALISATION OF COLLECTIVE BARGAINING

The trend in the past few years has been towards growing decentralisation of collective bargaining and the transfer of these processes to enterprise and company level. The main reasons can be grouped into several areas:

- As a result of privatisation and the restructuring of the economy, the government has gradually withdrawn from active participation in economic life, and this has affected the levels of conducting collective negotiations to varying degrees. Some sectors are already strongly decentralised down to enterprise level, whereas branch negotiations are dominant in others, and again in others the most important partner is the relevant ministry (due to the lack of employer structures).
- The growing differentiation between the different sectors, branches and enterprises within the same sector/branch as far as financial status, level of payment and employment are concerned makes the definition of general standards at the branch level even more difficult.

- The absence of a clear branch definition of employer and trade union structures is another obstacle to collective bargaining at that level.
- Many employer structures in the individual branches are not functioning: of a total of 61 branch chambers and unions of the Bulgarian Industrial Association only 34 observe collective agreements.
- The branch agreements in MNC are of no interest to the trade unions or to employers. Basically the agreements at enterprise level introduce much higher rates than the average for the country.

Collective bargaining at the branch/sectoral level

In accordance with the new principles of the Labour Code, a National Social Partner Agreement should be concluded each year to define the frames and procedures of collective bargaining at the branch/sectoral level. The Agreement for 2001-2002 has not yet been concluded due to the refusal of one of the employer organisations.

Most sectoral/branch collective agreements were signed 4-5 years ago. They are updated from year to year with the help of additional agreements (annexes) with individual clauses, but according to the Labour Code now in force they expire on 31 March 2002. According to data from the CITUB there were 14 collective agreements concluded at the sectoral level at the beginning of 2001 and 48 at the branch level.

The long-term nature of the agreements has had very negative consequences. Since the trade unions do not wish to modify some of the clauses because they fear that they will lose their position and hard-won social advantages, these clauses are no longer applied and cannot be implemented in a large number of enterprises, sectors and branches already operating in a different economic environment.

Branch collective agreements have been concluded in the fields of health, secondary education, public administration, tourism, etc.

The analysis of these branch collective agreements shows that the social partners have reached a number of agreements in conformity with the new legislation. The scope and procedural framework of collective bargaining at enterprise level have been outlined. Legal identification procedures for the parties to the agreement have been established as well as procedures for conducting negotiations, dispute settlement mechanisms, mutual respect of interests and a constructive bargaining process.

- The agreements concluded so far are mainly in sectors which are not determining factors for the structure of the national economy (with the exception of power engineering and tourism).
- Options concerning flexible working time have been negotiated.
- Adequate mechanisms for job retention guarantees have been envisaged but no ways have been sought to guarantee employment in the event of higher labour productivity.
- Some branch collective agreements make provision for measures to enhance workforce competitiveness on the labour market and adapt it to the changing technical and technological processes and organisation of work. Training, retraining and skills upgrade programmes are recommended in the enterprises concerned as an inseparable part of collective agreements.
- There is still no clarity on the issues concerning the price of labour related to productivity, the new organisation of labour, high technology, etc.
- No minimum salaries have been agreed for occupations and jobs in the relevant sectors and no recommended systems of payment by categories of personnel have been adopted.
- Unfortunately, a number of employers and some of their national organisations attempt to avail themselves of the Labour Code amendments in order to restrict workers' rights in collective bargaining and collective agreements and even to do away with them altogether.
- Two problems have emerged as far as procedures are concerned: first, the absence of any accurate definition in the country of the concept of 'sector', 'sub-sector' or 'branch' in the classification system currently in force; second, the status of the representative branch employer unions in terms of their real presence and participation in the processes of negotiation and conclusion of branch agreements.

Collective agreements at enterprise level

Collective bargaining is a well-established social practice in Bulgarian enterprises. At the end of 2001, 5 563 collective agreements were effective in the enterprises covered by CITUB union organisations (6 727); 989 of these agreements were concluded in 1 094 privatised enterprises. In most cases PODKREPA CL organisations also appear as a party to the collective agreements.

A number of factors impeded the processes of collective bargaining and the conclusion of collective agreements in 2001:

- some enterprises and subdivisions pertaining to ancillary production and services were separated and sold to other owners as the new owners sought to optimise their structure and employment and consequently found themselves in a 'vacuum' with regard to the collective agreements effective up to that point of time;
- some new employers - mainly from privatised or restructured enterprises, small and medium-sized businesses or large economic structures - were reluctant to become members of the employer organisations and to abide by the agreements at the branch and sectoral level;
- in practice, many employers tend to refuse to provide the information required to hold negotiations and conclude collective agreements, do not recognise the collective agreements in force, or unilaterally violate their clauses and organise anti-union actions to try to put an end to the activities of the existing trade union organisations;
- in other cases, in the bargaining process employers propose and insist on collective agreements being concluded within the framework of the minimum standards laid down in the Labour Code, thus depriving collective bargaining of its purpose and value;
- the least favourable status of the social dialogue is to be found in small and micro-enterprises and in some parts of the shadow economy, where both Bulgarian and foreign investors are present, due to their anti-union activity and bans on unionisation; these enterprises remain outside the scope of collective bargaining;
- the processes of collective negotiations and agreements in the subsidiaries of multinational corporations in Bulgaria are contradictory and ambiguous. Partner relations are established and collective agreements are concluded in enterprises with traditionally strong union structures. The bargaining process in some of them is similar to that in the EU countries. In other enterprises the dialogue is very difficult, for different reasons.

Collective negotiations and bargaining at the municipal level

The occupational principle combined increasingly with the local communities in the process of collective negotiations and bargaining at the municipal level in 2001. According to CITUB data, a total of 109 collective agreements were

concluded locally: 48 were concluded by the CITUB's Regional Coordinating Councils and 61 by Municipal Union Councils and municipal structures of the federations affiliated to the CITUB.

5. GENDER ISSUES

Equality of the sexes is proclaimed in the Constitution of the Republic of Bulgaria and the Labour Code. The Constitution proclaims the principle of equality of all citizens before the law and rules out any restrictions on rights or privileges on grounds of gender. The Labour Code contains provisions for eliminating all discrimination at work based on gender. Certain amendments and modifications have been introduced in the updated LC. One of them concerns the principle that the entitlement of men and women to equal pay for equal or an equivalent amount of work is now imperative.

However, gender issues still are not subject to special attention in collective bargaining. The Equal Opportunities Bill has not yet been adopted.

The formal nature of gender equality in Bulgaria can best be seen on the labour market. Over 52% of all registered unemployed are women. They are less likely to find jobs due to the absence of equal access to job vacancies. Discriminatory requirements are applied concerning their age, appearance and family status.

Gender inequality is evident in occupational segregation by sectors and jobs occupied. Women's pay amounts to 76.8% of men's pay. Male applicants are preferred for management positions while women fill mainly executive jobs or are employed as auxiliary personnel. This is the main reason why women's salaries in such a highly feminised sector as education are 24.7% lower on average than the salaries offered to men. Despite the presence of union organisation in these sectors and the collective agreements concluded there, gender problems have been largely ignored. The situation in the other sectors is very similar, as is shown in the table 6.

Table 6: Monthly wage of persons employed on labour contract by economic sector and branch and by sex as of November 2000

Branches	Monthly wage (leva)			Ratio in % of the total for the country			Ratio in %, base male =100
	total	female	male	total	female	male	
Total for the economy	240	209	272	100.0	87.1	113.3	76.8
Agriculture, forestry and fishing	181	160	190	100.0	88.4	105.0	84.2
Mining and quarrying	388	314	406	100.0	80.9	104.6	77.3
Manufacturing	231	193	268	100.0	83.5	116.0	72.0
Electricity, fuel, gas and water supply	34	381	453	100.0	87.8	104.4	84.1
Construction	223	208	226	100.0	93.3	101.3	92.0
Trade, repair, technical service	188	163	216	100.0	86.7	114.9	75.5
Hotels, restaurants, catering	147	137	165	100.0	93.2	112.2	83.0
Transport and communications	275	254	285	100.0	92.4	103.6	89.1
Public administration	314	289	350	100.0	92.0	111.5	82.6
Education	212	198	263	100.0	93.4	124.1	75.3
Human Health care and veterinary activities	201	187	260	100.0	93.0	129.4	71.9
Miscellaneous	181	171	193	100.0	94.5	106.6	88.6
Public sector	266	228	314	100.0	85.7	118.0	72.6
Private sector	216	186	241	100.0	86.1	111.6	77.2

Source: National Statistical Institute

6. COLLECTIVE BARGAINING TRENDS IN 2002

It is difficult to make an objective assessment of developments in 2002. Confidence in the new government has now dropped considerably. The government itself is not stable enough and the replacement of some of its members has already begun. The UDF called for a no-confidence vote in February and, although it was turned down, a new vote of no-confidence is expected in a few months' time. There is apprehension in the economic field that the parameters of the macro-framework will not be fulfilled. The inflation rate in January was fairly high at 2.8%, and there is now a marked trend towards intense impoverishment. The property and solid waste tax rates have been increased and the prices of electricity, heating and telephone services are expected to go up. Salaries in the budget sphere have risen by 5% since January and another 5% rise is expected in October. The trade unions are insisting on a 20% increase. Some excise and patent taxes have been significantly increased; this will lead to the expansion of the sphere of the grey economy, higher unemployment and social tension. The Union of Craftsmen and the trade unions failed to negotiate patent taxes reduction and the craftsmen are now preparing for protest actions. There is reason to expect industrial action in a number of enterprises. 2002 thus appears to be a difficult year for the living standards of the Bulgarian population and for social dialogue.

After 6 months of 'idling' in the social partnership with the government there is some hope for more efficiency in its work. On 15 February a Social Partnership Charter was signed between the government and the nationally representative employer and worker organisations. An agreement is also expected to be signed. Whether all of this will work out remains to be seen.

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Denmark

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1. THE ECONOMIC AND POLITICAL BACKGROUND IN 2001

1.1. Introduction

The Danish economy is fundamentally healthy and robust and unemployment has never been lower. On the other hand, demographic changes will begin to make themselves felt within a few years' time, and the low unemployment can create bottleneck problems in certain sectors. Pressure on the Danish labour market is high. For the same reason employment policy is aimed at getting as many people into work as possible. This includes the 'Jobs for All' employment programme, encompassing the so-called 'inclusive labour market', which was the focus of attention at the beginning of 2001.

At the end of 2001 Denmark got a new conservative government, following nine years under a social democratic prime minister. Labour market objectives have not changed, but certain new resources and incentives have been added in order to get everyone into work. The key issues for the government, improving the health sector and care for the aged, are to be financed through greater savings in the public sector, including foreign aid, and in the culture and education area.

The former division of labour between the Labour Ministry and the Social Security Ministry changed with the shift in government. Everything relating to employment was placed in the Labour Ministry, now renamed the Employment Ministry, whilst all employment-related training was moved to the Ministry of Education. Towards the end of the year the government closed down a good 100 public councils and boards, producing savings in the process.

Collective bargaining in spring 2001 was limited to the relatively small private sector areas of agriculture and finance. These cover in all around 120,000 employees, divided around 50/50, in contrast to the tone-setting LO/DA sectors, which cover around 650,000. In both areas, a very high percentage of employees are covered by the agreement (ca. 95% - DA 2001).

1.2. The economic background

The Danish economy continues to be fundamentally healthy, albeit not unscathed by the post-11 September economic uncertainty, as lower international growth has a knock-on effect on the Danish economy, even if the downward adjustments have been somewhat lower than in most other countries. GNP grew by 1.2% in 2001 and is expected to reach 1.7% in 2002 – a downward adjustment of 0.25% in both years. This is due in part to lower exports and partly to the fact that the greater uncertainty negatively affects business investment and private consumption (all figures in this section are from Økonoministeriet 2001).

Exports of goods and services were much as expected in the first half of 2001, but the relatively severe slowing of growth will lead to a reduction in exports as from the end of the year. The cooling of the international economy and the resulting fall in world trade will certainly dampen trading and marine transport activities. Starting with the – very uncertain – evaluations of international prospects, market growth for Danish exports is likely to reduce by an estimated 1.5 percentage points in both 2001 and 2002. Together this will reduce growth in industrial exports by around 1.5 percentage points in both years. Overall, export growth will be down by around 1 percentage point to 3.8% in 2001 and 2.8% in 2002.

A significant downward adjustment in the first quarter of 2001, together with slower growth in demand in the period covered by the forecast, means that the estimates for imports need to be adjusted downwards more than for exports. Imports are now expected to rise by just 2.3% this year and 3.2% next year, which is around 1.5 percentage points less than estimated until now. In 2001 a certain additional increase had previously been built in to reflect the capacity limitations in the Danish economy in 2001/2002. What we have now is a more normal relationship between overall demand and imports. The fact that imports have been adjusted downwards more than exports implies a further improvement of the balance of trade and hence of the balance of payments. Currently the balance of payments is expected to show a surplus of DKK 42.7 billion this year (adjusted upwards by DKK 3.5 billion) and of DKK 36.7 billion in 2002 (around DKK 3 billion more than in the August 2001 overview).

Despite lower growth, pressure on the labour market will continue to be strong. Employment at the end of the year was lower than forecast in the August 2001 overview, but is expected to rise slightly in 2002. In the final quarter of 2001 unemployment was 147,000, the lowest figure for 25 years.

This figure is equal to 5.2% of the labour force, or 4.5% using the EU definition of unemployment, which differs from the Danish one. Unemployment at the same point in time in 2000 was 5.3% (EU: 4,7%). This low level of unemployment limits possibilities for increasing employment and hence production, and is a key reason why GNP growth cannot be as high in 2001-2002 as in earlier years.

Public finances continue on an acceptable track in relation to the long-term demands confronting the Danish economy. The strong reactions on stock markets both before and, especially, after 11 September, will certainly produce a fall in government proceeds from the pension savings surrender tax. This is the main reason why government income is expected to fall by a good DKK 12 billion in 2002, reducing the surplus to DKK 23 billion (1.6% of GNP). This is, however, a one-time effect.

The tense international situation will probably lead to certain adjustments in the composition of public *expenditure* (increased military readiness, etc.) but the overall growth in public consumption is not expected to be affected, and should remain at 1.7% in 2001 and 1.1% in 2002.

Against this must be set a lower surplus in public finances, in particular in 2002, due to lower proceeds from the taxation of pension savings surrenders (the fall in stock market prices in 2001 has produced a tax deficit, which will continue in 2002). Proceeds from the taxation of pension savings surrenders have been adjusted downwards by DKK 3 billion in 2001 and by DKK 8.5 billion in 2002. Estimated corporation tax receipts have also been reduced by DKK 2 billion in 2002. The situation is compounded by the effects of the lower general level of business activity. All in all, government income will reduce by DKK 3.5 billion in 2001 and by DKK 12.5 billion in 2002, giving a prospective public surplus of just under DKK 27 billion in 2001 and a good DKK 23 billion in 2002, equal to respectively 2.0% and 1.6% of GNP in the two years. Public debt as a share of GNP will fall from 46% in 2000 to 42.5% in 2002 (Økonomiministeriet 2001).

1.3. The political background

The main event in the Danish political field was undoubtedly the change in government following the parliamentary elections on 20 November 2001. After nine years in office the Social Democratic Party and the Radical Party coalition partners suffered a clear defeat. Experts say that the defeat is due to government having totally reneged on earlier promises, for example in the area of early retirement pension benefits. The Prime Minister had said in 1998

that he 'did not want to fiddle with early retirement pensions'. Shortly after this the government presented a reform that considerably changed the early retirement system. This about-turn stuck personally to the then Prime Minister Nyrup Rasmussen throughout his time in office, producing a general loss in confidence. Other experts ascribed the election defeat to 'general metal fatigue'. Floating voters wanted something new.

The victor was first and foremost the Liberal ("Left") Party, which shortly afterwards took over government with the Conservative People's Party. The new government Liberal Party chairman Anders Fogh Rasmussen, as prime minister, and former conservative party chairman Per Stig Møller, as foreign minister, received sufficient parliamentary support from the anti-EU People's Party, which made its presence felt with election promises for major limits on refugees and immigrants. This was also one of the main themes of the election, as in 1998, and as in 1998 parts of the foreign press criticised the Danish election campaign for its crude debate on immigration. Since the change in government, integration policy and the integration of foreigners into the Danish labour market has been given high priority. Shortly after taking office the government already presented its initiative for a new integration policy. Essentially, access for refugees and foreigners from so-called third countries will be limited and, at the same time, efforts will be increased to integrate newcomers and those already living here. The main points are:

- The de facto concept is abolished
- The legal right to family reunification is abolished
- Refugees and immigrants will receive lower cash benefits in the first seven years in the country
- Resident immigrants will have to be aged 25 before they can bring a partner from their home country to Denmark
- Consideration will be given to whether Denmark is the most natural choice in the given situation.

Continuing its initiative, the government also presented a proposal for better integration of refugee immigrants onto the labour market. The intention of the new proposal is that newly arrived refugees/immigrants should find work in private or public undertakings as soon as possible, with a trial period of up to one year. The undertaking is obliged to provide a general introduction and training. The financial support during the trial period will be the social benefit

to which the person will in future be entitled, which will typically mean cash benefit.

The government has also made provision that foreigners who have difficulty in gaining an initial foothold on the labour market can, in an introductory phase, be employed at special starting pay. This can be the collectively agreed minimum wage, or the starting wage can be equivalent to an apprentice wage. The trade union movement has been very critical, pointing out that the minimum wage varies from one branch to another. Real wages are agreed locally over the vast majority of the private labour market where, broadly speaking, no one is paid at the minimum rate. In Denmark there is no legally set minimum wage. The trade union movement has proposed instead a starting wage consisting of the locally agreed minimum wage, which means in principle the minimum wage plus local supplement. Before the government initiative, the LO and the employers' main organisation DA had themselves, in the midst of the political storm over the foreigners' package, presented a joint proposal for better integration on the labour market. The proposal is not so distant from the government's, for example both propose that teaching of Danish to foreigners could be carried out at the place of work, but the LO and DA, in their proposal, avoided taking a concrete position on an introductory wage.

At the start of 2002 the government and the social partners began three-way cooperation on developing a proposal for better integration at work. The proposal for using the centrally agreed minimum wage as a starting wage will probably be replaced by the locally agreed minimum wage.

2. LABOUR MARKET DEVELOPMENTS

Shortly after coming to office, the new prime minister published his government programme, including the changes affecting the social and employment area – also referred to in the government programme as the 'freedom package'. In so doing, the government sought to defend its basic position, that is the right to individual choice in contrast to collective rights. This is clearly expressed in the following areas:

- Establishing of inter-professional unemployment funds
- Introduction of a legal right to part-time working
- Legal ban on exclusivity (closed shop) agreements
- One year's flexible baby leave with full benefit

- Freedom for private job centres paid on a results basis
- Limits to the powers of the Factories Inspectorate
- Exceptions to the provisions for rest times and free days for persons working at home.

The first three initiatives in particular were the subject of public debate, and it was also these items which attracted the greatest attention from the trade union movement: freedom to establish inter-professional unemployment funds, including also the setting up of a state unemployment fund, legislation governing part-time work and removal of the trade unions' right to conclude closed shop agreements.

Given the fundamental liberal idea of individual rights as against collective rights, it seemed very unusual to set up a *state* unemployment fund as an alternative to the existing *private* unemployment funds. But the government has deemed it necessary to set up its own – and hence a state – alternative to the existing private fund in order to be the first to establish an inter-professional unemployment fund. In this way 'free choice' is secured in a slightly upside down way. The intention is that both salaried employees and self-employed persons become able to register in the same unemployment fund, and the right to select the unemployment fund is to be an individual one. The bill to introduce inter-professional unemployment funds also contains the requirement that an unemployment fund should have at least 10,000 members, as against the former 5,000 lower limit.

In Denmark there is a close connection between the trade unions and the unemployment funds, which are profession-based and administered by the unions. This factor has been blamed for creating a situation in which union membership is obligatory, as there are only a few exceptions to the rule that unemployment funds should be profession-based and union-run and may not be inter-professional. For most persons the only alternative is the Christian (Den Kristelige) unemployment fund. An inter-professional, state unemployment fund will therefore be, first and foremost, a competitor to the Christian and to a lesser extent to the profession-based, union-administered unemployment funds.

The proposal for a state unemployment fund was, as mentioned, part of the 'freedom package' and also part of the government's introductory 100-day programme. After the hundred days the government elected to backtrack on part of the proposal. The bill contains now only the creation of inter-professional unemployment funds, and only if this proves insufficient in

regard to the original intention will the alternative, state unemployment fund be resurrected.

The legislation on part-time work and the law removing the trade unions' closed shop agreements should also be seen as an attempt to promote 'personal choice'. Commentaries on the part-time bill emphasise that "the government wishes to ensure the abolition of contractual limits to the right to work part time". Employees should be able to determine freely how long they want to work and how far they want to be trade union members. For this reason the trade unions' right to exclusive agreements is being removed, as supposedly in conflict with 'the negative right to unionise' – i.e. the right *not* to belong to a trade union. Exclusive agreements mean that where such agreements exist, all *newly employed* workers are required to register with the trade union which has concluded the agreement, if they want to be employed. Some 230,000 employees are covered by exclusive agreements.

The three legal changes, and in particular the two last covering part-time and exclusive agreements, were viewed by the trade union movement as a frontal attack on their rights and on the Danish agreement model in the broader sense of the term. In both cases existing agreements are being abolished by law. This is not traditional for Denmark, where labour market relations are governed by negotiations and agreements between the partners.

The content of the part-time bill in particular was the subject of extensive discussion on the labour market and in Parliament. The law, which at the time of writing has not yet been adopted, gives employers and employees the right to enter freely into part-time agreements. An agreement in this area which was intended to limit access to part-time working is abolished by law, but only when it expires. This does not, however, mean in practice that employers and employees stand in an equal relationship to the law. Employees do not have a formal legal right to demand to work part time. On the other hand employers, with respect to their management right and the new law, can in reality demand part-time working. Where the employee turns down the offer and is then made redundant, then it is for the employee to prove that the dismissal was in conflict with the law that says that an employee may not be dismissed for refusing to work part-time.

The LO argued that in fact most agreements contain the possibility to agree on part-time working. According to the LO just 4% of employees are prevented from working part time. The DA has calculated the same percentage as being 11% (DA 2001: 184). The lower limit for part-time working varies in agreements from 8 hours to 12 or 15 hours. The bill

mentions that agreements having a lower limit *under* 15 hours are to be retained. With the freeing up of part-time employment the LO is afraid of an ‘Americanisation’ of the labour market, with certain groups forced into having to take several part-time jobs in order to make ends meet, yet remaining, despite a high total number of hours worked, without pension rights, sick pay, etc. It is, however, the principle of the matter, rather than the content, which is the main concern in the criticism. The conclusion is that the government’s bill, if passed, will be the most extensive and direct encroachment until now on the Danish agreement model. Never before has there been such a political encroachment on the key areas of collective bargaining, i.e. the determination of wages and working hours. This makes it a threat to the model – despite the government’s constant proclamations that it respects in general the principle that Denmark’s labour market partners should themselves regulate their pay and working conditions.

To deal with the same content in a bill represents an unnecessary interference, critics point out (e.g. Due 2002). In fact the partners have already committed themselves, via the implementation of the part-time decree (EU Council Directive 97/81) in June 2001, to find a solution in the next negotiation round to any hindrances to part-time employment contained in the agreements. Why push through legislation in a hurry now – instead of waiting for partners to negotiate this during the next pay round? If the partners are unable to come up with a result at this point in time, this will then provide a legitimate basis for political intervention.

According to figures from *Danmarks Statistik*, 528,000 people were working part-time in the last quarter, and this figure has been falling steadily over the past five years (Statistiske Efterretninger 2002: 8). The investigation took the form of telephone interviews and the information on part-time working is based on respondents’ own definitions of part-time work. The LO is working on a figure of around 370,000. The difference can be explained by the fact that the *Danmarks Statistiks* survey respondents include a portion of loosely employed persons on temporary or time-limited contracts.

2.1. 2001 bargaining round

Collective bargaining took place in two sectors in Denmark in 2001: in the financial sector and in the agricultural sector, the latter with the Confederation of Employers’ Associations in Agriculture (*Sammenslutningen af Landbrugets Arbejdsgiverforeninger*, SALA). These sectors cover in all around 111,000 employees, roughly half in each sector.

The financial sector negotiated three major agreements for insurance company, bank employee and insurance agent areas. The single employer organisation is the *Finanssektorens Arbejdsgiverforeninger* (Association of Financial Sector Employers), FA. The employee organisations, the Financial Services' Union (*Finansforbundet*), the National Insurance Workers' Association (*Danske Forsikringsfunktionærers Landsforbund*, DFL) and the Association of Danish Insurers (*Centralforeningen af Danske Assurandører*, CDA) all belong to the main FTF organisation. The seven SALA employer organisations negotiated around 35 agreements with seven different employee organisations belonging to the LO, the largest being the SiD, KAD and NNF. In addition SALA renegotiated in 2001 its cooperation agreement with the LO with greater focus on the physical labour environment and the inclusive labour market. Neither SALA nor the FA belong to the Danish Employers' Confederation (*Dansk Arbejdsgiverforening* – DA), the country's largest confederation, which, with the LO, sets the tone in the private sector. DA and LO member organisations in 2000 negotiated around 600 sectoral and local-level agreements covering some 650,000 employees.

2.1.1. Bargaining outcomes in the financial sector

On 2 February 2001 the insurance employees in the DFL and the insurance agents in the CDA signed a joint cooperation agreement with the *Finanssektorens Arbejdsgiverforening*. The two associations have a series of joint agreements on, among other things, training and group life insurance, arranged via their joint body, the *Forsikringskartell*, with their joint employers in the FA. The total insurance area has around 12,000 employees.

In the same month the DFL and the FA reached agreement on the content of agreements in the insurance sector until 2003. The financial package totals 7.4%, 6.6% in the form of direct pay increases, with the 0.8% going, among other things, towards improving the pension contribution. The pay rise is staggered over two years. The majority of employees are on so-called normal pay, which means solely centrally negotiated agreements, but the new agreement opens up the possibility for companies to negotiate individually to a greater degree. Agreements can be made, for example, on variable forms of pay, including shares and bonuses based on the basic pay.

In the pension area, insurance employees are the only ones on the Danish labour market to have purely employer-financed pensions. Depending on the type of employment, the employee pension rises by 1.5-2 percentage points. Where the contribution is 10%, this will rise to 12% by 1% a year. Where the contribution is 12%, this will rise to 13.5% over the two years. The pension

scheme entry criteria are also modified. As from 1 July 2002 employees enter the scheme after 6 instead of 12 months. In the social area, the new agreement entitles step-parents to take sick child leave. The agreement covers some 8,500 insurance employees, IT employees, technicians and service employees and can be compared with an industrial agreement. The CDA arrived at a similar agreement on 20 February.

This was followed by the major agreement in the financial area. On 10 March FA and the *Finansforbund* concluded an agreement also containing a 7.4% increase over a two-year period. The agreement affects just under 50,000 bank and mortgage credit institution employees. In the pay area the agreement is scarcely distinguishable from the insurance agreement. 6.6% is earmarked for wage increases over the two-year agreement period. 2% of this can be used for local-level pooling. Pension arrangements are improved from the first day of work, with a minimum contribution of 14.25%, of which the employer contribution must be at least 9.5%. The agreement sets the ball rolling towards a new negotiating structure (see in greater detail under 'Flexibilisation and decentralisation of collective bargaining'). The idea is to provide a possibility for enterprise-level agreements between management and employees, in place of the previous central standard agreements. A new agreement covering trade union delegates is intended to create greater clarity as to the trade union delegate's role and remit. The EU directive on fixed-term work was written into the agreement, as was the extension of sick child leave to step-parents. Finally the partners signed a protocol on equal opportunity.

2.1.2. Bargaining results in the agricultural sector

In the broadly defined "green" sector (forestry, farming and market gardening) under SALA, the agreement covered wage increases totalling DKK 10.25 per hour (in all 10.65%), topped up with improvements included in the 2000 LO/DA agreement: longer periods of sick pay, better pay during training and a total of five free days (two additional days since the last time) and 24 December free. Together this produces additional wage expense of 3.7% a year. The green sector, including the dairy sector, opted for a four-year agreement, thereby bringing itself in line with the LO/DA sector. The difference, however, is that the SALA sector is a normal wage sector (like the finance sector), where the tradition is for short, two-year agreements. Agreements are not adjusted locally and cannot be renegotiated before expiry. In this connection four years is a long period to take a view on, but the negotiators had opted to follow the example set by the transport sector in

2000. The transport sector is the one normal wage sector in the LO/DA area, but it too opted for a four-year agreement period, like the other LO/DA sectors.

A major subject of the negotiations between the LO and SALA organisations was pensions. The previous year the LO/DA had reached a result totalling 9% over four years. Higher pensions were a high priority for the employee organisations in 2001 and the outcome ended up a little surprisingly at 9.9% over the period. In this way the SALA sector has pointed the way for future pension negotiations throughout the private sector.

The food sector under SALA has traditionally been a trouble sector, in particular in the slaughterhouse sector. Here bargaining went totally against the rule. Not until the third round did the slaughterhouse workers in the Danish Food and Allied Workers' Union (*Nærings- og Nydelsesmiddelforbundet*, NNF) vote for the mediation proposal. Even the NNF management was surprised at the rejection in the second round. The agreement was the best one for the NNF in years, and a defeat for the weakened employer organisation. The result was, contrary to the green sector, a two-year agreement with a total wage increase of 9.5% over two years, 9.9% pension improvement and a series of fringe benefits. Also a pay increase over two years, which the other sectors will get in four. The employers got in return greater flexibility, in terms both of working time and the introduction of new technology. Seen in a broader perspective the two-year agreement period means that the sector will negotiate again in 2003, but that the dominant LO/DA area will not negotiate until 2004. Another negotiating round before the private labour market renegotiates the four-year agreement. The large employer organisations cannot talk even of a more or less good result. That the NNF was able at all to press the employers' association in the meat industry, the *Slagteriernes Arbejdsgiverforening* (SA) is due to the fact that the main SALA organisation lacks a strike fund, which put major pressure on the employers. Just one year later, in March 2002, SA took its leave of SALA, and is expected to either to join the Confederation of Danish Industries (*Dansk Industri*, DI), the largest sector organisation on the employer side, or the Danish Employers' Association (*Dansk Arbejdsgiverforening*, DA) directly.

2.1.3. Social partners' participation in the making and follow-up of NAP 2001

The partners' involvement in the development of the Danish action plan for employment, which is normally sent out in June, takes place according to the following three-stage structure:

- The Employment Ministry (in 2001 the Labour Ministry and the Social Affairs Ministry) and the Economics Ministry invite other relevant ministries and the two sides of industry to introductory discussions.
- After this, both sides of industry can submit the contribution, which each in particular wishes to see included in the action plan. After the action plan has been written up, it is sent back to the partners, which can then discuss it internally before the third development phase, in which:
- A hearing is held at which the labour market partners can come with corrections to their written proposals.

In this way the labour market partners can be said to play a central role in the formation of the national action plan for employment, even if the final word lies with the government, which composes the final plan. With the 2001 action plan limited to a certain number of pages, the social partners' contributions were enclosed as an annex.

The partners are involved for the first time when the general directions have been mapped out at the start of the new year and the structure, or the table of contents of the new action plan for employment are ready. The following organisations were invited to take part in the introductory discussions:

- The main private labour market organisations, the *Dansk Arbejdsgiverforening* (DA) and the *Landsorganisation i Danmark* (LO), were invited as representatives of private employers and private employees respectively.
- The *Kommunernes Landsforening* (KL), the *Amtsrådsforening* (ARF) and the *Funktionærerne og Tjenestemændenes Fællesråd* (FTF) were invited as representatives of the local authority partners. The KL and ARF (for the employers) and the FTF (for employees) submitted a joint contribution.
- The national civil service partners, the *Centralorganisationernes Fællesudvalg* (CFU) and the Finance Ministry, also came to an agreement, against this background, to produce an input to the NAP 2001, but failed to deliver a joint contribution, submitting instead a supplementary document. In future the goal will, however, be to develop a joint contribution.

Following the Danish labour market model, the idea is that the social partners achieve agreement as far as possible between themselves. In the private sector the partners are the main employers' association, the DA, and the main employees' association, the LO, whilst the public sector is split into two: the local authority sector and the national government sector. At the local authority level we find, as mentioned earlier, the LK and the *Amtsrådsforeningen*, that generally negotiate with the KTO, itself an association of a whole series of independent organisations, whose members are employed in the counties and municipalities. However, it was the main FTF organisation that was invited to the introductory discussions in 2001. At national level negotiations took place between the Finance Ministry and the CFU, a coalition of four cartels of national government employee organisations. The finance minister plays here a double role, being responsible both for wage negotiations with central government employees and for the superordinated interests of the national economy.

The partners play a major role in the local and regional dimension of the employment effort, being represented in the 14 *regional labour market councils* (RAR), which are responsible for organising efforts and prioritising labour market policy tools in the regions as a function of the goals and frameworks. The partners are similarly represented in the municipality-level *local coordination committees*, which are tasked with developing employment possibilities for non-insured unemployed persons.

The partners are constantly involved in the implementation of the national employment strategy, partly via collective negotiations and partly through various types of partnership agreement between the partners themselves or between the partners and government. Tripartite cooperation between the government and the central representatives of the labour market partners is a commonly applied tool in a number of sectors in Denmark. The labour market reforms initiated in 1994, and now in their third phase, are one example of such cooperation .

3. WAGES AND PURCHASING POWER

After stagnating for several years, private consumption recovered a little at the start of 2001. A key factor in the slow growth in consumption was the reduction in new car purchases. These now appear to have stabilised. Private consumption may still improve overall at the start of 2002, but at a slightly slower pace than hitherto expected (Økonomiministeriet 2001).

This weakness should be seen, among other things, in the context of an expected slight increase in the propensity to save as a result of international developments, with a slightly worsened employment outlook and slightly lower share prices. On top of this came the short-term effects of the 11 September terrorist attack, generating an atmosphere of uncertainty in which major acquisitions and foreign trips were postponed. Finally the latest national figures show a slight fall in private consumption between the first and the last quarters, where a slight rise had been expected. This situation is only partly counterbalanced by lower interest rates. Together, these factors point to consumption developing slightly more weakly in the coming months. Expectations of slower growth in private consumption are also supported by the latest retail sales figures for July and August 2001, which point to stagnation.

Against the above background, the forecast growth in private consumption has been scaled back by 0.2 percentage points this year and 0.3 percentage points next year. As already mentioned, there is greater uncertainty about the future, and private consumption is expected to grow by 1.2% in 2001 and 1.7% in 2002.

Table 1: Average increase in average earnings, prices and labour productivity (% change on previous year)

	Annual increase in average nominal earnings	Annual rate of inflation	Annual increase in average real earnings	Annual increase in national labour productivity
1997	3.7%	2.2%	1.5%	1.7%
1998	3.9%	1.9%	2.0%	0.2%
1999	4.2%	2.5%	1.9%	*2.9% 1.2%
2000	3.4%	3.0%	0.8%	*4.2%
2001	4.2%	2.3%	1.5%	*0.8%

Source: Ministry of Economy

Nominal earnings: Hourly wage in the LO/DA sector

Rate of inflation: Consumer price index

Real earnings: Source DA

Labour productivity is output per job for the entire economy.

* Labour productivity is here: Production in private urban occupations

In addition to the international lull, with lower company sales and hence investment needs, business companies also face a more uncertain situation. The national economic figures for the first half year also point to a slightly lower level of investment. The forecast for *business investment* has therefore been reduced by about 1.5 percentage points in both years, and is now expected to fall by 0.25% this year and to rise by 2% next year. The relatively modest growth this year is because activity in 2000 was extraordinarily high in connection with the repair work following the storm winds that struck Denmark in December 1999 (Økonomiministeriet 2001).

Consumer prices rose by 2.3% in 2001 and are expected to rise by 1.9% in 2002. Wage increases have not changed since the outlook published in August 2001. Wage increases in 2001 were 4.2% and are expected to be 3.9% in 2002 ((Økonomiministeriet 2001).

Table 2: Average collectively agreed pay increases (% change on the previous year)

	Metalworking	Banking	Public Sector
1997	*2.39%	**1.90%	***2.6% 2.6%
1998	4.81%	2.15%	3.3% 3.3%
1999	2.55%	2.90%	3.1% 3.0%
2000	2.48%	2.81%	3.0% 3.3%
2001	2.43%	3.30%	3.1% 3.5%

Sources: The National Union of Metal Workers (*Dansk Metalarbejderforbund*); The Danish Employers' Association for the Financial Sector (*Finanssektorens Arbejdsgiverforening*, FA); The Ministry of Finance (*Finansministeriet*) and National Association of Local Authorities in Denmark (*Kommunernes Landsforening*, KL)

* The figures show the percentage increase in the contractual minimum hourly pay (April to April)

** Rates of increases on an annual basis in per cent (end of year to end of year) as agreed in the central negotiations in the banking sector and including the value of the regulation clause.

*** The figures to the right in the column are from local authorities (local government); figures to the left are from the state sector.

4. WORKING TIME DEVELOPMENTS

The agreements negotiated in the SALA sector provide greater possibilities for flexible working hours and greater family-friendliness in respect of the third pillar (adaptability) of the employment guidelines. The reference period for average weekly working hours was increased in several sectors to 12

months. Also agreed was greater access to part-time working with the removal of the maximum weekly hours for part-time workers and a lowering of the minimum number of hours to 15. For full-time employees the minimum daily working hours have been changed to four hours, making both staggered working hours and shift working easier (NAP 2001: annex D, p. 93).

In a sector with a strong element of seasonal work, working time flexibility is a key item. The sector also makes heavy use of migrant labour, mainly from the Baltic states and Poland. The trade unions are not directly opposed to this, providing that the work is carried out at negotiated pay rates, but there have been cases where the foreign workers have worked for apprentice wages, as if formally on work placements with the employers.

The 1999 public sector agreements and the 2000 agreements in the major LO/DA private sectors, which were not renegotiated this year, do, however, contain agreements on the modernisation of work organisation, greater access to part-time employment and to lifelong learning in the form of better economic and educational frameworks for in-service training. In the public sector a framework agreement was concluded for the aggregation of free time. The agreement, to be implemented at the individual workplace, will enable individual employees to save up free time allowances, e.g. time off in lieu of overtime, holidays and special free holiday days for subsequent use – in whole or in part.

In the private sector, the LO/DA achieved in 2000 the seventh holiday week in the form of five additional free days, to be taken either individually or together or be paid out in the corresponding earnings amount. The remainder of the private sector followed suite in the 2001 negotiations, achieving the final part of the seventh holiday week with the agreement for two additional free days in addition to the existing three. The public sector will be negotiating in spring 2002, and here too the seventh holiday week will come into being. Danish holiday law was revised in spring 2000, but contains no reference to the seventh holiday week, which is exclusively the subject of agreement.

The average Danish weekly working time remains 37 hours according to the agreements. This figure has remained unchanged since 1990.

The partners in the largest public sector, that of regional and local authority workers, entered into an agreement in 1999 to flexibilise the organisation of work, enabling working time systems to be changed and adapted at local level to local conditions. The partners across the entire public sector have agreed to

assess the working time agreement in 2003 (NAP 2001: annex D, p. 105), but implemented, in spring 2001, the Council Directive 97/81 on part-time working in the form of an agreement covering 100% of the public sector.

Part-time working became a political hot issue in 2001. It is not that the partners were in disagreement on the issue of working time flexibility. Rather, part-time working became the focal point for a discussion on regulation of the Danish labour market, partly because of the need to implement the Council Directive on part-time working, and partly because at the end of the year the government presented a proposal to intervene legally in agreements on part-time working. This placed the Danish model itself, in its pure agreement-based form, under pressure.

5. EUROPEANISATION OF COLLECTIVE BARGAINING

5.1. A new Danish model

The Danish agreement model is built first and foremost on consensus between the labour market partners. The main principle is that workers and employers should themselves regulate pay and working conditions in the form of collective agreements negotiated between their organisations. Along with the national agreements, a certain flexibility is built into the system through the possibility of negotiating pay, etc. at individual company level, in a form of centralised decentralisation that has, to a certain extent, typified the agreement model from the outset 100 years ago, but which has been strengthened in recent years.

To the extent that legislation exists, the partners are involved. Legislation directly affecting the social partners, e.g. the conciliation officer law and the working rights law, which support the resolution of conflicts between the partners, is implemented, as an absolute, basic rule, only where prior agreement has been reached between the partners.

Legislation closely connected to the agreement system, including special labour market policy, is implemented as a basic rule after consultation of the partners, and as a general rule changes here have also been built on the principle of prior agreement. The partners can often influence broader legislation concerning the welfare system and general economic policy, but here the political system dominates. The chemical limit values in the Working Environment Law, for example, are not negotiable. With the legislation on holidays and on civil servant status the social partners sat down together during the introductory stage. Everything else is regulated by the agreement system. This includes working time, since working time is one of the core

areas in the partners' self-regulation. Around 85% of the Danish labour market is covered by agreements.

In 1999 the Danish government received a letter of formal notice from the EU Commission concerning the implementation of the Working Time Directive. The EU Commission called for systems to guarantee that the directive covered 100% of the Danish labour market, pointing to the fact that not everyone was covered by agreements. At the start of 2000 the LO and DA therefore concluded an implementation agreement ensuring that all employees in DA companies not covered by the agreements would in any event be covered by the provisions of the directive. This would require companies to include the working time rules in the employment contracts of those employees not covered by agreements. Any employees unable to obtain redress under the customary labour law system could bring their case before the normal courts. The LO and DA also committed themselves to taking collective steps to prevent anything falling outside this net. In the eyes of the partners and the government this solved the problem of the "remaining groups", and the government pointed to this in its reply document.

In short, this was far from sufficient. The Commission demanded guarantees in the form of legislation, threatening as a next step to arraign the Danish government in front of the EU Court. This was the background to the introduction of a new implementation model, even if in the first instance it did not involve the Working Time directive. In June 2001 Council Directive 97/81 on part-time working was brought into effect by means of supplementary legislation which gave an implementation agreement between the LO and DA the force of law in areas where agreement could not otherwise be reached. In practice the law in this way gave precedence to a negotiated agreement. At the same time the government took the initiative of changing the lower time limit for part-time working in the Civil Service Law from 15 to 8 hours, in response to the wording in the text of the directive requiring the part-time limits to be 'objectively founded', with the government finding its justification in the directive on employment contracts, which mentions 8 hours as the lower limit for the applicability of the directive.

The new double implementation method, of supplementary legislation implementing a negotiated agreement, produced certain teething difficulties. It was the LO/DA's agreement on part-time work which was turned into law. The other main labour market organisations had not been heard beforehand and they did not omit to point this out, accusing the government, by not

sufficiently consulting the parties, of interfering in agreements and in the very right to negotiate agreements.

The subsequent decision to implement the Working Time Directive by turning a negotiated agreement into supplementary legislation cemented the 'alternative' Danish model. In December 2001 the implementation committee, with the participation of all main labour market organisations, agreed that the Working Time Directive should follow the model of the part-time directive. Full coverage of the workforce by the negotiated agreement was secured by supplementary legislation enforcing the agreement. Only the SiD was opposed, stating that a legal case would have presented a good opportunity to prove the Danish model's capability in front of the EU Court. Pragmatists insisted on the fact that the agreement model had not suffered a vital overload, since the law gave precedence to a negotiated agreement. In any event, the way is now free for a new Danish *erga omnes* model for implementing future EU labour market directives.

6. FLEXIBILISATION OF WORKING CONDITIONS AND DECENTRALISATION OF COLLECTIVE BARGAINING

6.1. New agreement structure in the finance sector

In the run-up to the 2001 collective bargaining round in the financial sector, the partners agreed on a new decentralised negotiating system and a new agreement structure, permitting enterprise-level negotiations at a much higher level than had previously been the case.

For many years the financial sector had had civil service-like conditions, with just one agreement covering everyone from top to bottom with few variations. The new structure consists of five types of agreements: a main agreement, joint provisions, a standard agreement, company agreements and local agreements.

- The main agreement between the *Finanssektorens Arbejdgiverforening*, FA, and the *Finansforbund*, FF, covers reciprocal relations between the organisations and contains the general rules of the game.
- The joint provisions are intended to contain the common economic framework for the *Finansforbund* sector and provisions that apply to the entire financial sector. Examples are provisions concerning training or leave to care for family members. The rules contained in the joint provisions apply to everyone within the sector, both workers covered by enterprise agreements and those covered by the standard agreement. The

joint provisions in this way form the foundation for the standard and enterprise agreements, and are part of both. The joint provisions must not, however, be so comprehensive as to leave no room for local negotiation.

- The standard agreement is based on the existing agreement minus those parts to be included in the joint provisions. The first time round there will probably be a number of standard agreements, e.g. one for the commercial banking sector and one for the savings bank sector. In the longer term the agreements will be combined into one.
- Enterprise agreements are two-year agreements, renewed at the same time as the joint provisions and the standard agreements. An enterprise agreement is in lieu of a standard agreement and is concluded between the local partners. The enterprise will therefore be bound by those provisions agreed locally, combined with the rules contained in the joint provisions. Where the partners are unable to agree on an enterprise agreement, the standard agreement will automatically come into force. But already as from the next bargaining round, probably in 2003, things will be different. Where there is disagreement, the negotiations move to professional arbitration, and this will be the first time in the Danish labour market that a neutral arbitrator will operate at the local level and also in questions concerning pay. The right to take industrial action is centrally located, and normally does not shift to the local level.
- Local agreements between management and employees via the union delegate system can be concluded both where the enterprise is covered by an enterprise agreement and where the standard agreement applies. Regardless of the degree of detail in individual agreements there will always be a need for local agreements. These are typically agreements covering particular subjects, such as flexitime.

This simplified, and yet far from simple, agreement structure is a compromise between the employers' desire for a greater degree of decentralisation and the *Finansforbund's* desire to maintain parts of the negotiating rights at the central level. The trend in the Danish labour market is moving towards local negotiating rights, and the new agreement structure in the finance sector is a step in the same direction. This permits a large degree of individualism for negotiators, but, where an enterprise does not wish to conclude special agreements, it can fall back on the standard agreement for its sector (FA 2000).

6.2. Discussion on the working environment

In connection with the EU directives on employment, pillar three – the organisation of work – the government and the social partners have increased their efforts in the environmental area (NAP 2001: p. 47).

The Danish authority in the working environment area is the *Arbejdstilsyn* (Working Environment Authority), consisting of a central unit and 14 regional units.

The social partners occupy a central position in the working environment area through their representation in the Working Environment Council (*Arbejds miljørådet*) and the Sectoral Working Environment Councils (*branchearbejds miljørådene*). The former body helps develop new working environment rules, advises the minister on developments in the labour environment area, and is also involved in the planning and coordination of the entire joint effort. The latter bodies support working environment efforts at the sectoral and enterprise levels with a series of activities, including accident prevention.

Like the part-time law, the working environment board is a fruit of the turbulence in 2001, and is also born in part from the discussion on how to regulate the Danish agreement model. As in the case of part-time working, the new liberal government also intervened with legislation in working environment matters, including the competences of the Working Environment Authority, following its election victory in November 2001. The social democratic initiative which had taken place in the course of 2001, with or without the partners' approval, was, so to speak, 'rolled back' after the change in government, to its starting point.

Particular attention had focused here on aspects of the physical or psycho-social working environment. In spring 2001 the then social democratic labour minister had proposed that the Working Environment Authority's powers with respect to the physical working environment be extended and WEA authorised to intervene in cases of sexual harassment or bullying at work. The subject was examined in the Working Environment Council, and general agreement reached. But, in the draft announcement, the WEA's competences were extended beyond what had been originally negotiated between the partners. The DA branded the new initiative 'the most dangerous attack on management rights in several years'; nor did the trade unions believe that the WEA's authority should cover areas that the partners themselves could handle at the workplace, and certainly not sexual harassment and mobbing. The

immediate consequence of the minister's initiative was therefore the conclusion of a new agreement on the physical working environment between the two parties in the leading industrial sector, *CO-industri* and *Dansk Industri*. Here it was proposed that any problems involving working climate and the physical working environment in the widest possible sense should be solved directly at the individual workplace between management and employees. To the extent that the organisations will be involved, it will in certain events be the labour law system and in other events the Cooperation Agreement that will form the basis for the way the organisations resolve the matter. In this way the two sides of industry expressed the fact that they wished to handle their own conditions themselves. They therefore suggested that any widening of the purview of the WEA in the area of the physical working environment should not include the *CO-industri/Dansk Industri* sector. This the minister accepted. In October 2001 another step was taken in this direction. The LO, DA and the WEA concluded a new agreement concerning the implementation decree on working practices, including bullying and sexual harassment. The partners agreed that employees and employers could conclude local agreements making bullying and sexual harassment into an internal matter. When such an agreement exists, it will not be possible to involve the WEA in physical working environment-related matters. This is yet another example of collective agreements sidelining legislative initiatives.

In the course of 2001 the social-democratic government introduced its so-called 'incentive package' in the working environment area against strong DA opposition. The package aimed at encouraging companies to maintain a healthy working environment, using a 'carrot and stick' approach. The WEA was given increased control powers and the minimum number of employees for local 'workplace assessments' was reduced from 10 to 5. Environmental levies and fines were imposed on companies breaching working environment rules. As mentioned above, this addition was removed by the new government, to the LO's great displeasure. This brought a refocusing of attention on the working environment area, with each partner presenting its own initiative at the start of 2002, calling for only the collective agreement system to apply in the working environment area. Both the LO and the DA, each on its own, called for an independent negotiating system in the working environment area, identical to the general system, which means heavy influence from the collective agreement system and a parallel, independent labour law system.

6.3. New forms of work

As part of the guidelines for employment efforts, the government set up a committee, including the social partners and the relevant ministries, to map out the extent of atypical work, the so-called 3rd group, in Denmark. The intention was to survey whether the existing legislation supported or stood in the way of an appropriate development in this area. Also to be investigated was the size of this 3rd group and whether increasing numbers of people were entering it. The first part of the investigation was concluded in 2001, and the second part was set in motion with the help of a private consultancy firm, PLS Rambøll. In January 2002 the report entitled “Atypical Employment” (*Atypisk beskæftigelse*) appeared. A few months earlier, the LO had developed a report which also examined atypical or temporary employment. The two reports came to more or less the same conclusion, that around 4% of the active workforce was ‘atypically employed’, that is, as freelancers, free agents and self-employed in another way, but with a single or just a few employers. It was estimated that the group was not growing, but that the percentage would for the time being remain stable. The HK, which not long before had set up a department for freelancers, HK/Freelance, did not entirely agree on this last point. Access to this category was rising, and new members had in many cases become freelancers following redundancies, and not of their own free choice.

7. GENDER ISSUES IN CURRENT COLLECTIVE BARGAINING AND LEGISLATION

A survey conducted by the LO in early 2001 showed that Danish fathers made only minor use of their rights to paternity leave. Aggregating the various existing possibilities of leave a Danish father could have 66 weeks free, including baby-care leave (also called parental leave) of up to 52 weeks. But less than 4% of fathers take advantage of this possibility. On average men use just 2.2 of the many weeks in the child’s first year of life, whilst women are home on average 44.8 weeks.

These figures come from new calculations by the LO based on figures from *Danmarks Statistik* and the Labour Market Authority (*Arbejdsmarkedsstyrelsen*). The survey, published in the LO’s new year letter of February 2001, was part of an information campaign undertaken in connection with the 25th anniversary of the Law on equal pay for men and women.

New fathers have for many years been able to stay at home in the two weeks after the child's birth and, since 1998, have also been able to stay at home in the child's 25th and 26th weeks. But an astonishingly large group of new fathers do not take advantage of this entitlement. The LO's calculations showed that 56% of fathers take the first weeks off, but that only 16% stay at home in weeks 25 and 26. The two parents can, moreover, divide up the last 10 weeks of the mother's 24-week maternity leave among themselves as they wish. Only 2% of fathers swapped leave with the mother in this period, the survey showed. The experts were in agreement: men's unwillingness to take leave beyond the first two weeks after the birth is due to concern for their careers.

To mark the 25th anniversary of the Danish equal pay law, the Labour Ministry held a conference on equal pay and presented a new bill amending the equal pay law based on another survey by the Social Research Institute, SFI, in mid-2000 under the title *Collective Bargaining in Europe 2000*. The conclusion of the survey was that, despite the 25 years of the law's existence, the country had got further no further than good intentions. Conspicuous pay differences remained between men and women. Part of, but not the entire difference could be based on differences in *human capital*. There was no explanation for around 12% of the differences.

The labour ministry wanted a change in the law in order to bring about greater transparency in information on pay. The amendment adopted in June 2001 meant that, from June 2002, employees, workers' representatives, the Equal Opportunities Board and the trade unions could have pay statistics broken down by gender in companies with more than 10 employees. Under the new legislation confidentiality can no longer be imposed on employees in pay matters. The trade unions were enthusiastic at the idea of gender-linked pay statistics, but employers were opposed, as developing the statistics would involve more administration for the companies.

The law never had a chance to show its paces as a tool for reducing pay differentials, as the new liberal government included in its 'freedom package' a bill to abolish wage statistics as being too bureaucratic, just as they introduced a proposal for new baby leave to simplify the arrangements of such leave. Parental leave, as a continuation of the usual maternity leave, was abolished and, in its place, the government proposed an aggregate 52-week baby leave with full benefits. The new leave has the mark of freedom of choice, also for fathers, which certain gender researchers and politicians interpreted as a sign that efforts to promote equal opportunities have been placed on hold for the time being. Fathers will probably use the freedom of choice to stay at work.

The new government's baby leave was adopted at the start of 2002. Employers welcomed it, but would have preferred better possibilities for reaching agreement in the company itself instead of the flexibility outlined by the new law. But the government's concern to, in its own words, "simplify" and "de-bureaucratise" the current legislation and agreements, had major economic consequences for certain employers. The simplification of the law, viz. the lengthening of baby leave from 26 to 52 weeks at the expense of parental leave, meant that where agreements provided for full pay during and after confinement, this period on full pay was now extended to 52 weeks. The *Finanssektorens Arbejdsgiverforening*, FA, asked the government in advance to take this into account in the proposal, but this was turned down on the grounds that the government did not want to get involved in the agreements between management and labour. Employers believe that baby leave will cost them around DKK 100 million.

8. PROSPECTS FOR 2002

Collective bargaining will take place in 2002 in the public sector, where the 1999 three-year agreement comes up for renegotiation. Negotiations will cover both the national government level (around 200,000 employees) and the regional-local level (650,000 country and local authority workers). Negotiations at the county-local authority level ran into problems relatively early in the year. The national level has, with a few major exceptions in recent years, traditionally ended the negotiations first and so set the line for the results in the larger country and local authority sector. But in spring 2002 it was impossible for the two sides in the local authority negotiations – despite the advance work at the national level – to reach a compromise owing to disagreement over the new locally based pay system. For the first time ever, the entire country and local authority area ended up with the Conciliation Board, where the conciliation officer managed to push the two sides to a compromise. The total voting on the conciliation proposal is due to be concluded on 30 April 2002. The new pay system is based on a combination of centrally negotiated basic pay and mainly locally negotiated supplements based on qualifications, functions and results. The disagreement between the two sides in the bargaining process was on the extent to which resources should be earmarked in advance for local wage negotiations in the individual counties and local authorities. Certain sceptical organisations want the amount to be limited as much as possible, in the belief that the employers will not apply the system as intended. Primary school teachers, in particular, have been against any compromise increasing the amount of resources for local negotiation.

The new liberal government's labour market initiative, its 'freedom package', also ran into turbulence at the start of 2002. Widespread dissatisfaction among organisations and companies at the proposal to change the legislation on part-time working led to Parliament's Labour Market Committee announcing a hearing on the matter in early April 2002, with the participation of experts in this area (Due 2002). Nor did the setting up of a state unemployment fund manage to slip through. The Danish People's Party, which supports the government, is not in favour of a state unemployment fund, but supports the free choice between inter-professional unemployment funds. Nor did a retreat in the work environment area get through. The minister had proposed that companies with less than ten employees should, for bureaucratic reasons, not be required to undertake a workplace assessment. However, EU requirements make it impossible to exempt small enterprises from the requirement to carry out a written workplace assessment, as was established more or less simultaneously by the EU Court's decision in proceedings brought by the EU Commission against Germany.

New initiatives will take place in the labour market area. Both the LO and DA have made proposals for changes in work environment problem areas, and to the way such matters should be regulated. New working methods are placing new demands on the working environment and the time has come for a reassessment of areas of emphasis, for example, greater focus can be expected on the physical work environment. In addition, both parties have made suggestions for a greater distinction to be made in this area between matters to be covered by law, and matters to be covered by agreement. The principle will be that matters that can be best resolved in companies between the employer and employee representatives should be resolved there. In addition, the respective organisations will enter into collective agreements concerning the working environment based on an independent agreement and conflict resolution system, which will mirror the generally applicable system. Breaches of working environment agreements will in certain cases subject to legal sanction.

With the leading LO/DA sector entering in 2000 into a 4-year agreement with attractive rises in the labour market pension and moderate pay increases, talk was of a stability pact following the major conflict in 1998. The 4-year agreement would, it was hoped, bring calm to the labour market combined with an economically acceptable result, and companies would know a major part of their cost rises for a longer period than the usual two years in advance. But right now, and after new negotiations in other, smaller sectors, the long agreement period could prove to be a goal in its own right.

Three conditions can be decisive for the success or failure of what was intended to be a long period of labour market peace. At 5%, Danish pay increases in manufacturing, building and transport (LO/DA sector) are the highest in the western world at the present time (DA 2001). Sweden and Germany are both well under 3%. The second condition is the result of negotiations with the slaughterhouse area in the main agricultural sector, where the partners in the relatively small slaughterhouse area agreed on a result which was in total opposition to the “spirit of 2000”, with its emphasis on stability and reconciliation. As mentioned above, it was not promises of a better “negotiating climate” with the corresponding moderate outcome that marked the negotiations in the slaughterhouse area. The result was a rise in wages over a two-year period equivalent to the pay increases over the current 4-year period. The third condition, that could turn out to be a bomb under the intended four year peace period, is an extension of this: collective bargaining in the Danish labour market is out of phase. This can give rise to unintended pay increases when bargaining, as now, takes place every year. It is more tempting to further one’s own pay interests when one is the only sector negotiating.

- In 2002 the government, local authorities and counties negotiate the renewal of a two-year agreement.
- In 2003 the slaughterhouses and the finance sector will be negotiating again. Both these sectors negotiated two-year agreements in 2001. There are also mid-term negotiations in the manufacturing area, but, as agreed, without the right to take industrial action.
- In 2004 it will be the turn of the dominant LO/DA sector (manufacturing, building and transport) to renew the current 4-year agreement.
- In 2005 agriculture negotiates in the so-called green sectors (LO/SALA), which in the 2001 negotiations followed the 4-year period of the private sector.

With negotiations every year, pay increases can develop into a spiral which, at a time when the LO/DA is looking to continue the “spirit of 2000”, already exceed what was intended in the country’s dominant, pay-setting area. In addition the 4-year period has created a vacuum for a politicisation of labour market questions. The turbulence surrounding the part-time directive, baby leave and the work environment would probably not have occurred if the partners had been sitting down at the negotiating table every two years.

Translation from Danish by Michael Lomax

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Finland

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1. THE ECONOMIC AND SOCIAL BACKGROUND

During the past few years Finland has experienced a period of rapid export-led economic growth. However, when the economic outlook started to deteriorate in the international economy, and in the U.S. in particular, in the course of 2001, this was soon reflected in an unexpected swift impact on the Finnish export sector. Consequently, at the start of 2001 the economic situation began to deteriorate rapidly. After many years of buoyant economic growth, GDP grew in 2001 by only 0.7%, i.e. less than the EU average (Table 1).

Table 1: Key economic indicators of the Finnish economy 1998-2002

	1998	1999	2000	2001	2002f
GDP	5.3	4.1	5.6	0.7	1.6
Exports	8.9	6.8	18.2	-0.7	1.5
Private consumption	5.1	4.0	2.2	1.4	2.3
Employment	2.4	2.7	1.7	1.3	-0.2
Employment rate	64.6	66.5	67.4	68.2	67.9
Unemployment rate	11.4	10.2	9.8	9.1	9.4

Source: National Accounts and Labour Force Survey, Statistics Finland. The forecast for 2002 is by the Labour Institute for Economic Research.

Note: The figures for the first four rows are average annual percentage changes. Employment is measured by the number of employed persons.

The main reason for the slowdown in the economy was the collapse of exports, especially in the IT and forestry sectors of the economy. Domestic demand continued to grow, however. Private consumption increased by 1.4% with households' real disposable income growing by 2.9%. Despite sluggish economic growth, the employment situation still improved and the unemployment rate dropped to 9.1%. The employment outlook began to deteriorate towards the end of the year, however. Given the sharp slowdown in the economy, there were surprisingly few job losses. This was due at least in

part to the good average profitability of Finnish enterprise. Because of good profitability firms did not immediately start to lay off their workers. However, the employment situation is bound to deteriorate in the course of 2002.

The recovery of the Finnish economy obviously depends on the recovery of the international economy. The current recession is a uniquely clear-cut case of export-driven recession in the economic history of Finland. This goes to show how much the share of exports in economic growth affects fluctuations in aggregate production in present-day Finland.

Current indicators indicate that the worst is over in the forestry industry. According to all recent forecasts, exports will be higher in 2002 than in 2001. Growth will nevertheless remain modest unless cyclical conditions improve significantly in the EU countries, which are of pivotal importance from the standpoint of Finnish exports. The prerequisites for export growth are nevertheless very good. The price competitiveness of the export industry is excellent and there is sufficient idle capacity.

2. INCOMES POLICY AGREEMENT FOR THE 2001-2002 PERIOD

In 2001, wage and cost developments were determined to a large extent by the centrally negotiated Incomes Policy Agreement for the years 2001 and 2002, and this will be the case again to a large extent in 2002. Negotiations took place in the autumn of 2000 with the three central trade union confederations, SAK (the Central Organisation of Finnish Trade Unions), STTK (the Finnish Confederation of Salaried Employees) and AKAVA (the Confederation of Unions for Academic Professionals), which represented employees' priority demands (for a discussion of the demands, see Sauramo 2001).

In 1999, attempts to achieve a centrally negotiated incomes policy agreement were unsuccessful. This was mainly due to the reluctance of several influential trade unions to press for that kind of agreement. By contrast, in the autumn of 2000 there was a broad consensus among trade unions on the superiority of a centrally negotiated incomes policy agreement. In the Finnish tradition of tripartite cooperation, the coalition government - consisting of all major parties with the exception of the Centre party - also supported the negotiations. In its programme, the government, which will very probably remain in power until the spring of 2003, has committed itself to implementing substantial cuts in income taxes by 2003. Employers also adopted a positive attitude towards a centrally negotiated agreement, pressing for as moderate general wage increases as possible.

In view of the strong mutual interest, it was not surprising that the partners managed to agree on a centrally negotiated agreement in December 2000. There was, however, one exception: AKAVA, which represents academic professionals, did not approve the agreement. In the negotiations, AKAVA had set the improvement of the position of highly educated but relatively low-paid employees as its special target. Since the agreement reached did not include this kind improvement, AKAVA rejected it.

Despite this, the agreement covers over 80% of employees. The average increase in negotiated wages in 2001 was thus largely determined by the centrally negotiated agreement. The AKAVA affiliate representing doctors (the Finnish Medical Association) called a strike in an attempt to increase the wages of doctors employed by local government, and the strike went on for 23 weeks. Even though it concerned only a small number of employees, this strike may have indicative value by reflecting the aspirations not only of doctors but also of other academic professionals.

The general increases in negotiated wages for 2001 and 2002 are fixed in the two-year agreement, which ends in January 2003. Sectoral allowances are also specified in addition to the general increase in wages and salaries. Negotiated wage costs were estimated to increase by 3.1% on average in 2001 and by 2.3% in 2002. In 2001, negotiated wages increased by 3.3%, a fact which illustrates the dominant role of the Incomes Policy Agreement in wage formation in 2001.

In the negotiations, the SAK claim included a gender equality adjustment. The agreement involves an equality allowance which allows a slightly larger than average increase in wages in industries with a typical predominance of female labour.

Due to the uncertainty about inflation in the future, the confederations insisted on an indexation clause, and the agreement includes an indexation clause for 2001. The average rate of inflation, 2.6%, did not give rise to further wage increases, however.

Besides wage increases, the agreement also includes adjustments, for example, in working time, in unemployment benefits and in compensation for shop stewards. In addition, the partners agreed to continue discussions on some important issues within the system of continuous negotiations. Even though these adjustments may be minor, several of them are worth mentioning, because they reflect the current status of the debate on some important issues.

As for working time, the partners agreed that the Saturday following Ascension Day is a paid holiday. Some trade unions already achieved this objective some time ago. In the negotiations this was the major claim concerning working time.

As for pensions policy, the partners decided to continue negotiations on the reform of the Finnish pension system. The reform was an important bargaining issue in 2001. Some of the results are summarised in the following sections.

3. CHANGES IN THE PENSION SYSTEM

Amongst the countries of the European Union the Finnish pension system presents a somewhat special arrangement, because the financing system is partly pre-funded, as is the case in Denmark and Sweden. Funded schemes ensure that contributions are invested in funds for repayment to individuals once they have retired. Since labour market partners, i.e. employee and employer federations, participate in the administration of the funds, the reform of pension schemes can of course be an issue in bargaining rounds.

The most common minimum age requirement for the old-age pension in Finland is 65 years. However, early retirement schemes provide the option of retiring earlier. The effective early retirement age was thus 59 years in the late 1990s. Of the persons hitting the 65-mark, one in nine actually retire at that age. Not surprisingly, this has increased pressure to tighten up on possibilities for early retirement. Besides retirement age, rules governing how pensions are accumulated have also been under discussion.

The laws governing the private sector were the subject of the discussions in the negotiations between employee and employer federations and together with the representatives of the pension institutions. The amendments will be implemented at the beginning of 2005.

As a consequence of the amendments, the retirement age is likely to be raised. Personal entitlement to early retirement will be discontinued. However, both the length of the working life and the weight of the employee's workload will be taken into account in future when the right of older workers to an employment incapacity pension is being determined.

The threshold age for part-time retirement will, from January 2003, be raised from 56 to 58. Furthermore, the amount of old-age pension will be reduced in cases where a person has taken part-time retirement. There are currently around

24 000 part-time pensions, more than half of which are in the public sector. The majority of these part-time pensioners are in the higher income brackets.

Although the amendments are likely to raise the average retirement age, they also enhance flexibility in some respects. Employees will be able to choose their own date of retirement within the age range of 62 to 68. If an individual is able to continue to work until the age of 63, the entitlement to the full employment pension which has been earned to that date will remain. Retirement at the age of 62 will entail a permanent 7.2% reduction in the old-age pension. The rate of accumulation of pension which is earned from employment between the ages of 63 and 68 will rise to 4.5% per annum, as against the standard figure of 1.5%. The amendments to pension legislation mean that the level of retirement pension may exceed the present limit of 60% of the wage or salary.

The amendments include some important changes in the rules governing the accumulation of pensions. The old-age pension will start to accumulate from the age of 18, and the obligation to pay pension contributions will commence at the same age. Under the present regulations, any employment before the age of 23 does not count towards a pension entitlement, despite the fact that even school children are required to pay pension contributions if they take a summer job.

One of the most controversial issues in the negotiations was the rule which is applied when the amount of the retirement pension is calculated. SAK, STTK and AKAVA differed on this issue. Pension payments are currently calculated on the basis of the last ten years of each job contract. While this rule benefits those employees who are in permanent jobs of long standing in which wages increase with age, it can discriminate against those who frequently change jobs. In the negotiations SAK insisted on the rule where the entire working life of an individual is taken into account when the amount of pension is calculated. On the other hand, STTK and AKAVA were in favour of the current practice.

As a compromise, both rules will be applied for at least 5 years. In the implementation of the amendment to the method for calculating pensions, all pension entitlements which have been earned prior to 1st January 2005 will remain subject to the law as it now stands. Those who take up employment for the first time in the year 2005, will receive a pension which has been calculated entirely on the basis of the new method of calculation. It should be borne in mind that amendments concern the private sector of the economy.

The public sector social partners will negotiate separately on the application of the outcome.

Obviously, the differing standpoints of the central trade union confederations reflect the differing characteristics and backgrounds of the employees they represent. Even though the agreement on the amendments is important for the development of the Finnish pension system, it is highly likely that the discussion of a proper pension system in Finland is not yet over. Finland is one of the EU countries which the so-called demographic shock will hit earlier than most other countries. This means that the pension system is bound to be a major topic on the agenda of economic policy discussion in the years that lie ahead.

4. WAGES AND PURCHASING POWER

In 2000 contract wages were based on industry-level negotiations. In the autumn of 1999 it was generally thought that industry-level negotiations would lead to wage increases which might be termed excessive. However, the outcome was well in line with the general policy of wage moderation. Average wages increased by 4.1%, and the contribution of negotiated wages was 2.8% (Table 2). Sectoral differences were fairly minor.

Table 2: Wages and purchasing power 1998-2002

	1998	1999	2000	2001	2002f
Average wages	3.5	2.8	4.1	4.5	3.4
- negotiated wages	2.7	1.8	2.8	3.3	2.5
- wage drift	0.8	1.0	1.3	1.2	0.9
Consumer prices	1.4	1.2	3.4	2.6	1.5
Real earnings	2.3	1.4	0.7	1.9	1.9
Real disposable income of households	3.7	3.4	3.3	2.9	2.2

Source: National Accounts and Index of Wages and Salary Earnings, Statistics, Finland.
The forecasts for 2002 are by the Labour Institute for Economic Research.

The acceleration of inflation came as an unpleasant surprise for wage-earners. Real wages increased by only 0.7%, because consumer prices rose by 3.4%. The main reason for the acceleration of inflation was the rise in the world market prices of crude oil, but the weakening of the euro and the rise in

housing prices and interest rates also served to boost inflation. During the bargaining round it was generally thought that the average rise in the Consumer Price Index in 2000 would be around 2%. It thus was not surprising that in the negotiations on the Incomes Policy Agreement for the years 2001-2002 the central trade union confederations insisted on having an Index Clause.

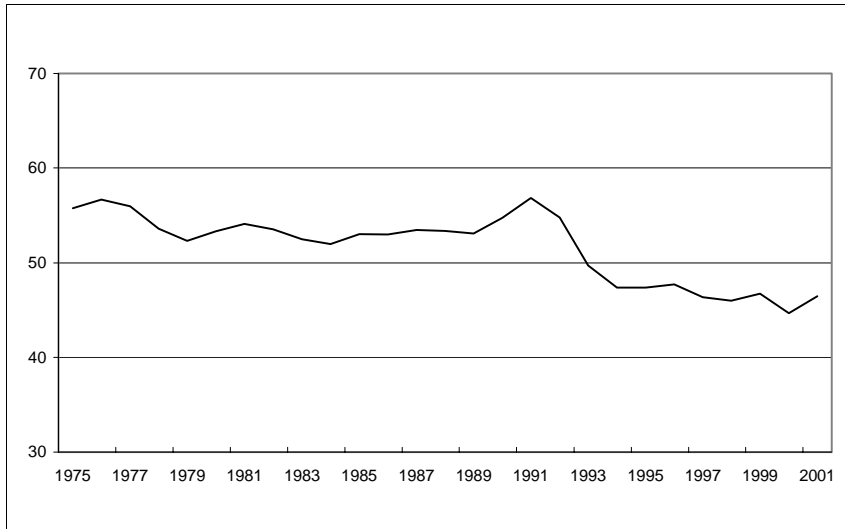
In 2001, pay increases were largely determined by the Incomes Policy Agreement. Average wages increased by 4.5%, 3.3% of which was due to negotiated wages. Although the average rise in the Consumer Price Index, 2.6%, was slightly higher than generally expected, it did not bring about the extra wage increases which were specified in the Index Clause.

Since the year 2001 was a year of recession, the average profitability of undertakings deteriorated. Labour productivity increased only slightly, by 1%. However, profitability has been exceptionally good in the past few years. One indication of this is the very low level of the labour share, i.e. the share of wages and salaries as a percentage of nominal GDP (Figure 1). It did increase last year, but the level remained low, and although exports declined, the performance of major exporting firms remained strong accordingly. This is one indication of the high level of labour productivity in the Finnish manufacturing industry.

Although labour productivity decreased by 1% in the manufacturing industry, the current level is high in international comparison. The 1990s can be characterised as a catching-up period during which labour productivity grew very rapidly in comparison with other developed countries. For example, the Finnish manufacturing industries caught up with and even overtook their counterparts in the US.

Bearing in mind that the 1990s can also be characterised as a period of wage moderation, a certain amount of extra tension has obviously been accumulating on the Finnish labour market over the past few years. Yet, in 2002 pay increases will largely be determined by the Incomes Policy Agreement. A consensus forecast for the average wage increase is slightly more than 3%, of which about 2.5 percentage points are due to negotiated wages. After a year of relatively rapid inflation, consumer prices are expected to rise by about 1.5%. If these forecasts prove to be accurate, real wages will rise by 2%.

Figure 1: Labour share in Finland 1975-2001



Source: National Accounts, Statistics, Finland.

Despite moderate pay increases and the deteriorating employment situation, the real disposable income of households is projected to rise by almost 2.5%, because, as a part of the general package, the government is implementing cuts in income taxes.

5. WORKING TIME

The reduction of working time has not been a major bargaining issue in Finland in the recent period. However, this does not mean that it has not been on the agenda at all. As mentioned earlier, in the Incomes Policy Agreement for 2001-2002 the partners agreed that the Saturday following Ascension Day is a paid holiday. Fulfilment of this demand will shorten average annual working time by 0.4%.

Rather than reductions of weekly working hours, the trade union objectives have included measures which would increase flexibility in working time arrangements. However, the reduction of weekly working hours has been an important objective in trade unions' target programmes. It would be

surprising if targets of this nature were not put forward when the agenda for the next bargaining round is being discussed in trade unions.

The above discussion of the reform of the pension system shows that, instead of shortening the average lifetime working hours, there has been and still is a strong pressure to extend them. It is highly likely that, as a result of the reform, the average career-long working hours will be extended unless counterbalancing measures are taken. The current situation certainly provides a challenge for the Finnish trade unions.

6. EUROPEANISATION OF COLLECTIVE BARGAINING

When it became evident that Finland would be joining the EMU, it was generally thought that, although the EMU might present a challenge to Finnish corporatism, it would not mean its end. Furthermore, the social partners have to cooperate in the adjustment to the EMU. The forms which cooperation will take have not yet been fixed.

The current status of cooperation is indicated by the Incomes Policy Agreement for 2001-2002, which contains a passage on the improvement of negotiation and agreement systems. The partners agree to launch a joint study on how the current system of negotiations and agreements can be improved as well as labour market policy as a whole. The fact that such a study is being launched illustrates that the parties are still a long way from defining and establishing potential new forms of cooperation and bargaining.

The use of wage-fixing norms will very probably be a special topic which will be analysed in the joint study. Traditionally Finnish trade unions, and SAK in particular, have used such norms in setting wage claims. In the current discussion employers' representatives have been sceptical about using such norms (see also Sauramo 2000, 2001).

7. GENDER ISSUES IN CURRENT COLLECTIVE BARGAINING

Gender has been taken into account in centrally negotiated incomes policy agreements by including special pay increases for sectors with a majority of female labour. As already mentioned, this kind of gender equality adjustment is also included in the Incomes Policy Agreement for 2001-2002, even though employers were, as expected, reluctant to accept it. In their view, gender equality adjustments increase wage costs excessively in sectors where there is no scope for additional wage increases.

Gender was also present in another way which is worthy of note. During the negotiations AKAVA set the improvement of the relative position of highly educated but relatively low-paid employees as its special target. This target is obviously gender-related, because highly educated and relatively low-paid employees are typically women on the Finnish labour market. AKAVA was unsuccessful in the negotiations, and, unlike SAK and STTK, did not sign the agreement.

8. OUTLOOK FOR 2002

Most of the current collective agreements are based on the centrally negotiated Incomes Policy Agreement for 2001-2002. Since they will expire at the end of January 2003, possibilities for a new centrally negotiated incomes policy agreement will be considered in the course of 2002. The most serious and official negotiations will take place during the latter half of the current year.

The Incomes Policy Agreement for 2001-2002 also includes a negotiation clause, according to which the contracting parties agree to resume negotiations in August 2002 with a view to reviewing the current and projected trends of the economy, and to assess the extent to which the aims of the agreement have been reached. On the basis of this kind of assessment, the partners will negotiate with one another, and with the government, on the measures needed. As was the case in the autumn of 2000, the autumn of 2002 will also be a critical period during which the nature of forthcoming collective agreements will be settled.

It is as yet (March 2002) too early to try to forecast the nature and outcome of the next bargaining round. One factor which may make negotiations more difficult than usual is the general economic situation. If the recovery of the international economy has not continued, this may lead to widely differing and opposing views on how the international economy and, consequently, the Finnish economy will develop.

The Finnish economy is currently undergoing recession, but this is solely due to the recession in the international economy. The average level of profitability and competitiveness of Finnish undertakings has been very high according to almost every standard, and not even the current slowdown in the economy has seriously damaged the generally good level of profitability. However, unemployment is rising and uncertainty dominates the prospects for the near future. Such circumstances are bound to weaken the bargaining power of trade unions.

The major target of the Finnish trade union movement has been to combat mass unemployment. This has been combined with moderate wage increases, which have been a major cause of the historically low labour share (Figure 1). The trade unions will be setting their wage claims in a situation where the fight to combat mass unemployment is continuing and, after many years of wage moderation, demands for a larger slice of national income are becoming more widespread.

The major question during the next negotiation round is whether the Incomes Policy Agreement for 2001-2002 will be followed by another centrally negotiated agreement or whether the next collective agreements will be based on industry-level negotiations. In the autumn of 2000 it was quite clear that there were good opportunities for achieving a centrally negotiated agreement. As for the next round, the situation is open.

In the tradition of tripartite cooperation it would be natural for a new centrally negotiated agreement to be signed in the autumn of this year. It is likely that, as was the case in the autumn of 2000, a serious attempt will be made to achieve such an agreement. However, it is too early to say whether that attempt is likely to be successful.

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France

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INTRODUCTION: AN EXCEPTIONAL PERIOD COMES TO A CLOSE

The year 2001 marks the end of an exceptional phase in French social and political life. Since June 1997, there has been a prolonged period of political cohabitation¹, with a multi-party government of the left (socialists, communists, ecologists) enjoying vigorous, lasting economic growth under a presidency of the right lacking the resources for action.

Over this period, unemployment – which had been an established feature in France for over twenty years – fell from 12% of the working population to 9%. But in 2001 growth was considerably slower and unemployment started to climb again. The approach of the days of political reckoning in the spring of 2002, when a verdict will be pronounced on the decisions of the previous presidency and parliament, is leaving its imprint on political and social life.

On the one hand, the past five years have seen major initiatives on the part of the government and the social partners in a country where the social situation has changed significantly in both content and form. On the other, reforms have been put on the back burner, some of them pending political change. At the start of 2002, their nature and scope and the decision-making process leading to those reforms are the focus of political debate.

The record of collective bargaining in 2001 has been profoundly marked by the decisions taken during this political and social experience. Nevertheless, there are certain specific aspects as a result of the turnaround in the current economic situation and the tactical games in the run-up to the political elections.

1. ECONOMIC REVERSAL AND POLITICAL DEADLINES

The downturn in the economy has affected the whole of 2001, even though France is still one of the leaders among the major European countries in terms of economic growth.

¹ The term “cohabitation” refers to the situation in which the posts of President of the Republic and Prime Minister are held by persons from rival political parties.

1.1. Weaker economic performance at the end of the legislative period

Instead of the predicted growth rate of 3%, in 2001 the country barely managed 2% (as opposed to 3% in 1999 and 3.6% in 2000). The rise in the number of people employed in the private sector continued, albeit at a slower rate. In 2001, 226,000 jobs were created, especially in the service sector (+243,000), compared with 500,000 in 2000 and 375,000 in 1999. According to the *Institut national de la statistique et des études économiques* (INSEE), the workforce in the non-agricultural market sector at the end of 2001 was 15.4 million, compared with under 14 million at the end of 1997. While there had been an almost constant fall in unemployment since July 1997, it started to rise again in May 2001. By the end of 2001 it had reached about 9.2%: according to ILO figures, there were over 2.4 million unemployed at a time when economic activity was at a low ebb, in other words an increase of more than 60,000 over its lowest level.

Table 1: Trends in paid employment and employment status in the private market sector

in thousands	End of 1997	End of 2001	
Industry	4,091	4,163	+1.8%
Building	1,137	1,267	+11.4%
Services	8,620	9,990	+15.9%
Total	13,848	15,419	+11.3%
Jobseekers at the end of the month	3,052	2,212	- 27.5%
Temporary jobs	400	640	

Sources: Insee *Informations rapides*, 14 March 2002, no. 84

Unedic www.unedic.fr

According to the body administering unemployment benefits (UNEDIC – *Union nationale pour l'emploi dans l'industrie et le commerce*), in the coming period a 2% growth threshold will be needed to create new jobs, whereas in very recent years slightly less was required. In addition, youth employment measures have now attained their maximum effect. For a time it had seemed that a prolonged fall of the level of unemployment might be imminent, but it has now returned as a constant issue in the social debate.

This reversal in the trend, at least over the short term, against a background of sound long-term economic and social performance, played an important role in 2001 in the strategies of political and social bodies in the run-up to the political milestones.

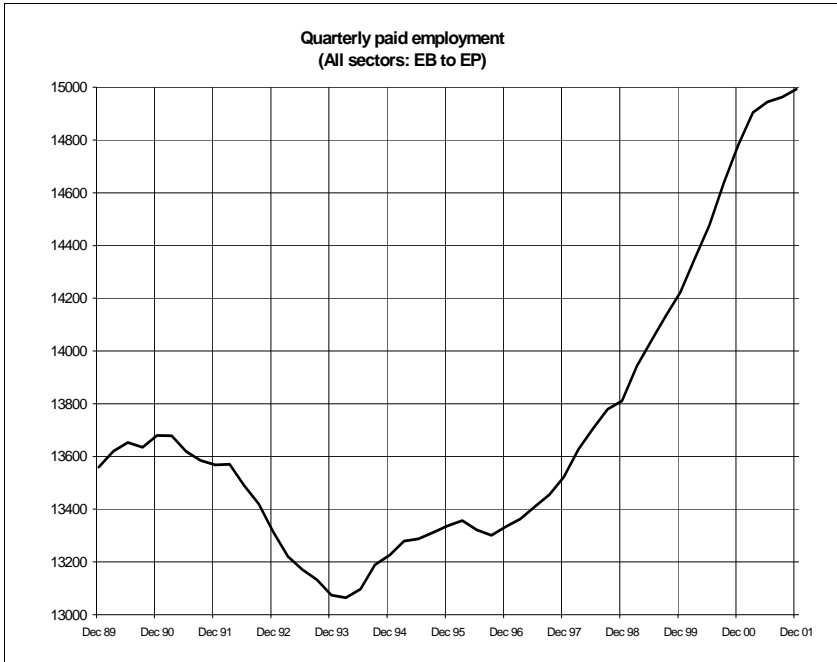
1.2. The economic implications, the political implications and the social actors

The outgoing government has introduced many new measures over the past five years, which have influenced the content of bargaining and its context (shorter working hours, youth employment, re-balancing of social accounts, various pieces of legislation). But a number of very sensitive issues are still unresolved, foremost among them the pension systems and their funding. In April/May 2002 the current President of the Republic (Chirac, on the right) will run against the present Prime Minister (Jospin, socialist) among other candidates, followed by the parliamentary elections in June. Many social issues are at the centre of the political debate: the health and pension systems, employment policies and labour costs, public-sector deficits and the role of public services. Projections of the level of economic activity occupy a vital place in the prospects for reform being advanced by the various candidates. But the highly sensitive nature of some of these² implies that the politicians are particularly concerned about trade union reactions to their proposals. The latter are aware of this and have for some time been gearing their strategies towards the election and its results. Because of this, the social debate – which had been fairly low-key in some of the previous election periods – is being stepped up as the electoral succession approaches.

A debate has also been launched on the respective responsibilities of the political bodies and trade unions in the social field. At the same time as they are administering projects that have been initiated for some time, the social partners have during 2001 been gearing up for a period that might entail a sharp break from former practices. The question of the bodies involved and their specific roles has become a central issue in the political debate.

² Proposed reforms in the pensions of public-sector workers had sparked off lengthy strikes in 1995 and no doubt were a forerunner to the electoral setbacks of the right in 1997. Even today, this experience casts its shadow on the debate and the plans of the political parties in this field.

Figure 1: Long-term trend in paid employment in the private sector in France



Source : DARES, ACEMO survey

2. SHORTER WORKING HOURS: THE LONG-TERM EFFECTS ON BARGAINING AND THE NEGOTIATORS

As in the three previous years, bargaining in 2001 above all reflected the laws of 1998 and 2000 reducing working hours in the private sector. It was also influenced by the specific conditions for implementing the reduction in working hours in the public sector.

2.1. Shorter working hours in the private sector

In theory, by the end of December 2001 every enterprise in the private sector employing more than twenty people should have implemented the reduction in working hours. As of that date, 69.4% of full-time employees in enterprises with a workforce of ten or over worked fewer than 36 hours a week

(compared with 56.3% one year earlier)³. The average working week overall stood at about 36.1 hours at the end of December, a reduction of -0.1% over the quarter and -1.5% over the year. Between the end of 1997 and end of 2001, the average working week for full-time employees in enterprises with a work force of ten or over fell by approximately 2.7 hours.

The impact of the shorter working hours on job creation is open to debate. According to the *Commissariat général du Plan*, the official body, the implementation of the laws has already led to the creation of 265,000 new jobs, which will rise to 500,000 once small firms become involved⁴. Its report states that although employees are in general very satisfied with the cut in working hours and its effects on their living conditions, they are more critical of its effects on their working conditions.

In the current stage the focus is on firms employing twenty people or fewer, which are required to introduce the reduction with effect from January 2002. There was a lively debate on the advisability of maintaining this obligation only a few months before the elections, which might lead to a review of previous legislation. In the end, the government decided to allow such firms, on a temporary and decreasing basis up to 2004, a quota of 180 additional hours per employee per year, as opposed to the 130 laid down under the common legal system. Having obtained this concession, some of the employers in these firms, coming together within the *Union des Professions de l'Artisanat* (UPA)⁵, argued for the statutory obligation to be maintained to prevent small employers becoming even less competitive in their efforts to attract workers on the labour market, due to their social practices. MEDEF and the *Confédération générale des petites et moyennes entreprises* (CG-PME), on the other hand, are strongly opposed to those measures.

³ DARES, *Résultats provisoires de l'enquête trimestrielle sur l'activité et les conditions d'emploi de la main d'œuvre au 4^{ème} trimestre 2001*.

⁴ *Commissariat général du Plan* (2001) *Réduction du temps de travail: les enseignements de l'observation*.

⁵ The *Union des Professions de l'Artisanat* is a federation of craft worker federations (in building, catering, the hotel trades, transport, services, etc.). It sits with employees' unions on negotiating bodies. On many subjects, it is in conflict with MEDEF, the main employers' organisation, without having the physical and human resources to press its views. For several years now it has been taking advantage of the contradictions within employers' associations to make itself known to both the unions and government, signing original agreements (see below).

In practice, the election results will be the deciding factor. In its platform, Jacques Chirac's party recommends not renegeing on the 35-hour week – which is highly popular among the people who benefit from it – but “increasing the activity of the French” by offering “the social partners a review of the 35-hour week and ... opening up a forum for social bargaining on any adjustments they would like to see. This relates in particular to the rate of payment for overtime and the procedures for recourse to overtime”⁶.

2.2. The reduction in working hours in the public sector

The collective bargaining launched early in 2001 between the government and representatives of government workers very quickly collapsed, mainly due to the government's refusal to recruit new workers in compensation. This would in any case have been fairly difficult, in view of the diversity of the jobs concerned, varying very widely in status and working conditions. Cutting hours of work for this personnel, therefore, has become a matter for each ministerial department to decide, based on a decree issued by the Ministry for the Civil Service stating that working time should be reduced to 1,600 hours a year, with certain derogations associated with the nature of the work (jobs worked under demanding conditions, night shifts, etc.). Certain agreements have ensued (in the Defence Ministry and the legal department, for non-teaching staff employed by the Education Ministry and hospital staff), as well as certain “non-conflictual non-agreements” where the Administration takes its own steps towards change after consultation with the unions; there have also been many clamorous disputes, some of them still unresolved. Nurses, teachers, finance officers, police officers, gendarmes and railway workers have taken industrial action in an effort to influence the decisions of their respective supervisory authorities. In the hospital sector, a promise to create over 45,000 jobs was not enough to pacify the disputes that broke out at the time of first implementing the agreements. It is still impossible to establish a precise overall review of the conditions laid down for each category of personnel.

Bargaining on shorter hours of work in the civil service has been conducted under a set of constraints: the State budget and its budget deficits, disparities between the pay and working conditions of civil servants, pension schemes to be reviewed at a later date, and the demographic pattern of staff in the individual civil service departments. In most of these, retirements at pensionable age on a massive scale are likely over the next few years,

⁶ *Rassemblement pour la République* (RPR) website.

affording public-sector employers hope of easier changes in the status and distribution of civil servants.

2.3. Funding of the reduction in working hours – compulsory levies

The funding of the shorter working hours has been a subject of conflict between the government, the opposition and the social partners. In January the Constitutional Council at first rejected measures funding the loss of revenue associated with the reduction in working hours by imposing heavier taxes on tobacco and pollution. The government then tried to make the social security funds contribute towards financing these concessions, arguing that a rise in employment would bring more money into their coffers, which might in return provide scope for helping to fund the measure. The social partners were unanimous in seeing things in a different light, arguing that the legislative measure should be funded out of the State's own budget. The employers perceived this in particular as an argument to deplore the meagre financial preparations for setting up the shorter working hours. Finally, in December 2001, the Constitutional Council decided along the lines argued by the social partners and against the government position.

More generally, throughout the three years preceding the implementation of the reduction, France enjoyed sustained growth and a high rate of job creation, in turn leading to higher social security contributions and a more abundant flow of tax revenue than expected. Much of the political debate focused on the level of compulsory taxation. Amounting to 45.6% of the GDP in 2001, it is among the highest in Europe and one of the highest thresholds on record in France, albeit more or less the same as in 1997.

3. TRENDS IN PAY, NOT JUST AS A RESULT OF CHANGES IN HOURS OF WORK

3.1. In the private sector

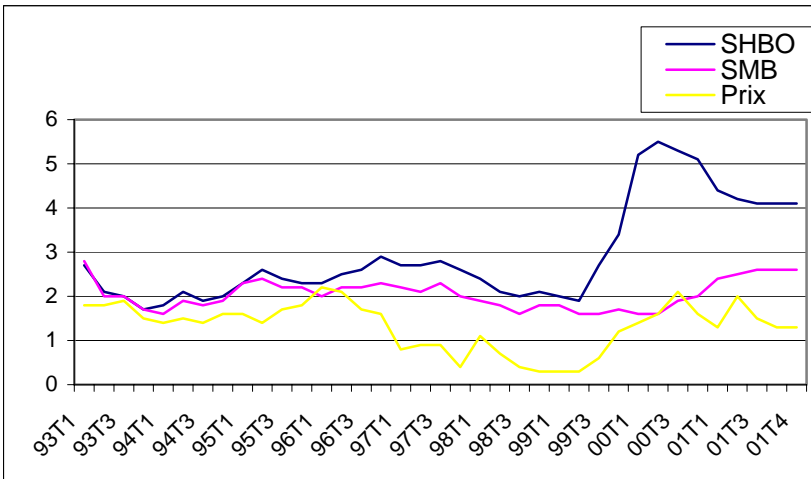
Shorter working hours, combined with the long-term improvement on the labour market and in economic activity, make it difficult to compare trends in pay. According to the Labour Ministry, pay bargaining, having taken a back seat to the bargaining on adjustments to working hours, started to become more vigorous again in the course of 2001. The reduction in working hours in many cases entailed pay measures (temporary or conditional pay freezes) concluded within enterprises. At the level of individual industries, agreements on working time are not normally concerned with pay. Pay bargaining there has become less common due to the general principle that the minimum wage

is maintained when working hours are reduced, and due to limitations in working hours not usually being compensated.

The overall statistical findings indicate that hourly rates have moved at a rate that cannot generally be explained by the shorter working hours. The basic hourly wage index for manual workers, for instance, rose by more than 4.1% over the year by the end of December 2001, and by 0.6% over the last quarter, with 0.1 point being due to the reduction in working hours. Over the same annual period, the basic monthly wage index for all employees rose by 2.6%.

In July 2001, the minimum hourly wage rose by 4.5% to 6.67 euros. The price index increased by 1.3% between December 2000 and December 2001. This was reflected in the incomes of the population in paid employment, essentially the reason for the relatively good performance of the French economy in 2001, as for several years before then. The rise in household purchasing power is supporting the still dynamic consumer trend, despite a falling off at the end of 2001.

Figure 2: Long-term trends in prices [*Prix*], the gross hourly earnings of manual workers [*SHBO*] and basic monthly pay of all workers in paid employment [*SMB*]. Annual divergence between wages and retail prices. [T = quarter].



Source: DARES, ACEMO survey

From graph 2, it is apparent that the trends in gross hourly wages and basic monthly pay ran more or less parallel once the laws on hours of work came into force in June 1998 and December 2000. The two curves diverged during the first phase of implementation of the law in enterprises with a work force of over 20. Once the main impact of these laws on enterprises employing more than 20 people was absorbed and before they were due to be implemented in enterprises having a work force of fewer than twenty in the course of 2002, the gap between the two curves was narrower. In the meantime, basic monthly pay came closer to the rate of inflation, while reductions in working hours were being negotiated in enterprises with a workforce of over 20, often accompanied by pay freezes, before diverging from inflation in the course of 2001.

Tax relief and tax breaks have been among the government's ways of supporting economic activity and employment. In particular it decided in 2001 to grant an "employment premium" for the lowest paid, a sort of negative tax demanded by employers, opposed by the CGT, the CGT-FO and the CFE-CGC but accepted by the CFDT and the CFTC.

3.2. In the public sector

As in 2000, there was no agreement on pay in the civil service in 2001. The bargaining was conducted on behalf of 5.2 million active and 4 million retired civil servants. Opening at the start of the year, it extended over several months, and was punctuated by a series of demonstrations, disputes and strikes. Finally, in April the Minister for the Civil Service took a unilateral decision to raise civil service pay by 1.2% in 2001 and 2002 (0.5% in May 2001 and March 2002, 0.7% in December 2001 and 2002). This unilateral measure has been strongly criticised by all the trade unions.

The State's inability to arrive at an agreement with the unions representing its employees has fed the controversy on its legislative interventionism in the private sector, especially among the employers' associations.

In July, the Minister for the Civil Service took the decision to have a white paper drafted on the social dialogue in the civil service.

3.3. Conflict with independent health professionals

Several groups of health professionals (nurses and doctors in particular) took militant action in 2001 and 2002, with work stoppages to demand an upgrading of their fees, i.e. those disbursed by the health insurance schemes to personnel not on a fixed salary. This is not strictly speaking, then, "pay bargaining". The government and the associations of employees and

employers were directly concerned, however, since together they jointly administer the health care funding agencies.

3.4. A return of conflict?

Strike movements returned to a level not experienced for several years. In 2000 the Ministry of Labour calculated that 41% more days' work were lost than in 1999, a year which itself had seen an increase in strike action. This rise in militancy has been stronger among public-sector workers than in the private sector, and in the latter group it is the large enterprises that were far more affected than the others. Pay disputes (33%) outnumbered disputes as to hours of work (29%) and working conditions (15%). Most of the disputes were conducted by groups of unions (35%), or by the CGT (29%), the CFDT (12%) or the CGT-FO (4%) alone, with 11% of disputes being conducted without union involvement.

Of the disputes, 68% were settled by partial or total acceptance of the claims, and 5% by the reopening of bargaining⁷.

4. RELATIONS BETWEEN SOCIAL PARTNERS

There was constant controversy over the past year on the respective roles of the State and the social partners in the formulation of social regulations. It flared up again at the end of the year, on the occasion of the passing of several legislative measures, and it is one of the major issues in the election campaign.

4.1. The long procession of laws on reductions in hours of work

From 1997 on MEDEF, the leading employers' association, mobilised against the government's resolve to legislate on working hours. Unsuccessful in halting the application of the 1998 law, on occasions contradicted by its members negotiating at local or branch level, it waged an ongoing offensive against the government during this legislative period. MEDEF accused the government of adding to the economic constraints on French production in the face of international competition, and of taking over the responsibilities of the social partners. It seized in particular on the shortcomings of the social welfare systems to press the urgent need for the reform in the sectors of health, pensions and protection against unemployment, these being fields where the State has special responsibility and where the government has remained cautious.

⁷ DARES, *Premières Synthèses*, February 2002 – N° 09.1

In 1999, MEDEF launched what it called the “*Refondation sociale*”, or a general overhaul of the system of labour relations, one of whose explicit aims was to offer more scope for action to employers’ organisations and trade unions. The latter accepted the proposals, even though they were conscious of the initiator’s underlying agenda.

Action was launched in eight fields. In four cases, this led to agreements signed by some of the representative employees’ unions (unemployment insurance, supplementary pensions in March⁸, health and safety at work, ways and means of collective bargaining), while no settlement was reached on the other four issues (health insurance, vocational training, equality at work and the role of middle management).

Table 2: Regulations and agreements signed in pursuance of the “*Refondation sociale*” action initiated by MEDEF

X =signatory	Unemployment insurance (autumn 2000)	Health and safety at work (September/ December 2000)	Supplementary pensions (February 2001)	Ways and means of collective bargaining (July 2001)
CFDT	X	X	X	X
CFTC	X	X	X	X
CFE-CGC	X	X		X
CGT				
CGT-FO			X	X

The agreements or joint positions are intended to be significant not just in content but in their very existence. For the parties concerned, the message is that they are resolved to continue to be the pivotal points for the formulation and development of social regulations. Along these lines, the joint position signed in July on the ways and means of collective bargaining adopts the wording of the Maastricht protocol on the involvement of social partners in the formulation of social regulations. This joint position, the most important of those signed under the “general overhaul” action launched by MEDEF

⁸ Before giving rise to signatures spread over February, the bargaining led to joint demonstrations by five central representative units in January. They were notably successful, indicating the continuing sensitivity of employees to the subject of pensions.

with the agreement on unemployment, does not adopt MEDEF's proposal to reverse the "logic of favour" in the formulation of social regulations. It is a document of major importance, which should be returned to after the elections when looking ahead to the discussions with the government on the representativeness of trade organisations. It opens up the prospect of the validation of agreements on the basis of the majority signatures of the unions in favour, to replace the existing basis, according to which each union recognised as being representative has the capacity to commit all employees.

For a genuine overhaul of labour relations to work, it would have been necessary for the parties to demonstrate their firm authority over their members. Faced with the grave challenges and major proposals for radical legal and institutional changes, however, MEDEF has not managed to federate its grassroots membership to a sufficient degree. It has showed its ability to organise substantial demonstrations by its members against government initiatives rather than drawing up projects for reform having the consensus of its members. The opposition in its own ranks may be muted but it is spirited. The bargaining opened on vocational training seems to have failed in October 2001 due to internal dissension within MEDEF⁹.

MEDEF has also appeared to be less able than before to provide undisputed leadership over the other employers' associations. In July, it walked out of some of the bodies for the joint management of social security. This was not to the liking of all its members, and it left the field clear for less powerful employers' associations, such as the *Union des Professions de l'Artisanat* (UPA), which had criticised MEDEF and failed to follow its lead in the bargaining on working hours. In the meanwhile, CG-PME disputed the share it had been left by MEDEF in the management of supplementary pension funds.

The trade unions had on the whole been grateful to the government for its laws on working hours after all the years when the government had blocked direct bargaining with employers on this issue. Over time, they had gradually become bitter towards a government that had often displayed little consideration for their interests. Over these five years, there was little consultation with them on new legislation or regulations. The government's plans to raid the funds of the social welfare agencies annoyed the organisations that were attached to principle of their joint management. And

⁹ Since then employees' organisations have jointly launched the idea of collective bargaining on vocational training.

yet MEDEF's demands as to "basic content" at the time of bargaining as part of the social overhaul action meant that it did not make loyal allies among the unions as to "method".

On the other hand, all the trade union confederations were willing in December 2001 to sign an agreement with the UPA designed to reinforce the social dialogue in small firms. MEDEF and CG-PME deplored this agreement, which called for funding by a levy of 0.15% of those firms' wage bills to provide the resources for the social dialogue, and they decided to take action against it in the courts.

4.2. The question of representativeness and the means of union action

The debate on union representativeness and on legislation covering the validation of collective agreements has continued. The government was contemplating legislative measures on the means of operation attributed to trade organisations, but this intention had no tangible outcome. The subject will probably be back on the agenda over coming months.

In December 2002 there will be elections for the industrial tribunals, joint bodies responsible for deciding on individual disputes. The employers' organisations and trade unions are responsible for presenting candidates at these elections. They will serve as a sounding board for the various organisations. The rate of participation, however, will be the main issue. At the last elections there was a very high abstention rate (65.5%).

Table 3: Results of elections over the long and short term

	1981	1997	1999
Rate of participation	69.6	65.8	65.3
CGT	32.0	20.4	21.5
CFDT	22.3	20.8	22.9
CFTC	2.9	5.1	5.8
CGT-FO	9.9	12.1	12.2
CFE-CGC	6.1	6.4	6.3
Other unions	4.1	5.9	5.6
Non-unionised	22.8	29.3	25.8

Source: MES-DARES

The results of the 1999 elections to works councils, which were known in the course of 2001, show a slight drop in the rate of participation. On the other hand, unions won back votes from non-union bodies.

In July 2001, the government proposed to employers' organisations and unions that a period of debate on "social democracy" be launched jointly. This initiative seemed to be an effort to bolster MEDEF's social overhaul scheme, then in a phase of decline. There was no practical outcome of the initiative, however. In September, the employers embarked on a period of face-to-face opposition to the majority and its draft legislation (see below, section 7). MEDEF even claimed, as from autumn, a "right of intervention" in the political and election debate then starting up. This posture, on the other hand, demonstrated the detachment of the various trade union organisations from party political issues.

5. THE EUROPEANISATION OF COLLECTIVE BARGAINING

As pointed out above, the unions and employers' organisations that have signed the text on the ways and means of collective bargaining have taken as a reference the principles embodied in the social protocol to the Maastricht Treaty, which in particular requires that the European recommendations should be embodied in French law after consultation with the social partners.

In the course of 2001, a series of Community directives was transposed into French law by decree. They relate to the protection of pregnant women, young people at work, safety at work, etc.

A law on equality at work for men and women has been passed, repealing the ban on night work for women, in accordance with the 1976 European directive.

This measure has been forcefully criticised by a section of the union rank and file.

6. THE FLEXIBILISATION OF WORKING CONDITIONS AND DECENTRALISATION OF COLLECTIVE BARGAINING

With the return of rising unemployment, there is less call for temporary work, highlighting the links between job creation and the greater precariousness of job status in the previous period. Temporary employment fell by 8.3% on 2001, according to UNEDIC. A drop between the end of February and the end of October, at a time when job prospects were lower, was followed by an upturn. By late 2001, three quarters of temporary jobs were blue-collar. The call for fixed-term contracts has been rising slowly over the long term: from

12.3% of total employment in 1997, they reached 13.9% at the end of 2001, in other words the same level as at the end of 2000¹⁰. Women are more affected than men (14.9% compared with 13%). There has been no change in part-time employment for women, which has remained stable at about 31% between 1997 and 2001, with part-time work for men also standing at a steady 5.4%.

The decentralisation of bargaining is not a very relevant issue for France. The question of relations between the law and bargaining is more of an issue. Nevertheless, the past few years have shown that legislative measures could give rise to a high level of collective bargaining activity at every possible level, from sectors of industry to intra-enterprise.

7. THE MAIN LEGISLATIVE MEASURES

For several years, a “social modernisation bill” had been before Parliament covering, among other points, the intervention of institutions representing employees in cases of collective dismissals. This bill was put forward after the redundancies in Michelin, which was then in sound economic health. The discussion, a burning issue within the multi-party left, continued throughout 2001, with the announcement of several strikes in companies both flourishing and in difficulties (Danone, Marks & Spencer, AOM, Philips, Moulinex, Bata). It was still raging when the left – and the Communist Party in particular – suffered severe setbacks in the local elections due to the defection of groups of working class voters. In June, Parliament voted on the bill for the first time, at a time when mass demonstrations by employees were being organised to protest against the collective redundancies. The law tightened up the prerequisites for access to dismissals on financial grounds, on conditions that MEDEF regarded as prejudicial to freedom of enterprise, which was why it distanced itself from the Government’s offer to discuss “social democratisation”. Trade unions tended to adopt a wait-and-see stance on this legislation, essentially criticising the way in which it was being formulated by the government. Shortly before the final adoption of the law, in December, MEDEF organised a virulent campaign against this government initiative.

A law on employee savings was finally enacted in February 2001. This facilitates the opening of an investment account for the work force of small firms in the form of inter-enterprise savings plans, as well as extending the

¹⁰ Eurostat, *Key employment indicators*.

period for which planned savings are immobilised from five to ten years. The law could be a small step towards a reform of pensions, but it has not been presented as such, to avoid opposition from within the government majority. In 2002, the subject of the administration of employee investment funds is being taken up by the union confederations, four of which are signing a charter on the issue (CFDT, CFTC, CFE-CGC, CGT).

A law on financial regulations (May 2001) has granted new rights to information for works councils in the case of public takeover bids and public exchange offers. It also provides for the publication of the remuneration paid to company agents and the granting of stock options.

A law on equality at work for men and women has lifted the ban on night shifts for women in accordance with the 1976 European directive. Lastly, in November 2001 a law was enacted against discrimination.

8. THE OUTLOOK FOR 2002

According to the journal, *Liaisons sociales*¹¹, “the social question will be the main issue in the presidential and parliamentary elections in the spring”. It is true that candidates will have to deal with several burning issues, and that rarely will an election campaign focus so closely on questions of domestic social policy.

Regarding the method of social dialogue and bargaining, in the five years of its life the multi-party government of the left has not provided all the guarantees that might have been expected not only by employers but above all by trade unions. The presidential candidate and the political parties are vying with each other in acclaiming the virtues of a social dialogue and the role of workers’ and employers’ organisations. Questions of method are of little concern to voters, but those standing for political power know that the reforms they will have to undertake will be a matter of great concern to the social partners, who will also have to commit themselves to what are likely to be difficult bargaining rounds.

Whoever the President and the parliamentary majority may be after the June elections, they will have to tackle matters of social protection, which are of major concern to the life of the country. Pension systems and procedures for access to retirement pensions will be the foremost of such matters. The

¹¹ *Liaisons Sociales*, 4 January 2002, p.17.

subject is so sensitive, and the events of December 1995 will be so vivid in the memory of the politicians, that at any event any government will have to bolster itself with guarantees as to the acceptability of its projects. Mr Chirac, first as President and then as a candidate, has criticised the government for its failings on the subject of the social dialogue, no doubt recalling that in 1995 his Prime Minister refused to use the word “bargaining” at a time when France was bogged down by strikes. The government has tried to initiate this consultation, with its appeal for a renewal of the social dialogue, but the legislative measures adopted at the end of its mandate have relied more on compromise within the parliamentary majority than on discussions with professional organisations. The unions will have no easy task, faced with their grassroots members, when the bargaining has to take place on the very unequal situations that have been established between the private sector and the public sector, where union membership is at its strongest.

Over the past five years, the persistence of a high level of unemployment has been rendered acceptable by the upturn in job creation: a good economic climate, a reduction in hours of work, incentives for consumption, youth employment measures and so on have combined to make the space and time more propitious. The professional organisations have had grist for their mills and there has been a substantial movement of bargaining. Organised around the reduction in working hours, it has markedly altered the working conditions of most employees and the immediate effects to which it has led have been perceived as beneficial.

Collective bargaining over the period to come seems to be less immediately favourable to the interests of workers/voters.

Translation from French by Lanna Castellano

Germany

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1. THE 2001 BARGAINING ROUND

Wage policy had little impact on collective bargaining in Germany in 2001, as the annual bargaining round was largely over before it even began - employers and unions in many sectors having already signed longer-term agreements in 2000 that included provisions for the year 2001 (cf. Bispinck 2001, WSI Collective Bargaining Report for 2000). Thus – usually modest – wage increases were “inherited” by the parties to the 2001 bargaining round. Although in most cases the unions managed to push through higher settlements, the increases recorded during the first six months of the year barely kept pace with inflation.

The collective bargaining scene in 2001 was thus characterised not so much by wage increases as by agreements on social conditions signed by unions and employer associations in the context of implementation of the statutory “Riester” pension scheme. The provisions of the law on capital accumulation for old-age meant that regulations had to be developed to enable employees to set aside some of their collectively agreed wages for subsequent old age pension provision. Many sectors of industry – large and small - as well as individual companies have now signed collective agreements on the new provisions for private or company pension schemes. However the actual arrangements contained in these agreements vary considerably.

One highly significant issue for the future of collective bargaining was – and still is – the controversy caused by the VW 5000 x 5000 Model. Volkswagen planned to develop an entirely new labour, production and wage model for the manufacture of its new mini-van in Germany, thereby creating up to 5,000 new jobs. IG Metall was forced to deal with this issue outside the VW company-wide collective agreement, but after long and heated negotiations it managed to ensure that the minimum standards collectively agreed for the metalworking industry in Lower Saxony were not undermined. Works councils were also guaranteed co-determination rights for staff evaluation and performance assessment, and Supervisory Boards also received expanded co-determination rights on important issues.

An important milestone in collective bargaining terms was the Collective Agreement on Training concluded by the IG Metall union following token strikes by some 200,000 employees in the metalworking industry in Baden-Württemberg. This provides, amongst other things, for regular staff development consultation on various issues including training needs, with employers meeting the cost of any training measures that are identified as being necessary. The agreement includes special provisions for poorly-qualified and older employees. A parity-based committee decides on any disputes at plant level, and a training agency funded by companies and unions provides training measures - mainly for small and medium-sized enterprises.

The trade unions also made considerable progress in their efforts to achieve a law on tendering requiring so-called collective bargaining declarations to be made when public contracts are awarded. In December of last year the Federal Cabinet approved the necessary draft bill.

Political and economic background

The agreements already reached during the 2000 bargaining round, combined with the fact that no wage negotiations took place in important sectors such as the metalworking and chemical industries and public services, meant that the 2001 bargaining round caused considerably fewer political ripples than the previous year. Neither were any public statements directly related to the bargaining round made by the national "Alliance for Jobs". Thus the Alliance's declaration of 4.3.2001 made no specific recommendations on wages policy¹, although it did stress that the "positive developments" on the labour market were partly due to an "employment-oriented collective bargaining policy" (Alliance 2001). This once again indirectly underpinned the employer's interpretation of the Alliance declaration of January 2000, which stated that a policy of wage restraint was an important precondition for any improvement in the employment situation. The autumn of 2001 saw renewed political debate on the right course for wages policy to take - aimed this time at the 2002 bargaining round.

¹ Topics such as further training, older employees, old-age provisions and eastward enlargement of the EU were dealt with instead.

The 2001 bargaining round initially took place in a favourable economic climate. The autumn of 2000 saw the various economic institutes and the Council of Economic Experts forecasting growth rates of between 2.5% and 3%. But from the start of the following year it became increasingly clear that the global economy was facing a much more serious slowdown than originally anticipated. By mid 2001 the experts had already reduced their growth expectations to well under 2%. At the same time, escalating inflation² indicated that distributional policy would be facing pressure from prices as well. It is a well-known fact that collective bargaining policy does not react directly to short-term economic change, and for this reason these developments were hardly reflected at all in the collective agreements signed during the first six months of the year. This applied to both possible reactions: economic slowdown did not have a dampening effect on agreed wage increases, and neither did the trade unions call for bigger wage rises as a result of the dramatic increase in prices.

Table 1: Key economic data 2000-2002 (% changes compared with previous year)

	2000	2001	2002
GDP	3.0	0.6	0.6
Labour productivity per worker	1.3	0.4	0.9
Cost of living	1.9	2.5	1.4
Pay rises	2.4	2.1	-
Gross pay bill per employee	1.6	1.8	2.1
Unit wage costs	-0.2	1.2	1.6
Unemployment as a %	9.6	9.4	9.5
Employment	1.6	0.2	-0.2

2001: provisional figures; 2002: forecast by Deutsches Institut für Wirtschaftsforschung (DIW)

Source: Statistisches Bundesamt, WSI Collective Bargaining Archive.

² Inflation in May 2001 was +3.5% above the figure for the previous year; for the first six months the figure was +2.8% and for the whole of 2001, +2.5%.

Demands and settlements

Trade union wage demands were roughly similar to those of the previous year. Thus the ver.di³ trade union called for increases of 5.5% in the three central sectors - banking, insurance and retail - in some cases in conjunction with structural elements. In addition, their list of demands included working time measures and pension arrangements in connection with the Federal Government's pension reform programme.

Table 2: Selected pay settlements for 2001

Date of deal	Sector	Increase in %	Duration
4/01	Main construction trades West (or Berlin-W.)	1.6	3/02
	East (or Berlin-E.)	1.4	3/02
4/01	Wholesale and foreign trade NRW	2.8	3/02
4/01	Retail trade NRW	2.7	3/02
4/6/7/12/01	Confectionery	2.5	3/5/6/11/02
5/01	Metalworking industry	2.1	2/02
5/01	Banks	2.8	4/02
6/01	Printing industry	2.5	3/02
6/01	Insurance	2.8	5/02
6/7/8/01	Chemicals West	2.0	2/3/4/02
7/01	Chemicals East	2.8	4/02
7/01	Agriculture Bavaria	2.0¹	12/02
9/01	Public services	2.4²	10/02
9/01	Textiles and clothing West	2.4	9/02
10/01	Iron and steel industry (excl. Saarland)	2.2	5/02

1) 2.1% from 5/02 (wages only)

Wage parity in East: 88.5% from 1/01, 90% from 1/02 to 12/02

Source: WSI Collective Bargaining Archive Situation as at 31.12.2001

³ ver.di was set up in Berlin on 19.3.2001. Registration in the Register of Associations on 3.7.2001 marked the start of its official existence. This report therefore refers to ver.di in some cases and in others to its predecessors.

Collective agreements in the private banking sector and parts of the retail sector expired at the end of March 2001, followed by the private insurance sector and the rest of the retail sector at the end of April. Agreements in many other smaller sectors also expired during this period. The first major settlement was reached by the newly-founded *Vereinte Dienstleistungsgewerkschaft* (ver.di) on 22.5. for the banking sector. In addition to a lump sum payment of 280 DM (for April), this included a wage increase of 2.8% for 12 months. There were also additional provisions covering semi-retirement schemes and maximum working times in connection with the introduction of the euro.

A week later, a similar settlement was reached for the insurance sector (200 DM plus 2.8%). Discussions for the retail sector took considerably longer, and it was 21.6. before a preliminary settlement was reached covering a wage increase of 2.7% for 12 months and an agreement on old-age pension provisions.

The bargaining round in 2001 was also affected by a dispute in which the DGB trade unions were not directly involved: the conflict between Lufthansa and the pilots association (*Vereinigung Cockpit*) about a pay increase resulted in a bitter labour dispute that ended in considerably higher increases than those successfully negotiated by ver.di for ground staff shortly before. Only a few months later, Lufthansa was again the subject of a collective bargaining dispute. In response to the commercial impact of the terror attack of the 11th Sept 2001 and in order to avoid compulsory redundancies, some of the collective agreements were extended and certain provisions suspended.

Assessment

From the point of view of the employers' associations, the results of the 2001 bargaining round were positive. Moderate wage agreements, as the Confederation of German Employers' Federations (BDA) stated in its six-monthly report for 2001, "contributed significantly towards creating new jobs and safeguarding existing employment levels" (BDA 2001). As in previous years, mainstream economic observers agreed. In the autumn reports of the research institutes and the Council of Economic Experts, wage restraint was singled out for praise. The Council was particularly positive about the fact that settlements made in the previous year had been adhered to despite high inflation (cf. a critical view of the impact of wage restraint on employment in DIW 2002). However the settlement reached with the Lufthansa pilots was criticised as a negative example, and it was noted "with concern" that "some trade union leaders" had announced "a wage offensive" for the coming year.

Announcements such as these indicate the ambivalent view taken by the trade unions of the last bargaining round. Immediately after the settlements, the opinion was that the outcome for 2001 was acceptable, if not ideal. But over the course of the year there was growing criticism of what had been achieved in recent years.

2. WAGES AND SALARIES

The year 2001 saw few new wage agreements for employees, as longer term wage agreements dating from 2000 were still in force in many sectors. All in all, the DGB trade unions signed wage settlements for a total of 5.7 million employees in Germany - 4.9 million in the western part of the country and 0.9 million in the new federal states. This is about a quarter of all employees subject to collective agreements. For a further 13.2 million employees, wage increases came into force that had been agreed in 2000 or earlier. And for 2.2 million employees, wage settlements expired in 2001 (or earlier), but no new agreements had been signed by the end of the year.

The average level of settlement was 3.0%, with no significant differences between western and eastern Germany, except in individual sectors. This figure includes all increases coming into force after 2001 but *not* lump sums and additional one-off payments. The range of average increases ran from 2.0% in the construction industry to 4.8% in the local authority and social insurance sector.

If one takes only those wage increases that came into force during the course of 2001, then the average increase for both western and eastern Germany was 2.7%. If this is broken down by sector for the whole of Germany, then wide variations emerge: at the bottom end of the scale is the construction industry with 2.0%, followed by the investment goods sector with 2.4%, and at the top of the scale, with 2.8%, are energy and water supply, mining, food and tobacco, banking/insurance and private services.

Table 3: Duration of pay settlements (in months)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
W	12.3	12.1	14.5	14.0	13.4	15.1	16.2	16.8	12.7	13.8	21.5	14.1
E										14.7	23.3	16.4

Source: WSI Collective Bargaining Archive Situation as at 31.12.2001

The average duration of these wage agreements is 14.5 months (2000: 21.8 months). For some 3.6 million employees (63.5%) the agreements run for one year, for 0.7 million (11.9%) for 24 months or longer, and the remainder (25%) are of varying duration. In the new federal states, the average duration is 16.4 months - somewhat longer than in the West (14.1 months). These averages are thus close to the figures for the 90s once again.

Table 4: Collectively agreed pay increases for 2001¹

Sector	East	West	Total
	%	%	%
Horticulture, agriculture and forestry	1.8	1.8	1.8
Energy and water supply, mining	1.8	1.1	1.3
Raw materials and capital goods	1.9	1.8	1.8
Investment goods	1.6	1.9	1.8
Consumer goods	3.1	2.3	2.4
Food and tobacco industry	2.9	2.7	2.7
Construction trade	1.1	1.8	1.6
Wholesale and retail trade	2.7	2.8	2.8
Transport and communications	1.5	1.8	1.7
Banking and insurance	3.2	3.2	3.2
Private services, non-profit organisations	2.3	2.0	2.1
Local authorities and social security	3.3	1.4	1.8
Entire economy	2.3	2.1	2.1

¹ Annual increase in basic collectively agreed pay for 2001 as compared with 2000.

Source: WSI Collective Bargaining Archive Situation as of: 31.12.2001

Unlike the process of calculating the average wage settlement, calculation of the increase in basic pay for the calendar year takes into account the impact of the (often varied) timing and duration of wage settlements, as well as any lump sum payments made to compensate for delays in provisions coming into effect. Calculated on this basis, the wage increase for the calendar year 2001 compared with 2000 was 2.1% for the whole of Germany. The highest figure - 3.2% - was in the banking/insurance sector, and the lowest - 1.3% - was in energy, water and mining. Differences between the two parts of Germany

were minimal: the average for western Germany was 2.1% and for eastern Germany 2.3%. In 2000 the annual increase had been 2.4% (West) and 2.3% (East).

The situation regarding wage parity between eastern and western Germany can be assessed initially on the basis of the development of collectively agreed *basic* wages. A review of 40 selected sectors covering some 2.4 million employees reveals that on 31.12.2001⁴, an average figure of 92.3% of western wage levels had been reached in the East. The following table shows that over recent years the pace of adjustment has slowed dramatically. The extent to which collective agreed regulations on wages are actually adhered to has not been included in this calculation.

Table 5: Comparative pay levels East/West

1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
60	73	80	84	86	88.7	89.8	90.8	91.5	91.9	92.3

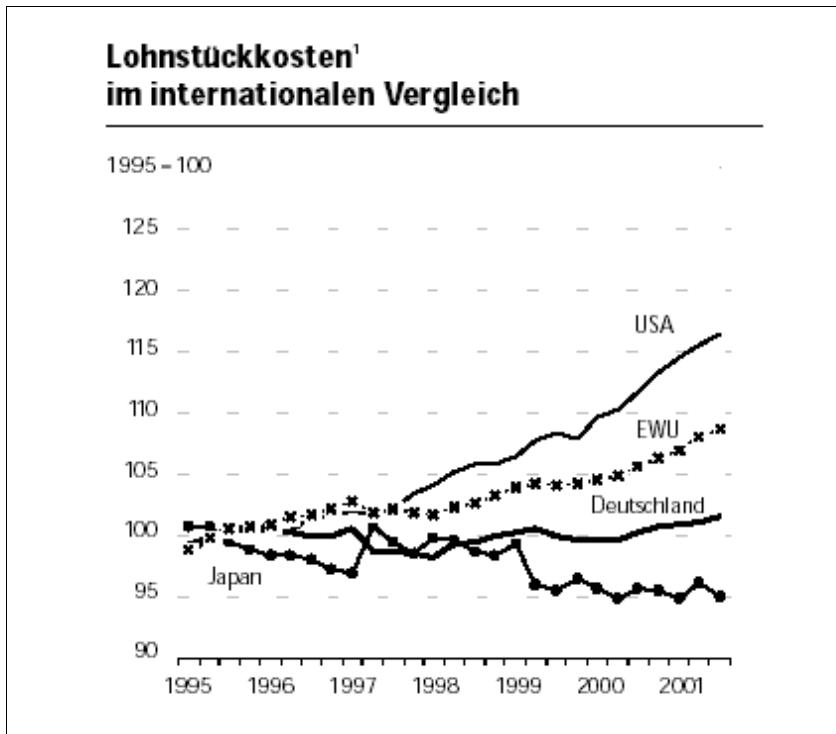
Source: BMA Collective Bargaining Register, WSI Collective Bargaining Archive Situation as of 31.12.2001

The average annual wage increase of 2.1% for Germany as a whole in 2001 by no means matches the potential scope for a wage increase resulting from inflation (2.5 %) and increased productivity (+1.3% per hour worked). This is true even if the temporary increase in oil prices is removed from the equation. In many areas the annual wage increase last year did not even compensate for the 2.5% increase in the cost of living.

If one looks at the development of real earnings in Germany as a whole, the following picture emerges (cf. Statistisches Bundesamt 2002): gross wages and salaries rose 2.16% in 2001. The increase per employed person was 1.8%. Net wages and salaries increased by 3.2%. This higher rise in net incomes is mainly due to the impact of tax reforms and the reduction in pension contributions.

⁴ The fact has to be taken into account that in some sectors wages and salaries do not show the same level of adjustment.

Figure 1: An international comparison of unit labour costs



¹ Gross income from employment in relation to real GDP, seasonally adjusted
Source: DIW Weekly Report 1-2/2002

An international comparison of unit labour cost trends reveals the full impact of the wage restraint of recent years. According to DIW calculations, unit labour costs in Germany have remained more or less constant since 1995, while rising significantly in many other EU countries (incl. France, Britain, Italy, Spain, the Netherlands), and even more markedly in the USA. (cf. diagram).

3. WORKING TIME

When it comes to collectively agreed **weekly working time**, figures remained unchanged, as in recent years. Only a few sectors saw agreement on a phased shortening of the working week – for example at *Deutsche Telekom*, in some

parts of the automotive and wholesale sectors in eastern Germany, in the cinema sector, the building cleaning trade and parts of the food industry in the East. However, this had virtually no impact on average figures: collectively agreed working time across the whole of industry at the end of 2001 averaged 37.7 hours in Germany as a whole (West: 37.4 and East: 39.1 hours) (cf. the following table).

Table 6: Collectively agreed working time in 2001

Collectively agreed provision	East	West	Total
Weekly working time (hours)	39.1	37.4	37.7
<i>Percentage of workers with:</i>			
35	0.3	22.5	18.7
36 – 37	5.5	12.2	11.1
37,5 - 38,5	31.0	47.5	44.6
39 - 40 and more hours.	63.1	17.6	25.5
Days off	1.3	2.0	1.8
Holiday (working days) ¹	28.4	29.3	29.1
Annual working time (hours)	1,724.2	1,641.9	1,656.3

¹ Average holiday entitlement

Source: WSI Collective Bargaining Archive Situation as at 31.12.2001

At the end of 2001 some 3.2 million employees in Germany were subject to working time reductions of **1.8 days** on average. The average collectively agreed holiday entitlement remained largely unchanged at 29.1 days (West: 29.3 and East: 28.4).

If one uses these figure in combination with other individual elements to calculate collectively agreed **annual working time**, then the German average is 1,656.3 hours (West Germany: 1,641.9 hours and East Germany: 1,724.2 hours).

Table 7: Collectively agreed weekly and annual working times from 1991-2001 (in hours.)

		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Week	West	38.1	38.1	37.7	37.7	37.5	37.5	37.5	37.4	37.4	37.4	37.4
	East	40.2	40.1	40.0	39.7	39.5	39.4	39.4	39.4	39.2	39.1	39.1
Year	West	1676.0	1672.9	1659.8	1655.9	1651.9	1645.1	1644.4	1643.2	1642.8	1642.5	1641.9
	East								1735.5	1729.9	1727.7	1724.2

Situation as at: 31.12. of each year.

Source: WSI Collective Bargaining Archive Situation as at 31.12.2001

4. OTHER COLLECTIVE BARGAINING ISSUES

4.1. Collectively-agreed pension provision

The central element in the pension reforms introduced by the red/green government coalition last year was a strengthening of the role of private pension provisions. A special law on private pensions – the *Altersvermögensgesetz* (AVmG) – was passed. In addition to the statutory pension scheme, the level of which is to be lowered over the next years, employees are expected to contribute to their own, private pension fund, with various different options and ways of receiving support. Inasmuch as the scope for deferred compensation schemes is used to develop this additional pension cover, the so-called principle of collective-bargaining priority applies. The law lays down that deferred payment of *collectively agreed wages* for pension purposes is only possible if this is provided for in a collective agreement. For this reason, the trade unions last year concluded a large number of collective agreements related to this regulation. A study of these reveals that almost all of them focus on the following points:

(1) Regulation of the right to deferred compensation

Many of the agreements establish a right to deferred compensation of up to 4% of the threshold income for the statutory pension scheme. In western Germany this is €2,160 in 2002, and the figure for eastern Germany is €1,800. This right is also laid down in the Law on Improvement of Company Pension Provisions (*Gesetz zur Verbesserung der betrieblichen Altersversorgung*, BetrVAG), though in some agreements it is limited by the level of the income elements qualifying for deferral. In some cases, voluntary plant agreements make deferral over and above the 4% limit possible.

(2) Definition of deferrable income elements

In most cases, capital formation contributions are included in income elements that may be included in the deferred compensation scheme. Other one-off payments such as, for example, annual special payments, holiday money and sometimes also regular collectively agreed pay (as a one-off sum) are also often included. In individual cases, certain pay elements are only included on the basis of voluntary plant agreements or others are expressly excluded.

(3) Agreement on possible (additional) employer contributions.

Agreements on employer contributions take various different forms and do not necessarily take the form of *additional* payments. A typical arrangement is a payment by the employer that *replaces* the existing capital formation scheme – in some cases increased by an additional amount. In other cases, an additional employer contribution is based on the savings made in social insurance contributions – for example 10% of the deferred payment. In many cases no (additional) employer contribution has been agreed.

(4) Regulations on methods of implementing collectively-agreed old-age provisions

According to the BetrVAG / AvmG, a number of different methods of implementing the arrangements for deferred compensation/company old-age provisions are possible. The agreements usually allow for various different approaches, with the choice being left up to the employer – although in some cases the agreement of the employees is also required. In many cases, employers are obliged to offer at least one option that would qualify for support under the provisions of the AVmG (“Riester pension”). In some cases, the two sides have also agreed on a particular method of implementation and a particular institution for the old-age provisions.

(5) Sectoral solutions

In some sectors, the collective bargaining parties have set up sectoral pension schemes offering special arrangements for accruing pension rights; these include the supplementary schemes that have been in existence for several years - for example in the construction sector - as well as the newly-approved pension funds.

4.2. Volkswagen 5000 x 5000 project

Discussion of collective bargaining policy last year was dominated by the controversy caused by the VW 5000 x 5000 project. This goes back to late November 1999, when the personnel director of Volkswagen AG, Peter

Hartz, presented a plan entitled “Benchmarking Production 5000 x 5000”. According to this model, an additional 3,500 jobs were to be created for production of a new mini-van based on the Golf platform in Wolfsburg, followed by a further 1,500 at the special vehicle plant in Hanover. Wages for these 5,000 jobs were to be fixed at a uniform 5,000 DM per month, including all bonuses (hence the title “5000 x 5000”). This fixed wage would be paid irrespective of the actual working time, provided a set production programme was adhered to (so-called “programme pay”). Working time was to be unregulated and would vary flexibly from an average of 48 hours per six-day week to a maximum of 60 hours - thus using the full scope offered by existing working time legislation. Employees were to receive comprehensive training and be assigned a broad range of tasks on a team basis. The 5000 x 5000 pilot project was to be limited to a period of three years.

IG Metall’s response was an ambivalent one. On the one hand this proposal offered a potentially interesting approach to safeguarding - and even expanding - production in Germany. On the other hand, the model contained extremely problematic regulations on working conditions and pay. VW’s idea was that the new company to be set up - Auto 5000 GmbH - would be based on a collective agreement that deviated significantly from the existing VW company agreement. It was perfectly possible that this would have a knock-on effect on existing agreements.

In February 2000, following a heated internal debate, the trade union declared its readiness in principle to conclude a collective agreement on the VW project, but at the same time rejected the idea of unregulated working hours, a 48-hour week and “programme pay” as “unacceptable”. In the spring of 2001 the company informed IG Metall in detail about the current planning status of the project. Once again the three bones of contention - programme pay, working time and wage levels - emerged very clearly. IG Metall’s criticism of programme pay was that the entire risk related to production was being transferred to employees in the form of longer, unpaid working hours. Pay was to consist of a basic wage of DM 4,500 plus a monthly bonus of DM 500. But with weekly working hours of 48 hours or more, IG Metall calculated that this represented underpayment compared with the current collective agreement for the metalworking industry in Lower Saxony.

A period of hard and bitter negotiation followed, ending in failure in June 2001. However, following political intervention by Federal Chancellor Gerhard Schröder, negotiations restarted and agreement was finally reached at the end of August. The main points were as follows:

The so-called **Project Collective Agreement** for Auto5000 GmbH covers working hours, wages, general working conditions and staff and performance evaluation. The plan is to employ 3,500 unemployed persons. “Value added” regular working time will average 35 hours per week over the year, with a maximum working week of 42 hours. A three-shift system based on the working time model at the new BMW plant in Leipzig will be operated, and this also contains the possibility of operating a Saturday early shift and a start-up shift between Sunday and Monday. A maximum of 10 additional Saturday shifts per year can also be worked by each employee. The difference between this arrangement and the agreed 35-hour week will be compensated for over the year in the form of time-off in lieu. If full compensation has not been achieved by the end of the first three months of the following year, the accrued sum will be paid out, together with a 25% bonus. If the required unit output and quality are not achieved, employees will be obliged to undertake night work beyond the end of their shift. If the company is responsible for night work becoming necessary, the additional hours worked will be paid. Any conflicts must be settled by the parties within a period of one week.

During the first six months of their training and work contract, employees will receive a wage of DM 4,000 per month, rising thereafter to DM 4,500. In addition to this, an annual bonus of at least DM 6,000 will be paid. This will ensure that at least the wage level for the metalworking industry in Lower Saxony is reached. In addition to this, a personal performance bonus and a profit-sharing bonus can be paid. The performance bonus will be paid when a positive end-of-year balance is achieved by the company, and the profit-sharing bonus will only be payable when a certain net operating margin is reached. Details will be regulated on a plant basis.

Two annexes to the Project Collective Agreement deal with the question of work organisation and performance and staff evaluation. In the case of work organisation, the aim is to offer employees varied and integrated work based on flat hierarchies and teamwork. Employees, teams and/or the works council will have a right to put forward proposals and lodge objections over questions of work organisation. Performance will be agreed between management and works council in the form of a programme based on unit output and quality. Manpower deployment will also be agreed between the two parties, with the involvement of the team. In addition to business-related criteria, ergonomic requirements have to be met. Here, too, a right to lodge complaints can be invoked by the company, the employees concerned or the works council if they think unreasonable demands have been made.

The **Collective Agreement on Training** lays down the basic principles and individual phases of training. After staff has been selected, the labour administration organises training aimed at providing a “basic preparation for industry”. Employees have a short-term training and work contract for an initial six-month period, during which time they are expected to acquire the basic “automotive skills” required for working in series production. Even when the employee has moved on to a permanent contract, an average of three hours training per week continues. 1.5 hours are paid by the company and the remainder of the time has to be invested by the employee. Employees have a right to an individual development and training plan and, if they obtain the necessary results, receive a certificate as “skilled automotive workers”. Details are regulated at plant level in a “Training Charter”.

The **Collective Agreement on Co-determination** regulates the size and (parity based) composition of the Supervisory Board of Auto5000 GmbH. The approval of at least two-thirds of its members is required for certain measures, so that workforce representatives effectively have extended co-determination rights. Measures to which this applies included the creation and transfer of branches, the setting up/closure of joint ventures and the acquisition/sale of shares in other companies. The co-determination rights for the works council contained in the Project Agreement and the Collective Agreement on Training are also explicitly confirmed.

The 5000 x 5000 project is designed initially to run for three and a half years, and parties to the agreement have undertaken to start negotiations on a continuation of the project by October 2005 at the latest and to reach agreement by the end of that year. The outcome of the negotiations was welcomed by virtually all parties involved, although assessments varied considerably. The head of the VW negotiating team, Fidelis Senn, stressed that cost savings of over 20% had been achieved compared with the VW company agreement. Moreover, Saturday had been included as an ordinary working day without any bonuses, and the door had been opened for “programme pay”. The employers welcomed above all the greater degree of flexibility and the profit-related pay elements.

The reaction of the board of IG Metall stressed the fact that this collective agreement linked the securing of recognised minimum standards with a new approach to regulation. “In particular, progressive elements that have for many years featured among the objectives of IG Metall have been incorporated for the first time in a collective agreement. These include

regulations on work organisation, staff evaluation and co-determination.” (IG Metall Board 2001).

4.3. Agreement on training in the metalworking industry in Baden-Württemberg

Initial and further training were also an important topic of discussion last year. The general consensus on the importance of “lifelong learning”, in particular in order to cope with rapid structural and technological change, was reflected in the Alliance for Jobs. In March of last year, members of the Alliance agreed on a training campaign that included company-based further training activities on the part of the collective bargaining parties. “The collective bargaining parties shall agree on a framework for further training according to the principle of lifelong learning. Investment of time in training is a new task for working time policy. The collective bargaining parties, by using long-term time credit systems and other measures, shall ensure that, when time credits are used for further training, working time is also invested.” (Alliance for Jobs 2001).

At the start of the year, IG Metall chairman Klaus Zwickel had already announced that he wished to incorporate the right to further training into his collective bargaining policy. What the IG Metall was looking for, according to Zwickel, was a statutory right to paid training leave, with employers meeting the costs, and a framework for regulating the content, objectives and forms of further training. IG Metall, according to Zwickel, was concerned to use national collective agreements on initial and further training to create a framework for company arrangements. The resistance that these demands met with amongst employers (in the metalworking industry) demonstrated just how difficult the route from verbal agreement to actual implementation can be.

The first concrete attempt to tackle this issue was made in the metalworking industry in Baden-Württemberg. This formed part of a broader concept of “good work” that incorporated various elements related to participation, work organisation, performance and training (cf. Huber/Hofmann 2001).

IG Metall in Baden-Württemberg called for a collective agreement on training and participation that included the following points:

- a right of complaint in the case of excessive performance demands
- improved protection of employees with limited deployability

- a right to conclude a training agreement to identify training needs and training measures
- a right to training of up to three months for employees over 40 and 50
- a right to training after seven years of restrictive working conditions
- training programmes for employees without any vocational qualifications
- a right to release or temporary part-time working in order to pursue personal further training interests

After several rounds of negotiation and stoppages involving a total of some 200,000 employees, the parties signed a “Collective Agreement on Training” on 19.6.2001 that encompasses the following regulations:

Company further training

- Employees have a right to regular consultation with their employer to identify training needs and agree on necessary training measures. Unless alternative arrangements are made, consultation should take place on an annual basis.
- If agreement cannot be reached, an internal mechanism for solving the conflict is provided for. In companies with more than 300 employees, a parity-based committee is responsible, while in smaller companies the employer and works council are directly responsible.
- The basic knowledge of older employees is taken into account in order to ensure that his/her qualifications are maintained at an appropriate level for the tasks he/she faces.
- Special programmes for training unskilled and semi-skilled workers are to be agreed according to needs and feasibility.
- Inasmuch as the costs of training measures are not covered by third parties, they are the responsibility of the employer.

Personal further training

- After five years in a company, employees have the right to a one-off period of up to three years’ leave of absence for further training purposes with a guarantee of re-employment.
- Full-time employees may also claim a temporary part-time job for the purpose of further training.

- The notice required for applications for leave of absence ranges from six months to a year, and training measures can be of three months' or up to three years' duration

Further training agency

- The collective bargaining parties will create a joint agency for the promotion of vocational further training. Amongst other things, the task of the agency will be to advise the company and works councils, publish or develop models of company further training, develop quality standards and certify further training institutions and measures. In addition, it should improve the flow of information and general transparency of vocational training provisions outside companies and develop further training measures for unskilled and semi-skilled employees, older employees and employees returning to work after a career break.

4.4. Law on Adherence to Collective Agreements

The trade unions have been demanding for years that adherence to the relevant collective agreements should be made a condition for the awarding of public contracts. So-called "Declarations of Adherence to Collective Agreements" by the contracting parties should prevent a situation arising whereby wage dumping is rewarded by contracts going to the lowest bidder. Up till now, such regulations have existed in various different forms in individual federal states such as Berlin, Bavaria, Saarland and Saxony-Anhalt. However, a recent judgement of the Federal Court of Justice went against the Berlin "Declaration of Adherence" and the case has been referred to the Federal Constitutional Court.

Back in December 2000, Bavaria had launched a campaign in the *Bundesrat* aimed at achieving nation-wide regulation of this issue. In April 2001 the state government of North-Rhine Westphalia tabled a law on the subject in the *Bundesrat*, and in July the heads of the two government coalition parties expressed their support for the *Bundesrat* initiative.

At federal level, Chancellor Schröder acceded to the demand of the two parties in the construction industry to set up a working party on the issue of a "Law on the Granting of Public Contracts/Declaration of Adherence". The goal of the working party, which included representatives of the Federal Ministry of Economics, Labour and Transport, the employers and trade unions, was to find a solution that conformed to the requirements of the Constitution. The group presented its report in early September.

On 12.12.2001, the Federal Cabinet approved a **draft bill** for a Law on Adherence to Collective Agreements that contained the following essential elements (Tariftrueugesetz 2001):

- Contracts for public construction projects and local public transport services may only be awarded to companies that sign a written undertaking to pay their employees a wage that is no lower than the going rate at the place of delivery and to require the same of their subcontractors
- This applies to contracts above an estimated value of €50,000.
- The companies are required to scrutinise tenders from subcontractors to ensure that these have been calculated on the basis of the relevant collective agreements
- In the case of each culpable infringement, companies have to pay a fine of 1% of the value of the contract. In the case of substantial infringements due to gross negligence, the contract can be terminated without notice and the company concerned excluded from tendering for public contracts for up to three years.
- Every four years (starting in 2006) the Federal Government will present a report on the functioning and effects of the law.
- A register will be set up of “unreliable companies” that have been excluded from tendering for public contracts.

The trade unions declared their support in principle for the draft bill, but called for certain aspects of it to be improved. Industry and employers’ associations declared their general opposition to any sort of regulation of adherence to collective agreements on the grounds that this would be anti-competitive and unconstitutional. Certain federal states in eastern Germany feared that the law would disadvantage construction firms in that part of the country. There was also considerable last-minute resistance from the Green parliamentary group, which expressed doubts based on financial and budgetary considerations. To what extent this would lead to further changes in the draft bill was not clear when the present report went to press.

5. THE 2002 BARGAINING ROUND

As already mentioned, the 2002 bargaining round dominated the headlines from mid-2001 onwards. Disappointed with current bargaining results in terms of redistribution of wealth, trade union members quickly pinned their hopes on the next round. But the slow-down in the global economy brought

poor growth figures in Germany and a deterioration in the employment situation and it soon became clear that the unions would not find it so easy to turn their backs on what they regarded as unnecessary wage restraint. The employers, for their part, were confident that the policy of restraint they perceived the Alliance for Jobs to have adopted in Jan 2000 could be maintained. The trade unions remain sceptical. The more the employers, institutes and politicians stressed the need for continued restraint, the more critical the trade unions became. As DGB chairman Dieter Schulte put it, the **concessions** they had made with their wages policy in a bid to trigger positive developments on the labour market had not **paid off**. Faced with only modest growth in pay against a background of a significant rise in living costs, the trade unions announced early on that they were going to table hefty demands for the year to come. A top-level meeting of the “Alliance for Jobs” on 25.1.2002 failed to reach agreement on a joint declaration on collective bargaining policy.

Following the terror attack of 11th Sept 2001 and the additional insecurity this triggered regarding development of the global economy, the trade unions started to think in terms of a two-phase bargaining round for 2002. IG Metall chairman Klaus Zwickel suggested an agreement should be signed for a period of a few months only, to be followed by a second bargaining round once the economic situation had become clearer. However, this proposal met with considerable criticism from his own ranks and he subsequently withdrew it. In Jan 2002 the regional collective bargaining committees agreed to **call for wage increases of up to 6.5%** and the introduction of uniform agreements for blue and white-collar workers⁵. The following table provides an overview of the demands made in other sectors of industry.

⁵ Up till now the metalworking industry has had pay agreements for blue and white-collar workers containing separate wage/salary scales. The uniform system demanded for years by IG Metall is intended, amongst other things, to lead to a higher status for certain skilled jobs. In principle, employers and trade unions in the sector agree that reform is necessary. Where they differ is over the level of the new scales, allocation of the costs and the timetable for introducing any new system.

Table 8: Collective bargaining demands in 2002

Sector	Wage/salary	Further demands
Banks	6.5 %*	Measures to secure employment
Main construction trades	4.5 %	Shorter annual working time (basis 37-hour week)
Chemical industry	5.5 %. Pay adjustment East/West	Profit-sharing
Deutsche Post AG	6.5 %	Christmas bonus raised to 100 %
Printing industry	6.5 %	
Retail industry NRW	Immediate: 50 € rise, plus 3.7 %	
Wholesale and foreign trade NRW	6.5 %*	Holiday bonus, Christmas bonus raised to 100 %
Wood-processing industry	5.5 %	
Automotive industry NRW	5.5 %	
Metalworking industry	6.5 %*	Uniform pay structures for blue- and white- collar workers
Paper processing	6.5 %	
Insurance	6.5 %*	Agreement on training and old-age provisions

* Total demand

Source: WSI Collective Bargaining Archive. Situation as at: March 2002

The **calendar for termination of collective agreements** provides a rough timetable. Wage agreements for the metalworking industry and certain regions within the chemical industry come up for renewal at the end of February, followed by the main construction industry, the printing industry and parts of the retail and wholesale sectors at the end of March. Banks come at the end of April and the insurance sector at the end of May. Public sector agreements run out only at the end of October, with the result that bargaining will start only after the elections to the German *Bundestag* have taken place in September 2002.

Translation from German by Hugh Keith

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Greece

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1. GENERAL BACKGROUND INFORMATION

During the second half of 2000 and throughout 2001 Greece continued to improve its performance in terms of basic macro-economic aggregates and to implement the Stability and Development Programme, in spite of the unfavourable conditions prevailing in the international economic environment after the terrorist attack on New York. The pace of GDP growth thus continued to accelerate, overtaking the average rate of the euro-zone countries: in 2000 it reached 4.1% (Bank of Greece 2001: 26) and a similar rate was estimated for 2001 (Ministry of Economy and Finance 2001: 6). Furthermore, inflation (based on the Harmonised Consumer Price Index) resumed – after the acceleration recorded in the second half of 2000 – a downward trend, averaging 3.7% in 2001 (Bank of Greece 2002: 46). Interest rates also fell: for example, between 1999 and 2001, short-term bank lending interest rates to enterprises fell from 15% to 8.58%, while the corresponding long-term rates fell from 13.35% to 8.66% (Bank of Greece 2002: 83).

A further noteworthy development is the achievement of the macro-economic targets set by the state budget for 2001, including the creation of a surplus and further de-escalation of the public debt. In this respect, the further reduction of the general government deficit to 1.1% of GDP in 2000 is regarded as a significant development, as is the presence of a marginal surplus of 0.1% of GDP in 2001 (Ministry of Economics and Finance 2001: 3 and 7), principally attributable to the increase in public revenue. Nonetheless, the public debt, in comparison with the average in the euro zone, and in spite of its downward trend, remains rather high: in 2000 it totalled 102.7% of GDP and in 2001 was estimated to be running at 99.6% of GDP (Bank of Greece 2002: 98).

Another economic policy priority was continuation of the structural changes designed to ensure compliance with the rules of free competition and the liberalisation of markets. In this respect, developments in 2001 included liberalisation of the telecommunications market and electricity supply, as well as progress towards liberalisation of coastal shipping (to take effect as from November 2002). Privatisation also affected 5.4% of the football pools association, 100% of the Corinth Canal, 10% of Greek telecom, 25% of the

Port of Thessaloniki, 25.5% of the Thessaloniki water supply company, and 51% of the Skaramaga shipyards, while the public electricity company was turned into a public limited company and quoted on the stock exchange (Ministry of Economics and Finance 2001: 38-40).

Turning to the employment field, however, it appears that improvement of the macroeconomic indicators has so far led to no corresponding improvement of the labour market indicators. Thus, in spite of the considerable growth in GDP, improvements in both employment and unemployment levels were marginal. In particular, though an increase in the employment rate was recorded in 2000 in comparison with 1999, the improvement was very limited, amounting to no more than 0.2%. Furthermore, in 2000 the unemployment rate fell to 11.1% (equivalent to around 491,000 persons out of work) from 11.7% in 1999. However, this drop (equivalent to 32,300 persons) is attributable principally to a reduction in the size of the workforce (-25,800) and to a lesser extent to an increase in the numbers of new jobs (+6,500) (Bank of Greece 2002: 55). It is to be noted, meanwhile, that this level of unemployment is still rather high, particularly in comparison with the average rate in the EU countries which in 2000 was running at 8.2% (European Commission 2001: 110).

In the light of these developments, the trade union confederation GSEE argues that the economic and development policy should be directed towards a “real” and not a “nominal” economy which should combine economic with social aims such as the redistribution of income, employment and social protection (GSEE 2001: part 1:7). The employers’ confederation SEV, for its part, stresses the need to speed up the pace of structural change, to open up all markets, to remove the obstacles which currently discourage new investment, make the country less attractive to foreign investment and hinder a reduction in labour costs.

In the efforts to tackle the problem of chronically high unemployment levels, the basic employment policy priorities are channelled into implementation of the National Action Plan for Employment 2001 (NAPEmpl 2001), which also contains the new employment provisions that provoked major strike action in the autumn of 2000.¹

¹ Specifically, on 7 December 2000 the GSEE called a 24-hour nation-wide strike as a follow-up to the major 24-hour nation-wide strike organised on 10 October 2000 in the context of the presentation, by the employment minister, and discussion of the draft legislation entitled “regulations for employment and other provisions”, which was finally

With regard to horizontal action to strengthen involvement of the social partners, the following additional measures, apart from those already existing², are to be noted:

- Participation by the social partner organisations in the Human Resources Subcommittee which monitors action for the development of human resources under the 3rd Community Support Framework and, in particular, action supported by the European Social Fund;
- Their participation in the definition of thematic training topics for programmes for the continuing training of the unemployed;
- The possibility of concluding agreements between employers and workforces for the flexible organisation of working time, according to provisions included in the new employment legislation (see below section 5).

The GSEE, for its part, has proposed the establishment of a process of permanent dialogue, the strengthening of the role of collective bargaining in the spheres of employment, vocational training and the work organisation, as well as commitment on the part of the state to carry out measures deriving from joint proposals by the trade unions and the employers. The SEV, meanwhile, stresses the lack of equal representation of the social partner organisations in administering the employment policy bodies, centres, institutes, etc. in which government is over-represented.

Though the social partner organisations had been invited, for the first time, to take part in the preparation of the NAP 2001 from the outset, there are nonetheless quite a few points of disagreement on the part of the social

adopted (Law 2874/2000) and implemented as from the beginning of 2001 (see below Section 5).

² The social partner organisations take part in the Monitoring Committees for the various Operating Programmes set up under the Third Community Support Framework. In addition, together with the government representatives, they administer the Organisation for Employment of the Labour Force, the National Employment Observatory, the National Labour Institute, and the National Centre for Vocational Guidance. Furthermore, the Employment and Vocational Training Account, which was set up by the social partner organisations, finances continuing vocational training programmes, programmes to improve the employability of the unemployed, as well as programmes to subsidise the employment of elderly unemployed workers or unemployed persons close to retirement age.

partners in relation both to the effectiveness of the measures and to the selection of policies for inclusion in the final draft. A particular point stressed by both the SEV and the GSEE (GSEE 2001: part 4; SEV April 2001) is the lack of evaluation of the measures implemented. This means that, even though the current NAP is the third of its kind, there has so far been no evaluation of the effectiveness of the measures adopted to date and of their actual or potential effects on users, structures and services. This lack also does not facilitate social dialogue since it makes it more difficult to formulate concrete targeted measures. Finally, it is worth noting that, even though one of the main aims of the NAP is to combat unemployment and to implement policies for particular categories of unemployed persons, the main party absent from the social dialogue on the NAP is precisely the unemployed themselves, because there is in Greece no organisation representative of this group.

The issue which unleashed the strongest social and also political controversy in the period under review is the social security reform and, in particular, the government proposals, presented to the social partners in April 2001, designed to safeguard the viability of the social security system and deal with the high deficits.³ The government proposals were as follows:

- Setting of 65 years as the general retirement age for all workers irrespective of sex or occupation;
- Definition of the basis for pension calculation as the best ten of the last fifteen years before retirement (and not the last five years or the last wage); furthermore, the pension, as a percentage of the wage, is reduced to 80% (60% from the main insurance and 20% from the supplementary insurance fund, down from 80% and 20% which have been the figures in force until now);
- Abolition of all early retirement in the private and the public sector with the exception of arduous or unhealthy occupations (however, the categories included under the heading of arduous or unhealthy occupations have been revised); abolition also of the favourable provisions for working mothers in relation to the age limit for retirement; retirement before the age of 65 now being permitted only for those who have completed forty years of work

³ The deficit of the seven main social security and welfare bodies grew from 2.09 billion euros in 1995 to 3.25 billion euro in 2000, equivalent to 2.9% of GDP (Bank of Greece 2002: 96).

(without age limit) or, on reaching the age of 60, subject to a reduction in pension, for those with 35 years of work (currently it is possible to retire at 58 after 35 years of work);

- The lowest basis for pension entitlement (lower pension) is 4500 days of wages or 15 years of employment; the level of the lower pensions also becomes subject to revision on the basis of income criteria;
- The number of primary social security funds is reduced to eight; the supplementary funds are abolished and those insured under them will be placed under the supplementary branches of the primary funds.

The announcement of these proposals prompted a general reaction on the part of workers and the calling of a series of strikes and mobilisations. The 24-hour nation-wide strike called by the GSEE and ADEDY on 26 April 2001 met with unprecedented participation by workers from all sectors and branches of the private and the wider public sector in all major cities throughout the country. The concentration in Athens was estimated to be the largest of the post-war period. On the eve of the strike the government announced that, as a result of both the social and the party political reactions, it was withdrawing its proposals and inviting the trade unions to an open dialogue across the full spectrum of relevant concerns. This dialogue is still going on today. The government proposals were the target of particular criticism by the GSEE and the ADEDY insofar as they were seen as anti-social and ineffective, involving a raising of the retirement age, a reduction in pensions and abolition of the special categories of insured. The measures in question appeared to have been devised purely in a spirit of revenue-gathering and entailed encroachment upon the vested rights of workers.

The GSEE, for its part, issued counterproposals (*To Vima* 29/4/2001; Kollias 2001; GSEE 2001: part 7):

- Retirement after 35 years of pensionable work (35 years or 10,500 days of contributions) without age limit; also fixing of the age limit for retirement between 55 and 65, with parallel introduction of economic incentives (higher pensions for those remaining in work longer);
- No reduction in pensions; but introduction of a graduated system (repayment of social security levies) to make it attractive to remain longer in work; also, the primary and the supplementary pension to supply 80% and 20% of the equivalent pensionable wage, as has been the practice until now;

- Adoption of tripartite financing (2/9, 3/9 and 4/9 by the workers, the state and the employer respectively) for all insured;
- Adoption of effective measures to tackle the country's demographic problem (population ageing), the approach being to increase employment rather than lengthen working life;
- Search for and identification of new and lasting sources of financing (exploitation of the moveable and immoveable assets of the funds, introduction of direct tax for high incomes and for capital-intensive businesses, taxation of resources which evade or are not subject to taxation, reimbursement to insurance funds of debts incurred by the state and private individuals, combating evasion of social security contributions on undeclared and unprotected labour provided by Greek and foreign workers);
- Phased reduction of the number of funds to just three (wage- and salary-earners, farmers and the self-employed).

In spite of the absence of integrated proposals on the social security issues from the employers' side, they have put forward some piecemeal ideas and proposals (Soumeli 2001a). In particular, the SEV supports, among other things, the development of a flexible social security system, in accordance with which workers would be offered the possibility of taking retirement between the ages of 60 and 67 years on the basis of a system of incentives and disincentives. The National Confederation of Greek Commerce (ESEE) meanwhile argues for the need to broaden the tripartite social dialogue into a national dialogue between government, social partners and political parties. This organisation notes that the search for new financial resources should, rather than increasing social contributions and taxes which create new burdens for workers and businesses, be geared to measures to curb tax and social security evasion.

The industrial relations climate was, overall, mild. The main collective agreements concluded in 2001 included the new sectoral agreement between banks and the OTOE banking employees' union and the new company collective agreement (ESSE) covering workers at the Greek telecommunications organisation (see below section 2). It is to be noted also that, according to the Ministry of Labour, during 2000 a total of 297 collective agreements were signed (as against 226 in 1999), most of them of two-year duration, while 42 arbitration decisions were issued by the Mediation and Arbitration Organisation, as against 51 in 1999 (Bank of Greece 2001: 119).

2. WAGES AND PURCHASING POWER

According to Bank of Greece estimates, in the economy as a whole the rate of increase in unit labour costs (the ratio of the total wages of workers to GDP at constant prices) slowed to 2.6% in 2000 in comparison with 2.8% in 1999. Meanwhile, the rate of increase of average pay accelerated (see Table 1), a development attributed chiefly to the faster rate of pay increases in the public sector and the public enterprises (see Table 3).

Table 1: Annual changes in pay and disposable income (%)

	nominal		real	
	1999	2000	1999	2000
Average gross earnings in the economy as a whole	4.5	6.0	1.9	2.7
Minimum wages and salaries according to National General Collective Agreements	3.5	4.2	0.9	1.0
Average disposable income of employees*	3.6	8.0	1.0	4.6

Source: Bank of Greece, 2001, Annual Report of the Governor for 2000: 120.

Table 2: Development of minimum wages and salaries in 2000-2001 according to National General Collective Agreements (in euros)

		Basic daily wage of blue-collar worker	Basic monthly wage of white-collar worker	Rate of increase
2000	01/01/2000	20,20	450,88	2% + 0.7% (corrective)
	01/07/2000	20,50	457,64	1.5%
2001*	01/01/2001	20,87	465,88	1.8%
	01/01/2001	21,18	472,87	1.5%

Source: Institute of Labour GSEE-ADEDY (see GSEE, 2001, part 3, p. 19).

* The National General Collective Agreement foresees also an adjustment to take effect on 1.1.2002 in the event that the increases in 2001 fail to exceed by at least one percent the annual average consumer price index.

It is to be noted, nevertheless, that the rate of increase in real minimum pay, according to the national general collective agreements 2000-01 was minimal (see Table 1) on account of the gap in 2000 between actual inflation and the forecast inflation that was taken into account for the signature of the agreement which for that year contained no provision for adjustment. As a

result for 2000 the real increase in minimum wages (around 1%) is less than expected, especially if account is taken of the fact that this rate of increase includes the adjusted rate of 0.7% which corresponds to the overrunning of the price index of December 1999 in relation with that of December 1998 (see also Table 2). The limited real growth in minimum wages has to be viewed together with the inadequate implementation of the measure providing for reimbursement from the state budget, to the tune of 10,000 drachma (29.35 euros), of the social contributions of the low-waged, resulting in a situation where the majority of the low-waged have not yet benefited from the measure (GSEE 2001: part 3:17).

Table 3: Annual increases in employees' average gross earnings in selected sectors (%)

	1999	2000
Public sector*	3.5	6.3
Public enterprises*	4.8	10.5
Banking sector*	13.1	6.8
Non-banking private sector*	4.4	5.0
Non-banking private sector (average agreed pay)*	3.9	4.2

Source: Bank of Greece 2001, Annual Report of the Governor for 2000, p. 120.

* For the public sector and the public enterprises estimates and calculations by the Ministry of Economy and Finance. For average gross earnings in the banking and the non-banking sector estimates by the Bank of Greece. For the average agreed pay in the non-banking sector figures compiled from sectoral and inter-sectoral collective agreements.

Comparison of average take-home pay by sector of the economy in selected sectors of the economy (see Table 3) indicates that pay has increased the most in the public enterprises and the least in the non-banking private sector. In the banking sector, meanwhile, a significant slowdown is to be noted, following on from a significant acceleration of 13.1% in 1999 (as against 4% in 1998).

As far as the banking sector is concerned, it is to be noted that, in accordance with the new sectoral collective agreement between the banks and OTOE concluded in June 2001⁴, agreed basic pay for each category of staff increases by 4.2% over the basic pay of 31 December 2000. This increase covers the

⁴ This agreement covers more than 70% of workers in the sector, has a duration of one year and runs from 1 January 2001 to 31 December 2001.

period from 1 January 2001 to 31 December 2001. It was agreed that a similar increase (4.2%) would apply to fringe benefits (Soumeli 2001b).

At the Greek telecommunications company (OTE), in accordance with the new company collective agreement of June 2001⁵, basic rates of pay increase by 3.3%, the increase being payable in two instalments, the first on 1 July 2001 and the second on 1 December 2001. Other provisions of this agreement include a) an increase in the amount of family allowance for the third child by 10% as from 1 September 2001, b) an increase in the additional allowance payable to redundant workers from three to five months salary as from 2 January 2002, c) the granting of a bonus to staff in the case of successful achievement of the economic goals of the organisation for the years 2001 and 2002, d) the extension to other categories of workers of the allowances for unhealthy and dangerous work (Soumeli 2001c).

It may be said in general terms that, although in 2001 the increase in wages was moderate in comparison with the increase recorded in GDP, even so the purchasing power of wages did improve, in comparison with 1999, when it is considered that the rate of increase of average net real pay accelerated in 2000, as compared with 1999 (see Table 1). A major contributory factor is the considerably higher increase in average disposable earnings of employees⁶ in 2000, which rose to 4.6% as against 1% in 1999 (see Table 1). It is estimated that this development is attributable principally to reductions in the income tax burden and – to a lesser extent – to faster growth in before-tax earnings (Bank of Greece 2001: 119-120).

3. WORKING TIME DEVELOPMENTS

The most important developments in the area of working time are the changes in the legislation on working time contained in Law n° 2874 on “employment promotion” voted in December 2000 (see also Section 5). The new law contains provisions to amend those previously in force on overtime, as well as new provisions on the annualisation of working hours.

⁵ The agreement covers some 18,500 workers, permanent and apprenticed workers of the OTE, and runs for 2001 and 2002.

⁶ The average real disposable earnings are estimated on the basis of the development of the net earnings of an average wage-earner, after deduction of the income tax and social security contributions due.

In particular, Article 4 of the new law provides for the abolition, as from 1 April 2001, in workplaces which implement collectively agreed working time of 40 hours a week, of the wage-earner's obligation to perform, at the demand of the employer, 5 hours of "overtime work" per week.⁷ By extension, the obligation of the wage-earner is reduced from 8 to 3 hours supplementary hours per week ("special type of overtime"). Every additional hour worked, above 43 hours, will be regarded as "overtime exceeding maximum working hours", subject to the legislative consequences and endorsement procedures.

The purpose of this measure is to encourage businesses to meet their need for additional labour by recruitment, rather than by recourse to overtime by the existing workforce as is the case at present. It is to be noted that, in parallel, the cost of additional labour increases: overtime above 40 hours a week and up to 120 hours a year is to be remunerated at a rate equal to the agreed hourly pay plus a bonus of 50% (in contrast to the rates in force previously of 25% for the first 60 hours and 50% for the remaining 60 up to the full 120 hours). The bonus payable for overtime exceeding maximum working hours is 150%, in contrast to the 100% bonus in force in the past.

In addition, Article 5 of the law states that workplaces that implement an agreed working time of 40 hours a week may introduce a system of annualised working hours in conjunction with a reduction of the annual number of working hours. The arrangement is established by company-level collective agreement or by agreement between the employer and the works council or trade union representation. In the absence of a representative body in the workplace, it is agreed between the employer and the relevant sectoral union or federation, while in the event of disagreement the matter is referred to the Mediation and Arbitration Organisation.

It should be added that the possibility of organising working time on the basis of agreement between company and workforce was previously offered by Law 2639/1998 but that in practice advantage was not taken of these provisions. It is believed by the government that the present law, and the introduction of concrete incentives for the implementation of the possibility

⁷ It is to be noted that this provision had been a major claim of the GSEE. It is also to be noted that Greek law distinguishes between "overtime exceeding maximum working hours" (in excess of the statutory maximum working hours) and "overtime" (above normal working hours but below statutory maximum working hours).

of reorganisation, will serve to reduce the factors that inhibited the conclusion of such agreements.

More specifically, the annualisation allows for 138 working hours per year to be allocated in such a way that longer hours are worked during specific periods, entailing a corresponding reduction in the number of hours worked the rest of the time, while still observing the rules concerning compulsory rest periods for workers and also concerning the prevailing statutory highest limit on average weekly working time, including overtime. The highest average limit on weekly working hours over the year, not including legal overtime, is close to 38 hours, as a combined result of periodic reduction in the daily working time or longer daily rest period (day off) or an increase in the number of days of annual paid leave.⁸ It is to be noted that in workplaces where a annualisation has been introduced, the practice of “special type of overtime” (see above) is prohibited, although legal overtime work is allowed.

As for the social partner positions in relation to the new measures, on the employers’ side the SEV believes that the abolition of overtime, the general increase in overtime pay, as well as the annualisation of working time with the prospect of a reduction of weekly working hours from 40 to 38 hours, will serve to increase the burden represented by labour costs, to reduce the possibilities for flexibility in work organisation and the operation of businesses, to curb competitiveness and, as a result, will represent an obstacle to the strengthening of employment (Soumeli 2000a).

On the workers’ side, the GSEE believes that the measures for overtime work are indeed a move in the right direction but that their effects will be limited. It argues that only if the bonus is raised to 100% of the hourly wage will it lead to the intended results in terms of an increase in employment. Further, in relation to the annualisation of working time, it believes that the law introduces a marginal form of reorganisation which deregulates the meaning of daily working time while establishing the annual number of working hours as the basis for calculation of working time (Soumeli 2000b). It argues also that the most effective measure in favour of employment is the drastic

⁸ Periods of paid annual leave and of sick leave are not taken into account or are neutral in relation to the calculation of the average limit.

It is to be noted also that the remuneration for the total annual period is equal to the equivalent pay for work of 8 hours and day and 40 hours a week. The wage supplement payable for overtime is calculated at the end of the annual reference period and is paid for those hours worked in excess of a 38-hour week on average over the period.

reduction of statutory and collectively agreed working time to 35 hours a week, without reduction in wages, this being a firm demand of the GSEE.

4. EUROPEANISATION OF COLLECTIVE BARGAINING

In relation to the europeanisation of industrial relations in Greece, no significant progress was recorded in the course of 2000 and 2001. The European dimension of industrial relations appears to have not yet become a subject of concern for the social partners. Nonetheless, questions arising from progress along the common European path, especially in relation to the economic and social components of the convergence of the member states and their likely impact, have been a concern of the workers' representatives.

In this framework, the GSEE underlines the need for achievement of real convergence, which means not only convergence between the national economies of the member states but also convergence at the level of living conditions, signifying also, among other things, convergence in pay, which, where Greece is concerned, has not yet been achieved, considering that pay in Greece is lower than the European average. It is, however, possible to say that pay in Greece presents a trend of convergence towards the EU average, taking into account that, in accordance with statistics of the European Commission, the annual percentage changes in recent years of real per capita pay in Greece are higher than the European average. Specifically, for the years 1999, 2000 and 2001, the annual percentage changes in real compensation per employee in Greece run at 1.8% in 1999, 2.0% in 2000 and 2.4% in 2001, while in the European Union they run at 1.2%, 1.4% and 1.1% respectively (European Commission-DG V 2001:103).

5. FLEXIBILISATION OF WORKING CONDITIONS AND DECENTRALISATION OF COLLECTIVE BARGAINING

Apart from the measures relating to working time, the new Law 2874/2000 includes also other measures for increasing flexibility on the labour market with the aim of reducing unemployment and increasing employment. These new legislative interventions are presented as basic components of the third pillar of the NAPEmplo 2001 which relates to the adaptability of firms and their employees and they are intended to complete the legislative framework for reform of the labour market put in place by Law 2639/1988, which was also the first basic law to introduce flexibility in employment and in industrial relations.

One of the basic provisions of the new law, which began to be implemented as from 1/9/2001, relates to the amendment of the regulations governing part-time employment. In particular, Article 7 of the law provides for the payment of a 7.5% wage supplement to part-time employees working less than 4 hours a day. A precondition of implementation of this provision is that the part-time employees are to be paid in accordance with the statutory minimum wage.⁹

The purpose of this measure is to promote part-time work by strengthening, via the use of economic incentives, the transfer of the labour force to part-time jobs. As pointed out in the NAPEmpl for 2001, the limited development of part-time work in Greece, in comparison with the other EU member states, is connected with, among other things, the low wages associated with this form of work. To be more precise, according to Eurostat estimates, part-time work in Greece in 2000 accounted for 4.3% of total employment, while the corresponding figure in the EU for the same year was 11.4% (European Commission DGV 2001: 110 and 114).

An additional provision, contained in Article 8 of the Law, relates to specific categories of long-term unemployed in receipt of benefit who, if recruited to a part-time job, become eligible for economic assistance to the tune of 30,000 drachma (88 euros approx.) for one year after taking up the job, provided that the contract stipulates a work duration of at least four hours a day. The purpose of this measure is to offer an economic incentive to the long-term unemployed to return to the labour market via part-time jobs, given that the levels of pay currently available for (4-hour) part-time jobs are more or less equivalent to the rate of unemployment benefit.

Apart from the measures described above, the new Law also amends the legislative framework for collective redundancies and in particular the threshold above which redundancies are regarded as collective. Specifically, in accordance with the new law, the threshold of redundancies above which they are considered collective is set at four employees in less than a month in a firm employing between 20 and 200 workers. For firms employing more than 200 workers, the threshold continues to be 2-3% of the workforce up to 30 persons. Under the preceding regime, in firms with less than 50 workers the threshold was established at five workers in any month, while the

⁹ This supplement is applicable also where the worker has signed more than one contract, provided that the hours of employment for each one are less than 4.

threshold of 2% of the workforce applied to firms with a workforce of more than 50.¹⁰

Commenting on the measures described above, representatives of both the workers' and the employers' organisations have expressed not only their disagreement concerning the industrial relations framework established by these measures but also doubts concerning their effectiveness in terms of the promotion of employment and curbing of unemployment.

On the employers' side, the SEV argues that (SEV 2000) the above measures weigh heavily upon labour costs and firms' operating procedures, that they accordingly damage business competitiveness and, as a result, fail to strengthen employment. The employers argue that the fight against unemployment should be based on the implementation of structural interventions in the labour market intervention, and on radical reorganisation of educational and vocational training policies. They point out that employment-related matters cannot be dealt with by introducing legislative adjustments and measures of an administrative character, because they strengthen the state presence and limit the role of the social partners.

The GSEE, in accordance with its already established position and in the framework of its proposals for the third pillar of the NAPEmpl 2001 (INE/GSEE-ADEDY 2001), believes that the immediate policy priority in the employment field should be the strengthening of stable and full employment, while the strengthening of the flexible forms of employment should constitute a complementary measure rather than a basic parameter for the strengthening of employment. It argues that the Greek labour market suffers not from lack of flexibility but from a lack of an institutional operating framework for the flexible forms of employment with which to fortify the rights of those employed under flexible contracts and to limit the negative effects of flexibility on the labour market and on stable and full employment (e.g. creation of institutional operating framework for fixed-term contracts, part-time work, teleworking, personnel leasing and sub-contracting; strengthening of auditing mechanisms for the implementation of labour legislation).¹¹

¹⁰ This means that the number of redundancies, which were not able to be considered collective, for firms with 50 to 199 employees varied between 1 and 4 a month depending on the size of the firm.

¹¹ In particular, where temporary and part-time work is concerned, the following proposals have been made: a) enactment of a maximum threshold for part-time work in a firm

In order to remedy shortcomings in the institutional operating framework for the various forms of flexible work, measures were enacted in October 2001 in relation to temporary work and, in particular, the operation of the process of personnel leasing, in order to define, for the first time, the legislative framework governing the setting up and operation of temporary employment agencies and also the labour rights of the workers employed by such agencies. In accordance with these measures, the nature of the temporary work agencies' activity is to supply their employees' labour to another employer (indirect employer) in the form of temporary labour.

Temporary work by a third party is defined as labour supplied to another employer (indirect employer) for a limited period of time by a wage-earner linked to her/his (direct) employer by a contract, or by an employment relationship of subordination of a fixed-term or indeterminate duration, subject to stipulation of, among other things, the terms of employment and its duration, the terms of the supply of labour to the indirect employer(s), the terms of pay and the safety provisions of the wage-earner.¹² The duration of employment of the wage-earner by the indirect employer may be no more than eight months. Should the employment of the wage-earner by the indirect employer continue after expiry of this period or should its renewal be decided for a period of time longer than two months, the employment contract of the wage-earner with the temporary employment agency is converted into a contract of indeterminate duration between the wage-earner and the indirect employer.

It is to be noted that the recruitment of a wage-earner by an indirect employer on a temporary contract of employment is not allowed in cases where the contract serves to replace workers exercising their right to strike or when the indirect employer, in the previous year, resorted to collective redundancy of workers in the same area of specialisation.

(10% of the number of employees with full-time jobs) and the raising of the pay of the part-time workers by 25% and b) enactment of a maximum duration (one year) for fixed-term contracts and the restriction of their use to cases of coverage of special needs.

¹² The level of earnings of the wage-earner may not be lower than those determined by the sectoral or inter-sectoral or company level collective agreement which are in force for the workforce of the indirect employer and cannot in any case be lower than those provided in the currently in force national general collective labour agreement. In relation to safety and health, it is to be noted that the worker is entitled to receive the same level of protection as that supplied to the other workers of the indirect employer.

6. GENDER ISSUES IN CURRENT COLLECTIVE BARGAINING AND LEGISLATION

Though more women have joined the labour force in Greece in the last decade, the labour market situation of women continues to be more unfavourable than that of men. More specifically, in spite of the fact that the employment rate of women rose between 1991 and 2000 from 35.4% to 40.9%, it is significantly lower than the corresponding rate for men, which, in 2000, was 71.1%. The activity rate of women, meanwhile, was around 49.6% in 2000, as against 77.1% for men. The unemployment rate among women is also more than double that among men – in 2000 16.7%, as against 7.3% for men (European Commission DG V 2001: 191).

In this framework, the strengthening of women's presence on the labour market and the increase in women's employment constitute a major issue under the fourth pillar of the NAEmp1 2001. For this reason and in the framework of the gender mainstreaming policy, it has been decided to allocate 11.4% of the total funds from the European Social Fund granted in the context of the Third Community Framework Support (2000-2006) to actions designed to promote equality between the sexes by improving the education and the vocational training of women, increasing entrepreneurship among women, raising the presence of women in occupations where they are under-represented, strengthening the supply of consulting services to unemployed women, etc.

In spite of the fact that the social partners are positively disposed towards the promotion of equality between the sexes on the labour market and in spite of their participation in favour of employment and vocational training of women¹³, they have as yet paid little attention to the basic matter of the pay gap between the sexes and, in particular, have themselves taken no specific measures to promote pay equality between the sexes. Similarly, the NAEmp1 2001 contains no such measures, in spite of the fact that it makes explicit reference to the existence of differences in pay between men and women.

¹³ According to the NAEmp1 2001, the Account for Employment and Vocational Training, into which are channelled contributions from employers and workers, will fund actions to improve the education and training of women in new technologies and educational interventions for women in tax questions, economics, e-commerce, management, etc.

7. OUTLOOK FOR 2002

The economic policy framework to be followed from 2002 until 2004 foresees a continuing orientation towards preservation of the conditions of stability of the economy, a more thoroughgoing fiscal reform and the strengthening of the structural reforms. In this framework the aims incorporated into the new budget for 2002 include an increase in the surplus, restraint and control of public expenditure, further de-escalation of the public debt, in order to contribute to the further improvement of the basic macro-economic aggregates. In particular, the rate of GDP growth is expected to be one of the highest in the EU and to reach 3.8% in 2002. Inflation is expected to decrease to 2.7%. Also the public surplus is forecast to increase by 0.8% of GDP in 2002, while the public debt will be reduced to 97.3%.

Meanwhile, as a move in the direction of real convergence in the EU countries, the Stability and Development Programme aims to increase employment by 0.8% and to bring the unemployment rate down to 9% in 2004 (Ministry of Economy and Finance 2001: 48).

As a further move in the same direction, the 2002 budget foresees the implementation of additional social policy special measures which are, however, in the nature of benefits and not linked up with parallel active measures for the promotion of employment and combating of social exclusion (e.g. increase in Social Solidarity Subsidy, increase of the OGA (Farmers' Insurance Fund) pensions, increased subsidies for persons with special needs, increase in unemployment benefit, assistance for low-income households in mountainous and disadvantaged regions, granting of subsidies to long-term unemployed persons aged between 45 and 65).

Furthermore, it is foreseen to introduce various tax reductions aimed at boosting the disposable income of tax-payers (increase to 20% of the tax-free income tax allowance, abolition for wage-earners of the lowest tax bracket of 5%, decrease in the highest income tax bracket of natural persons from 42.5 to 40%, abolition of stamp duty on wages of employees with private law contract, etc.)

In the social policy sphere, the social security question, and especially the reform of the social security system described above, will be another major issue occupying the social partners in 2002, and the process of social dialogue is being developed to this end.

A further point to be noted is that negotiations are expected to start for signature of the new two-year national general collective labour agreement. A fundamental economic claim of the GSEE is likely to be improvement in the

real income of employees and convergence of their pay with their counterparts in the EU. The GSEE also intends to press its already established demand for a reduction in weekly working time to 35 hours without a reduction in pay.

Translation from Greek by Kathleen Llanwarne

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Abbreviations

ADEDY: Confederation of Public Servants

GSEE: General Confederation of Greek Labour

NAPEmpl: National Action Plan for Employment

IKA: Social Insurance Fund

INE/GSEE-ADEDY: GSEE-ADEDY Labour Institute

Hungary

Béla Galgóczi, Budapest

1. INTRODUCTION: PRE-ELECTION YEAR WITH WAGE INCREASES BEYOND EXPECTATIONS

It is well known that Hungary, in previous years, has pursued a policy based on low wages, high productivity growth and high international competitiveness. The aim of economic policy has been to induce structural change and export-led growth while trying to maintain economic equilibrium by limiting domestic consumption. This has resulted in wage levels which were low not only in European comparison but also, and more importantly, compared to economic performance. In the year 2000 Hungarian average wages were just 338 Euro, substantially behind Poland (480 Euro), although Poland has a per capita GDP around 20% lower than Hungary. Wage levels in Hungary by 2000 were just 98% of the pre-transformation level of 1990, whereas the same level for GDP was 109.7% and for productivity as much as 220% (!). The following table gives an overview of the main economic processes between 1993 and 2000, a period characterised by economic growth after the collapse of the economy in the early years of transformation.

Table 1: Chain indices of main indicators in real terms, level of 1992=100.0

		1993	1994	1995	1996	1997	1998	1999	2000
HU	Productivity	113.4	131.2	144.6	158.2	179.8	201.2	222.4	259.5
	Wages	99.5	104.5	95.2	92.7	95.8	99.2	102.8	106.3
	GDP	99.4	102.3	103.8	105.2	109.8	115.5	120.4	126.6

Source: WIIW, European Training Foundation, own calculations

Other basic figures: GDP in 2000, as % of the level in 1990: 109.7%

Real wages in 2000, as % of the level in 1990 : 98%

Unemployment rate in 2000: 6.4%

Wage level in 2000: 338 Euro (at exchange rate), 691 Euro at PPP

This clearly demonstrates that wages in Hungary were very depressed during the whole decade, which resulted in an outstandingly competitive position, but meant, at the same time, that employees did not profit from the successes of economic transformation.

Among the three major income-holders, namely the state budget, the enterprises and the population, it was always the population which profited the least from the economic wealth produced in the country. The experiences of the year 1999 were rather bitter for employees, as real wages for the economy as a whole grew by a mere 1.5% during a year when GDP growth reached 5.5%. Nor did the year 2000 bring much solace for employees, as real wage increases remained substantially behind GDP growth.

The year 2001, when wage dynamics became very strong, seemed to be a turning point. The sustainable and high economic growth that started in 1996 continued in 2001, though its pace decreased from quarter to quarter, amounting to real GDP growth of 4.2% for the whole year. The decrease in inflation, on the other hand, was somewhat moderate, levelling out at 8% over the year as a whole, whereas the government target had been 6%. The national unemployment rate has remained rather low, sinking further to 5.7%.

The political climate of wage negotiations starting in November 2000 was extremely tense, given the continuing mistrust between the conservative government and the social partners. As was fairly obvious from the outset, the government's strategy was to marginalise the social partners, especially the trade unions, and to lessen the importance of interest co-ordination bodies. The transformation of the institutional framework of the national tripartite talks, which became the platform for government declarations and consultations, clearly demonstrates this attitude. This was made more acute by the government move in November 2000 to push through a parliamentary amendment of the Labour Law, according to which the government became entitled to set the minimum wage unilaterally insofar as no agreement had been able to be reached in the national tripartite body (OMT) by a specified deadline.

At the same time the government took a sharp turn in its wage policy. In the first two years it followed a rather restrictive wage policy, rejecting out of hand wage claims which it considered ill-founded. This was seen in the wage developments of 2000, quoted earlier, and also in its move to block the 1999 agreement between employers and employees about the minimum wage for 2000. In autumn 2000, the government declared its new wage strategy designed to enable wages to catch up with European levels.

In this regard, the government appeared in the role of the benevolent ruler, in sharp contrast with its stance in previous years. By means of paternalistic behaviour, it played on expectations among the population based on traditions

dating back to the socialist Kádár regime. Continuity was evident, however, in terms of the government's reservations *vis-à-vis* social partners.

The focus of the government's policy was to retain the initiative for itself and push the social partners into the position of followers. The social partners, and especially the trade unions, thus came under pressure to react to the latest government moves.

The most characteristic process was the way in which the minimum wage for 2001 was determined. The second significant move of the government was that, after exhibiting great reserve during wage negotiations for the public service at the beginning of the year, it proposed very substantial wage increases (28%) and the reshaping of the public service wage tariff system in the summer of 2001.

In the next sections we give an overview of the most important features of the collective bargaining round for the year 2001, which will be followed by an evaluation of the year's wage development processes.

2. COLLECTIVE BARGAINING ROUND 2001

2.1. Setting the national minimum wage for 2001

As mentioned above, to the surprise of public opinion, the government came out with the idea of increasing the level of the national minimum wage from 25000 HUF (150 Euro) to 40000 HUF (166 Euro???) by 57% from January 2001. The social partners were deeply surprised, after the government had fought so vehemently in 1999 against their agreed minimum wage proposal for the year 2000 and had subsequently decided to reduce the agreed 25500 HUF to 25000 HUF.

The government justified its move by quoting European values and the importance of catching up with European wages within a foreseeable period. They argued that the robust economic growth made it possible to compensate employees for low minimum wage levels in the past and to bring the level close to the existence minimum. The government also stressed that the whole wage system would be given a boost by the sudden increase. The second thought of the government was not given publicity, as it hoped for an increase in budgetary incomes through higher tax revenues and social security contributions. This is especially important if we bear in mind that most individual entrepreneurs and a great number of employees of SME firms are registered at the minimum wage level for tax evasion reasons. The costs of the minimum wage increase in the public sector are much less than the

surplus budgetary revenue resulting from the higher payments in the competition sphere. As a gesture, the government offered a 3% decrease in the key for social security contributions. Several weeks later it revised this initial generosity to a 2% decrease.

The reaction of the social partners was mixed. After their initial embarrassment, trade unions welcomed the idea. They also emphasised that the minimum wage should be sufficient for subsistence and, according to the European Social Charter, the net minimum wage should be at least 60% of the net average wage. MSZOSZ has quoted its claims for the minimum wage in previous years and demonstrated that the government's new offer is still lagging behind its cumulative claims (although the original claim of MSZOSZ for the 2001 minimum wage had been 37000 HUF). Trade unions could not react other than positively at the beginning, although the critical attitude strengthened with time. The greatest reservation was that the sudden and unprepared increase in the minimum wage could lead to mass lay-offs in certain branches. This danger calls for an analysis of the impacts of the minimum wage increase on employment. 480,000 employees are directly affected by the minimum wage decision, while in certain branches (textile, agriculture), the majority of employees are involved. It is also to be expected that some employers will try to push employees into part-time or "pseudo" part-time employment, or will make attempts for norm increases. It is therefore an important trade union demand to establish a system to monitor the impact of the increase in the minimum wage.

The second aspect of the trade unions' reservations related to the expected distortions in the wage scale. It could well happen that trained employees with ten years of experience would be earning the same money as unskilled career starters. MSZOSZ therefore proposed a modification of wage tariffs according to qualification levels. The main demand of the trade unions was, however, to devise an efficient compensatory system for the excess burdens imposed by the minimum wage increase in order to avoid employment losses.

Employer federations were more openly critical of the sudden move taken by the government. They claimed that enterprises had no resources to cover the financial burdens of the increase. They argued that the 2% decrease in social contributions was no compensation for the excess burdens and that those who derive the greatest benefit from this decrease are the multinational companies which are barely affected by the increase in the minimum wage, whereas the SME sector and several economically ailing branches could get into serious trouble. They called for the abolition of the health care fee, which is a

supplementary fixed-sum “tax” imposed on employers for each employee alongside the normal health care contribution.

The government did not wait for the employers to come to terms with the minimum wage increase and made the decision on its own authority, referring to the previous year’s amendment of the Labour Law.

In this way, the devising of an efficient compensation system to counteract the negative impacts of the increase in the minimum wage has become the major subject of further wage negotiations within the framework of national tripartite talks. We will come back to this issue later.

2.2. Recommendation for the annual wage increase

In January 2001 employer federations and trade unions agreed within two weeks on the national recommendation for wage increases for the competitive sector, employing 2,2 million people. The law on the state budget for 2001 reckoned with a 5-6% growth of GDP and an inflation rate of between 5 and 7%. The social partners found this growth target realistic, while emphasising that inflation is deliberately underestimated by the government and that it was hardly realistic to suppose that it could be brought down from 9.8% in 2000 to this low level. It was pointed out that a precise estimation of inflation would be of key importance, as the underestimation for the year 2000 had meant excessive burdens for the population and for businesses. The social partners based their estimates on the forecasts of leading economic institutes, which ranged between 8 and 8.5%. The leading trade union confederation of the competitive sector MSZOSZ argued the importance of compensating employees for their relative losses in 2000 when real wages increased by no more than about 2%, whereas GDP grew by a dynamic 5.5%. The trade union priority was to ensure that employees received a higher share of the additional wealth generated by their labour. They also believed it important that wage increases be made available for those employees who, while not affected by the compulsory minimum wage increase, nonetheless have rather low incomes. Attention must be paid to avoid tension in the pay scale as a result of the sudden bottom-up pressure. The branch-specific compensation of the burdens of the minimum wage increase will be a focal issue in the second round of negotiations.

The initial demand of MSZOSZ was a 15% nominal wage increase, which, according to their inflationary projection, would make for a real wage increase slightly above 5%. The trade union proposed a national wage tariff

system, setting minimum levels, according to major occupational groups and qualification levels and adapted to the new minimum wage.

Employer federations started their offers at 8.5% and did not want to go higher than 12% in nominal terms.

The bipartite agreement was reached finally within the range of 9.75% and 12.5% as a national recommendation for wage increases. Both parties were keen to demonstrate their willingness and ability to co-operate and reach an agreement within a short time in order to dissolve the government's accusations that bipartite negotiations do not work properly.

Unlike the previous year, the government has also signed the recommendation. The national recommendation serves as the basis for branch-level and enterprise-level agreements. The achievement of branch-level agreements was, however, more problematic and time-consuming than the easy agreement on the national recommendation.

2.2.1. Branch-level wage agreements in the competitive sector for 2001

Most branch-level agreements came within a rather narrow range of the national recommendation of 9.75-12.5%. The characteristic branch-level agreements ranged between 10 and 11%, with the textile and leather industry falling short of even the bottom line of the national recommendation. The range of agreements in the metal branch was much broader (6-22%), reflecting the very different financial position of enterprises. Trade unions in the garment industry succeeded in reaching a rather favourable branch-level agreement with the employers. Since the impact of the minimum wage increase is almost as serious in the garment industry as in the textile branch, the 10-12.5% wage increases in the garment industry must be seen as a success for employees.

There were some problematic branches however, for example, the electricity industry. The mostly foreign employers of the generating stations and supply companies rejected any major wage increase, as the government stipulated a maximum electricity price increase of 6% for the year 2001, causing serious financial losses for enterprises of the branch. Branch unions at the same time demanded a nominal wage increase of 13.5%, which was far more than employers were willing to pay. In the case of the state-owned electricity company (MVM) trade unions accepted the offer of the State Property Management Holding at 8.75%. This set the trend for agreements in the private electricity supply companies.

In the case of the public transport company (Volán), the trade unions demanded a 3.5% increase in real wages, equivalent, according to their calculations, to a 12% nominal increase. The State Property Management Holding (as employer) granted an 8% increase, with a possible second stage depending on the performance of the company.

As regards the State Railways, where a three-year collective agreement was concluded in 2000, it is the adaptation of its guidelines that was at the centre of the negotiations of 2001. The formula says, “inflation + half of real GDP growth”. Accordingly, an initial wage increase of 10% was outlined with a correction on basis of the final numbers.

About 30-40% of all workplaces covered by branch agreements concluded enterprise-level wage agreements in the first quarter of the year. The percentage was above 50% in the metal industry and under 20% in the textile industry, reflecting the difficult situation of this latter branch. As most workplaces are in a tense economic situation, it is a lengthy procedure to reach a wage agreement. These agreements are often made in different stages, securing a minimal level of wage increase, with the remainder being made dependent on economic performance in the course of the year.

Most company agreements aim at an increase of nominal wages above inflation. This is the minimum requirement, above which the real wage growth target of the branch agreement is taken into account. It is rather rare for productivity improvements to be included in the enterprise wage agreements. The typical length of agreements is one year, with the exception of certain strategic companies, for example the National Railways, where there is a framework agreement for three years.

In the competitive sector 1352 collective agreements were concluded with a single employer, 57 agreements on a multi-employer basis and 17 agreements at branch level, as of 2001, which is a slight improvement compared with the previous years. In the public sector 2082 agreements were concluded with one employer and 11 with more than one employer.

14% of employees in the competitive sector were covered by sectoral-level agreements and 40% by company-level agreements in 2001, according to the registration of agreements. As there are some companies where employees are covered by both sectoral and company-level agreements, the total percentage of employees covered in the competitive sector is 51%.

2.2.2. Wage negotiations in the public service sector

There is a separate national-level body for negotiations between the government as employer and the representative organisations of public servants and public service employees. There exists a wage tariff system for public servants (Administration, government offices) and another for employees in public services.

In March 2001, the government concluded a three-year agreement with the largest trade union confederation of the public sector, which foresees, *inter alia*, the creation of a new forum for consultation in the public sector called the National Labour Council for Public Employees.

The regular wage increase of public service employees was set at 8.75% for 2001 at the proposal of the government. Local governments, which are the employer for most teachers and health care employees, could not finance the wage increases from January, since their budgets are passed during February. This meant that a large number of public service employees received their increased remuneration as from March, when they also received the difference for the first two months in line with the wage increase.

Moreover, public service employees also had to be compensated for the higher inflation in 2000, in order to meet the requirement based on the 9.8% inflation + half of the realised 5.5% GDP growth. It was a controversial move by the government, however, that this amount of compensatory wage increase was not integrated into the basic wage of public service employees.

Public sector and public utility unions failed to form an alliance in order to achieve a higher wage increase than what the government was offering at the beginning of the year.

The public sector unions were thus unsuccessful in their efforts to achieve higher wages than those set by the government.

The initiative was again on the government's side, and it declared its intention to raise public service wages in the Summer of 2001 by a further 28% on average. At the same time the tariff system of public service employees was upgraded. In this way, some of the distortions arising from the minimum wage increase were decreased.

As a result of the above, wage increases in the budgetary sector became substantially higher than originally outlined in the agreements for the year 2001, with the result that the wage increases in the budgetary sector have outpaced those of the competitive sector. More details about these processes

will be given in the sections dealing with the evaluation of wage developments in 2001.

2.3. Negotiations on compensation of negative impacts of the increase in the minimum wage

Several observers of the 2001 bargaining round argue that the real stake of the negotiations was the compensation issue. As mentioned above, the original idea of the government was to grant a compensation in the form of a 3% (later modified to 2%) cut in the social security contribution. Following the unified and vehement protest by employer and employee interest representations, the government has realised that the compensation issue cannot be taken so easily.

On the basis of the “divide and rule” principle, the government tried to adopt the concept of the Hungarian Chamber of Commerce and Industry. According to the proposal, the Labour Market Fund would finance the compensation on the following conditions: enterprises employing over 20 people would be entitled to compensation if the enterprise is registered in a county where the unemployment rate exceeds 10%. The government has refused to continue debate on the issue in the framework of the national tripartite talks.

The social partners have thus explicated their arguments in the framework of the Steering Committee of the National Labour Market Fund.

Both employer and employee federations criticised the concept on the grounds that it is not properly targeted.

Trade unions emphasised that the burdens of the minimum wage increase are distributed very unevenly among branches. Altogether 480,000 employees are directly affected by the minimum wage increase and there were serious fears that tens of thousands of people might be laid off, because employers would be unable to finance the large scale increase. The MSZOSZ trade union has made a rough calculation on the branch impacts of the new minimum wage and found that the following branches are especially affected: agriculture, textile and clothing industry, leather industry and baking industry. It is therefore of the utmost importance to have a differentiated approach to the compensation. The confederation also proposed the introduction of different keys for the social security contribution, depending on income level. They also called for the creation of a monitoring system to follow the impacts of the increase. Legal controls have to be tightened to avoid illegal manoeuvres by certain employers to counteract implementation of the new minimum wage.

During the discussions of employee and employer federations in the framework of the Labour Market Fund Steering Committee, a new system for the compensation was worked out.

The compensation can be obtained through a tender, the conditions of which would be the following: enterprises with over 5 employees from anywhere in Hungary can apply for compensation if the excess burden of social security contribution arising from the minimum wage increase exceeds 60000 HUF in a year. There are preferences for applicants from regions of high unemployment or from specific branches (agriculture, textile, leather and meat-processing industry).

The government has accepted the conditions negotiated by the social partners.

3. WORKING TIME

The working time issue came up rather sharply during 2001 in connection with the amendment of the Labour Law effective from 1 July. The government used the argument of the need for harmonisation with EU legislation, although the actual modifications in certain cases went beyond that. Trade unions were protesting against those instances of the amendments that make it possible for employers to depart from collective agreements, as regards working time organisation and the more flexible hiring out of the labour force.

Concerning working time arrangements, the major problems were as follows:

- up to two hours work at night does not count as night-work;
- compulsory resting time would decrease from 48 hours to 40 hours per week in case of general conditions of employment;
- decreased weekly resting time can be drawn together within one month, which could even mean continuous working on up to 20 days;
- resting time could even be drawn together for up to half a year, if one day off in each week is secured;
- work during holidays will be made legal in a wide range of jobs.

In general employers are keen to get rid of several former limitations concerning work order and working time arrangements

Trade unions made use of several opportunities to protest against the planned modification of the Labour Law, but the government has pushed it through the Parliament before the Summer break.

MSZOSZ has turned to the Constitutional Court, picking out those items of the amendments that are not just curbing the right of employees, but can be also considered as not in line with the constitution.

4. GENDER PAY GAP

The difference between men's and women's wages in Hungary remained 19% in 2001. This is mostly due to the women's lower position in the workplace, as well as to the low pay in traditional "female" industries, like textiles.

The collective agreement may contain certain benefits for women (positive discrimination in this sense) like extra holiday or one extra day of leave per month for mothers. Working mothers have legal rights concerning childcare, for example, in case of sickness of small children the mother is entitled to sickness pay.

5. EUROPEANISATION OF COLLECTIVE BARGAINING

There are no more than a few signs, in the light of experiences in 2001, that the supra-national dimension of collective bargaining is playing a wider role in Hungary. One rather new element is the way in which catching up with European wages has begun to be used as an argument on both sides. It was the government which proclaimed the acceleration of the catching up process by referring to the robust performance of the Hungarian economy and this was the basis of the government's argumentation for the otherwise controversial issue of the sudden minimum wage. The government has accepted the new tensions induced by the drastic increase of the minimum wage on the pay scale. Trade unions, although having been pushed on to the defensive, were also using European standards as a reference (such as the net minimum wage should reach 50% of the net average wage).

The experiences of other countries, especially other CEE countries, have played no role at all. Something like the Doorn agreement is totally beyond the scope of thinking of any parties; nor can we speak about the co-ordination of collective bargaining at any level.

We have to admit however that the preponderance of the government in the negotiating process is not pointing in the European direction. In this regard, the conscious neglect and marginalisation of unions can even be regarded as a step backwards, compared with previous years.

On the other hand, it was a positive development that bipartite negotiations had been upgraded, and the significance of branch-level agreements has also grown somewhat. Coverage ratios have improved, both at branch and enterprise level. The year 2001 brought very positive developments (as we will see on the basis of statistics), but paradoxically this was not the result of an improvement in the collective bargaining process. On the contrary, the quality of bargaining practices has even deteriorated, mostly due to unilateral moves by the government and also to the social partners' failure to respond appropriately to such moves.

As regards works councils, it must be stressed that the mistrust between unions and works councils did not diminish and the dual model of interest representation has not taken root in Hungary in any genuine sense.

Participation in European Works Councils has increased somewhat, although it is still far behind expectations. To demonstrate this, the newest data of the metal branch can be taken as indicative. There are 84 multinationals in the Hungarian metal sector in which, according to EU legislation, an EWC should be established. There exists a European works council in 44 of these companies at their headquarters, only 18 of which have a Hungarian member.

6. EVALUATION OF WAGE DEVELOPMENTS IN 2001

After 12 years of deprivation, 2001 was the first year when Hungarian employees benefited in a real way from the successes of the economy. The target of the national wage recommendation of 9.75-12.5% gross nominal wage increase was by far surpassed by the realised wage figures. The increase of the average wages in the economy as a whole totalled 18% in 2001. This is a real wage increase of 9%, whereas the expectations assumed a 5% real increase in the course of the negotiations. The wages in the competition sphere grew by 16.3%, whereas those of the budgetary sector increased by 22.4% (wages of public servants grew by 26.3%). The lowest wage growth was seen in the health care sector (15.4%)

2001 was the first year when the wages in the budgetary sector rose higher than wages in the competitive sector.

The average nominal gross wage in 2001 was 103.600 HUF, corresponding to 428 Euro. In Euro terms, the growth of the wages amounted to around 26% in 2001, due to the appreciation of the Hungarian currency.

As regards the impact of the radical increase in the minimum wage, experience showed that the initial fears were not justified. Mass dismissals

did not occur, the level of unemployment did not increase, but, on the contrary, diminished somewhat. Nor has it been proven that employers attempted to avoid the negative impacts by registering their full-time employees as part-time workers, although there is some evidence for this in the commerce sector, as the share of part-time work had grown somewhat to reach 15.4% by the end of 2001.

The greatest problem about the sudden increase in the minimum wage proved to be the distortion of the pay-scale. This was especially problematic in the textile branch, as the minimum wage increase has eaten up the financial resources of most enterprises, and employees above that wage level were receiving very low wage correction (often just enough to offset inflation).

Experiences of tenders for compensation of the negative impacts of the increase in the minimum wage brought mixed results. The amount set at the disposal of the applications proved to be insufficient to compensate all claims. Moreover the organisation and the implementation showed several shortcomings, including the short deadlines and insufficient publicity.

7. OUTLOOK FOR 2002 - SKYROCKETING PUBLIC SERVICE WAGES

The national recommendation for the 2002 wage increases was reached after a few rounds of negotiations in December 2001. The proposal was agreed in the range of 8 to 10.5% nominal wage increase, at an official inflationary target of 4-6% aiming at a real wage increase of 5-5.5%.

The minimum wage was raised by a further 25%, reaching 50000 HUF (210 Euro) this time with the agreement of all social partners.

Statistical data of the first two months of 2002 showed an over-fulfilment of the wage recommendation, as average gross wages in January-February 2002 were already 19.2% higher than in the same period of the previous year. The level of pay increases in the competition sphere was 13.9%, while in the public sphere it was as much as 32.4%. This means that public service wages that, during the whole decade, were lagging behind wages in the competition sphere, have now become 13% higher.

The tough election campaign induced both the left and right parties to raise their bids and enter a spiral of election promises. The socialist-liberal coalition that won the elections by a narrow margin has started the fulfilment of election promises. It has been already decided that public service wages

(including teachers, health care employees and public servants, altogether more than 600.000 employees) will be increased by 50% on average from September. At the same time, the minimum wage for employees with a university degree will be raised to 106,000 HUF (more than twice the general minimum wage).

This means that skyrocketing public sector wages will substantially outpace wages in the competitive sector and aggregate wage increases for the whole year could reach even 30%, which is beyond any expectations. Wage increases for the two years in Euros could well exceed 50%.

Even if the restrictive wage policies of the previous years, together with the enduring dynamism of the economy, have left a certain potential for correction, the present “wage frenzy” must find its limits soon in order to meet the Maastricht criteria in the near future.

Another aspect of the vehement wage development processes is that regular bargaining processes were again pushed into the background. It will be no easy task for the social partners to find their place and strategies under these circumstances.

The over-politicisation of industrial relations that was characteristic of the whole decade compels the social partners, especially the trade unions, to face new challenges. Trade unions that survived a rather hostile period during the last government see positive signs now that industrial relations could be normalised, with the promises of the present government to restore genuine social dialogue. The move of the government to make corrections in the Labour Law on the basis of trade union proposals is indicative of progress in this direction. Trade unions must be aware of the need to avoid entering a clientelist position in relation to the new government and must make efforts to develop new strategies for the genuine representation of employees under the new conditions.

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Ireland

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1. SOCIAL POLITICAL AND ECONOMIC CLIMATE

This paper is formulated against the background of a relatively stable – indeed the longest-serving – Government in the history of the State. While their term of office was bedevilled by various political/financial scandals, these activities remained peripheral to the public perception of this successful Centre-Right Government. The year 2000 was characterised by unprecedented growth in the economy of the order of 10.4%. Only increasing labour shortages and infrastructure deficits inhibited further growth during the first half of the year. The second half of the year 2000 and 2001 presented a somewhat different economic scenario, with the US slowdown, the impact of severely restrictive measures adopted to prevent the spread of a *foot and mouth disease* epidemic from Britain to the Republic of Ireland, and the impact of September 11, being the key contributing factors to a much more moderate pace of growth of the order of 5%.

The benefits of this period of slower though considerable economic development were experienced by all workers to different degrees. There was limited success in the implementation of agreed strategies to address the widening pay/income disparity and a growing divide between the high-income and low-income groups, due in large part to the less than comprehensive response by Government in implementing such strategies in the context of shaping annual budgetary policy.

Centralised economic and social agreements have underpinned growth in the Irish economy for more than a decade. The previous *ETUI Collective Bargaining Report 2000* contains a summary of the highlights of a lengthy agreement known as the *Programme for Prosperity and Fairness (PPF)* set out within five economic and social developmental Frameworks. This agreement builds on the approach and developments of four previous centralised agreements and is predicated on the adoption of a national income strategy which combines pay agreement with tax reform measures to yield significant improvements in living standards. Various aspects of each of the Frameworks impact on the issues discussed in this paper.

A short reminder of the summary outline of the **Frameworks and highlights of the Agreement** are set down below:

Framework I for Living Standards and Workplace Environment includes:

Draft Agreement on Pay and Conditions of Employment between the Irish Congress of Trade Unions and Employers' Organisations including Public Service Pay

Framework for the Development of Equal Opportunities Policies at the Level of the Enterprise

Framework for the Development of Family Friendly Policies at the Level of the Enterprise

Framework II for Prosperity and Economic Inclusion - Modernising the Economy includes specific commitments to:

Develop Infrastructure in accordance with the seven-year National Development Plan

Implement targeted actions to improve the competitiveness of key developing and vulnerable sectors i.e. Construction, Energy, Food, Forestry, Financial Services, Retail.

Develop North-South Co-operation

Framework III for Social Inclusion and Equality includes specific commitments to:

Improve Income Adequacy among the low-paid and socially excluded,

Improve the extent and coverage Occupational Pensions

Actions and resources to target Disadvantaged Areas

Implement the Social Economy Programme)

Equality in respect of women, people with disabilities, older People, and people being discriminated against on grounds of Racism)

Framework IV for Successful Adaptation to Continuing Change includes specific commitments to:

Develop a Framework of educational provision to support the advancement of the concept of Lifelong learning for all Irish citizens.

Adopt relevant Labour Market measures to address the needs of the remaining long-term unemployed and other previously marginalised groups trying to access the labour market

Develop and resource an appropriate childcare infrastructure, which supports increased access by women to the labour market.

Develop an affordable and inclusive information society infrastructure and services and enable the participation by those who are currently excluded.

Framework V for Renewing Partnership includes specific commitments to:

Develop Enterprise/Organisational Partnership through the establishment and work of a new National Centre for Partnership and Performance.

Deepen enterprise level partnership through specific Social Partner initiatives.

1.1. Economic climate

Economic prosperity continued during the period under review, albeit at a more moderate pace. The growth rates of the order of 10.4% in 2000 and 5.0% in 2001 translated into moderate (+2.9%) though reducing levels of employment growth compared to the preceding period.

Table 1: Key Economic Indicators

	2000	2001
GNP	10.8%	5.0%
Inflation	5.6%	4.9%
Employment	4.7%	2.9%
Unemployment	4.3%	3.9%

Source: Budget 2002

Economic output: There were varying fortunes among the sectors in their contributions to economic growth in the latter half of 2000 and throughout 2001. Agricultural output grew by 1.6% despite the restrictive measures imposed on the sector as a result of *foot and mouth disease* problems.

Industrial production increased strongly in the first half of the year (+18.4%), dropping to just 2% in the third quarter of 2001 with estimated further reductions in the fourth quarter. Overall output is expected to show growth of

8.2% for the year 2001. Performance in the Services Sector slowed to some extent, though continued relatively favourable throughout the period (output estimated at 6.9% in 2001 compared with 9.4% in 2000). Within this sector, the distribution, transport and communications sectors were the highest performers. The services sector most affected was the tourism sector due to both *foot and mouth disease*, the US economy slowdown and the September 11th events.

Inflation: The inflation figures, while remaining high, have fallen from the alarming average of 7% reached early in 2000. Ireland continues to show the highest rate of inflation in the EU. Inflation in health, recreation and culture, hotels, cafes and restaurants and in miscellaneous goods and services remains high, though the overall inflation reduced to 4.9% for 2001.

Employment: Overall employment growth was 4.7% in 2000 reducing to 2.9% in 2001. The Labour Market remains tight, reflecting shortages both in the Public and Private sectors. Responding to significant identified shortages, the key growth areas in employment were concentrated in education and health as well as in business services. Atypical employment increased towards EU levels. Female participation rates which have been a major source of labour growth throughout the 1990s rose slightly during 2001 to 48.6%, though this growth levelled during 2000-2001, due in the most part to inadequate childcare provision. Male participation increased marginally to 71%.

Unemployment: The level of unemployment dropped to 3.9%, reflecting the on-going dramatic decline in this figure since 1993. The decline in the long-term unemployment rate is most dramatic at 1.2% at the end of 2001.

Vacancies: A survey¹ at the end of 2000 showed that a significant minority of employers (31%) were experiencing difficulties in filling vacancies among a considerable diversity of occupations ranging from highly skilled to lower skilled occupations. Throughout 2001, however, in the context of the economic slowdown experienced, there was a fall-off in the demand for labour in parallel with significant redundancies in the ICT sector. The real impact of these developments is not yet known, as the latest figures continue to reflect growth in employment.

¹ ESRI/FAS/FORFAS

Immigration: Rising immigration was a continued feature of the period under review, with a net inflow of 18,400 persons per year since 1996. Ireland had among the highest net immigration rate in the EU during 2001, with 5.3 per 1,000 of the population, more than twice the EU average.

1.2. Economic growth underpinned by the Programme for Prosperity and Fairness

The implementation of each of the Frameworks (apart from Framework II and IV) is aimed at ensuring continuing economic growth by addressing the prevailing problems of inadequate infrastructure, ensuring the most adequate and appropriate labour supply and developing the educational and skills capacity of existing and potential workers.

There are a number of significant infrastructure programmes underway, and structural changes have been devised intended to provide a Framework for educational and training /skills provision addressing the needs of all sectors in society. Progress in these regards have been slow over the period under review, bedevilled by labour shortages and the inadequacies of the Government structures to ensure cross-departmental co-operation to provide a basis for lifelong learning outside but encompassing the formal education system. Work is on-going among the social partners to improve progress in these areas.

The key challenge with respect to infrastructure development is to match significant financial investment commitments through implementation of the National Development Plan with organisational and structural change to achieve improved efficiencies. The participation of Social Partners is ongoing through Public Transport and Construction fora in particular. One of the most significant developments to emerge in this area is the agreement between Social Partners of a *Framework for the adoption of a Public – Private Partnership approach to investment* in significant infrastructure and other projects, which commits the Government to extensive consultation in the assessment and planning stages of the projects.

1.3. Developing social provisions through Social Partnership

Major improvements have been made across a range of social provisions, achieving slow progress towards tackling the prevailing level of poverty through the implementation of the National Anti-Poverty Strategy. The strategy and specific commitments under the PPF have targeted (i) improving social welfare provisions (old age, child income support, carers support, unemployment benefit) and (ii) tackling the prevailing barriers to

employment which prohibit the participation of many groups in society, e.g. women, people with disabilities.

Major improvements have included increases in a range of pensions and income supports, improvements in Maternity and Adoptive Leave provisions and the introduction of *Force Majeure* and Parental Leave (as yet unpaid).

It is widely held that the key indicators of the sophistication of the social development in any country are access to quality health care, education (particularly for people on low incomes) and housing and the general efficiency and responsiveness of the Public Service in this Consumer era. The period under review is characterised by continuing crises in housing and the health services and inadequate education and support services for people in disadvantaged communities. There is continued criticism of the organisational / structural inefficiencies in many parts of the Public Service. While the National Anti-poverty Strategy embraces some of these problems, few successful strategies have been devised to provide comprehensive and holistic solutions, including those which enable organisation change.

To tackle the ongoing crisis in the health services, a new Health Strategy has been published by Government, in consultation with unions, with the objective of building up the level of service over time and prioritising the reduction of waiting lists for emergency and elective surgery. While the strategy is welcomed, there is considerable scepticism as to whether the considerable resources required to implement it will be forthcoming in the context of reducing levels of economic growth. Organisational and staffing aspects of the implementation of the Health Strategy are subjects of Social Partner discussion within the Health Partnership Committees.

A number of complex and cultural factors are contributing to the ongoing housing crisis. Social Partners have been involved in a National Housing Forum attempting to identify strategies to address the inadequate housing across all markets, public, private and social/community housing.

In summary, progress in devising strategic though practical and effective responses is slow. Further targeted resources are required to tackle disadvantage, particularly in relation to health, housing and education, and to close the widening gap between marginalised groups and mainstream Irish Society. There are constant pressures for increased progress on organisational change and a more responsive and efficient Public Service, as set down under the terms of the PPF and provided for in the implementation of the Strategic Management Initiative.

1.4. Pension systems

The Pensions Amendment Act 2002 was enacted, the main new provisions being the legislative framework for the Personal Retirement Savings Account (PRSAs) and the requirement that employers facilitate the administration of such schemes.

The National Pensions Reserve Fund was established in April 2001 to part finance the Exchequer costs of social welfare and public service pensions from 2025 onwards. So far the Fund amounts to over €7,678bn (including the net proceeds from the Telecom flotation). There is a statutory obligation on the Government to pay a sum equivalent to 1% of GNP from the Exchequer into the Fund each year until at least 2055.

In previous Reports the low level of occupational pensions was noted. The National Statistics Office is committed to undertaking a survey of occupational pensions in the second quarter of 2002.

1.5. Social concertation

It is widely held that the growth of the economy was achieved in large part due to the continued management of the economy through Social Partnership agreements. The continued endurance and viability of the Partnership pay agreement came under serious strain over the period under review in the context of inflationary pressures and a tight labour market.

2. WAGES AND PURCHASING POWER

In its assessment of the implementation of the PPF one of the major professional unions *Manufacturing Science Finance (MSF)* contrasts cumulative increases under the PPF agreement with its predecessors as follows:

Table 2: Programmes

	Cumulative Increases	Duration
PNR (1987-1990)	7.7%	36 months
PESP (1990-1993)	14.5%	36 months
PCW (1994-1997)	8.2%	36 months
P2000 (1997-2000)	9.6%	39 months
PPF (2000-2002)	18%	33 months

Under the PPF the basic pay agreement combined with agreed tax reform measures (adjusted to take account of inflationary pressures) provided increases in net take-home pay of 25%.

Growth in hourly/weekly earnings reflect the impact of tax measures as well as pay increases. There are however, a range of diverging views on the extent of such growth. Official estimates indicate average *non-agricultural earnings* increased by about 9% in 2001, including *industrial earnings* increase of 12.5% in the year to September 2001 compared with 7.1% in 2000 and increases of 8.9% in *distribution and services* in 2001 similar to increases in 2000.²

The latest Central Statistics Office figures indicate increases of the order of 15.1% in Banking Insurance and Finance (first half 2001) and 10.8% in the Public Sector (excluding health).³

The largest union Services Industrial Professional Technical Union (SIPTU), representing large numbers in Private Sector industry, indicates in its paper assessing the outcome of the PPF that ‘for low paid workers, the PPF pay increases and the introduction of a National Minimum Wage provided a guaranteed increase in basic pay of between 19.1 and 27.1% depending on whether or not they were organised in unions.’

SIPTU argues that the economic boom has allowed it to successfully pursue local bargaining, even though this was not provided for by the PPF. According to its figures, average industrial earnings are expected to show a cumulative increase of 29.7% between March 2000 and December 2002. They note that ‘even when adjusting for a cumulative increase of 13.6% in inflation over the same period the outcome is a 14.2% cumulative increase in the real value of average earnings (plus any additional gains as a result of tax reform)’.

In more general and summary terms, while the application of the basic terms of the PPF (as detailed in *ETUI Collective Bargaining Report 2000*) have been agreed/applied in most workplaces during the period under review, there is evidence of significant wage drift in some sectors of the economy, a trend particularly pronounced in the services and financial services sectors.

² Central Bank

³ Central Statistics Office

Wage drift in the services sector⁴ has been driven by two key factors; firstly this sector has been traditionally a low paid sector of the economy and there has been significant pressure on employers to modernise the sector and bring it into line with pay and conditions in other sectors of the economy; secondly, employers have been under pressure to respond to a tight labour market and to minimise the impact and extent of staff turnover.

These along with other factors created a climate that resulted in settlements of the order of 5% to 11% above and beyond the basic terms of the national agreement in the period. It is worth noting that, with the exception of one major employer, these settlements were achieved without recourse to industrial action; in the exceptional case, the industrial action consisted of a one-day strike following which a settlement was reached with the employer.

The financial services sector⁵ has experienced similar levels of wage drift. While high staff-turnover rates are among the factors which have contributed, other industry-specific factors, such as the introduction of the single currency, mergers and associated rationalisations and the introduction of electronic and online banking, have also led to the wage settlements in the period above and beyond the terms of the PPF.

It should also be noted that, as part of the PPF, there is an ongoing process whereby pay in the civil and public service is being benchmarked against similar grades in the private sector. The process of benchmarking has been underway for some time and, in the period under review, the body charged with the management of the exercise has heard submissions from all parties involved. It is anticipated that the process will lead to recommendations for increases in the pay of those grades under examination and, under the terms of the PPF, 25% of any increase is payable from December 2001. The Benchmarking Body is due to report its findings in June 2002.

2.1. Tax reform

As previously mentioned, the agreement provided for the combination of moderate wage increases with tax reform measures. The main reforms included the completion of the introduction of a tax credit system and

⁴ The services sector comprises retail, wholesale and leisure.

⁵ The financial services sector comprises banking, building societies, other financial institutions and insurance companies.

subsequent increases in tax credits, the reduction in the Standard and Higher Rates and widening of the Standard Tax Band.

The result of these changes was to:

- adjust the entry point into the income tax system to exonerate 90% of persons on the current Minimum Wage from paying tax; and
- increase the percentage of income earners not subject to the higher rate of tax to 73.3%.

In addition tax relief on trade union subscriptions was introduced in Budget 2001.

2.2. Profit-sharing / gainsharing

While the PPF details the agreed level of increase to be paid, there is scope within the agreement for arrangements such as gainsharing to be put in place at local level. In the period a number of unions have reported progress in this area. Over seventy individual company-level agreements on gainsharing/profit-sharing have been introduced.

While there has been some progress, SIPTU noted in its paper that the biggest barrier to increased diffusion of employee financial involvement was the voluntary nature of the process, since 'no employer was obliged to come to any actual agreement in this area'. Accordingly the number of agreements on financial involvement, rather than accelerating, actually slowed down from 83 under P2000 to 34 under PPF. 'In fact, in less than 3% of PPF settlements negotiated by SIPTU were employers willing to introduce any form of financial participation for their general and clerical workforce.'

Tax Relief for approved share options was introduced in the Finance Act, 2001. To qualify for this treatment options must be available to all employees on similar terms and there is a requirement that the period between the date of the grant of the option and the date of any subsequent sale must be at least three years. The scheme also allows for a key employee element, where options can be granted without reference to similar terms but at least 70% must be available for the all employee part. Unions contested the provision for key vigorously but without success, arguing that distinguishing between different groups of employees makes it more difficult to achieve partnership and teamwork at enterprise level.

2.3. Minimum wage

Under the terms of the PPF the rate of the Minimum Wage was adjusted with effect from 1 July 2001 to €5.97 per hour.

3. EUROPEANISATION OF COLLECTIVE BARGAINING

During the period of this review the impact of europeanisation of collective bargaining was most noticeable on the issue of atypical work. The EU Part-time Work Directive was transposed into Irish Law with effect from December 2001. Under the terms of the PPF both pay and pensions are covered.

Discussions are ongoing between the unions, employers and Government over the transposition of the EU Fixed-Term Contract Directive. Draft legislation is due to be published shortly.

4. FLEXIBILISATION OF WORKING CONDITIONS AND DECENTRALISATION OF COLLECTIVE BARGAINING – WORKPLACE RELATIONS AND ENVIRONMENT

Partnership

Key developments in relation to the broader workplace relations and environment included the establishment of the National Centre for Partnership and Performance and the subsequent publication of their Strategic and Operational Plan. The role of the Centre is to provide a strategic focus to the deepening of partnership and improvement of performance in the workplace, in both the public and private sectors. The publication of *Guidelines on Partnership and Performance in Workplaces* is due to be published shortly, this being one of the key commitments of the PPF.

It is difficult to assess developments in relation to progress on the Partnership agenda to date. Each of the Programmes P2000 and PPF set down detailed clear definitions and a broad agenda to be pursued. The National Centre for Partnership and Performance will attempt to assess, in the course of its work, the adoption and impact of the partnership approach in workplaces.

In their paper, SIPTU indicate that they have completed partnership agreements covering 80,000 workers to date and encompassing a wide range of issues such as new forms of work organisation, training and financial involvement. While these figures look impressive, SIPTU note that ‘we must be careful not to overstate the true extent of enterprise-level partnership’ and

that many of these agreements may be ‘little more than extensions of existing collective agreement ...and ...only cover a single issue or a narrow set of issues’. SIPTU suggest that many of these deals constitute less advanced forms of partnership than wider-ranging agreements which meet both of the following criteria: employee input into strategic and operational decision-making and agreed method of sharing the benefits of partnership.

SIPTU do however express the view that ‘the very existence of a partnership is a good start because even agreements which currently have a narrow orientation have the potential to develop into more powerful and far-reaching partnerships.’

Working time developments

The implementation of the Framework Agreement for the development of family-friendly policies at the level of the enterprise includes promotion of flexible working time policies, agreement between the unions and employers of *Guidelines for Family-Friendly policies* and negotiation of a draft *Model Agreement at enterprise level* aimed at increasing the level of flexible working including job-sharing, term-time working, short-term part-time working, etc.

There have been no developments in terms of a national demand for reduction of working time.

Health and safety

A *Workplace Code on Safe Working and Accidents Prevention* has been agreed and is being promoted by the Social partners.

Employment status

A *Code of Practice on determining Employment Status* (of employees vis-à-vis the self-employed) was agreed and published in April 2001. The inappropriate adoption of new forms of work organisation such as teleworking had resulted in confusion over the status of persons engaged in this type of work and the emergence, in a small number of cases, of exploitation of former employees forced to take on self-employed status in the absence of clear definition.

Right to bargain / union recognition

The *Industrial Relations Amendment Act* came into force in May 2001 giving effect to the agreement reached by ICTU, IBEC and Government Agency representatives in relation to union recognition. The new procedures allow for

binding Labour Court recommendations on issues related to pay and conditions in cases where an employer refuses to abide by agreed voluntary procedures.

As outlined in the *ETUI Collective Bargaining Report 2000*, two mechanisms were agreed to deal with disputes where no negotiating arrangements are in place and where collective bargaining fails to take place:

- i) The first is a voluntary procedure whereby parties can avail themselves of the services of the Advisory service of the Labour Relations Commission to assist in the resolution of disputes over pay and conditions. Where agreement is not reached, the matters still unresolved can be referred to the Labour Court for adjudication.
- ii) The second is a special fallback procedure which provides that, where a trade union so requests, the labour Court will investigate an issue in dispute between a trade unions and an employer where the Court is satisfied that :
 - an employer has failed to participate in the voluntary procedure
 - appropriate internal procedures and mechanisms have failed to resolve the issue
 - there is no recourse to industrial action during the process.

Guidelines on Securing the Right to Represent, reflecting a new Code of Practice to outline the Voluntary Dispute Resolution and incorporating the provisions of the Industrial Amendment Act, 2002, were published by ICTU.

In addition a revised Code of Practice on Grievance & Disciplinary Procedures was introduced.

5. GENDER ISSUES IN CURRENT COLLECTIVE BARGAINING AND LEGISLATION

The ETUI collective bargaining report 2000 refers in detail to the major Equality Acts introduced in 2000 and 2001, i.e. the Employment Equality and Equal Status Acts. The challenge throughout the period under review was concentrated on developing the capacity of union officials to use the new legislation to address gender discrimination (and discrimination on eight other grounds, i.e. family status, disability, age, sexual orientation, traveller status, race, ethnic origin, religion) in workplaces and in relation to access to services, including union services.

In the main, the key gender issues were pursued through the implementation of two Frameworks as follows:

(i) Framework Agreement on Equal Opportunities Policies at the level of the Enterprise across the 9 grounds agreed under the PPF.

The implementation involves a number of funded projects and activities including a major ICTU Education & Training Project developing the capacity of union officials and activists to pursue equality issues in the workplace.

Guidelines for Employment Equality Polices in Enterprises were agreed and published and Equality Training Standards are currently being developed.

The Framework provides for Unions and Management to develop and implement equal opportunities policies/practices at the level of the enterprise by agreement.

(ii) Framework Agreement for the Development of Family-Friendly Policies at the level of the Enterprise

The implementation of this Framework involves further funded projects and activities, the publication of a Quarterly Newsletter, the development of a Family Friendly Website, the establishment of Family Friendly Day (1st March). Further *Guidelines for Family-Friendly Polices* have been agreed and a *Draft Model Agreement at enterprise level* is currently being discussed.

The Framework Agreement provides for Unions and Management to discuss the introduction of family-friendly practices including discussions on the (newly improved) provisions of existing legislation:

- Maternity leave
- Adoptive leave
- Parental leave
- *Force majeure* leave

Successful negotiations led to considerable improvements in relation to Maternity and Adoptive Leave during 2000/2001. Maternity Leave accruing a Social Welfare Benefit Payment was extended from 14 weeks to 18 weeks and the period of additional unpaid leave was doubled from 4 to 8 weeks. Adoptive leave was also improved by 8 weeks in total - four accruing Adoptive Leave Benefit and four weeks unpaid.

In addition, the Carer's Leave Act was passed into law in July 2001. It provides for 65 weeks for men and women to care for someone who is ill/disabled and requires full time care and attention. This leave attracts a Social Welfare Benefit.

The PPF also provided that the provisions of the Parental Leave Act 1998 be reviewed. The Review Report was finalised in November 2001 and Government have now agreed to publish the report. While a number of issues remain unresolved because of a failure to achieve consensus, the report makes a number of recommendations in relation to the payment, duration and manner in which Parental Leave can be taken, maximum age of a child covered, special provision for children with disabilities and broadening the entitlement, i.e. a legal formula be developed to extend parental leave entitlement to persons acting in *loco parentis* in respect of an eligible child. ICTU will be pursuing the implementation of these recommendations by Government.

The review also included a recommendation to introduce a statutory entitlement to three days paid paternity leave per child, payable by employers.

In relation to childcare, while some investment has been made through the development of community childcare facilities, much more remains to be done to provide an adequate childcare infrastructure to encourage the greater participation of women in the workforce. Employers, while acknowledging need for childcare, are resistant to the concept of investment in or direct childcare provisions. Despite considerable levels of discussion among the Social Partners, the issue of child and elder care remains unresolved .

6. OUTLOOK FOR 2002

The economic outlook in 2002 is relatively positive. GNP is forecast to increase by 4.34%⁶. Consumer price inflation is expected to decline to 4.2%. Employment is forecast to increase moderately by an average of 1.75% over the years 2002-2004. Unemployment is expected to be at 4.75%.

The moderation of economic growth is expected to bring problems in terms of public expenditure in the context of managing the significant investment programmes under the National Development Plan and the Health strategy.

⁶ Budget 2002 Department of Finance

Organisational reform, particularly in the Public Service, is a priority for Government. The date for a General Election has been set in May 2002.

In terms of collective bargaining, in 2002 most workers in the economy will receive the last phase of the PPF. This will mean that in the coming year there will be decisions about the nature of pay bargaining and the arenas in which it will be conducted.

Significant tensions are already emerging. There have been soundings from the employers that they are reluctant to enter a new national arrangement because of the considerable wage drift discussed in the earlier parts of the paper. It should also be noted that previous national pay agreements have comprised of trade offs between moderate wages increases and reforms / cuts in direct personal taxation. It is recognised by most economic and social commentators and Unions that there is no scope for further cuts in personal taxation. The lack of such flexibility has not, however, dampened the expectations of some unions who have argued that significant pay increases are required if pay in Ireland is to catch up with wage levels in the rest of the EU.

As already discussed in an earlier issue, the report of the benchmarking body, which is examining civil and public service pay, will report in June 2002. Following their report there will be discussions on how the balance (25% of any award to be paid from December 2001) of this commitment will be implemented. It is anticipated that these discussion will not be without their own problems.

The Government continues to acknowledge the role of the Social Partners in seeking a further National Agreement. However, the widening disparity among income levels will challenge the continuation of the approach adopted to the pay agreement element of the Partnership agreements to date. If a new agreement is sought by unions, following intensive consultation with union members throughout the Summer months into September 2002, it is widely held that the existing model must be reformed to ensure greater flexibility and a better deal for low paid workers.

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Italy

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1. GENERAL BACKGROUND INFORMATION

Our previous report on collective bargaining in Italy in 2000 ended with an expression of concern about the mounting tension and dissension among the three main national trade union confederations, as highlighted by the fact that the “Milan Pact” on flexibility of labour was signed by the CISL and UIL but not by the CGIL (Negrelli 2001).

This discord persisted during 2001 and even extended into other spheres. The renewal of the second two-year pay-related part of the collective agreement in the metalworking sector was likewise signed by FIM-CISL and the UILM, but not by FIOM-CGIL because of disagreement on various points: the distribution of sectoral productivity gains, compensation for past inflation, and the difference between projected and actual inflation. The CISL maintained in an explanatory memorandum that FIOM’s refusal to sign had been unjustified, given the level of the increases obtained (Lit. 130,000 for a fifth grade worker compared with the Lit. 135,000 demanded by the trade unions) and given that the gap between actual and projected inflation had been almost completely bridged¹. But nor is the CGIL to sign the agreement transposing the European directive on fixed-term employment. In this case, the split between the trade union confederations was matched by a similar rift between employers’ organisations. Indeed, in March 2001 the CGIL – along with the employers’ associations *Confcommercio*, *Confesercenti*, *CNA*, *Lega delle Cooperative* and *Confservizi* – walked out of the protracted and arduous negotiations launched in March 2000 and concluded in May 2001. On the other hand, the CISL and UIL, together with the UGL and CISAL, did sign the agreement with 12 other employers’ associations including *Confindustria*, aimed at transposing the directive and sending the government a “joint opinion”. The Minister for Employment in the former centre-left government

¹ “The FIM-CISL, UILM-UIL and *Federmeccanica* accord on the renewal of the metalworkers’ agreement: an explanatory memorandum”. I am grateful to Angelo Gennari for this information on the CISL’s position and for having provided me with the relevant official documents.

had in fact declared his intention to take into account even the opinions of non-signatory organisations, but the joint opinion was enshrined in a legislative decree in the autumn by the new centre-right Berlusconi government which emerged victorious from the elections in May 2001.

These differences of opinion within the Italian trade union movement are equally apparent on other issues, such as reform of bargaining arrangements, decentralisation of negotiations, trade union representation in the workplace, and the proposals for a “*Statuto dei lavori*” (jobs statute) which are currently held up in parliament. However, there is evidence that the three unions CGIL, CISL and UIL have been moving towards joint strategies on other collective bargaining topics, with extremely novel results in some instances, such as the new “network contract” of July 2001 in the energy sector, which follows on from a similar one in the previous year in the telecommunications sector (see below).

Yet the main reason behind the reversion of Italy’s unions to a more united strategy would seem to be the more or less combined policies of the new leadership of Confindustria and the new centre-right government, especially in 2001.

It came as a surprise when Antonio D’Amato, a Neapolitan businessman backed by small and medium-sized enterprises not only in central and southern Italy but also in the north-east, was elected Chairman of Confindustria. On the one hand, his success constituted a crushing defeat for the large companies which have always had a crucial influence over the strategies of Italy’s main employers’ organisation; on the other, it also represents a direct challenge to the former government strategy of concertation in the country’s industrial relations. Indeed, D’Amato’s “alliance for modernisation” is intended to lay the foundations for a new era of labour market and welfare state reform.

It should be pointed out besides that this U-turn in Confindustria’s policy coincides with a loss of legitimacy and credibility suffered by concertation in Italy, following the unsuccessful implementation of the “Christmas Pact” in 1998. Even before D’Amato was elected, Confindustria had openly endorsed the general referendums initiated by the Radical Party with a view to liberalising the labour market and making it more flexible; it supported in particular the one aimed at repealing Article 18 of the Statute of Workers’ Rights, which stipulates that workers dismissed without “good cause” must be reinstated. The trade unions had already detected in this stance by Confindustria a lack of trust in - not to say a rejection of - the policy of

concertation pursued during the course of the 1990s. Thereafter, tension between the trade unions and the employers' organisation mounted further when Confindustria blocked the end-of-service allowance introduced in order to restructure the pension system and establish the so-called second pillar of supplementary pension provision.

In March 2001, Confindustria, under its new Chairman D'Amato, presented the trade unions and the new government, to be elected in May, with a document entitled "Actions for Competitiveness", setting out its idea of a "social pact" to be based on an extensive programme of reform. On pensions, in particular, the contributory system would be extended to include workers recruited prior to 1993, and the retirement age would be raised. Concerning the labour market, there are proposals to limit entry and exit constraints, to repeal Article 18 of the Workers' Statute stipulating – as we have said – that workers unfairly dismissed must be reinstated, and to liberalise fixed-term contracts. These two radical initiatives to reform the labour market and the welfare state should moreover, according to Confindustria, be accompanied by other significant changes relating to business taxation, labour costs (boosting variable components of pay), the hidden economy (incentives for firms to regularise their status), infrastructure, the *Mezzogiorno* (tax incentives for firms in southern Italy), the civil service, the privatisation process, training and research.

The new Berlusconi government, victorious at the elections held on 13 May 2001, took on board several of these proposals, transforming them into a legislative programme contained in the "White Paper on the labour market in Italy", unveiled in October by the Minister for Employment and Social Policy. Given the difficulties of the Italian labour market, with an employment rate of 53.5% in 2000, the proposal is to create an "active society" by virtue of greater labour flexibility for young people: this should be achieved through an extension of fixed-term contracts and new forms of employment such as "on-call jobs" and "project contracts" among others, so as to raise Italy's employment rate to 70%. Concerning the "instruments for an active society", it is pointed out in particular that the "social dialogue model, as regulated and tested out at Community level, constitutes the most convincing point of reference for a systematic modernisation of relations between the social partners and institutions, also at domestic level" (Ministero del Lavoro 2001: IX). Repeated references to the adoption of European rules on the social dialogue, as well as to the European Employment Strategy, the Open Method of Co-ordination and other instruments for participatory industrial relations, would not however seem sufficient to define the true

nature of the intended changes. The White Paper also contains a critical assessment of Italy's experience of concertation in the 1990s, which serves as a basis for a proposed new configuration of relations between the social partners and hence a radical change in the country's industrial relations.

There is in fact talk of an "excessive use of concertation", of its "distorted and wrongful use", because it had "performed tasks of government going well beyond the aim of fostering a proper relationship between the social partners". Whereas concertation is given credit for having attained two fundamental economic policy goals – an overhaul of the public finances and Italy's entry into the euro – for the authors of the White Paper "the 1990s model of concertation is quite evidently incapable of confronting the new dimension of economic and social problems" (Ministero del Lavoro 2001: 31).

The new form of "social dialogue" being advocated is therefore very different from the one previously offered by concertation. It amounts to a transition towards mere "consultation" of the social partners (and, what is more, "within a reasonably short time-frame"), who are indeed given an opportunity to negotiate, but with the government and the regions remaining free to take unilateral decisions. In addition, in the event of disagreement between the social partners, the "Italian road to social dialogue" is predicated on recourse to the majority rule "without laying claim to unanimous positions which would jeopardise the smooth operation of the social dialogue itself".

The new centre-right government's employment policy thus appears to be geared primarily to two aims, extending fixed-term employment and drastically reducing participation, to a certain extent chiming in with the more adversarial strategy of Confindustria. But we must not overlook a third important element of radical change in Italy's system of industrial relations, namely the transition – once again emphasised in the White Paper – "from an incomes policy to a policy of competitiveness". Indeed, reference is made to the "inadequate nature of a centralised bargaining system whose cornerstone is an economic indicator (projected inflation) which performs a social function (safeguarding real wages) but is indifferent to the genuine requirements of individual firms (...)". This assertion would seem to be a rash one, since it could lead the players in industrial relations to behave in a more opportunistic fashion, thereby losing the momentum gained in the macro-coordination of collective pay bargaining which was so painstakingly achieved in the past as a replacement for automatic wage indexation, and perhaps leading to deregulated and uncontrolled decentralisation.

Whereas the CISL and UIL, unlike the CGIL, had demonstrated a degree of willingness to hold talks and negotiate about the merits of the proposals contained in the White Paper, at least on certain points which they did feel able to endorse (CISL 2001; Pezzotta 2002), this intention was in any event stymied by the government's decision to entrust reform of the labour market and pension system to the legislative decrees linked to the 2002 Finance Bill, in accordance with the draft law of 15 November 2001.

1.1. National industry-wide bargaining in 2001

During the course of 2001 (up to the end of September), 17 major national collective labour agreements were renewed, affecting some 1.5 to 2 million workers in various sectors (see Table 1).

Many of the agreements signed were born of lengthy and complex negotiations. Confrontation revolved above all around the introduction of greater flexibility (meaning both the adoption of flexible forms of employment and more flexible work practices) and national wage settlements geared to safeguarding the purchasing power of pay, in keeping with the terms of the July 1993 Agreement. There has been a noticeable downward trend in the number of collective agreements, both due to the establishment of sector/group agreements such as those in telecommunications, the Post Office and the energy sector, and also due to amalgamation processes as occurred with the security guards' agreement (the sectoral organisations consolidated into one single text the two valid national collective agreements, for private security firms and for private security co-operatives, both of which expired on 30 September 1999). The same applied to the collective agreements in the paper and graphics small business sectors, both of which expired on 31 December 2000: an accord was reached with the employers' organisation Confapi on 17 July 2001 to renew and at the same time unify these two agreements.

As in the past, this bargaining round has once again focused mainly on aspects relating to the introduction and expansion of flexible working practices designed to take into account the ever more rapidly changing conditions on the labour market. Furthermore, several agreements make provision for occupational pension schemes and supplementary health care.

We would recall that, of the collective agreements renewed in 2001, the most important ones in terms of the number of workers covered included the following: the Italian Post Office (170,000 employees), where a conclusion was eventually reached three years late after protracted negotiations – the

agreement had in fact expired in December 1997; the single agreement in the electricity sector (90,000 employees), signed on 25 July 2001, more than two years after the expiry of the previous agreements and after a long and arduous period of negotiations; the national collective agreement for domestic workers (500,000 employees), which was signed on 8 March 2001 after seven months of negotiations (the agreement had expired in July 2000); and, lastly, the agreement covering some 450,000 employees of cleaning firms, which had expired on 30 April 1999 and was signed on 25 May 2001.

Table 1: Main collective agreements renewed in 2001

	SIGNED	VALID FROM	EMPLOYEES
Agriculture - breeders and livestock rearing co-operatives	12/02/01	01/01/01	5,000
Garages and car hire	18/01/01	18/01/01	20,000
Driving schools	01/02/01	01/02/01	5,000
Paper industry	13/07/01	01/07/01	75,000
Journalists	11/04/01	01/03/01	11,000
Domestic staff	08/03/01	08/03/01	500,000
Post Office	11/01/01	01/01/98	170,000
Electricity sector	25/07/01	01/07/01	90,000
Industrial cleaning services	25/05/01	01/06/01	300,000
Professional office staff	25/07/01	01/10/99	800,000
Security guards	08/05/01	01/05/01	31,000

Source: compiled by *Monitor Lavoro* on the basis of CNEL and Laserdata statistics; the employee data were derived from estimates supplied by the trade union organisations.

2. WAGES AND PURCHASING POWER

Specific responsibilities in the field of wages were conferred on national industry-wide bargaining and on decentralised bargaining by the Agreement of 23 July 1993, subsequently confirmed by the Christmas Pact of 1998. National bargaining serves to adjust the purchasing power of wages to inflation and where appropriate to distribute the share of sectoral productivity, calculated as an average amount. Decentralised negotiations, especially at

company level, serve to link pay rises to indicators of company productivity, quality and profitability.

This sharing of tasks has made for effective co-ordination of wage policies, as is shown by the trend in “real” gross collectively agreed pay², or rather in its purchasing power, from 1993 onwards (see Tables 2, 3 & 4). As can be seen, purchasing power fell markedly in almost all sectors during the period 1992-96. (Between 1992 and 1994, the new system of collectively agreed rules was not yet in force; nor was the indexation mechanism any longer operational, and renewals of agreements were subject to delays. Thereafter, in the period 1994-96 the loss of purchasing power occurred because actual inflation rose much more sharply than projected inflation – particularly in 1995.) As demonstrated by Table 3, between 1996 and 1998 the purchasing power lost during the previous period was recovered, and this recovery continued into 1999. The tables turned in 2000-2001, when actual inflation once again outstripped the forecasts.

The system of industrial relations established by the July 1993 Agreement therefore made it possible, on the whole, to safeguard the purchasing power of pay, at least until 1999, even within a context of wage restraint. The upsurge in inflation in 2000 and 2001, in excess of projected levels, caused what in a low-inflation environment proved to be a substantial loss of purchasing power (often equivalent to around half of the pay rises obtained). However, it must be borne in mind that the inflation indicator used to measure purchasing power³ is a conventional indicator which does not always entirely gauge the actual trend in prices, particularly in respect of commodities not contained in the “basket” used to calculate the trend.

² **Collectively agreed pay** means earnings deemed by ISTAT (the Central Statistics Office) to derive solely from the national collective agreement: it does not encompass other categories such as overtime, earnings resulting from company and/or local bargaining, *ad personam* increases, individual top-ups to the minimum wage and non-negotiated company emoluments (wages falling under all these headings are known as *de facto* earnings). The fact that pay is **gross** means that it represents the value of earnings before tax deduction. It is in addition known as **real** pay, in that it is calculated net of inflation, i.e. adjusted for inflation: this means that its value has been calculated at purchasing power parity compared with a base year (1995 in this case). I am grateful to Giuseppe D’Aloia and Rosalba Pelusi of *Monitor Lavoro* for having supplied these data on pay trends and the relevant calculations, as well as for the information contained in the concluding paragraph on renewals of collective agreements.

³ The consumer price index for blue- and white-collar households.

Table 2: Collectively agreed gross pay, adjusted for inflation (“real” pay) in the main sectors: increases on annual averages in the first bargaining round post-July 1993

Sector	1993	1994	1995	1996
Agriculture	0.9	- 3.6	- 3.1	- 1.9
Industry	- 0.6	-0.7	- 2.0	- 0.6
Banks/insurance	- 2.3	- 3.5	2.3	1.7
Retail tr./Tourism	0.0	- 1.1	- 1.1	- 0.1
General index	- 1.4	- 2.0	- 2.0	0.3

Table 3*: Collectively agreed hourly pay per branch and sector of economic activity (inflation-adjusted percentage variations - “real” pay)

Period	Branch and sector of economic activity										
	General index	Agriculture	Industry			Sales-related services					Civil service
			Total	In strict sense	Construction	Total	Retail tr. & tourism	Transport & communic.	Banking & insurance	Private services	
1997	2.6	0.4	1.9	2.0	1.0	1.5	2.0	0.5	1.2	1.6	4.9
1998	0.7	0.8	1.1	1.0	1.5	1.7	2.4	2.4	-1.2	1.9	-0.7
1999	0.2	0.0	0.6	0.5	1.4	-0.1	0.5	-0.4	-1.3	0.1	0.1
2000	-0.7	-2.5	-0.6	-0.7	0.2	-1.1	-0.7	-2.3	-1.0	-0.4	-0.2
2001**	-0.4	-1.9	-1.1	-1.2	-1.4	-1.0	-1.1	-0.5	-1.0	-1.4	1.0
2001/1996	2.3	-3.2	1.8	1.6	2.6	0.9	3.0	-0.4	-3.3	1.7	5.0
2001/1998	-0.9	-4.4	-1.1	-1.4	0.2	-2.3	-1.3	-3.3	-3.3	-1.7	0.8
1998/1996	3.2	1.2	3.0	3.0	2.5	3.2	4.4	2.9	0.0	3.5	4.2

* These data are available with slightly different aggregations from those in the previous table.

** first seven months

Table 4: Actual and forecast inflation

	2000	2001	2002
Actual inflation	2.6	2.7	
Projected inflation	1.5	1.7**	1.7***

Source: IRES calculations based on ISTAT and Comit data

* projected inflation - Prodi government

** projected inflation - Amato government

*** projected inflation - Berlusconi government

Source: our calculations based on ISTAT data

2.1. Pay-related part of the main four-year national agreements renewed

The most noteworthy national collective agreements to be renewed, as we stated above, were those relating to the Post Office group of companies, the single agreement in the energy sector and the one for cleaning firms. The first of these was renewed on 11 January 2001 at the end of a very lengthy and awkward confrontation (the previous agreement had expired in December 1997). It covers the four-year period 1998-2001. This accord is particularly important in that it lays down new rules for tackling in a competitive manner the changes currently underway in the sector in terms of both organisation and production. The former company agreement has been turned into a fully-fledged group agreement so that, thanks to successive stages of harmonisation, it will apply to firms controlled by the Post Office: Poste Vita, Sim Poste, Sda Express, Postecom, Bancoposta Sgr and Postel. Certain key chapters have been completely rewritten, such as the ones on the system of industrial relations and equal opportunities. The establishment of a genuine second tier of bargaining is especially significant (it replaces the former national supplementary terms and conditions), providing for regional agreements to negotiate productivity bonuses. The agreement stipulates an average wage rise of Lit. 160,000:

- an increase of Lit. 110,000 awarded in four instalments (45,000 in January 2001, 25,000 in November 2001, 20,000 in July 2002 and the last 20,000 in October 2002);
- social security contributions are to be reduced by Lit. 50,000;
- finally, a payment of Lit. 25,000 is made only to persons belonging to supplementary pension schemes;

- to cover the interim period between agreements, postal workers will receive two instalments of back-pay: Lit. 840,000 on average in January 2001 and 240,000 on average in January 2002.

On 25 July 2001, more than two years after the expiry of the previous agreements, an accord was signed on the establishment of a single collective agreement in the electricity sector (where there was a variety of agreements before). Its normative part is valid for four years (1 July 2001 to 30 June 2005) and its pay-related part for twice two years (2001-2003 and 2003-2005). This agreement applies to the employees of electrical firms carrying out electricity generation, conversion, transport, distribution and sales operations, as well as to those in nuclear power stations that are being decommissioned. The principal workers governed by this agreement are those employed by firms in the ENEL group of companies (over 70,000 employees), firms belonging to Federelettrica-Confservizi (approximately 12,000 employees) and to Assoelettrica-Confindustria (some 1,700 employees), and those answerable to the Ministry of Economic Affairs (Sogin and the operator of the national grid, around 1,000 employees). Lastly, UNIEM (the association of small electrical firms) might ratify this agreement. The two-year pay-related part of the agreement for July 2001 – June 2003 makes provision for an average gross increase, linked to pay grade, of Lit. 150,000 awarded in two instalments (Lit. 60,000 in July 2001 and 90,000 in July 2002). For the previous period, January 1999 to June 2001, a one-off payment of 2.5 million will be awarded, it too linked to pay grade.

After a wait of more than two years (the previous agreement having expired in April 1999), an accord was reached on 25 May 2001 to renew the collective agreement of approximately 300,000 employees of cleaning companies. This agreement runs from 1 June 2001: its normative part will expire on 31 May 2005 and its pay-related part on 31 May 2003. The scope of the agreement has been extended to include so-called integrated services. Most notably, in addition to firms providing cleaning, rat disinfestation, disinfection and sanitisation services, this new agreement covers workers carrying out ancillary service activities and maintenance work not exclusively commissioned by public and private clients. A single job classification scale has been devised for blue- and white-collar workers. Staff are placed on one of eight grades: blue-collar workers are classified at grades one to five; white-collar staff from two to seven; and the top grade, number eight, is reserved for managerial staff. The agreement provides for an increase at level two of Lit.

98,000 (22,000 for the redesigning of payment structures) awarded in two instalments: Lit. 64,000 from 1 June 2001 and 34,000 from 1 June 2002.

2.2. Renewal Of The Second Two-Year Pay Component

The Agreement of 23 July 1993 stipulates that the pay-related part of collective agreements will be renewed every two years by means of national industry-wide bargaining. 2001 was a particularly prolific year for such renewals. We would recall that the most important agreements signed, in terms of coverage of employees (see Table 5), included:

- in the civil service sector, those relating to security staff, ministries, schools and the health service (the local authority agreement is awaiting authorisation from the Court of Auditors);
- in the private sector, those of food industry workers, the metalworkers (as already stated, the metalworking agreement was signed only by the CISL and UIL) and retail trade employees.

**Table 5: Main agreements renewed in 2001 -
Second two-year pay component**

	SIGNED	VALID FROM	EMPLOYEES
Security staff	08/02/01	01/01/00	450,000
Ministries	21/02/01	01/01/00	275,000
Care homes	02/03/01	01/01/00	65,000
Non-profit public bodies	14/03/01	01/01/00	65,000
Oil and margarine industry	21/03/01	01/02/01	12,000
Schools	24/03/01	01/01/00	950,000
Industrial laundries	24/05/01	01/07/01	15,000
Food industry	20/06/01	01/06/01	275,000
Retail trade - <i>Confindustria</i>	02/07/01	01/01/01	700,000
Metalworking industry	03/07/01	01/01/01	900,000
Small metalworking firms	03/07/01	01/01/01	400,000

Source: compiled by *Monitor Lavoro* on the basis of CNEL and Laserdata statistics; the employee data were derived from estimates supplied by the trade union organisations.

An analysis of the trend in collectively agreed pay tends to bear out a point of criticism concerning the intended redistribution of earnings between wages and profits, adjusted for non-inflationary growth in earnings and for increases in investment. Indeed, industry-wide collective agreements have been confined to safeguarding the purchasing power of wages and hence to containing labour costs, without being able at the same time to redistribute sectoral productivity gains. Their function of rendering pay more flexible has thus been limited or distorted: in many instances provision has been made for bonuses to replace those negotiable at the second tier of bargaining, or else pay has been made flexible in a downward direction, reducing minimum wages for specific firms or local areas (Cesos 2002). And company-level bargaining has certainly not seemed capable of reversing this trend, since bargaining on wages has been restricted to productivity bonuses applied in large and medium-sized firms in central and northern Italy (see below). The main outcomes of these trends seem to be that wages are almost exclusively linked to inflation (the effect being to compress differentials), that differences linked to occupational skills receive scant recognition and that wage flexibility is minimal.

3. WORKING TIME DEVELOPMENTS

As far as working time is concerned, a fairly standard manner of evening out the peaks and troughs in the flow of work due to seasonal or incidental factors is nowadays the possibility of resorting to a “multi-period” schedule spread over several weeks. (A flexible weekly schedule may be determined for an individual department or for an entire production unit by prolonging or shortening the normal number of weekly working hours, with corresponding time off in lieu or additional hours of work.) Increasingly widespread use is being made of the “time bank”, an instrument which – in ways that vary from one agreement to another – enables workers to collect excess hours worked in an individual account and to convert them into days off (in some cases there is the option of either taking leave or converting it into cash).

For example, under the new national agreement for the *Post Office*, the collectively agreed working time is set at 36 hours per week, but a new shift system is introduced with a view to better serving customers by stepping up the staff presence in the hours of heaviest demand. A time bank is established, enabling employees who work overtime to “pay” the additional hours worked into an individual account, to be used subsequently in the form of time off in lieu.

Under the new single national agreement for the *Energy* sector, the normal duration of the collectively agreed working week is set at 38 hours. Companies still working a 40-hour week on the date when this agreement was drawn up will move over to 39 hours as from the month following its entry into force. The definition of “multi-period” schedules, as well as the practicalities of weekly work patterns, will be agreed at company level between the management and the body representing the trade unions. Here too, the social partners have agreed to establish a time bank as from 1 January 2003.

In order to cope with the need for a varying intensity of activity, the new national agreement for *cleaning firms* likewise provides for the adoption of multi-period working times, in the form of an average duration spread over several weeks during the course of the year, with maximum limits of 45 hours per week and 10 hours per day, and with a minimum of 35 hours per working week. The establishment of an individual time bank is therefore scheduled for January 2002.

4. FLEXIBILISATION OF WORKING CONDITIONS AND DECENTRALISATION OF COLLECTIVE BARGAINING

According to the latest data from the Ministry of Employment (Ministero del lavoro 2002), 370,000 jobs have been created in Italy over the past twelve months, i.e. an increase of 1.7%, which is an undoubted improvement as compared with 2001. Whereas numbers are still in decline in the industrial sector (but to a much lesser extent than in the previous year), the strongest growth has been in construction (+3%) and the tertiary sector (+2.8%), in particular services to firms and the retail trade. On the one hand, the Ministry points out that “the result would seem to tally with the more favourable signs of industrial activity emerging from November onwards and which, in a rather more flexible labour market situation, appear to have had a more immediate impact on employment trends”. On the other hand, however, it is also noted that the upward trend in standard forms of employment (full-time, permanent posts) accounted for four fifths of the overall increase in jobs (that is, as many as 300,000 out of 370,000!). These figures apparently contradict not only people who are inclined to complain that Italy’s labour market is still overly rigid, but also those who tend to explain the limited growth in jobs by stating that Italian companies are afraid to conclude permanent contracts of employment.

Contrary to what happened in the past, this growth in employment has also had a significant impact in terms of lowering the rate of unemployment. Indeed, the growth in the workforce was equivalent to only about half of the increase in

employment (in the period 1995-2000, by contrast, nine out of every ten new jobs resulted from an increase in the workforce). Thus the unemployment rate fell from 10.1% in January 2001 to 9.2% in January 2002. The Ministry of Employment document points out in addition that this decline is due not least to the fact that job-seekers are no longer solely finding work through the public employment services. Developments have been even more striking in the *Mezzogiorno* (southern Italy), where job growth amounted to 1.9% and the unemployment rate finally dropped below the 20% threshold (to 18.8%).

Both national industry-wide and decentralised bargaining on collectively agreed labour flexibility and its impact on jobs continued to play an important role during the course of 2001. The new industry-wide collective agreements on labour market flexibility update and/or introduce various forms of non-standard contract such as temporary agency work, fixed-term employment, apprenticeships, part-time work, job-sharing (a contract whereby two or more workers jointly occupy a single post) and telework. The Post Office agreement, for example, incorporates the main innovations in respect of labour flexibility: provision is made for fixed-term, part-time and apprentice contracts.

The single agreement in the energy sector deals with non-standard contracts in the following ways:

- apprenticeships: their duration is from 18 months to four years, depending on the educational and vocational qualifications held, and remuneration is between 80 and 90% of the wage for the relevant grade;
- fixed-term contracts: the maximum number of workers who can be recruited on such contracts is set at 8% of the total number on permanent contracts; this percentage may be raised to 10% for companies operating in the *Mezzogiorno*;
- temporary jobs: their number may not exceed 10% of the total number of permanent employees, or 13% for companies operating in the *Mezzogiorno*;
- lastly, telework is to be governed at company level.

Finally, as far as the national collective agreement for cleaning companies is concerned, the rules on part-time work, apprenticeships and fixed-term contracts have been altered. Temporary employment and job-sharing are regulated at last.

The role and scope of second-tier bargaining, as laid down by the July 1993 Agreement and confirmed by the social pact of February 1999, was once again apparent in 2001. Most of the company agreements signed are devoted

to determining bonuses linked to company productivity, quality and profitability, but also flexibility and continuing training. Two interesting local area agreements have been drawn up in completely different geographical regions: the Development Pact in Milan and the one in Catania. Both share the aim of maximising human resources, creating new jobs and combating the phenomenon of undeclared employment.

The trade unions have been united in signing most such agreements - some without strikes, as at Michelin - but there has been a good deal of friction within the union movement. On 28 June, the FIM, UILM and FISMIC unions representing FIAT workers signed an accord on performance bonuses; FIOM declined to sign in protest at the stalling of negotiations on terms and conditions and at the meagreness of the increase (Lit. 3,000 per month) as compared with the previous year. At Sirti the CGIL rejected the company's plans for reorganisation, which envisage laying off 2,700 surplus employees out of a workforce of 5,900, 55% of them in the *Mezzogiorno*.

Gathering data about decentralised bargaining is still highly problematical in Italy. The most recent survey is the one by the CNEL Archive (CNEL - National Council for Economic Affairs and Labour) (D'Aloia 2002). The sample comprises a total of 230 companies with over a thousand employees (representing roughly half of the overall number and employing about 1,200,000 persons altogether, over 65% of those in firms with more than 1,000 workers); and 420 companies with between 100 and 999 employees, which constitute a statistically representative sample of firms in this size category which actually engage in collective bargaining. The data are analysed for the five trade union categories in which they are statistically significant (food industry, textiles and clothing, chemicals and related industries, engineering and, lastly, the retail trade, tourism and services). The analysis covers two categories of company size: ones with between 100 and 999 employees and ones with over 1,000. Not only is it one of the most extensive studies conducted so far, in terms of the number of firms and agreements, but it also encompasses a statistically representative sample of companies.

The topics most commonly dealt with at second-tier bargaining confirm its role as a crucial tool in adapting company-specific conditions to external circumstances (determined either by competition on the market or by national rules and regulations), as well as in managing this adaptation jointly through negotiation between the social partners.

One of the most significant elements featuring in all sectors and sizes of companies is the high profile of bargaining on *flexibility*. Bearing in mind that

company bargaining on *performance bonuses* pertains at least in part to wage flexibility, it becomes clear that the issue of flexibility takes on a fundamental role in second-tier bargaining. Negotiations about flexibility almost always have an even higher profile in smaller-sized firms than in large companies. Apart from the key importance of second-tier bargaining on *performance bonuses* and *flexibility*, a predominant role was also played by the whole topic of *trade union relations*. This topic featured much more prominently in larger-sized companies.

These findings are borne out and can be examined in more detail by looking at the subjects most frequently addressed within the overall headings referred to above. As concerns *working time*, the themes most commonly negotiated in all sectors were the *management of collectively agreed work schedules, holidays and leave, shift work* and bargaining about flexibility based on *multi-week working time arrangements*. As can be seen, all these themes relate either to the negotiation of annual working hours (especially the first two) or to increasing plant utilisation times and making them more flexible (especially in relation to seasonal working). The only noteworthy *reductions in working time* – albeit modest ones – occurred in the retail trade and service sector.

The other major means of enhancing the flexibility of employment relationships – *non-standard contracts* – almost always crops up among the second group of themes most commonly addressed. Within this category, the most widely used forms of contracts built into agreements in all sectors are *part-time work* and *fixed-term employment*. Continuing with this second group of themes most commonly addressed, it is important to point out the significance attached by all sectors to *vocational training*. This is a noteworthy finding, given the importance attached in recent years by the social partners and governments (including at European level) to the issue of continuing training, as one of the essential instruments in achieving adaptability - and hence employability - of the workforce.

Moving on to *work organisation*, bargaining obviously covers organisational change. But, in addition, a prominent role is now played in virtually all sectors by negotiations about *subcontracting* (ranging from 10% of firms overall to some 60% of larger companies, in the food sector). This would seem to illustrate the increasing impact of *relocation* and *outsourcing* processes on collective bargaining.

Another interesting finding of the analysis of decentralised bargaining is the fact that, over and above negotiations about variable pay components, i.e. *performance bonuses* – which remain the most widely aired topic, often by

almost all firms – a certain role continues to be played by all forms of *fixed or traditional bonuses*, particularly in firms with fewer than 1,000 employees.

When looking at the characteristics of *variable bonuses*, the prevalence of two criteria - *productivity* and *profitability* - emerges clearly. Fairly frequent recourse is also made to quality criteria, visibly on the increase especially in the food and textiles sectors where, by contrast, bonuses related to *attendance* are disappearing. In general there is an upward trend - particularly in the textiles and food industries - in the number of bonuses linked to several criteria as opposed to those linked to just one criterion. In some instances the renewal of an existing bonus entails the introduction of one or more additional criteria. The criteria most frequently used, namely profitability and productivity – except in the chemicals industry – are far more widespread now than in the past.

5. OUTLOOK FOR 2002

Particularly important among the collective agreements which expired more than a year ago are the so-called “network agreements”, such as those in the railway sector and in the gas and water industry. These agreements need to be rewritten from scratch, in order to introduce collectively agreed rules taking account of the ongoing moves towards liberalisation and privatisation, and so as to guarantee common social and negotiating standards for public and private firms wishing to compete on the market for delivering these services.

The national collective agreements governing industrial relations in the gas and water sector expired over 30 months ago (in December 1998). As for the dispute over the railway workers’ agreement (it covered some 105,000 Italian Railways employees and expired in December 1999), various difficulties have emerged. The most sensitive points on the negotiating table are the introduction of new and more widespread flexible working practices, together with pay claims in the aftermath of a prolonged wage freeze. In particular, concerning recourse to flexible forms of employment, several aspects are under discussion: recruitment of part-timers (at present it is only possible to switch from full-time to part-time work), extension of the apprenticeship contract (currently applicable only in certain sectors), and the introduction of temporary agency work, fixed-term jobs and job-sharing. Added to these aspects there are others related to bringing present arrangements at the Italian Railways in areas such as working time, shifts and rest days into line with those of other companies in the sector, as well as conforming to European regulations.

Lastly we would recall the agreement in the research sector, which expired more than three years ago – on 31 December 1997 – and for which a collective “pre-agreement” was signed on 28 July 2001.

Looking ahead to the forthcoming season of negotiations, involving over six million workers (see Table 6), a whole series of agreements is due to expire at the end of 2001. Among the most important of these are some in the public sector (health service, schools, local authorities, ministries, law and order), but also those in the finance, insurance and chemicals sectors. Finally, the collective agreements in the glass, tannery, metalworking and retail trade sectors are due to expire in 2002.

Table 6: Main agreements expiring in 2001* - 2002

	SCHEDULED EXPIRY	EMPLOYEES
Agriculture - flower-growers	31/12/01	700,000
Banking - finance houses and savings banks	31/12/01	200,000
Law and order - police & armed forces	31/12/01	500,000
Local authorities	31/12/01	600,000
Ministries	31/12/01	300,000
Health service - public sector	31/12/01	550,000
Schools - public sector	31/12/01	1,000,000
Tourism - <i>Confcommercio</i>	31/12/01	700,000
Insurance	31/12/01	50,000
Chemicals industry	31/12/01	195,000
Glass industry	31/07/02	35,000
Tannery industry	31/10/02	25,000
Metalworking - small firms	31/12/02	400,000
Metalworking industry	31/12/02	900,000
Retail trade - <i>Confcommercio</i>	31/12/02	1,300,000
TOTAL		7,500,000

* from September 2001

Source: compiled by *Monitor Lavoro* on the basis of CNEL and Laserdata statistics; the employee data were derived from estimates supplied by the trade union organisations.

However, normal bargaining activity for the renewal of these important national collective agreements now expiring will undoubtedly be affected, and perhaps temporarily even halted, by the outcome of the stand-off between the trade unions and the government on the planned legislation to suspend Article 18 of the Workers' Statute for four years on an experimental basis. This suspension would apply in three cases: to young people recruited on a fixed-term basis whose contracts are converted into permanent ones; to employees of firms exceeding the threshold of 15 employees; and to workers in firms emerging from the hidden economy.

The trade unions have responded in a united fashion with articulated strikes followed by a national general strike called for 16 April 2002. As early as December, the union movement began to launch protests, demonstrations and strikes aimed at scrapping the measures relating to Article 18. Some other trade union confederations linked to the parties in government, such as the UGL and CISAL, have even joined in with the protests and demands for these measures to be scrapped. Tension and protests have also been exacerbated following the breakdown in negotiations on the pension system – and in particular on the government's proposal to reduce employers' social security contributions by 3-5% - due to trade union fears of negative repercussions for future retired workers and for the social insurance system as a whole.

It is in this climate of tension that the phenomenon of terrorism has reappeared, with the assassination on 19 March 2002 of labour lawyer Marco Biagi, a former Ministry of Employment adviser under the previous centre-left government and one of the authors of the White Paper. He was in addition an adviser on the Milan Pact. Two years on from the murder of another expert in employment legislation, Massimo D'Antona, trade union affairs and industrial relations in Italy have once again fallen under the shadow of terrorism.

Translation from Italian by Janet Altman

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Luxembourg

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1. GENERAL BACKGROUND INFORMATION

After a record year in terms of economic growth, 2001 fell under the shadow of the economic slowdown. This took a firmer hold from the 3rd quarter, which meant that, thanks to the positive results at the beginning of the year and to the carryover of growth from 2000, taken as a whole, 2001 still recorded high growth in sectoral activities.

Some branches experienced greater expansion in activity in 2001 than in 2000, their common denominator being greater dependency on domestic demand. This shows just how robust this demand is, despite the sluggishness of the international economic climate.

In Luxembourg, it is the “hotel, restaurant and café” and “travel agencies” sectors which have been most noticeably affected by the events of 11 September. Conversely, air transport turnover does not seem to have been overly affected by these events. There has certainly been a drop in the number of passengers frequenting Findel Airport, yet this has not affected domestic operators. Air freight has also held well.

Inflation, as measured by the national consumer price index (NCPI), fell throughout 2001, from 3.5% in December 2000 to 1.7% in December 2001.

Since the second half of 2000, domestic salaried employment grew at an annual rate of over 6%, marking an exceptional trend consistent with the strong economic growth of the past 2 years. Growth peaked in January 2001 (6.8%), after which the rate of growth dipped slightly (5.4% for December). Despite a relatively widespread decline, certain branches of business created more jobs in 2001 than in 2000. All are highly dependent on domestic demand, thus demonstrating its buoyancy in Luxembourg. The retail and building trades are two such examples. The sluggish economic climate began to make itself felt on the job market. Unemployment numbers reached higher levels from July onwards than those of the same months of 2000 (+7.4% in the 4th quarter of 2001 by comparison with the same quarter of 2000).

Although, for the year as a whole, employment still grew strongly, the pace nevertheless slackened in the course of the year. The opposite applies to unemployment : it stopped falling at the turning point in the year and rose sharply in the 4th quarter (+365 persons year-on-year). This may seem paradoxical as the economy did not stop creating jobs ! In reality, the unemployed find themselves faced in normal times with heavy competition from the border regions, in terms of numbers, qualifications and remuneration. Let us not forget that the inhabitants of border areas occupy approximately two thirds of the new jobs created. On the other hand, for each jobless person in Luxembourg, there are several unemployed in the Outer Region (between 15 and 25 depending on statistical and geographical demarcations) and even more qualified people holding jobs. Accordingly, whereas the job market is experiencing a downturn (on both sides of the borders), competition on the Luxembourg market becomes even stiffer.

2. WAGES AND PURCHASING POWER

Real pay rises

In 2000: 1.8% in 2001: 2.2%

Negotiated pay rise

In 2000: 1.6% in 2001: 2%

Purchasing power has improved.

3. WORKING TIME DEVELOPMENTS

Employers and trade unions are currently discussing the integration of vocational training into the employee's working hours. They are also discussing ways and means of avoiding discrimination in part-time agreements. There have been no changes in the retirement age. New forms of working time organisation are the subject of discussion in collective agreements.

4. EUROPEANISATION OF COLLECTIVE BARGAINING

Since 1997, the trade unions from Germany, Luxembourg, the Netherlands and Belgium, known as the Doorn Group, have held regular concertation sessions on wage claims and employment policy. This cross-border cooperation is intended to avoid competition in the EMU on wages and collective bargaining policies and to support measures to increase purchasing

power and employment. The last annual Doorn Group meeting was held in Houffalize, Belgium, on 6 and 7 September 2001. During the meeting, the trade union representatives discussed past wage developments, negotiations for 2002, and the economic background. It was agreed that a joint international trade union approach should be adopted regarding the non-wage elements of collective agreements.

5. MAIN CONCLUSIONS

- The Doorn Group noted that responsible collective agreements had been concluded in 1999, 2000 and 2001. The trade unions expressed concern at the slowdown in economic growth, partly caused by the restrictive policies of the European Central Bank. They warned that, against the background of monetary union, improving competitiveness and promoting exports through wage competition was not the way to accelerate growth in the Euro zone as a whole. With exports from the European monetary zone running at barely 10% of GDP, internal demand was of crucial importance. Furthermore, the German, Dutch, Luxembourg and Belgian trade unions restated their determination to avoid any competition among themselves during the forthcoming wage negotiations and to work for settlements which would correspond to the sum total of inflation and increases in productivity.
- The Doorn Group trade unions noted that, apart from wage claims, qualitative aspects formed an important part of collective bargaining. They agreed that lifelong learning should be the joint qualitative theme pursued by all the participating organisations in 2002. They want to avoid a situation where the developing knowledge economy increases inequalities between skilled and low-skilled workers and results in greater insecurity for workers. The Doorn Group consider that:
 - lifelong learning should become a right for every employee;
 - employers' training initiatives should be controllable and subject to international comparison;
 - training should be regarded first and foremost as an investment;
 - a report on achievements in this area should be drawn up by participating trade unions for the forthcoming summit conference.
- The trade unions are also against any form of indirect wage competition through tax reductions or cuts in social security contributions. They agreed to keep each other systematically informed of programmes to reduce charges in the various countries and that they would take no account of tax

cuts or personal social security contributions when determining their bargaining margins. The trade unions were in favour of cuts in social taxes on the condition that sufficient resources were made available to improve social security and public services.

Practical steps proposed for the Doorn Group of trade unions in the years that lie ahead include:

- setting up an e-mail list enabling trade union negotiators to exchange information more rapidly regarding the collective agreements concluded in their respective countries;
- examining the possibility of establishing a permanent secretariat;
- holding a meeting in the Netherlands in the autumn of 2002, at which a report on life-long learning and pay developments for 2003 would be the main topics;
- examining a dossier on working time policy in the technical group.

6. FLEXIBILISATION OF WORKING CONDITIONS AND DECENTRALISATION OF COLLECTIVE BARGAINING

There is a multitude of sector-based agreements or agreements at the company level that have been negotiated for a period of 6 months to 3 years. There are no national agreements.

7. OUTLOOK FOR 2002

Given the substantial amount of bargaining, it is rather difficult to identify a general trend. However, the trade unions and the employers are reacting differently to the economic situation. Since the economic downturn did not have the expected disastrous consequences, the trade unions are advocating an offensive wage policy, whereas the employers are calling for wage moderation.

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Netherlands

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1. GENERAL INTRODUCTION

1.1. Uncertain economic situation

In 2001 and 2002 labour relations in the Netherlands have been marked by two apparently contradictory trends. On the one hand there has been a growing shortage on the labour market for several years, which has resulted in autonomous pressure on wages. In the favourable economic situation which prevailed, employers were prepared to honour the resulting claims until 2001. On the other hand, there was a serious slowdown in economic growth in 2001. This decline began very gradually as a reaction to economic cross-currents in the United States and was then amplified by the uncertainty which ensued after the terrorist attacks of 11 September 2001.

The shortages on the labour market may seem to be mainly to the detriment of employers and to the benefit of trade unions, enabling them to push their claims through more easily. This is not the case, however, in the Netherlands. For the disadvantage of the shortage on the labour market, combined with structural technical and economic developments, is in fact that workers can more easily get what they want without trade unions and collective bargaining. The unions and employers are thus liable to lose their lead role, which may well be needed in a sudden economic downswing.

And there has of course been growing awareness of the possibility of this downswing since 11 September 2001. In the months immediately following those events there seemed to be a serious decline, particularly in the aviation sector. A wave of major reorganisation measures swept through the Netherlands, and many undertakings announced that they would be making job cuts. In many cases, furthermore, it was a question of adjusting to the changes in the economic cycle (in the metal industry, for example) or even of a change of course in structural terms, as was the case in the banking sector, where big banking groups began to trim down their network of offices. Where there was indeed a sudden downswing as the result of the terrorist attacks on 11 September, measures to reduce working time collectively offered a possible solution. In various airline groups including the major group KLM,

working time was reduced by one day per week; workers in the Netherlands can claim unemployment insurance for this reduction. Undertakings which are sensitive to cyclical fluctuations in sectors such as the metal industry were able to absorb part of job cuts by paying off workers on temporary contracts as well as subcontracted labour.

1.2. Tripartite agreements

Subjects of this nature are debated in the (tripartite) Economic and Social Council and in the (bipartite) Labour Foundation. The Labour Foundation is the body where the central employer and worker organisations meet every month. In addition to these meetings, the Labour Foundation and the Cabinet meet twice a year for consultations, the so-called spring and autumn consultations. In special circumstances this leads to agreements or to recommendations addressed to the decentralised collective bargaining partners. The emphasis in the past few years has been less on such recommendations and more on joint deliberations to take stock of the general situation of the economy and thus to determine what the margin is for improving working conditions. At the same time, the agenda includes specific subjects on which the parties conclude agreements with each other. At the end of 2000, when there was still no sign of any cyclical downswing in the general economic climate, the main concern of the social partners was to find adequate alternative ways of using the margin for wage increases in order to avoid the threat of a wage-price spiral. Once the employers and workers in the Labour Foundation had reached a basic agreement on 22 December 2000 on the policy to be pursued on working conditions in 2001, they concluded that agreement - entitled *More is needed* - officially on 7 February, with the following comment: "The bottlenecks on the labour market, the need to invest in the quality of the public sector, and the threat of a 'wage-price spiral' [make] it (...) advisable to take initiatives here and now to influence the socio-economic and collective bargaining climate in 2001". This concerns the evolution of wage costs, training and employability, the reconciliation of work and private life, and wage policy. The point of departure for the parties was more or less a maximum wage increase of 4%. In the ensuing negotiations in the various sectors it proved difficult to limit the wage increase to that level, one of the reasons being that it was becoming possible to make real progress on subjects such as the relationship between work and private life and employability. The coordination capacity of the central social partners seemed to be under growing pressure.

The usual autumn consultations were held on 15 November 2001. As already stated, these consultations were considerably influenced by the aftermath of the events of 11 September, for the unions had meanwhile also postponed their wage claims or placed them in perspective. The outcome of the autumn consultations was that “the brakes must be applied with regard to the development of wage costs”. In addition, agreements were reached on investment in training and then in particular on what is known as the “personal development account” (cf. section 5.2).

1.3. The debate on the polder model: are structural changes in the Dutch system necessary?

Apart from this tight situation in which labour relations in the Netherlands ended up in 2001, there were already discussions that year on the quality and economic efficiency of the so-called “polder model”. The system in the Netherlands has been referred to as the polder model since 1997. In the period from 1982 to 1993 new agreements were concluded regularly in the Labour Foundation with clear recommendations for decentralised wage policy. Beginning with the 1993 agreement entitled *A new course*, the responsibility for wage restraint has been placed more and more with the decentralised organisations. The central social partners try to influence the general climate, include topics on the agenda and attend to internal coordination.

This practice has meanwhile come in for growing criticism, which is levelled first and foremost at the extent to which the social partners achieve their own objectives. In 2001 for the first time the average pay rise worked out at a rate above the coordination percentage of the unions (see also section 2.1). These high wage increases were related to the shortage on the labour market and the growing pressure from the union rank-and-file, which was sometimes also boosted by the reports on the high and rapidly increasing top income brackets. Since 1997 the Netherlands has been rapidly moving up the wage costs scale (due in part to the fact that a number of important competitors have meanwhile also succeeded in containing wage costs). Secondly, there is criticism of the legitimacy of the social partners’ role. The Dutch system of declaring agreements generally binding means that trade unions (which have an organisation rate of 25% on average) and the employer organisations (which have a balanced organisation rate of 85% on average) can conclude agreements which are then imposed on all employers and workers in the branch of industry concerned. And thirdly, there is criticism of the content of the policy advocated by the social partners. The American economist Michael Porter, author of *The competitive advantage of nations*, can be seen as a

representative of this criticism. Porter argued in December 2001 that the Dutch social partners' strong preference for wage restraint is at the cost of productivity and the capacity to make innovations (he deduces this from the number of patents registered in the US by Dutch undertakings and organisations).

2. WAGES AND PURCHASING POWER IN 2001

As is the case in most European countries, the remuneration of labour is primarily regulated in a collective labour agreement for the vast majority of the working population. For this reason alone collective agreements play a key role in the Dutch economy. In this section we shall look at how the wage trend which the social partners consider desirable is given concrete form in collective agreements through the Dutch collective bargaining model. The development of purchasing power will also be included in the discussion of this issue.

2.1. The contract wage trend in 2001

How have wages developed into 2001? This question must be answered in part in the light of the historically tight labour market and the simultaneous slowdown in the economy. It is interesting to answer this question against the background of the recommendation made by the Labour Foundation in December 2000 under the heading *'More is needed'*, which recognises this turning point and tries to make adjustments. Without mentioning a concrete wage increase, the new recommendation advocated restraint in wage development. In exchange for this, investments in training and employability are called for, as well as measures to improve opportunities for combining care responsibilities with work. The following is argued as regards wage development: "A justified wage (cost) policy on the part of the social partners has been an important basis for the successful development of the Dutch economy. Last year the Labour Foundation once again underlined this fundamental principle, which is valid above all in undertakings. This success is now liable to backfire, however: there is increasing tension on the labour market resulting in marked upward pressure on wage (cost) development. A climate is liable to develop in which the wage cost trend will take on such proportions that there will be a risk of undermining profits, competitive position and employment in some sectors and undertakings. Caution is thus called for."

The following table gives an overview of wage development over the past few years. The first row shows the trade union confederations' central wage claim for the forthcoming collective bargaining year, which is generally set in

September on the basis of the economic forecasts of the Central Planning Office (the MEV: Macro-Economic Survey). The wage claim is generally determined by the expected consumer price trend to be calculated in connection with the expected increase in labour productivity; these calculations include deliberations on whether it is necessary from the point of view of policy to depart from these results. The table below illustrates that for the first time in years the contract wage developments in 2001 turned out to be higher than the central wage claim of the two biggest trade union confederations. This thus also means a steep rise in the wage base for employers. The increase in the wage base was not caused in 2001 by an increase in social contributions for employers, as had been the case to some extent in 2000.

Table 1: Wage claims and wage developments achieved (in %)

	1994	1995	1996	1997	1998	1999	2000	2001
CNV and FNV wage claim in %	2.5	2.25	3	3	3.75	3.25-3.5	3.5-4	4
Contract wage ¹ (calculated on an annual basis)	1.8	1.4	1.7	2.2	3.0	2.6	3.3	4.25
Non-contractual wage increases	0.5	-0.3	1.0	0.8	0.6	0.7	0.4	2.5
Employers' social contributions	2.4	1.3	1.1	2.3	4.0	3.1	5.0	4.75
Wage base market sectors	2.7	1.3	1.3	2.0	3.8	3.2	4.9	5.0

Source: MEV2002 (Central Planning Office), Sociale Nota 2000 (Ministry of Social Affairs and Employment, 1999), CNV policy documents on working conditions

Since labour relations are decentralised, it is interesting to see to what extent there is differentiation in the development of contract wages. In 2001, there was a divergence of 1.5% in the contract wage mutation (cumulative wage development during the duration of the agreement) in the case of the collective agreement for the goods transport sector, *inter alia*, and of 7.9% in the case of the agreement for home care workers.

¹ This concerns more than the increase in structural wages; it is a question of the pay rises resulting from collective labour agreements.

In the following table the collective labour agreements are divided into 14 groups according to the extent of the contract wage mutation (cumulative wage development during the duration of the agreement).

Table 2: Spread of contract wage mutation (cumulative wage development during the duration of the agreement) (CWM) in 2001

Interval (in %)	No. of collective agreements	Workers %	Examples of collective agreements
1.00 < CWM ≤ 1.50	3	2	Goods transport sector, Van Gend & Loos
1.50 < CWM ≤ 2.00	3	3	Social job creation, horticulture
2.00 < CWM ≤ 2.50	3	1	Manpower service organisations, KLM
2.50 < CWM ≤ 3.00	4	2	Information, communications and office automation sector, V&D
3.00 < CWM ≤ 3.50	17	21	Temporary workers, local government officials, metal industry
3.50 < CWM ≤ 4.00	29	22	Hotel and catering trade, cleaning and window-cleaning firms, KPN
4.00 < CWM ≤ 4.50	12	12	Education, building industry, RABO-bank
4.50 < CWM ≤ 5.00	14	12	Food industry, State employees, AKZO Nobel
5.00 < CWM ≤ 5.50	10	10	Metal-working and technical branches of industry, welfare work
5.50 < CWM ≤ 6.00	4	5	Nursing homes and old people's homes, painting and decorating trade
6.00 < CWM ≤ 6.50	3	1	Joinery works, Acordis, DSM
6.50 < CWM ≤ 7.00	-	-	
7.00 < CWM ≤ 7.50	3	6	Hospitals, care for the disabled,
7.50 < CWM ≤ 8.00	1	3	Home care
total	106	100	

Source: Interimnota contractloonontwikkeling 2000/2002 (Labour Inspectorate of the Ministry of Social Affairs and Employment, March 2002)

According to the Labour Inspectorate, the contract wage mutation was between 3% and 5.5% in approximately 77% of the collective agreements concluded in 2001. These agreements in medium-sized enterprises cover approximately 3.6 million workers. This is approximately three quarters of the total number of workers covered by labour agreements throughout 2001. It is remarkable that, in addition to the building sector, there was a considerable contract wage mutation in the collective agreements for the care sector. In the case of the latter sector, this increase is to be explained in part by the publication of the report by the Van Rijn Committee in February 2001, which had been commissioned by the Cabinet and which mapped out the problems with which the public authorities, including those in the education and care and welfare sectors, were having to contend with as employers. Employment in the public sectors seems to have decreased since they led the way in the 1980s with wage restraint and reductions in working time. It transpires from the Committee's analysis that the introduction of a 13th month is called for in some government sectors.

Otherwise, in addition to the labour market shortage, two further factors played a role in general in the rapid rise in the contract wage mutation. First of all, the high inflation rate had a considerable effect in pushing up the mutation rate (see table below). According to the Central Planning Office, increasing labour costs were not the only cause here; the increase in VAT and in the environmental energy tax also played a part. And finally, several incidental factors also played a role such as the prices of meat and fish (BSE and foot-and-mouth disease), fruit and vegetables, and petrol.

Secondly, the trade union movement is campaigning against the development of top management incomes in the wake of several surveys that have given the impression of an exorbitant rise in top managers' salaries at a time when the employer organisations are appealing to the trade unions for wage restraint. The top managers of Akzo-Nobel, Philips, KPN and Unilever are, apparently, among those concerned. The Cabinet had already made it known that it was preparing a bill requiring companies quoted on the Stock Exchange and other public limited companies to disclose the incomes of their directors and board members. The employer organisation VNO-NCW reacted to this negative move with a counter-attack in the form of a survey on the development of top managers' incomes², in which it transpired that the

² *Financieel Dagblad* (29 May 2001).

remuneration of the majority of the members of management boards and directors had not increased at a higher rate than those of the workers covered by a collective labour agreement. The top managers of international groups are an exception to these results because they apparently work to a large extent with forms of remuneration which depend on operating results. According to VNO-NCW President Schraven, however, these top managers have now 'finally' caught up with their European colleagues.

Table 3: Price and wage trends in the period from 1994 to 2001

	1994	1995	1996	1997	1998	1999	2000	2001
Consumer price index ³	2.3	1.6	1.2	1.9	1.7	1.7	2.1	3.5
Labour productivity, market	4.4	1.1	-0.2	1.8	2.3	1.7	1.8	-0.25
Agreed wages private undertakings	1.6	1.3	1.9	2.2	3.1	2.8	3.3	4.9
Agreed wages public sector	1.0	1.0	1.1	2.3	2.3	3.2	3.0	4.6
Agreed wages subsidised sector	0.8	0.4	1.5	0.2	2.5	3.2	3.1	5.7

Source: Conjunctuurbericht February 2002 (Central Statistical Office, 2002), MEV2002 (Central Planning Office, 2001)

2.2. Contract wage development in 2001 - evaluation and conclusion

Although the impact of *'More is needed'* may well be measurable, no concrete wage development has been agreed, and the recommendation does not seem to be having any appreciable curbing effect. In the *Sociale Nota 2002* it is even claimed that "one has the impression that it is becoming increasingly difficult for the social partners to coordinate wage developments and the desired collective bargaining trend...". The Minister of Social Affairs Vermeend had already addressed a letter to the Labour Foundation at the end of March 2001 concerning the need for modulation and calling for wage restraint.

How is this lack of influence to be explained? One obvious explanation is that it generally takes some time for deterioration in the economic situation to affect the labour market and wage development. The question then also arises

³ without changes in indirect taxes, for the group with wages below modal. According to the MEV2002, the general consumer price index already reached a level of 4.5% in 2001.

of whether the recommendation was not somewhat premature. For there were already some clouds in the sky at the central level at the end of 2000, but the parties primarily responsible for collective labour agreements had to deal with a rank-and-file that was having to contend with a very tight labour market.

Secondly, the recommendation came too late on the other hand, because the trade union movement already decided on its wage claims at the end of September. The construction workers' unions had already drawn up their proposals when the Foundation's recommendation was published. After the publication of the recommendation, the trade union confederation FNV threatened her construction union that it would not finance any strikes in the building sectors from its central strike fund. The reason for this was that the building construction unions were demanding 6%, which was 2% higher than the central wage claim. Subsequently it looked as though the confederation was prepared to finance any strikes in the building sector after all, if the wage claim in that sector was formulated in such a way that it would fall within the central wage claim. This conflict over central wage coordination was solved for the time being in that an agreement was reached without any strikes.

Thirdly, it is conceivable that a more fundamental problem is involved, namely the fact that coordination opportunities are pushed aside by the potential to exert pressure enjoyed by the sectors, which are operating with increasing freedom⁴. The CNV and MKB therefore already proposed in the spring that the social partners launch a debate on the impact of the Foundation's recommendations⁵. Although, according to a recent survey, Foundation agreements still significantly influence collective bargaining results⁶, other points of view have recently been expressed advocating a new debate on socio-economic governance in the Netherlands⁷. The system of collective bargaining between the employer and trade union confederations at the central level, which has been revived since 1982 and is overshadowed by the hierarchy of the public authorities, obviously needs to be rethought.

⁴ Cf. *Sociale Nota* 2002.

⁵ Cf. *Financieel Dagblad* of 7 May 2001 and 4 April.

⁶ Akkerman Torenvlied (2001) *Van centraal akkoord naar CAO; een meting en verklaring van de doorwerking van akkoorden van de Stichting van de Arbeid*, Utrecht: University of Utrecht.

⁷ Cf. also *Sociale Nota* 2002.

It can be concluded that the timing of the recommendation and perhaps the decreasing influence of the central level is a hindrance in timely reaction to the slowdown in the Dutch economy. It must also be added that the high rate of inflation, the development of top managers' incomes and the (structurally) tight labour market are undermining the basis for stimulating a 'sense of urgency'. The analysis made in the recommendation was, in short, absolutely accurate, but a 'central recommendation' as an instrument for bringing about the necessary change of course towards qualitative investments is shelved when there is a boom and shortage on the labour market, just as a superfluous winter jacket is discarded in the summer time. The question now is whether the jacket was (accidentally) put in the Salvation Army bag because it was too warm for the summer time.

The discussion on the sustainability and value added of the bipartisan coordination can be illustrated by three scenarios. In other words, what must the social partners do if the economic situation differs from one sector to another and the margin for a wage increase varies, for example, from 2% to 6%? Scenario 1 is the scenario where the central social partners, and then in particular the unions, continue to try to achieve the same percentage of wage increase in all sectors. In scenario 2, there is coordination but just in order to achieve the variation in the annual wage increase. And finally, in scenario 3, central coordination is done away with completely and the wage increase is left to the decentralised sectors.

Scenario 1 has been the ambition of the social partners for many years, and they have often opted for a maximum pay rise percentage. In the 1980s and the first half of the 1990s this coordination aimed to achieve a wage increase which would be practicable in the weakest sectors. The stronger sectors were asked to show solidarity, as it were, with the weaker sectors. The coordination percentage has now been rising for several years. Whenever the coordination percentage is kept artificially low, it is 'overruled' by the actual wage increase that has been brought about in undertakings and sectors. The effect of a relatively high wage increase is that employment will decrease in sectors where the increase in productivity is relatively low and there are few possibilities for distributing the burden. Non hi-tech industrial production will disappear from the Netherlands as the result of this incentive.

In scenario 2, coordination aims to achieve a wage increase which is congruous with the economic context in the various sectors. The CNV, the second-largest trade union confederation, for example, has been bargaining for some years with an indicative percentage and is working with a range in 2002 (2.25% - 4%) within

which the wage claims of the affiliated unions should fall. The members and trade union leaders within the various sectors must now themselves arrive at a reasonable wage claim.

In scenario 3, there are no longer any such ceilings and thresholds. The wage development will be determined by the actual circumstances on the labour market and the position of the unions, but will also be boosted by the effect of high wage increases agreed elsewhere. If the unions have managed to obtain a pay rise of approximately 6% in some sectors, the need to achieve a similar percentage will also arise in other sectors. So if scenario 2 fails, scenario 3 will provide an alternative.

2.3. Developments in purchasing power

It is concluded in section 2.1 that the wage trend rose significantly in 2001. However, this does not necessarily mean that workers' purchasing power also increased. This section will look briefly at the development of workers' purchasing power.

The table below shows the process from the gross wage to the real wage that is freely available. It completes the first table in section 2.1. A noticeable feature for the year 2001 is the steep rise in purchasing power - despite the fact that contract wage development lagged behind the actual inflation rate.

Table 4: Development of the purchasing power of the average worker 1994-2001

	1994	1995	1996	1997	1998	1999	2000	2001
Gross wage	1.8	1.4	1.7	2.2	3.0	2.6	3.3	6.25
Effect social insurances	-0.5	1.3	0.7	0.1	5.1	-0.4	-0.9	1.25
Effect income tax and compensation of employees for social security contributions	1.1	0.6	0.1	0.1	-4.8	-0.1	0.1	4.25
Effect children's allowance	-0.2	-0.5	0.1	0.0	0.1	-0.1	0.4	-0.25
Nominal income freely available	2.3	2.8	2.6	2.4	3.4	2.1	2.9	11.25
Real income freely available	-0.4	0.8	0.6	0.2	1.6	-0.1	0.4	6.75

Source: MEV2002 (Central Planning Office, 2001)

The improvement of purchasing power is mainly the result of the reduction of the tax burden related to the introduction of a new taxation system as of 2001. Incidentally, the Central Planning Office has published the following table with the reservation that the limitation of the tax relief for operating expenses, travel expenses, interest on consumer credit, and life insurance premiums and the change in the tax on (income from) assets have not been taken into account. These reservations lead on average to a decrease in purchasing power of approximately 1%, which needs to be subtracted from the nominal disposable income.

2.4. Changes in forms of remuneration?

This section examines the question of the extent to which flexible forms of remuneration are developing in the Netherlands. The question is relevant because both the CNV and the FNV agree with the introduction of flexible forms of remuneration provided that a number of conditions are met. Both the high salaries of top managers and the boom may have raised the individual worker's expectation to benefit from this situation⁸.

How significant is flexible remuneration expressed as a percentage of the total gross wage? According to the Central Planning Office⁹, the share of individual flexible forms of remuneration in the gross wage in the market sectors was 4.2%. The rate for the job is the most important remuneration basis, with a share of 93.7% in the total gross wage. The development of flexible pay factors in the total gross wage has been surprising. In the period from 1992 to 1999 these pay factors rose by an average of 5% per year faster than the rate for the job. The following table provides information on the settlements concerning flexible forms of remuneration that have been included in collective labour agreements¹⁰.

If the data in the above table are compared with the figures for the year 2000, the first point that is noticed is that there is no question of any appreciable shifts within any one of the categories of arrangements in collective

⁸ for the degree to which workers consider incentive pay desirable, cf. P. Ester and H. Vinken (2000) *Van later zorg: verwachtingen van Nederlanders over arbeid, zorg en vrije tijd in de 21^e eeuw*, Den Haag: OSA.

⁹ Central Planning Office (1999) *Centraal Economisch Plan*.

¹⁰ Labour Inspectorate (2001) *Najaarsrapportage CAO-afspraken 2001*, The Hague: Central Office for Monitoring and Policy Information.

agreements¹¹. But the number of collective agreements containing one or several settlements on flexible remuneration has increased from 50% to 60%, the sectors primarily responsible for this development being transport and storage, commercial services and other services.

Table 5: number of collective labour agreements with arrangements on flexible forms of remuneration in 2001

	Lump-sum payments	Annual bonus	13th month	Profit-sharing	Incentive pay	Total number of agreements with settlements
Agriculture					1	1 (25%)
Industry	2	12	3	8	3	19 (76%)
Building industry	2	4				5 (83%)
Hotel and restaurant trade and retail trade	2	5	1	1	2	9 (27%)
Transport and storage	2	3	2	4	2	11 (73%)
Commercial services		5	5	6	3	11 (61%)
Other services	10	11	3	2		19 (79%)
Total	18 (14%)	40 (32%)	14 (11%)	21 (17%)	14 (11%)	75 (60%)

Source: Labour Inspectorate (2001), *Najaarsrapportage CAO-afspraken 2001 2001*, Den Haag: Centraal Kantoor Monitoring en Beleidsinformatie

In our opinion, contrary to the data presented by the Labour Inspectorate, an annual bonus and a 13th month's salary are not flexible forms of remuneration. These two forms of remuneration are, however, applied in principle implicitly and structurally. We therefore will not go into these forms of remuneration in

¹¹ cf. Labour Inspectorate (2000) *Najaarsrapportage CAO-afspraken 2000*, The Hague: Central Office for Monitoring and Policy Information.

further detail, but we would draw attention to the fact that this is the most frequent form of 'flexible' remuneration. In 2001 it is primarily on these forms of remuneration that new or improved settlements were agreed.

The level of the lump-sum payments varies from 0.1% to 2.5% of the annual income and applies to all workers practically across the board; 19% of workers are concerned by a lump-sum payment based on a collectively agreed settlement. A much smaller number of workers - only 6% - are concerned by collectively agreed settlements on profit-sharing. Profit-sharing settlements are conditional arrangements which depend on the operating results obtained. Settlements were agreed on individual incentive wages for 8% of the workers covered by collective agreements, although in some cases this only concerns a limited number of those workers or only the possibility of an incentive bonus is mentioned. Furthermore, arrangements on incentive pay also occur in sectoral agreements as well as in the building industry and the agricultural sector.

There are no specific sectoral figures available at the present time on the extent to which the various results-related forms of remuneration were actually applied in practice in 2001. It transpires from the 1999 TNO survey¹² that 30% of workers are actually concerned by one or several forms of flexible remuneration. The flexible form of remuneration applied is incentive pay at the individual level: 22% of workers are concerned by this form of remuneration, mainly in financial establishments, commercial services, agriculture and fisheries. This percentage differs to some extent, but not tremendously, from the extent to which individual incentive pay was applied in 1985: at that time 19% of workers in the organisations (included in the survey) employing 20 or more workers were concerned by these forms of remuneration¹³.

It can be concluded that results-related forms of remuneration are a well-known phenomenon in the Netherlands. At the same time, the extent to which these forms of remuneration are applied proves to be fairly limited. Nor do the figures for 2001 show any signs of their suddenly being applied more often. Furthermore, it is remarkable that the number of workers who can be confronted with the results-related form of remuneration as the result of a

¹² Verboon, F, Feyter, M. de and Smulders, P. (1999) *Arbeid en zorg, inzetbaarheid en ontwikkeling: het werknemersperspectief*, Hoofddorp: TNO Arbeid.

¹³ cf. Wages and Salaries Department (1991) *De toepassing van prestatiebeloning in Nederland in 1989*, The Hague: Ministry of Social Affairs and Employment.

collectively agreed settlement is lower than the number of workers who are concerned in actual practice.

3. WORKING TIME AND PENSIONS

The shortage on the labour market already put an end to the reduction of working time some years ago. In fact the possibility of working longer hours is even being reintroduced in some sectors. A shortage of police personnel, for example, has meanwhile led to the possibility of working 38 hours a week instead of 36. Many collective agreements contain options so that workers can choose to work longer or shorter hours or can make other personal choices in working conditions in exchange for a higher or lower wage. This is also referred to as the cafeteria system.

A general old-age pension is available to every citizen in the Netherlands from the age of 65 upwards. This is financed through a national insurance scheme and the pay-as-you-go system. The vast majority of workers build up a supplementary pension in addition to this old-age pension; this supplementary pension is related to the wage or salary earned and is built up through a capital funding system. Furthermore, from the beginning of the 1980s forms of early retirement were agreed in practically all sectors, whereby workers have been able to stop working from the age of approximately 60, under certain conditions. A silent revolution which has been taking place over the past few years is the conversion of early retirement schemes, which are based on the pay-as-you-go system, to flexible forms of pension based on capital funding. By the end of 2000, 76% of workers already had a flexible pension arrangement as against 14% of workers for whom an early retirement scheme still applied. Another difference between early retirement arrangements and flexible pension arrangements is the fact that the level of benefits often depends on when the person retires. Retiring later leads to a higher pension. However, the average standard age for flexible pension schemes is a little higher than for early retirement schemes (61.2 years as against 60.3 years). The conversion of early retirement schemes to flexible pensions is accompanied in 60% of the collective agreements by the raising of the standard retirement age. The average benefit in the event of retirement at the standard age is also lower (72.1%) than is the case with early retirement schemes (on average, 78.9% of the most recently earned wage). These changes are in line with the growing attention devoted in policy to the possibility for older workers to continue to work longer. Seen over a longer period (1995-2000) these changes have also led to a decrease in early pension contributions - from 4% in 1995 to 3.3% in 2000.

It is not only the settlements for retiring early (before the age of 65) that are being adjusted in many collective agreements. The supplementary retirement pensions (after the age of 65) have also been modernised to a large extent in the past few years. The most important objectives of these changes are to encourage labour market participation by older workers, to save costs, to adjust to lifestyles other than that of traditional breadwinners and, finally, to increase transparency. In the Netherlands a system of compulsory application of settlements applies, under which a pension scheme on which the social partners have agreed can be made binding for all workers and employers in the sector or for all workers in the undertaking.

One of the most important changes in the supplementary pension settlements concerns the remodelling of final pay schemes (based on the most recently earned wage) to mean wage settlements or pensions based on the available premium. In this way workers are not penalised, or are penalised to a lesser extent, if they work shorter hours or at a lower grade at the end of their career (in order to avoid having to stop earlier). It leads in addition to a reduction of pension costs. This also applies to the abolition of the compulsory survivor's pension: in an increasing number of cases workers can now choose whether or not they want to take out additional insurance to cover a survivor risk. The drawback to this system, incidentally, is that pensions are geared less and less to a (statutory) old-age pension (General Old-Age Pension Act) of an unmarried couple and are being geared increasingly to the old-age pension benefit for a single person. This means that the franchise is reduced, which in turn results in a rise in pension costs and thus in contributions. In a survey covering 101 pension funds it transpired that one or several changes of that nature were made in 47 pension funds in the 1998-1999-2000 period. These changes are sometimes agreed within the pension fund itself and sometimes in the course of collective bargaining.¹⁴

These adjustments in the Dutch pension system are the result of the *Covenant on Retirement Pensions* which was concluded between the Cabinet and the social partners on 9 December 1997. At that time, rather than imposing adjustments by law the parties opted for self-regulation. The Cabinet facilitates self-regulation in the pension field by means of the possibility of compulsory application (by analogy with the system of declaring collective labour agreements generally binding) and through tax concessions relating to pension

¹⁴ Office for Pensions and Insurances, *De pensioenmeetwijzer: de pensioenkostenontwikkeling over de periode 1/1/1998-1/1/2001*. February 2001.

contributions. The Cabinet is thus in a position to monitor social partners. When the above-mentioned covenant was evaluated in 2001, the Labour Foundation and the Cabinet established furthermore ‘that pension settlements have been significantly renewed and modernised during the term of the covenant.’¹⁵

4. EUROPEANISATION OF COLLECTIVE BARGAINING

Consultations are always held in the month of September in the ‘Doorn Group’ before the trade union confederations and unions decide on their claims.¹⁶ The leaders of the Belgian, German, Luxembourg, and Dutch trade union confederations and unions responsible for policy on working conditions hold joint discussions at the annual conference on cross-frontier cooperation in the field of policy on working conditions. An initial exchange of views was held in 1997 at joint conference in Belgium. With the ‘Doorn Declaration’ (Doorn being the venue of the second conference) a process of more permanent exchange of information and concertation was launched in 1998. The purpose of this collaboration is to avoid the cross-frontier competition in the field of working conditions which employers hope to foster, even after introduction of the euro. A fundamental element in the ‘Doorn Declaration’ is the focus of bargaining efforts on the following points:

‘The participating trade union organisations aim to achieve collective bargaining settlements that correspond to the sum total of the evolution of prices and the increase in labour productivity. The participating trade unions aim to achieve both the strengthening of mass purchasing power and employment-creating measures (e.g. shorter working time).’

At the conference in Houffalize in September 2002, it was established that justified settlements had been reached in collective agreements in the past few years in the field of wage development. The unions expressed their concern at the disappointing growth rate, which they state was due in part to the excessively restrictive policy pursued by the European Central Bank.

¹⁵ Conclusions drawn by the Labour Foundation and the Cabinet on the basis of the evaluation of the *Covenant on Retirement Pensions* (2001)

¹⁶ R. Huiskamp and J.P. van den Toren, ‘National institutions in an EMU context: multifocal coordination in the Dutch metal industry’, in T. Schulten and R. Bispinck (eds.) *Collective bargaining under the Euro—Experiences from the European Metal Industry*. ETUI/EMF, Brussels 2001.

The unions which meet in the context of the Doorn consultations have reconfirmed their established policy by stating in turn that they do not want to compete over working conditions. Nor will they stimulate indirect wage cost competition through reductions in taxation and social security contributions. A new form of cooperation is the agreement to prevent the disparities between persons with higher and lower levels of education from becoming exacerbated or leading to greater insecurity amongst workers as the result of the development of the knowledge-based economy. The Doorn Group therefore wants life-long education to become an individual right for all workers which employers must see as an investment.

It can be concluded that the members of the Doorn Group value cooperation and are even expanding it with agreements on the qualitative subject of 'education'. The 2002 collective bargaining season will be an interesting year in the context of collaboration in the aftermath of the events of 11 September, which were one of the factors which led the ECB to lower the interest rate.

5. FLEXIBILISATION AND DECENTRALISATION

The decentralisation process was launched in the Dutch labour relations system by the Wassenaar Agreement (1982) of the Labour Foundation. It is not only the government that now no longer intervenes in wage formation; the social partner central organisations are also allowing the sectoral organisations more leeway. Section 5.1 examines to what extent labour relations in the Netherlands have actually been decentralised. It can be stated incidentally that the status in 2001 was actually the result of a number of trends which had been underway for some time; there were no marked shifts in the year 2001 itself. The general trend is that decentralisation is often 'transmitted' to the company level and that the collective bargaining partners prefer working conditions to be individualised. This applies not only to the way in which workers spend their earnings but also to the training and job shifts which employers invest in them. This is also known as employability, the subject of section 5.2.

5.1. Decentralisation of bargaining

Since 1982 the basic principle of social partner policy has always been that although a certain degree of central coordination of working conditions (namely wages and working time) is important, adequate scope must be left for deviations at the decentralised level. It is thus ensured, on the one hand; that the connection between wage costs and employment is explicitly taken

into account and, on the other hand, this creates sufficient scope for differentiation and flexibilisation.

Quantitatively speaking, decentralisation is difficult to observe if it is assessed in terms of the scope of sectoral collective agreements. Although the number of company agreements has increased in the past 25 years, the field of application of these agreements has remained stable, covering 85% of workers.

Is there decentralisation within collective labour agreements? On the basis of a case study survey on the period from 1982 to 2000, Tros (2001) concludes that there is no decentralisation of wage formation whatever. In the field of working time, however, it is a predominant trend. Workers are prepared to give up the hitherto centralist approach to the reduction of working time ('adv' - *shorter working hours*) in exchange for more individual scope for the utilisation, saving and payment of 'adv' days. As regards the structure of collective labour agreements, things are apparently evolving slowly but surely towards decentralisation within collective agreements. Appendix 1 contains tables showing the results of an evaluation of structural decentralisation within the major collective agreements. A distinction is made in that appendix between two forms of decentralisation of agreement structures: the shift to a lower bargaining level and the practice of leaving it to individual workers to choose how their working conditions package is to be composed. Only the conditions and frameworks are then determined at the central level.

5.2. Flexibilisation through employability and personal development

Employability means that workers are (must be) fully trained and equipped to keep pace with changes in their jobs, to perform a different job in their present place of employment or to work for another employer. In its memorandum entitled 'Putting work into employability policy!' (2001), the Labour Foundation points - rightly - to the tensions surrounding employability. 'Employability policy must be placed in the context of a coordinated policy in which aspects such as the formation of working conditions, the social policy of the undertaking and the organisation of work are all relevant in context and thus form a component of the running of the organisation as a whole.' It transpires from a survey of the 130 biggest collective agreements covering a total of 4.7 million workers that a policy of this nature is to be found in only a minority of agreements. Collective agreements differ in their employability policy, innovative agreements adding additional dimensions as opposed to agreements where employability has come to be limited to development. Four levels are indicated and a percentage is quoted to indicate which part of the collective

agreements examined (measured according to the number of workers covered) achieves the level concerned.

- | | |
|---|-----|
| I. The collective agreement contains no employability policy: | 11% |
| II. The collective agreement offers training, but only for the present job or sector: | 25% |
| III. The collective agreement also offers training opportunities outside those areas: | 27% |
| IV. The collective agreement offers further supplementary instruments (such as personal development plans and career guidance): | 35% |

In many employability settlements that are reached in collective agreements a number of links are included concerning the offer that the employer must make his employee. There is sometimes also mention of the request for employability (which the individual worker may make). This is in line with the current discussion on personal development accounts or funds. A fund of this nature can be provisioned by employer and employee contributions, which are of course tax-deductible. What is important is that the worker's contribution is entered in an individual personal development account, which also simply continues to function if the worker changes jobs or sector.

There are only a few collective agreements at the present time which include a personal development account. Some agreements, however, do already contain one or several elements of such an account. The personal development budget is to be found in the KPN collective agreement (telecommunications) and in the agreement for office machine firms. In the KPN agreement this budget comes on top of the regular expenditure on training (and differs from it as a budget over which the worker himself can decide). In office machine undertakings it is a budget for workers of 40 years of age and older which counts as the total training budget; it amounts to 4% of the payroll throughout the 2-year term of the collective agreement.

Forms of savings are now scarcely to be found in collective agreements. The KPN agreement contains the arrangement that workers can use the premium savings scheme for training expenses, and the personal training budget is made available for a period of five years (so that expenses can be deferred over the years).

A personal development account can be provisioned by means of collective financing: the collective bargaining partners can decide to finance the account in part through collective levies imposed on all undertakings. These collective levies already occur in 22% of the collective agreements (involving 19% of the workers covered by such agreements) in the form of training funds or so-

called O&O funds¹⁷. It transpired from the survey of the 130 largest collective agreements that 39% of the agreements (applying to 27% of workers) also offered the possibility of training oriented to a different job, possibly even outside the present sector¹⁸. In the Akzo Nobel chemical group, for example, 70% of the courses are job-oriented and 30% are career-oriented.

6. GENDER ISSUES

There are no longer any working conditions in the Netherlands that are geared specifically to (strengthening) the position of women. The policy pursued by the Cabinet and the social partners aims to place both men and women in a position to combine work and care. The Cabinet makes provision for a number of statutory rights and benefits (at a minimum level or even below that level), which can be complemented by the social partners in collective agreements. The legislation is relatively recent and is based on a number of pillars:¹⁹

- The Adjustment of Working Time Act, which has been in force since 1 July 2000. This Act makes provision for the qualified right to the structural reduction or increase of working time, with a view to assuming care responsibilities, *inter alia*.
- The Work and Care Act, which has been in force since 1 December 2001. This Act makes provision for leave possibilities for personal care combined with paid work. In the Work and Care Act the leave arrangements which are designed to make it easier for workers to reconcile work and care are combined and extended. These are mainly leave arrangements connected with the arrival and care of young children: pregnancy and maternity leave, paternity leave, adoption leave and parental leave. At the same time workers are entitled to compassionate [*disaster*] leave so that they can attend to the necessary measures in the event of a disaster and to short-term carer's leave so that they can take care of sick children, partners or parents.

¹⁷ There are more O&O funds, but they do not always reimburse the costs of the course and/or compensate for the loss of time incurred in training workers. A number of O&O funds are limited to financing course development or vocational training for young workers.

¹⁸ J.P. van den Toren, *Employability: Can Collective Bargaining Favour Individual Careers and Job Opportunities?* Paper for the Dutch HRM Network *Organisational Renewal: Challenging Human Resource Management*. November 15, 2001, Nijmegen, the Netherlands.

¹⁹ Ministry of Social Affairs and Employment, *Verkenningen levensloop, Sociaal stelsel en werken*. The Hague 2002.

Table 6: Percentage of collective agreements and workers with settlements on leave arrangements

Type of provision	% collective agreements	% workers
Possibility of adjusting working time both reduction and extension of working time only reduction of working time only extension of working time	67% 17% 42% 8%	62% 8%
Pregnancy and maternity leave with fringe benefits	39% 6%	36% 11%
Paternity leave Leave of more than 2 days	93% 17%	85% 18%
Adoption leave Leave of more than 2 days	47% 14%	52% 17%
Parental leave with fringe benefits with paid leave leave of 8 months or more	55% 29% 6% 8%	42% 20%
Compassionate leave paid leave leave of more than 3 days	25% 19% 21%	26% 21% 23%
Carer's leave paid leave leave of more than one month	27% 14% 6%	31% 21% 7%
Concrete settlements on career breaks paid leave component on leave-saving arrangements	29% 3% 13%	35%
Leave-saving for a specified purpose for the purpose of carer's-leave/parental leave	38% 28% 9%	48%
Concrete settlements on child care with the explicit target group of children from 0 to 4 yrs with the explicit target group of children from 0 to 12 yrs with conditions regarding accessibility * financed by employers' contributions finance by means of the creation of a fund	56% 19% 17% 7% 16% 22%	61% 24% 17%
Total	139 collective agreements	4.9 million workers

* < 1% of the collective agreements for women only; 5% accessible to women and single persons and 1% others

Source: Labour Inspectorate, *Arbeid en zorg in CAO's 1999*, June 2001

Settlements can be made in collective agreements in addition to statutory regulations. A report on the status in 1999 was made available at the end of 2001. The trends that were perceivable in that report continued in 2000 and 2001. In 1999, 39% of the collective agreements concluded contained a stipulation on pregnancy and maternity leave. However, only 6% of those agreements contained settlements complementing the statutory provisions on the length of leave and how it is to be paid. Attention is devoted to various forms of leave in most collective agreements, but only a minority contain supplementary provisions on leave and payment. Settlements are mainly made as a combination of arrangements which link up with the official regulations.

7. DEVELOPMENTS AND PROSPECTS FOR THE 2002 COLLECTIVE BARGAINING ROUND

What are the prospects for the 2002 bargaining round? It can be stated in general that the socio-economic analysis made by the Labour Foundation at the end of 2000 applies more acutely now than it did a year ago. Since few bargaining results have been registered at the time of writing, a number of current trends will be mentioned in brief in this section.

- Two major agreements have been concluded: Corus and University Hospitals. A relatively long term of contract has been agreed in both cases: 26 and 24 months respectively. A 6.5% general pay rise (cumulative wage development during the period of the agreement) has been agreed in Corus with the possibility of a lump-sum bonus of 0.5% if profits amount to over 22.5 million euros. A general contract wage mutation (cumulative wage development during the period of the agreement) of 11.25% has been agreed for university hospitals; this can be seen as a move to bring incomes up to the level in general hospitals (cf. section 2.1).
- The negotiations for a number of contracts are progressing with great difficulty, and there industrial action is liable to be taken in Philips and in Construction and the Grafimedia.
- A situation is liable to occur in Philips which was solved two months ago after the intervention of the trade union confederations. Just as was the case in the child care sector, the relatively small trade union '*De Unie*', which is affiliated to the Unie-MHP, the third largest trade union confederation, has concluded an agreement behind the backs of the bigger confederations (CNV, FNV and VHP). After *De Unie* had appealed to its confederation Unie-MHP to oppose the Economic and Social Council agreement on the

reform of the Disablement Insurance Act at the very last minute, the trade union confederations FNV and CNV decided that they would no longer coordinate with the third Dutch confederation in the consultations amongst the trade union confederations. “The systematically untrustworthy conduct” of the *De Unie* president was given as the reason²⁰.

- As the result of disappointing investments, pressure is being brought to bear on pension funds to raise contributions. This will not only have an adverse effect on workers’ spending power but will also negatively affect business profits²¹.
- According to the CBS, inflation (cf. also table in section 2.1) is still high. There was a 4% rise in the consumer price index in January. CNV President Terpstra recognises that there seems to be a wage-price spiral²².
- In the spring consultations (21 March 2002) between the social partners - brought together in the Labour Foundation - and the Cabinet, reductions in taxation and social security contributions were to be the main subject of discussion. These reductions will have to be financed primarily from the surpluses in the social funds from which unemployment and disablement benefits have to be paid. However, since the balance of the social funds counts in the EMU balance and at the same time the slowdown in the economy means that there is less tax revenue, the Cabinet was not prepared to comply with this demand, whereupon the spring consultations scheduled for the above date were cancelled.

The trade union movement is also endeavouring to obtain tax concessions for training which is not relevant for the present employer but is relevant for the worker concerned in terms of enhancing his/her versatility on the labour market (‘employability’). Workers must be given the opportunity to save up for this training on a so-called personal development account with tax advantages.

²⁰ *Telegraaf* (14 March 2002)

²¹ *Financieel Dagblad* (23 February 2002)

²² cf. *Trouw* (9 March 2002)

APPENDIX: DECENTRALISATION OF COLLECTIVE BARGAINING STRUCTURES

**Table 7: Collective labour agreements with decentralised structures
(status mid 2001)**

COLLECTIVE AGREEMENT	STRUCTURE
Sectoral agreements	
Book and newspaper publishing (10 500 workers)	Tailoring: <ul style="list-style-type: none"> • at the employer's initiative, more detailed arrangements can be agreed with the works council concerning operating time and working hours, wage structure, job evaluation, overtime regulations, <i>à la carte</i> working conditions, training, etc.; • working conditions must not deteriorate the above tailoring.
Electricity companies and public utilities (35 000 workers)	Framework structure: <ul style="list-style-type: none"> • in skeleton agreement definitions, working conditions concerning pensions and early retirement, sickness, disability and unemployment, and a number of framework and protocol arrangements; • the 5 sectoral collective agreements lay down the other working conditions including forms of remuneration and benefits; • supplementary company arrangements can be agreed with the works council at the company level.
Graphical media (54 300 workers)	Layered structure ("framework collective agreements"): <ul style="list-style-type: none"> • framework provisions for the entire branch of industry; • sectoral provisions for 5 sub-sectors; • decentralised settlements in individual companies.
Collective agreement for the hotel and cater-ing trade (227 500 workers)	Tailoring structure: <ul style="list-style-type: none"> • arrangement A: all provisions of the collective agreement unless arrangement B or C applies; • arrangement B: the employer can choose from a number of alternatives after consulting the workforce; • arrangement C: the employer can conclude a company agreement within the framework, in negotiations with the employees.
Metal and electro-technical industry (187 500 workers)	Tailoring structure: <ul style="list-style-type: none"> • A provisions: not negotiable; • B provisions: freely negotiable at the lower level; departure from the basic collective agreement possible (deterioration or improvement)

Company agreements	
<p>Dutch Railways (20 000 workers)</p> <p>Unilever Netherlands (4 400 workers)</p> <p>Getronics (9 000 workers)</p>	<p>Umbrella structure</p> <ul style="list-style-type: none"> • 12 “standard” collective agreements for separate sections of the undertaking; • collective labour agreement (NS <i>Sociale Eenheid</i>) for blanket arrangements <p>Framework structure:</p> <ul style="list-style-type: none"> • agreements at group level on pay, shift work, flexibility and security, disability reintegration and career policy; • decentralised arrangements on pressure of work, tele-commuting, travel expenses, child care, being on call (individual workers); • local bargaining on departure from the framework agreement only possible between local management and trade unions. <p>Framework structure</p> <ul style="list-style-type: none"> • provisions in the skeleton agreement which apply to the entire group; • other subjects to be negotiated by the works councils.
Study arrangements	
<p>Agriculture (100 000 workers)</p> <p>TNT Post Groep (TPG) (64 000 workers)</p>	<ul style="list-style-type: none"> • The current agricultural collective agreements in the agricultural sector have been extended for 3 months in the context of a study with a view to a skeleton collective agreement; • in the skeleton agreement arrangements must be agreed on pensions and the length of the working week. Arrangements at the decentralised (sectoral) level on specific working hours, holiday regulations and forms of pay; • a new structure is to be introduced in 2002. <ul style="list-style-type: none"> • The study is intended to lead to appropriate working conditions packages for the various sections of the undertaking as well as an adjusted working conditions setup and collective agreement structure.

Source: Sociale Nota 2002

Table 8: Collective labour agreements with à la carte arrangements (status mid 2001)

Collective agreements with à la carte arrangements	Collective agreements involving a study with a view to à la carte arrangements
<p><i>Sectoral agreements</i></p> <p>University hospitals (45 000 workers)</p> <p>Wholesale food trade / confectionery / tobacco (14 800 workers)</p> <p>Wholesale textile products (6 400 workers)</p> <p>Trading in building materials (8 000 workers)</p> <p>Cable undertakings (5 000 workers)</p> <p>Public transport (13 500 workers)</p> <p>Government employees (110 000 workers)</p> <p>Plasterers / finishing/terrazzo/flooring firms (13 000 workers)</p> <p>Technical wholesale trade (48 000 workers)</p> <p>Textile industry (20 000 workers)</p> <p>Convalescent and nursing homes (185 500 workers)</p> <p>Insurance companies (22 000 workers)</p> <p>Waterworks (6 500 workers)</p> <p>Welfare (60 000 workers)</p>	<p><i>Sectoral agreements</i></p> <p>Architectural firms (8 300 workers)</p> <p>Banking sector (12 000 workers)</p> <p>Libraries (public) (9 000 workers)</p> <p>Book and newspaper publishing industry (10 500 workers)</p> <p>Building industry (150 000 workers)</p> <p>Building UTA (50 000 workers)</p> <p>Contract catering (16 500 workers)</p> <p>Electricity companies and public utilities (33 000 workers)</p> <p>Graphical media (54 280 workers)</p> <p>Wood-working industry (5 250 workers)</p> <p>Cardboard manufacturing and flexible packaging industry (7 500 workers)</p> <p>Child care (31 500 workers)</p> <p>Joinery works (12 500 workers)</p> <p>Care insurance (9 000 workers)</p>
<p><i>Company agreements</i></p> <p>ABN AMRO (36 000 workers)</p> <p>Achmea (2 800 workers)</p> <p>ANWB (3 530 workers)</p> <p>Coffee & Tea (3 600 workers)</p> <p>Philips (38 000 workers)</p> <p>Solvay Pharma (2 500 workers)</p> <p>V&D Nederland (13 500 workers)</p>	<p><i>Company agreements</i></p> <p>DSM Limburg (7 500 workers)</p> <p>Fortis bank (10 000 workers)</p> <p>Heineken (4 000 workers)</p> <p>Hema (10 000 workers)</p> <p>IKEA (3 200 workers)</p> <p>KPN (34 000 workers)</p> <p>Océ Technologies/Océ Nederland (4 100 workers)</p> <p>SVB (3 500 workers)</p> <p>TNT Post Groep (64 000 workers)</p> <p>Van Gend & Loos (3 400 workers)</p>

Source: *Sociale Nota 2002**Translation from Dutch by Carolyn Loane*

Norway

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1. GENERAL BACKGROUND

A central feature of Norwegian collective bargaining for over a decade has been the tripartite co-operative venture on incomes policy between the labour market parties and the government, the so-called 'solidarity alternative'. The main objectives of this social pact have been to keep wage growth down, employment high, and inflation low. Since the late 1990s, however, this model for political exchange has come under threat as a result of a series of wage settlements generating excessive wage increases, and has been challenged both within and outside the labour movement for its apparent failure to properly reflect the changing nature of the Norwegian collective bargaining system. Although there was no collective bargaining going on at the central level in 2001, the bargaining system and the 'solidarity alternative' was nevertheless subject to considerable debate and controversy. The debate was fuelled by the report of the so-called Stabel Committee, which was published in April 2001 and in which the functioning of the present bargaining system was examined as well as the framework in which it operates.

1.1. Economic and Labour market developments

The pause in economic growth which characterised much of the year 2000 in Norway continued in 2001, with an estimated growth in GDP of 1.4%. This intermission followed more than five years of strong growth in the Norwegian economy from 1993 to the end of 1998, which was the most pronounced cyclical upswing since the Second World War. Growth in mainland GDP (excluding the oil and shipping sectors) averaged about 3.5% during this period, against growth of 1.0% in 2001. The relatively weak growth is due to a large extent to the continuing poor performance of and downward production trends in the Norwegian manufacturing industries and, to a certain extent, in the private services sector. Inflation, defined as the increase in annual consumer prices (CPI), was 3.0% in 2001, as against 3.1% in 2000.

The labour market situation remained relatively stable throughout 2001. Although the increase in the overall employment rate was slightly lower than in 2000, the number of employed people in the population remained the same

as in the previous year at 70.9%. In the public sector, on the other hand, employment increased by almost 1.5%, with the most important increases taking place in the municipal sector. In manufacturing industry employment was down by 1.7%, which contributed to the relatively modest growth overall. The employment rate in manufacturing industry has dropped for three consecutive years now, by an average of 5.6% per year since 1998. The overall employment rate increased in comparison by an annual average of 2% in the period from 1993 to 1998. Despite the general increase in the employment rate in 2001, the number of man-hours worked dropped by 0.5% from the year 2000. This may be explained by the introduction of 2 extra days' holiday, a continued increase in absenteeism due to sickness, as well as an increase in the numbers of hours worked by part-time workers.

Unemployment remained low during 2001 at 3.6%, up from 3.4% in 2000. There was a reversal of trends, however, with regard to the regional distribution of unemployment. In 1999 and 2000 unemployment increased in regions where industries related to the oil and ship-building sectors were prevalent, and it fell in the inland regions such as Oslo and Akershus. In 2001 this trend was reversed and unemployment rose in the inland regions in the south-east of Norway.

The Norwegian labour market is still confronted with an urgent shortage of labour in important sectors of the economy, in particular in the health and social sectors, the construction industries, and some areas of manufacturing industry. Demographic estimates suggest that this problem will continue in the next few years. Moreover, there is also considerable uncertainty with regard to future developments in absenteeism due to sickness as well as the number of people on disability pension. This being so, it is doubtful that the bottleneck in the labour market will be solved in the short term. However, measures have been and are being taken to remedy this problem. The relatively strict regulations concerning labour immigration have been relaxed, and further measures will be taken in this regard. Increased efforts are also being taken to keep older employees in employment for as long as possible and to reduce the number of people on sickness benefits.

The increasing oil revenue in Norway was also subject to significant debate in 2001, and the government finally bowed to mounting public and political pressure to channel more of the oil wealth into the national economy. Following the adoption of new guidelines, the non-oil fiscal deficits are now to be covered by returns on the so-called Petroleum Fund. To support such a move it was also deemed necessary by the government to adopt new guidelines for economic

policy, including *inter alia* an inflation targeting regime. These guidelines received broad support in the Norwegian parliament (*Stortinget*). The Norwegian Government Petroleum Fund was established by an Act of Parliament in June 1990. The main purpose of the Fund has been to safeguard long-term considerations in the use of petroleum revenues. In short, it means safeguarding national pension and welfare arrangements, supporting economic stability, and maintaining a strong exposed industry. The new rules will not so much change the way Norway spends oil revenues, since large proportions of oil revenues in the past have been phased into the national economy. Rather, the conditions under which money is spent have changed. According to the new rules, spending is now limited to drawing returns on the Petroleum Fund's capital, enabling more long-term and stable financial considerations, because the latter is no longer as vulnerable to fluctuations in the international oil price. Furthermore, the new scheme will allow for a gradual increase in the use of petroleum revenue in the state budget in years to come, while at the same time preserving considerable savings to cover future expenses.

In connection with the changes made to monetary policy, the Bank of Norway was instructed in spring 2001 to maintain a low and stable inflation rate defined as an increase in the annual consumer price index of (+/-) 2.5%. It was assumed that this would help to stabilise the exchange rate in the long term. The new target for monetary policy may allow a wider margin for wage growth and the adjustment of relative wages, which is regarded as necessary to accommodate stronger growth in public spending and wages, and stimulate the reallocation of labour from the public to the private sector.

1.2. Political developments

Political events in the year 2001 were greatly coloured by the general election in September, the campaign leading up to the election, and the subsequent change in government that took place in October. Voter turnout was at its lowest since the Second World War, at 74.5%. The election proved disastrous for the Labour government (DnA), which resigned after losing more than 10% of votes compared to the previous 1997 election. A centre-right coalition comprising the Christian Democratic Party (Krf), the Conservative Party (*Høyre*), and the Liberal Party (*Venstre*) took office in October. The new coalition government is led by Mr. Kjell Magne Bondevik who was also Prime Minister under the previous centre coalition government, which resigned in March 2000. There were two clear winners in the election - the Socialist Left Party (SV) and the Conservative Party, each of which increased its share of the votes by over 6% compared to the 1997 election. The Progress

Party (FRP) also managed to achieve a fairly decent result despite significant internal tension leading up to the election. Although the new coalition is a minority government, there is nevertheless a clear conservative majority in the Norwegian parliament, which includes Høyre, Krf, Venstre and FRP. The government's reliance on the support of FRP was demonstrated early on, both in relation to getting to power, as well as getting the 2002 State Budget proposal through parliament in the autumn of 2001.

The DnA witnessed its most disastrous election result since 1900, a result which had been more or less anticipated long before the election was held, and several explanations have been given for its poor achievement. There are obvious, and more long-term, factors such as the fact that DnA has for many years been losing votes to parties on both the right and the left of the political continuum – in particular to the FRP amongst blue-collar workers in the manufacturing industries. Growing dissatisfaction has also been observed in the population at large with regard to education and health policies in a context of great oil wealth in Norway. Furthermore, DnA has also been troubled for some time with considerable internal tension, both before and after the general election, something which forced the present party leader, Mr Torbjørn Jagland, to decide to resign in favour of the deputy leader, and previous Prime Minister, Mr. Jens Stoltenberg, at the forthcoming national convention in November 2002.

The trade unions expressed concern over the shift to the right that followed the change in government, and in particular with the proposed down-scaling of public ownership, the stepping up of privatisation measures, as well as increased use of competitive tendering in the public sector. On taking up office, the new government also warned of changes to labour law including the relaxing of the legal provisions regulating opening hours and overtime (see section 5.2). The present sick pay system has been the subject of considerable debate in recent years and regained momentum during the election campaign. Employers' organisations and a number of political parties have called for changes to the scheme on several occasions but have met with significant opposition from the trade unions. The issue has been shelved for the time being as a result of the 'agreement of intent' concluded by the social partners and the out-going Labour government on 3 October 2001 (see section 1.5).

1.3. Social concertation

The so-called 'Solidarity alternative' came under further pressure in 2001, and is being increasingly challenged by a wide range of actors in working life, both employer organisations and trade unions. This social pact entered into by

the labour market parties and the government made its mark on collective bargaining throughout the 1990s and helped the Norwegian economy to develop away from recession in the late 1980s to extraordinary prosperity and growth in the late 1990s. Through the central coordination of wage formation, price and wage growth was moderate, and this again served to keep employment high and unemployment low and to strengthen the competitiveness of Norwegian industry. In this effort the industries most vulnerable to international competition led the way in wage formation ("trend-setting" branches) and set the standard for wage increases in subsequent wage settlements during the 1990s. The wage growth rate was not to exceed the levels of growth achieved by Norway's main trading partners, the most important of which are the other Nordic countries, Germany and the UK. For several years now, the predominant actors in this corporatist system of collective bargaining have been the Confederation of Norwegian Business and Industry (NHO) and the Norwegian Confederation of Trade Unions (LO). In recent years, however, there has been growing discontent with the achievements of this social pact, in particular amongst employer organisations, but also amongst a significant number of trade unions both within and outside the LO/NHO agreement area.

The NHO, which has been a key player in supporting the cooperative venture on incomes policy, and indeed one of its most ardent supporters, stated in its 'employer policy programme', adopted in September 2001, that the 'solidarity alternative' has only accomplished its objectives to a limited extent. The wage growth rate has in recent years been significantly higher in Norway than amongst its main trading partners, and as such has served to undermine the competitiveness of Norwegian industry. Employment has steadily declined in the exposed manufacturing industries. The NHO has also voiced its discontent with the present system on previous occasions prior to wage settlements.

Many commentators believe that the changes in monetary policy witnessed in 2001, introducing an inflation target regime of 2.5%, are aimed at remedying the failings of the incomes policy pillar of the 'solidarity alternative'. This view is also shared by the OECD in its 2001 Country Survey which argues that "*mounting labour market tension and high oil revenues have undermined both fiscal and incomes policy, placing a heavier burden on monetary policy*" (OECD – survey 2001). The success of this effort remains to be seen, especially in view of the fact that high interest rates have recently strengthened the Krona substantially and have further contributed to weakening the competitiveness of Norwegian industry.

There has also been growing discontent with the present system amongst trade unions outside the LO/NHO agreement area. Professional and educated groups in the public service sector, who feel that they lost out during subsequent wage settlements in the 1990s, have long called for changes in the bargaining system; some want to see greater decentralisation of wage formation, while others want to see a shift of strategic focus away from the vulnerable industries. There is also growing discontent amongst less skilled groups in the private services sector, and although they have witnessed significant real wage growth in recent years, they nevertheless '(...) *feel left behind in the recent frenzy of conspicuous consumption and surge of management wages, stock market options etc.*' (Dølvik 2001).

The relationship between the solidarity alternative and the national collective bargaining system itself was considered by the Stabel Committee, whose report was published in April 2001. The establishment of the committee was set partly against the background of concerns about the apparent weaknesses of the bargaining system raised during the 1998 wage settlement, and partly against concerns raised about the future ability of the main confederations to pursue moderate wage settlements. The Committee's mandate was to "undertake a wide-ranging analysis of the current operation of the present bargaining system and the framework within which it operates". The committee found that the Norwegian collective bargaining system is able to support a continuation of the current cooperative venture on incomes policy and the coordination of wage formation through a model where the industries most vulnerable to international competition are leading the way in wage formation. However, this requires stronger coordination than is the case today, and, according to the committee, the only viable way to achieve such coordination is through social partner dialogue rather than the introduction of stricter legal regulations. The employer representatives on the committee, including the NHO, wanted to see a much stronger commitment regarding coordination, calling for the establishment of a binding economic framework prior to negotiations; they thus formulated a dissenting opinion, in which they argue that the only alternative to stronger and more binding coordination is a decentralised form of wage formation.

The committee also considered the present legal framework. Norway has on several occasions been criticised by the ILO for its use of compulsory arbitration to end industrial conflict. According to the committee, the levels of industrial conflict in Norway are not so great as to necessitate changes in the provisions regulating the right to strike or lockout, or the rules concerning compulsory arbitration. However, two questions were considered in greater

detail, and changes were proposed: the extent to which the state mediator may impose the obligation to hold membership ballots on proposed collective agreements, and the extent to which the state mediator may require votes cast in several different ballots to be counted as one. The majority of the members of the committee proposed that the state mediator be authorised to impose such an obligation in cases where a mediation proposal has been put forward, presuming that the state mediator “in normal circumstances will not impose the obligation to hold a ballot against the wishes of a union confederation”. This power could thus only be exercised in exceptional circumstances. Most trade unions have been against allowing the state mediator such powers, because it is regarded as an infringement on the labour market parties’ right to bargain freely.

In March 2002, the Norwegian government put forward its proposal to change Act no. 1 of 5 May 1927 relating to labour disputes. The public hearing to which the proposal was subject revealed that there was little consensus on the matter, and the proposal that contains only minor modifications in the present legal framework, and the more controversial majority proposals of the Stabel Committee, were dropped. There will be no significant changes as regards bargaining, arbitration and ballots on arbitration proposals. The government’s proposal is to be considered by the Norwegian parliament in the spring of 2002.

1.4. Changes in the organisational landscape in Norwegian working life

As was the case in 2000, the organisational landscape in Norway underwent considerable changes in 2001, especially on the employee side. The Confederation of Norwegian Professional Associations (AF) was officially dissolved in June, and a number of AF’s smaller affiliates soon joined the Confederation of Vocational Unions (YS).

The founding congress of a new teachers’ union, the Norwegian Education Union, was held in October 2001, although it was not formally established until 1 January 2002. The new organisation, which has approximately 130,000 members, is the result of the amalgamation of the independent Norwegian Union of Teachers (NL) and the former AF affiliate, the Norway Teachers Union (*Lærerforbundet*).

Following the decision to dissolve the AF in 2000, plans were soon laid for a new public sector trade union confederation, involving two of the AF’s largest members, the above-mentioned Norway Teachers Union and the Norwegian Union of Registered Nurses (NSF), as well as the two independent

unions - the Norwegian Police Federation (PF) and the Norwegian Union of Teachers. The new confederation, *Utdanningsgruppernes Hovedorganisasjon* (UHO), was established in December 2001. The new confederation's membership base comes from organisations for public sector employees with a university or higher college education, and together the organisations involved unionise approximately 215,000 employees.

The most significant changes on the employer side came with the government's decision to transfer the ownership of public hospitals in Norway from the local government level (mainly county municipalities) to the State. As a result, employer and bargaining responsibility for public hospitals was transferred to the employers' organisation, NAVO, which represents semi-privatised public enterprises. During the autumn of 2001, NAVO also acquired employer and bargaining responsibility for the national postal service and Norwegian railways. The formal transfer of ownership of the hospitals took place on 1 January 2002. As a result, NAVO almost quadrupled in size in 2001.

1.5. Pension system - the national sick pay scheme

The trade unions, and in particular the LO, announced early in 2001 that an occupational pension reform in the private sector was a major priority and demanded that pensions be raised in the 2002 wage settlements. All employees in Norway are covered by state pensions through the national insurance scheme (*Folketrygden*). This is a two-tier system with a universal flat-rate pension applicable to all, combined with an additional earnings-related pension. Since for most employees pensions received from the national insurance scheme mean a significant reduction in income compared to what they earned while in employment, a large number of employees participate in supplementary pension schemes at the workplace. Most public sector employees enjoy *inter alia* collective schemes that are considered relatively favourable for the recipients. In the private sector, however, there are significant variations in both the coverage and the content of occupational pension schemes, and only a third of all private sector employees are covered by such schemes at any given time.

In January 2001 new regulations concerning occupational pensions came into effect granting tax allowances to companies with "defined-contribution" pension plans. In this context the legal framework was also altered to give part-time employees improved incentives to participate in contribution-based pension schemes. Furthermore, the provisions concerning the accumulation of pension rights and pension contributions were changed in such a way as to

make companies pay more for younger employees and less for older employees than was previously the case. It is clear that the relatively broad support for the introduction of defined-contribution plans, from the LO *inter alia*, is based to a large extent on the hope that such schemes will make it easier to establish occupational pension schemes in sectors and companies where coverage by such schemes is low.

The rate of absenteeism due to sickness has increased steadily in the last decade, and with the exception of a slight pause in growth in the late 1990s, it continued to increase in 2001. In October 2001, the social partners and the outgoing Labour government concluded an “agreement of intent” with a view to creating a more “Inclusive working life”. It is hoped that the agreement will help to reduce the utilisation of sickness benefits and the rate of absenteeism due to sickness, and to take better advantage of the human resources represented by older employees. The agreement sets out several measures to that end. It also carries on some of the recommendations made by the “Sandeman committee”, which published its report entitled “An inclusive working life” (NO 2000:27) in the autumn of 2000. The concrete objectives of the agreement are to reduce the rate of absenteeism due to sickness by at least 20% over the 2001-05 period, to ensure that a much larger share of employees with “impaired functionality” are in employment, and to increase the average effective retirement age.

The agreement is to be re-evaluated after the second quarter of the year 2003 and will be terminated if it becomes evident that the objectives are not being met, unless the parties agree otherwise. Many commentators believe, however, that the expressed goal of a 20% reduction will be difficult to achieve, especially in a situation where the pressure on the labour market is as great as it is today. The centre-right government has pledged that it will monitor the progress made by the social partners closely, and if the objectives stipulated in the agreement are not met, it is not unlikely that the government will consider tightening the present legal framework.

2. WAGES AND PURCHASING POWER

The labour market parties agreed in the 2000 wage settlement that no central collective bargaining was to take place in 2001. However the bi-annual agreements negotiated in 2000 made provision for central pay rises and an economic framework for company level negotiations in 2001. In the private sector a general wage increase of NOK 1.00 per hour was given to all wage-earners as of 1 April 2001. Additional special low wage and equal wage

increases were also awarded, constituting between NOK 3 and 3.5 in hourly increases for certain groups. Public sector employees received an annual general increase of NOK 2200 from 1 May 2001 in addition to funds set aside for central adjustments (0.4%), as well for company level bargaining (0.9%). Only a handful of sectoral collective agreements were subject to revision, including the NAVO agreement concluded in the agreement area of semi-privatised public enterprises.

According to figures from the Technical Calculating Committee on Wage Settlements (TBU) published on 25 January 2002, the average wage growth for all groups in the 2000-2001 period, is estimated at approximately 4.8%, compared to 4.5% in the previous 1999-2000 period. There are significant sectoral variations, as indicated in Table 1 below. While blue-collar workers in the manufacturing industries witnessed wage growth of 4.9%, wage growth amongst white-collar workers in the same sector was 5.3%. In the public sector teachers stand out with their estimated 8% increase, which is due to the fact that they are still benefiting from the cooperative agreement concluded with the government following the 2000 settlement. The agreement allowed teachers (although not in higher education) significant additional wage increases as well as an extraordinary wage package running over a 3-year period. The 2-day extension of annual leave in 2001 was thus taken out as extra pay, corresponding to a wage increase of almost 1.5%. In practical terms, the extended holiday is implemented in such a way as to prevent reduction in teachers' fixed working time schedule, including the number of hours spent in tuition. Teachers also received compensation for changes in existing working time agreements with an estimated effect of a 1.8% increase on the wage rate for 2001. The report of the TBU found that the municipal sector, not including teachers, was the bargaining area with the lowest wage growth rate in 2001.

Although Norway has one of the best records in Europe as regards reducing the gender wage gap, the differences in pay between men and women are still unjustifiably high. There has been a slow and small narrowing for a number of years now, which continued in 2001 in most sectors of working life. Women's wages are now between 85% and 86% of men's wages.

The average increase in management salaries in 2001 was 7.2%. The equivalent figure for 2000 was 6%. There were also significant variations in management salaries. Management in large companies with more than 250 employees enjoyed a salary growth of 14.1%, while management in small and medium-sized companies saw an increase of between 4.3 and 5.7%.

Table 1: Estimated wage growth amongst a selected group of wage-earners from 2000 to 2001.

	Wage growth
All groups	4.8
Workers in establishments affiliated to the NHO (employees paid by the hour)	4.9
Salaried employees in establishments affiliated to the NHO	5.3
Employees in the retail and wholesale trade	4.7
Employees in hotels and restaurants	4 $\frac{3}{4}$
Employees in commercial and savings banks	4.2
Central government employees	4.2
Education (teachers)	7.8
Municipal and county employees	3.5

Source: Updated wage figures for NOU 2002:5: The Technical Calculating Committee on Income Settlement, Report No. 1:2002. 20 March 2002.

3. DEVELOPMENTS IN WORKING TIME

As with pay, working time was not subject to collective bargaining in 2001, and standard weekly working hours thus remained at 37.2. Figures from Statistics Norway (SSB) show that there was a slight reduction in average actual working hours in 2001, which may be explained in part by the partial extension of annual leave (extended holidays). The extension of annual leave was a priority trade union demand in the context of social reform in the 2000 wage settlements. The implication is that the holiday period has now been extended from 21 to 25 days, the first 2 days of which were introduced in 2001. The final 2 days will be introduced in 2002. It is only applicable to employees covered by collective agreements into which the new provisions have been incorporated, and since the extension is not supported by amendments to the Holidays Act, the application of the new provisions to other parts of the labour market is very much up to the individual employer/employee.

The debate concerning statutory working hours was to some extent revitalised in 2001. The issue has been part of the trade union agenda in Norway ever since the last reduction in statutory working hours in 1986, in particular in trade unions with a predominance of women members, but has been overshadowed by issues such as wage and more extensive social reforms in successive wage settlements. In its proposal for a new 'Act relating to working life' (see 5.2 below) LO wants to see greater responsibility with regard to the organisation of working time vested in the employees themselves, although within the framework of the statutory working day or week. Furthermore, statutory working hours should be reduced in the short term to 35 hours and in the longer term to 30 hours a week. The emphasis is thus on weekly rather than daily working hours in order to allow employees greater flexibility. The LO has, on several occasions, particularly following the election of Ms. Gerd-Liv Valla as new leader in 2001, stressed its intention to raise the issue in forthcoming wage settlements. It seems that this may be a slight shift in LO policy in that it recognises the need to look at the individual effects of working time reforms on working life, and that the more traditional large-scale collectively based working time reductions are a thing of the past. The employers, on the other hand, want to see more flexible arrangements rather than a general reduction in working hours.

4. EUROPEANISATION OF COLLECTIVE BARGAINING

Reference to European developments in collective bargaining has been an intrinsic feature of Norwegian wage formation for a number of years. Incomes policy has been based on the assumption that the national wage growth rate should be kept at the level of Norway's main trading partners. This principle has been emphasised repeatedly by successive public committees in recent years and has been one of the main pillars of the so-called 'Solidarity alternative' (see 1.3).

In August 2000 the government assembled the labour market parties with a view to establishing a national dialogue on developments in working life, similar to the dialogue at the EU level. As Norway is closely linked to developments in the EU in the field of labour law and health and safety at work, this new dialogue is a forum where the national social partners and the ministries meet to exchange information and discuss issues on the EU agenda. The initiative is a recognition of the fact that the Norwegian government can only exert influence to a limited extent on developments at the EU level, while the social partner organisations participate in the EU social dialogue through their membership of European-level trade union and employers'

organisations. The dialogue forum is also intended to play an important consultative role in the implementation of EU directives. The parties met again in January 2001.

There is, however, a growing fear amongst policy-makers and practitioners in Norway of being sidelined with regard to developments at the EU level, including social and employment policy. One such worry concerns what is seen as a trend towards the transfer of social and employment issues to higher levels of decision-making authority within the EU, where Norwegian actors do not have access. Moreover, the general impression amongst Norwegian decision-makers and social partners is that the EU is becoming less interested in including the EFTA countries in policy formation.

5. THE FLEXIBILISATION OF WORKING CONDITIONS AND DECENTRALISATION OF COLLECTIVE BARGAINING

5.1. EU regulations

The EU Directive on part-time work was implemented in Norway in 2001. A few changes had to be made to the Act relating to Worker Protection and the Working Environment and the Act relating to Limited Companies (**Aksjeloven**). The most important of these was to grant rights concerning employee representation (i.e. the right to vote for employee representatives on the company board and the right to stand for election) to part-time employees working less than 50% of full time. Some 25% of all Norwegian employees, and approximately 42% of all female employees, work part-time. The part-time employment rate has remained stable for a long time, although women's working hours have increased in recent years. There are no obstacles to the use of part-time work in the legal framework or in collective agreements. Part-time workers are subject to the same rules and have the same rights as full-time employees.

The directive on temporary contracts will be implemented in 2002, and so far it seems that only minor changes to legislation and to collective agreements will be necessary for that purpose. There has been a steady decline in the proportion of temporary employees in Norway since 1995, and at present approximately 9% of Norwegian wage-earners are on temporary contracts.

5.2. Working life regulations

Following the findings and recommendations of the publicly appointed 'working life committee' the previous Labour government established a second committee in 2001 with the mandate of deliberating changes to the

Act relating to Worker Protection and the Working Environment. The committee's mandate is to consider aspects of the Act such as the rules concerning information and consultation, working time, non-discrimination, control and surveillance in working life and company transfers. On entering office the new centre-right government extended the committee's mandate to include deliberation on provisions regarding temporary contracts, the possibility of relaxing overtime regulations, and the abolition of the present Act relating to opening hours, by which outlets are obliged to close at 9 p.m. during weekdays, and 6 p.m. on Saturdays. The latter two proposals are now being considered by the relevant social parties, and at present there seems to be a majority in the Norwegian parliament in favour of changing the legal framework.

The trade unions are on the whole reluctant to see any changes in the provisions concerning overtime or extended opening hours. In their responses to the 1999 report of the 'working life committee', both the Confederation of Vocational Unions (YS) and the Norwegian Confederation of Trade Unions (LO) stated that the present legal framework provides for sufficient flexibility, and that significant health- and social-related uncertainties would result from any relaxation of the provisions of the Act relating to Worker Protection and the Working Environment pertaining to overtime. The trade unions in the wholesale and retail trade have long been fighting extended opening hours.

However, despite this reluctance it is generally recognised, also amongst the trade unions, that the Act relating to Worker Protection and the Working Environment needs to be brought up to date with contemporary realities. At the LO National Congress in 2000, a proposal for a new Working Life Act was discussed and adopted. If and when adopted, the Act should embrace new issues in working life, such as telework/home-based work, new forms of workplace surveillance of employees, harassment at work, etc. According to this proposal, the definition of the term "employer" given in the Act relating to Worker Protection and the Working Environment should also be changed in order to accommodate new forms of work organisation such as outsourcing and the hiring in/out of labour. The process of amending labour law is well under way, and a series of proposals including proposals regarding home-based work and overtime, are now subject to consideration and deliberation by the relevant parties in working life.

5.3. Decentralisation of collective bargaining

The decentralisation of collective bargaining is being discussed in both the private and the public sector. In its 2001 employer policy programme, the NHO states that the present centralised bargaining system is not sensitive enough to the needs of both companies and employees in Norwegian working life. Working life is changing and both employees and employers are calling for greater flexibility than is possible today. The implication of these developments for the NHO is that collective agreements must become more framework-oriented and flexible, with regard to both pay and working time regulations. Wages and the regulation of working conditions such as working time should be determined at the company level as far as possible.

In both the state and the municipal sector a series of deliberations took place in 2001 assessing the public sector bargaining structure and recommending changes. Employers in the municipal sector want to see the current wage scales replaced by more flexible pay systems which are determined by the individual municipalities themselves and which leave it up to the parties at the local level to agree on the criteria to be followed by the municipalities in determining individual employees' wages. The employee side is divided on the issue. Some organisations, such as the trade union confederation for academically qualified staff, *Akademikerne* - which represents groups such as doctors, dentists and legal professionals - supports the proposal and is envisaging the total decentralisation of wage formation in the future, at least for its own member groups. Others are more reluctant, such as the largest union in the municipal sector, the Norwegian Union of Municipal Employees (NKF). In the state sector, the parties managed to reach a joint agreement. Here the parties recognise the need for flexibility in wage formation, but neither management nor labour argue in favour of abolishing the present wage-regulating negotiations at the central level. These issues will most probably be on the agenda during the 2002 settlement in the public sector.

6. GENDER ISSUES IN CURRENT COLLECTIVE BARGAINING AND LEGISLATION

Although the wage differences between men and women are getting smaller, as noted above, significant efforts still need to be made to close the gender wage gap in Norway completely. The Gender Equality Act is in the process of revision with a view to reinforcement as a tool for promoting equality. The previous Labour government put forward a proposal to amend the Act in the spring of 2001, which involved *inter alia* the introduction of the obligation

for the employer to report on the equal opportunity situation in the enterprise, a general ban on sexual harassment - in accordance with the European Commission's proposal for the revision of the 1976 Equal Treatment Directive - and measures to make it easier to claim compensation in the case of discrimination. The proposals were brought before parliament again by the incoming centre-right coalition government, and approved by the Norwegian parliament in the spring of 2002.

In July 2001 additional provisions were incorporated in to the Act relating to Worker Protection and the Working Environment to make the general ban on all forms of discrimination in the recruitment and appointment of employees more effective. The changes that were made include the obligation for employers, if requested by an unsuccessful job applicant, to provide information in writing on the job-related qualifications and skills of the persons being appointed to a job. Furthermore, in accordance with Council Directive 97/80, the principle of "shared burden of proof" was also introduced: if, beyond reasonable doubt, there has been an instance of discrimination on any grounds, the employer is required to demonstrate the probability that this has not been due to discrimination. If it is proved that the employer has acted in breach of the law, the applicant can demand compensation. Some of these provisions are already covered in the Act Relating to Equality between the Sexes, which bans discrimination on grounds of sex, and the amendments to the Act relating to Worker Protection and the Working Environment thus will not have the same impact on the situation of women as it will for other relevant groups.

The social partners have taken initiatives to bridge the gender gap through their basic agreements, which regulate areas such as the rights and obligations of trade unions and employers as well as rights concerning information and consultation. In the manufacturing industry, the revised basic agreement between the LO and the NHO places an obligation on the social partners to incorporate the principle of gender equality into their own organisational activities as well as in member companies. The agreement further emphasises that the principle is also to be anchored in the management of companies.

7. OUTLOOK

The outlook for 2002 is one of moderate economic growth and relatively stable labour market developments. Estimates from the most important financial institutions tally in this regard, anticipating a growth in mainland GDP of approximately 1.5% in 2002. Industrial production is also expected to

fall in 2002. There will be an increase in the rate of absenteeism due to sickness and the number of people on disability pension in 2002, and, coupled with a tight labour market situation, the growth capacity of the Norwegian economy, in particular the mainland economy, remains limited. The unemployment rate is expected to remain low at approximately 3.7%. Developments in labour supply will be of decisive importance in the period that lies ahead, and demographic trends indicate limited growth in the labour force. Developments in the employment rate are thus expected to be modest. Taking into account the introduction of 2 extra days' annual leave in 2002, a further drop is also expected in the number of man-hours worked. All of the major financial institutions expect the imbalances in the labour supply to continue in 2002 and 2003.

The economic prognoses for 2002 assume that the social partners will comply with the principle of wage moderation in the 2002 bargaining round during which all the existing 2-year agreements are to be renegotiated.

The social partners decided in advance to pursue negotiations at the industry level in this year's settlements, and, as is traditionally the case, bargaining started in the manufacturing industry in March 2002. Most Norwegian financial institutions, including the Bank of Norway, have predicted overall wage growth in 2002 of approximately 5%. The most recent results so far indicate that employees in the private manufacturing sector will see another good year with wage increases above 5%. It thus now seems likely that the final result of this year's settlements will go well beyond 5%, since several private sector unions have later seen significant gains, and public sector unions will most probably see larger wage increases than the private sector. The only organisation that has concluded an agreement in the municipal sector so far is *Akademikerne*, which has been in favour of more company-level wage formation for some time, and a significant share of wage funds has thus been set aside for company-level negotiations. There is deadlock in the negotiations for the other employee organisations in the municipal sector because of disagreement over wages and the proposed decentralisation of wage formation.

The employer organisations wanted to use the 2002 settlement to place the bargaining system itself on the agenda. There has been a general consensus for some time amongst all the major employer organisations in both the private and the public sector that it is time to move away from centralised bargaining to more company-level wage formation. The rationale behind this argument is that the economic and labour market situation in Norway today

calls for a system of wage formation much more sensitive to the financial situation of individual companies and to the recruitment needs of companies/municipalities. However, the private sector negotiations seems to have gone the opposite way so far by allowing for significant wage increases at the sectoral level, leaving little room for company-level increases. It thus seems that the employers have chosen to accept significant wage increases, and have thus refrained from pushing the issue of decentralisation of wage formation, rather than allowing for what has been seen as a costly pension reform. In some branches of industry, however, occupational pension schemes may be negotiated and introduced at the company level.

All in all the 2002 wage round seems to imply a new dimension to the already heated debate on the future direction of the Norwegian collective bargaining system. While bargaining results in the exposed sector, which are assumed to set the pace for subsequent agreements, were relatively moderate, the domestically oriented services sector seemed to end up with a settlement far beyond this level – apparently signifying a farewell to economy-wide coordination of wage policies, at least in the current economic climate in Norway. An interesting question is thus how changes in monetary policy in 2001 will influence further developments. There are fears amongst trade unions that the strengthened and more independent role of the Bank of Norway will serve to undermine the gains acquired in this year's wage settlements in the short term, but more generally, and in the long term, the trade unions' ability to influence economic developments through coordinated incomes policy in Norway. An alternative interpretation is that a penalising interest rate mechanism may force the unions to rethink their strategies. Meanwhile it seems likely that the employers' call for decentralisation will gain renewed momentum.

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Poland

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1. GENERAL BACKGROUND INFORMATION

2001 was a very difficult year for Poland's workforce. GDP grew by 1.1% over the year but only by 0.4% during the last quarter. Investment decreased by 18.3%, industrial production by 0.2% and the building sector by 4%. Inflation remained under control, as its increase was clearly stopped at the level of 3.6%. Although consumption actually increased (by 2.1%), analysts felt this was due to the use of savings, itself related to the planned 20% tax on interest from savings, introduced by the government in the year 2002.

Opinions differ as to the reasons why economic growth came to a halt: employers and liberal economists point strongly at strict regulations in the area of employment and at the very high cost of labour as the reasons why entrepreneurs fail to decide to develop their firms. Yet World Bank experts said Poland's level of employment protection was low, indicating that more liberal regulations could be found only in Denmark, Ireland and Great Britain. Taxation of wages and taxation in general were simultaneously considered by these experts as among the highest in Europe (Riboud *et al.* 2001). Powerful efforts were made to persuade public opinion that liberalisation of the labour code was the pillar of further success.

Unemployment affected 3,115 million individuals (17.4% of Poland's working population), 20% of whom were receiving unemployment benefit, while the rest were basically left to fend for themselves, given that municipality-issued social aid is minimal and in practice covers only those living in destitution. Among the unemployed, 45% live in the countryside and receive help from relatives within the rural community, as a result of which the expectations placed in social welfare institutions are lower than might be expected. Young people aged between 18 and 34 make up 58% of the unemployed. Their pressure on the labour market will increase in the coming years, considering that the labour market share of the 20-years old will represent 670,000 individuals in 2001, 702,000 in 2002, 721,000 in 2003 and 699,000 in 2004. The generation of young people entering the labour market at the moment is that of the grandchildren of the huge demographic boom which followed World War II. Although the average fertility rate fell in

Poland throughout the period after World War II, to 2.5 children per woman in the 70s and 1.5 per woman at present, the echo of the post-war birth-rate increase still reverberates, accounting for rising unemployment.

The year 2001 was one of legislative elections which brought victory, in September, to the *Sojusz Lewicy Demokratycznej*¹ (the so-called post-communist left) and spectacular defeat, after 4 years in power, to the centre-right grouping *Akcja Wyborcza Solidarnosc*². The election campaign was fought under the shadow of the frightening news about the terrorist attack on the United States which, owing to widespread sympathy throughout Poland for the American nation, made politicians tone down their rhetoric in the face of generalised dejection. Moreover, it had been known since mid-year that the AWS government had not only failed to bring the state of public finances under control but had also provoked a huge budget deficit, the scale of which was estimated to reach 40 billion zlotys. Hence it was known that whichever government would come to power next, it would be compelled to make cuts in public expenditure. This was taken as a warning of deterioration in the situation of the social and professional groups belonging to the public sector and as a warning of a decrease in public orders for goods and services, which always affects the health of the economy in general and hence the level of employment throughout the economy. As a result of the elections, MPs representing NSZZ Solidarnosc completely disappeared from parliament, while OPZZ MPs brought into the Sejm (the Diet) the parliamentarians whom they had recommended. The OPZZ leadership had decided not to link the highest union posts to political functions and did not run in the elections. Some Solidarnosc leaders took part in the elections and, although they collected several thousand votes at local level (e.g. Marian Krzaklewski, over 17 thousand votes), they did not make it into parliament, owing to the fact that the AWS did not reach the 6% electoral threshold at the national level. As a result, the voices representing the workers (19 MPs from the OPZZ) and those of the Civic Platform (60 MPs), which represents Polish employers, are heavily unbalanced. This is all the more significant since, under the previous legislature, Solidarnosc and the OPZZ could rely in the political arena on a large number of parliamentarians, a fact which, according to Solidarnosc leaders, had made it possible to withdraw draft amendments to the labour code which were unfavourable to the world of labour, to establish the

¹ SLD ("Union of the Democratic Left"), transl.

² (AWS, Solidarnosc Electoral Action), transl.

Tripartite Commission and to shorten the working week to 40 hours. This would not be possible under the unbalanced situation prevailing in the parliamentary forum today. Solidarnosc has said, in the words of its leader Janusz Sniadek: "We're counting on the OPZZ", meaning he hopes that the OPZZ will "relay" it and work actively on behalf of labour's interests.

Generally speaking, the climate in 2001 was somewhat depressing and, typically for times of recession, marked by a lack of confidence in a better future and by severe misgivings about the collective wisdom of Poland's political and economic elite. NSZZ Solidarnosc had early in the year adopted a sceptical attitude towards the AWS government, full of doubt and disappointment. The opinion was widespread among union members that many well-known union activists who belonged to the AWS government (the Prime Minister and Vice-Premier, numerous ministers and deputy ministers) had forgotten about their trade union roots. For Solidarnosc, it was the second experience of this kind: the first had occurred in the early 90s and had been similarly criticised. Solidarnosc leader Marian Krzaklewski was attacked throughout the year by the media; he took the blame for the government's failures and was criticised for each of the government's mistakes, while its successes went unreported. He was attacked by a media sector holding liberal views but, avoiding left-wing rhetoric, he had at his disposal neither the language nor the ideas that would have appealed more clearly to his trade union constituency. However, the "Solidarnosc" trade union recognised his efforts and its National Commission, albeit also critical, expressed its confidence in him.

1.1. Priorities of the trade unions and of the employers

OPZZ priorities included: the legal strengthening of the Tripartite Commission, the introduction of a 40-hour working week, the legal regulation of social benefits, an increase in the minimum wage, a programme for fighting unemployment through economic policy and not through the lowering of labour costs, and end to the forced establishment by individual workers of one-person companies and signing of civil contracts instead of labour contracts. The OPZZ was significantly affected by the demise of its hitherto leader Jozef Wiaderny and the election of Maciej Manicki who is – so it seems – full of trade union ethos and more open to new ideas.

Solidarnosc's priorities were very similar: the union also demanded a strengthening by law of the tripartite Commission, the introduction of a 40-hour working week, an increase in the minimum wage which, in its opinion, had fallen quite below the average wage, that is to say, below the so-called

minimum subsistence level. Solidarnosc was more vocal in denouncing violations of the labour law, particularly when it came to health and safety regulations and violations of workers' right to freedom of association for trade union purposes. It may thus be said that Solidarnosc demanded the implementation of the labour law and the overseeing of this implementation by the courts and the National Labour Inspectorate.

The employers expressed their views most strongly through a relatively new business organisation, called the Confederation of Polish Private Employers' (PKPP) and chaired by Henryka Bochniarz. The Confederation issued slogans for maintaining the then-current length of the working week (42 hours) and for laws allowing a reduction in labour costs, in practice meaning greater employer freedom to conclude individual work contracts, i.e. greater possibilities for fixed-term contracts, an increased ceiling on overtime work and the reduction in costs for the latter to a level typical of EU countries. The PKPP engaged in significant lobbying action concerning these matters, targeting both the parliament and the media.

1.2. Social concertation

After seven years of existence, the Tripartite Commission for Social and Economic Affairs was legally strengthened through a parliamentary bill, which is designed to make it less sensitive to the whims of successive governments (Law dated 6 August 2001). Out of 430 legislators present in the Sejm on the day of the vote, 421 voted in favour! The law establishes representativity criteria for membership of the Tripartite Commission. As a result, workers are represented in it by the two largest trade union structures, "Solidarnosc" and the Polish Trade Union Convention (OPZZ), while as many as three organisations represent the employers: the Confederation of Polish Employers (KPP), the Confederation of Polish Private Employers (PKPP) and the Union of Polish Craftsmen (ZRP). The Commission is chaired by the Labour Minister. The law allows for the creation of tripartite structures at voivodship (i.e. provincial) level.

Five thematic committees have been appointed within the Commission, as follows: labour law and collective bargaining agreements; economic policy and labour market; development of social dialogue; wages and allowances; and social security. The law allows for the appointment of ad hoc committees, if and when they are likely to contribute to maintaining social peace. Membership of the Commission is open: each trade union and employers' union may become a member, provided it fulfils the representativity criteria. Participation of other social organisations is also foreseen, for consultative purposes. The

Commission's first activities concerned the budget bill for 2002, as well as other, so-called "peri-budgetary" bills, which is very important at a time when all concerned must collectively tackle a budget deficit.

1.3. Bargaining system

Collective agreements have been negotiated in Poland since 1995. Between that year and the middle of 2001, Regional Labour Inspection bodies registered 11,000 company-level collective agreements, out of which 8,000 are currently in force. Additional protocols are very often negotiated to complement company-level collective agreements and 30,000 such protocols – concerning changes in the wage systems – were negotiated during the period 1995-2001 (Jelenska 2001). Monitoring by the National Labour Inspectorate, albeit carried out at random, draws a disturbing picture of disregard by employers for the terms of agreements and protocols, with up to 50% of employers failing to respect the provisions contained in them (Jelenska 2001). The practice of concluding collective agreements decreases from year to year. That, however, is not a disturbing trend. Rather, the number of companies enjoying a situation that is conducive to negotiating them is fast diminishing. For instance, there are about 5,000 enterprises in Poland employing over 100 workers, with a further 4,600 such enterprises in the building sector. On the one hand, negotiating collective agreements is impossible where there are no trade unions while, on the other hand, employers avoid negotiation and prefer, wherever possible, to issue work rules and rules for the payment of wages. Neither set of rules demands negotiation, agreement or consultation with the trade unions; hence the employer can issue them unilaterally, in the shape of management decisions. This trend is, of course, stronger in smaller firms.

The system for inter-company collective agreements is very weak at the moment. Countrywide, 140 such agreements have been negotiated, together with 100 related protocols (Jelenska 2001). The majority are collective agreements negotiated with local self-government bodies (that is, the state-funded sector - approximately 84 enterprises); three were negotiated with the national level state-funded sector and 15 outside of the state-funded sector. Out of the latter 15, five agreements cover multiple-company enterprises, i.e. only 10 have been signed with employers' organisations in specific industries. According to the Labour Ministry, collective bargaining agreements at inter-company level concern one million Polish workers, which represents

approximately 6.6% of the workforce (Jelenska 1999). They cover state-owned enterprises, single ownership state-funded companies³ as well as companies with a majority state ownership. Private sector employers are reluctant to join inter-company agreements. Available data suggest that Poland is faced with far-reaching deregulation of industrial relations.

Collective agreements focus on wage problems, workers' benefits, and working time, as well as occupational health and safety issues. The deregulation climate accounts for the fact that inter-company level agreements fail to play a standard-setting role. Rather, they tend to reproduce the practice of company-level agreements and serve as a means to demonstrate a spirit of co-operation between employers and trade unions. During the discussions on the reduction in weekly working time, for instance, trade unions effectively used the argument that, in most large firms, the reduction in working time was guaranteed by company-level collective agreements.

The fundamental principle for developing collective agreements in Poland is that their provisions may not be less favourable to the workers than those contained in the Labour Code. As a result, the agreement should be a record of the workers' additional advantages and of their duties towards employers. The most frequent improvements concern a reduction in the weekly working time, an extension of leave and additional leave – the latter often resulting from unhealthy working conditions – as well as improved compensation for periods of inability to work and for work-related accidents or illnesses (Pancer 2001).

In January 2001, the regulations applying to the negotiation of collective agreements were amended, so as to make the process easier. At present, agreements may be negotiated by a single representative union within an enterprise, even in the face of opposition from another union. Whereas there are many trade unions in Poland, the right of opposition favoured small, unrepresentative unions, which were able to block negotiations, even, in some cases, in collusion with the employer. Representativity criteria were changed. Company-level trade unions are representative if they involve at least 10% of the workforce or if they form part of an inter-company trade union structure representing 500,000 members or at least 7% of the workforce in a given sector. Conflicts in such matters are dealt with by regional courts. In order to obtain collective bargaining capacity for inter-company agreements, trade

³ Stock companies in which the exchequer is the only shareholder, transl.

unions must have 10,000 members and no less than 10% of the workforce in a given sector. The Regional Court in Warsaw determines whether representativity criteria are indeed respected, in other words, whether membership conditions are met. The amended regulations establish that company agreements may be negotiated in public-funded work units, where the relevant minister acts as employer, up to 31st December 2003. This opens up new areas for company-level agreements.

The amended regulation endeavours to weaken the employers' misgivings about negotiating collective agreements, by determining that an agreement may be suspended for three years, during which the company's economic conditions have a chance to improve. In its former version, the period was one year only.

1.4. The new pensions system, two years on

The reform of the pensions system, initiated two years earlier, began to display its market face. The reform had established that a so-called second pensions pillar would be introduced for younger generations of workers, resting on the principle that part of the pension benefits would be paid entirely out of individual contributions, which were to be collected and invested on the financial markets. In 2001, the state budget failed to pay 5.5 billion zlotys into the National Pension Funds (Pillar II) and now has to pay 2 billion zlotys of interests on that amount. As a result, the pension funds belonging to the Second Pillar are now unable to invest these sums on the market. The National Audit Office (NIK) has revealed in its report that, after contributing for one year to pension funds, many future pensioners now own pension savings that are 30% lower than the total sum they contributed. The Institute for Market Economy Surveys (IBGR) has estimated that pensions in 2002 will stand at 40-45% of average wages, while women's pensions will be lower than men's by half. Hopes linked with the 3rd pensions pillar (voluntary contributions by workers and employers) proved to be highly optimistic: few employers decided to take part in it. While there are currently 158 private pension programmes, they cover no more than 80,000 individuals. Hence, the present pensions system is dependent on the economic situation. Many negative consequences may still be corrected.

1.5. Changes in the level of collective bargaining

In its trade union capacity, "Solidarnosc" effectively put a brake in 2001 on the government's plans for more radical changes in the labour code and in practice co-operated in these matters with OPZZ legislators in the

parliamentary forum. As a result, the government presented draft amendments which prohibited continuing to conclude labour contracts of undetermined duration, failed to lower overtime benefits to 50% and 20%, and did not allow employers to claim reimbursement of applicants' medical tests in companies increasing their workforce by over 20 people; nor did they allow negotiation of the duration of dismissal notices. Trade unions, however, proved unable to successfully defend their case at lower levels of collective bargaining, *i.e.* at company, industry and regional level, mainly because employers were unwilling to enter into such negotiations, given that they are poorly organised at these levels. Hence all of the trade unions' pressure was focussed on the level where they were present and able to act, namely in the parliament. Endeavours at parliamentary level concerned legal regulations designed to better protect workers' interests or attempts to prevent the adoption of less favourable regulations. Such a strategy demands the direct presence of trade unions in the political system, which means taking part in parliamentary elections and carrying out lobbying action. This is of course one of the possible strategies, but the crux of the matter in that type of approach becomes the laying down of labour law and, thereafter, the respect of labour law by employers, a strict implementation of the law and strong supervisory institutions. Respect for the law, however, does not rest exclusively on legal sanction; equally important factors are the attitude and behaviour of employers and, above all, their assimilation of unwritten standards of industrial relations and willingness to respect these standards. Seen from this perspective, it is better to have voluntary agreements between employers and workers' representatives, negotiated without external pressure, as they create a sound and stable basis for the formulation of industrial relations standards within the employers' own environment. This is a very important problem for the social contract in Poland, a country which only recently started to free itself from regulation by the state in all the spheres of social life. Workers and trade unions still hope that governmental agencies and institutions will be able to guarantee them labour security. They do not act energetically to find solutions appropriate to each working environment, such as creating trade union structures, organising themselves for negotiating collective agreements and co-operating in their implementation. This strategy implies that members are not correctly socialised nor encouraged to show personal courage or take collective action; the image of trade unions is becoming increasingly negative (Kozek 2000) and a destruction of trade union structures is taking place in the area of membership (Gardawski *et al.* 1999). Trade union leaders are at a loss in facing these situations (Kozek 2002), although some steps have been taken towards modernisation (Gardawski 2001). After 11 years of operation of

Poland's new system of labour relations, following three rounds of parliamentary and presidential elections, a very clear picture of the situation is now available. And hence trade unions steered collective bargaining towards those objectives and levels which were easiest to reach.

1.6. Impact of the European Union's employment policy

European ideas concerning employment are sufficiently known and well understood, in particular the problem of finding solutions for the optimal use of the labour potential ('employability'). It is noted, however, particularly in labour circles, that the programme adopted in the Treaty of Amsterdam is already the second general programme of this kind, whereas the previous one, contained in the White Paper (in 1994) and aimed at increasing employment by 15 million jobs, had failed to reach its target. It is said, however, that the EU's employment policy should be copied in Poland. What is needed above all is a more radical co-ordination between institutions, essentially preventing a [further] increase in productivity, which has been on-going in Poland since the beginning of the 90s.

Poland has a programme called "National Strategy for Increasing Employment and the Development of Human Resources in the period 2000-2006", as well as a partial sub-programme called "National Plan of Action for Employment 2000-2001". Both take into consideration the pillars of the European Union's employment strategy, namely an improvement in employability, the development of entrepreneurship, an improvement in companies' and workers' adaptation to the market, as well as the strengthening of equal opportunity policies on the labour market. Neither the government nor the parliament, however, can introduce much change in these areas without the social partners' agreement. In addition, it should be stressed again, the budgetary gap uncovered in mid-2001 limited the government's room for manoeuvre in terms of taxation policies. Plans for lowering taxes, including those connected to labour costs, could no longer be considered an option for strengthening entrepreneurship. Furthermore, some of the tools, including those suggested for use in the European Union's employment policy, are mutually exclusive, given the present state of public finances. On the one hand, the stimulation of entrepreneurship demands that taxes and other fees be lowered, while on the other hand state funding for education, equal opportunity policies and the strengthening of some local labour markets must originate from taxes. No wonder, therefore, that social partners considered both above-mentioned programmes as a typical case of wishful thinking.

The improvement of employability in Poland is a dramatic issue, particularly if one considers unemployment amongst the young generation, rural unemployment and the large numbers of pensioners or so-called early pensioners. It is worth noting that, in Poland, pensioners often work in order to earn extra income. Estimates suggest that there are 1.5 million such workers in Poland. The problem thus arises of whether to continue allowing such large numbers of pensioners to work, or whether these jobs should be offered to the unemployed young. Unemployed young people are often college graduates without any professional experience, so that employers show a preference for recruiting older professionals. The professional activation of young people, women and the rural population requires funds for vocational training, including for adult vocational training. It is also worth recalling that nearly 50% of unemployed persons in Poland belong to the long-term category (over 12 months).

Strengthening entrepreneurship and, in so doing, creating new job opportunities, also requires funds. In the course of the year 2000, the number of small enterprises, i.e. those employing up to 9 people, dropped by 3.1% and this downward trend certainly did not slow down in 2001. In actual fact, the government proved unable in 2001 to introduce mechanisms that would effectively encourage the establishment of small firms.

An improvement in firms' and workers' capacity to adapt to a changing market demands an increase in workforce mobility, more elastic forms of organisation of work and non-standard forms of recruitment. The latter, however, meet with many misgivings, as they are seen by the world of labour as a threat to permanent work contracts, which is natural given the 20% rate of unemployment. In 2001, employers repeatedly demanded the introduction of a legal framework for non-standard forms of employment while trade unions, fearing their members' reaction, blocked such projects. Another problem that returned to the surface was that of changing existing professional qualifications into those which are more sought-after on the labour market.

The strengthening of policies for equal opportunities on the labour market is also associated with policies for equal educational opportunities. It is worth recalling that access to free higher education is at present very difficult for secondary school graduates from low-income families, as well as those from smaller towns and villages. Children from these groups opt for payable higher education in private institutions, located in their place of residence. The standard of these studies is much lower than that of public education in large

cities. Similarly, the standard of vocational training depends to a large extent on the funds available to municipalities and districts. As a result, labour markets with a high rate of unemployment are those where educational opportunities available to young people are the lowest.

2. WAGES AND PURCHASING POWER

The average gross wage in 2001 stood at 2061.85 zł (roughly 590 Euro) and was 7% higher than in the year 2000. Old-age payments and pensions had risen by 5%, as compared to the previous year. Taking into account the level of inflation, the value in real terms of wages, old-age payments and pensions rose. It is important to note that, as the rate of inflation decreased, so did the cost of consumer credit for the population, even though, according to analysts, banks failed to lower the cost of borrowing proportionally to the decrease in the inflation rate. As a result, the rise in consumption was much lower than what might have been expected and failed to constitute a significant factor of economic growth stimulation.

In a situation characterised by the deregulation of collective bargaining, improving or maintaining the population's purchasing power rests on a large number of informal negotiations. In the private sector, individual negotiations prevail. Private employers wanting to keep good workers must take the inflation rate into consideration. In the private sector, the year 2001 was marked by a climate of recession. Hence, wages were not increased, and recession was used as argument. But first and foremost, no premiums or rewards were paid, while benefits were limited. For the latter, a 5% increase was the rule. Employers tried to persuade workers that increasing wages could lead to financial problems for their enterprise and hence make redundancies necessary. Workers in the private sector thus refrained from individually claiming wage increases, for fear of dismissals. Employers fired their most "expensive" managers and specialists on the pretext of restructuring.

In manufacturing and in the building industry, where proportionally large numbers of collective agreements are in force, real wages are guaranteed through agreements on annual payments to offset inflation. For the workers, this is a very important provision of the collective agreement, one that is monitored by the trade unions and respected by the employers.

In the state-funded sector (a large part of the public sector), a mechanism is in place for the annual increase of wages, old-age benefits and pensions, in accordance with the parliamentary bill of the year 1999, concerning so-called "compensations". This means that, in every institution belonging to the state-

funded sector, workers' wages should be increased each year, in accordance with the rate of inflation, so as to eliminate its effects and keep the wages from losing value in real terms. In practice, each professional group, each state-owned firm, each institution funded by the exchequer, each sector must fight in order for its budget to guarantee the payment of these wage increases. Bargaining over these matters takes place in the corridors, and trade unions play an important role in it. The preparation period for the state budget is a time of particularly intense bargaining. Large socio-professional groups funded by the exchequer, such as the health service, the workers in the education sector, scientific and higher education workers, cultural sector workers, employees of the territorial self-government structures, workers in the central state administration, workers in the judiciary, police and penitentiary sectors all attempt, by various methods, to obtain guarantees for increases above the inflation rate. During 2001, nurses were the only category to organise collective protest actions, albeit without effect. The largest increase in 2001 was awarded to workers in higher education institutions. Very strong pressure on this issue was exerted on successive governments by the trade unions representing academic workers. Both the AWS⁴ and the SLD-PSL-UP⁵ governments considered that such increases were necessary. As a rule, inflation compensation is paid to all professional groups whose work is important for the functioning of the state, and this applies particularly to the central state administration, including the civil service. Conversely, professional groups with little influence, such as the health service of scientific institutions or the railways' health service often do not receive the compensation deserved.

3. WORKING TIME DEVELOPMENTS

The weekly working time was reduced in the course of 2001, something which had been a trade union objective for many years. In 2001, working time stood at 42 hours, over a five-day working week. Since 1 January 2002, weekly working time has been 41 hours and, as from 1 January 2003, will be 40 hours. The five-day arrangement of the working week in 2001 and beyond is flexible. It allows for a 10-hour day of work, does not include a legally compulsory day off on Saturdays, and does introduce a 3-months long

⁴ AWS, Solidarnosc Electoral Action, in power until September 2001

⁵ Coalition government formed since September 2001 by the SLD (Union of the Democratic Left), PSL (Polish Peasants' Party) and UP (Union of Labour)

settlement period. This means that employers may organise working time in a very flexible way, extending the working day when necessary on account of seasonal orders or the piling up of labour requirements and granting workers days off when they have no work for them. These arrangements constituted a clear concession to the employers.

This regulation establishes that the shortening of the working time from 42 to 40 hours per week will take place without affecting the workers' earnings. It was introduced after many years of trade union efforts aimed at shortening the working week by 2 hours without loss of pay.

Legal regulations make sense in large enterprises, where trade unions are active and are a good monitor of how working hours are respected. In companies where unions are absent, employers and supervisors are able to make workers remain at work for a few hours each day "voluntarily", that is without claiming overtime compensation. This is widely practised, particularly in relation to young workers. In the present situation of high unemployment among the young, especially college graduates, young workers do not dare to claim payment for overtime or to call on the National Labour Inspectorate to control the workplace.

4. EUROPEANISATION OF COLLECTIVE BARGAINING

There is no European dimension to collective bargaining, since Poland is not an EU member state but an associated country. Trade unions raise the issue of the influence of Poland's trade deficit with European Union countries on continuing high levels of unemployment in their country. The EU's economy is more competitive than Poland's, worker productivity is also much lower in Poland and, as a result, the country has very little to offer. Hence it constitutes a large market for EU consumer goods and services. EU production standards are difficult to meet, even in those industries of which we were traditionally proud as a nation, such for instance as the meat, dairy, wheat, poultry, textile, automobile, machine, electro-technical, shipbuilding, metal, steelmill, building, coalmining and fishing industries. Many interpret the economic regression observed in Poland since the early 80s as the effect of the privatisation of state-owned companies; in so doing, they fail to notice the effects of global changes of a structural character, related to the decrease in scope of an economy based on industry, in favour of one resting on services.

Part of the trade union leadership expects that, after Poland joins the European Union, young workers will be able to find employment in those niches of the labour market which are not attractive to the present citizens of

this community. This means that the trade unions' position on the issue of full workforce mobility within a unified European labour market will be rigid.

5. GENDER ISSUES IN CURRENT COLLECTIVE BARGAINING AND LEGISLATION

Women experienced no significant change in their situation on the labour market. Their labour continues to be less in demand than men's in many industries. Unemployment has clearly brought this problem into the open: some employers dared to demand that young women state they were not pregnant or provide written statements that they did not intend to have children in the future. Legal regulations have however been adopted that will prevent this sort of practice in the future; they bear witness to the implementation of the European Union Directive on non-discrimination against women.

The most important change for women concerns the reduction of maternity leave to 16 weeks for a first child, 18 weeks for subsequent children and 26 weeks in the case of twins. This is a setback, when compared with regulations in previous years, which entitled women to take 20 weeks of maternity leave for a first-born child. The withdrawal of the right to a longer period of maternity leave was caused by the costs of such arrangements. In its attempt to fill the budgetary hole, the government decided to resort to this unpopular reduction, introducing it with the indispensable *vacatio legis*. On the employers' side, arguments were used to the effect that long periods of maternity leave further decreases the market value of female labour.

At present, the debate focuses on the retirement age for women. Current regulations determine retirement age at 65 years for men and 60 years for women. The difference in retirement age will shorten the period during which women pay retirement contributions which means, when combined with their lower earnings, that the pension benefits which they will receive will be 50% lower than those of men. The Labour Minister proposes that both women and men should retire at the equal age of 62 years.

6. OUTLOOK FOR 2002

As recently as half a year ago, it seemed that the high level of unemployment would induce Poland's social partners to intensify social dialogue, especially after the formation of a government relying on the centre-left SLD-PSL-UP coalition (Gąciarz and Pańków 2001). After 5 months, one sees that the numerous structural loopholes in the industrial relations' system and, in

particular, the existence of "redistribution cartels" and of structures remaining in conflict with each other – owing to their vision of the past (Sroka 2001) – make it impossible for labour and capital to come to terms. Unemployment is a constantly growing social problem but to date does not constitute a sufficient premise for entering into negotiations. Employers force solutions in industrial relations that favour a better adaptation to market competition, without taking into account trade union fears about job protection. Trade unions will not propose even temporary measures aiming at a reduction in labour costs. The centre-left coalition that came to power following the September 2001 elections will be working in difficult conditions and operating on a shoe-string budget. The government's attitude towards the black labour market will be important: should it continue to be treated as a safety valve or should steps be taken to combat its existence, given that it destroys the official labour market and, in its existing scale, could constitute a barrier for integration within the European Union?

Translation from Polish by Janek Kuczkiewicz

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Portugal

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1. GENERAL BACKGROUND INFORMATION

1.1. Social, political and economic climate

In 2001 the central indicators for economic growth decreased, with investment stagnating (zero growth) and growth in private and public demand dropping to half of the level in 2000. GDP growth fell from 3.5 in 2000 to 1.8% in 2001 and will continue at this low level in 2002. A certain degree of recovery is expected for 2003. In comparison with the rest of the Euro area, inflation in Portugal was very high in 2001 (4.4%) and is expected to decrease slowly during this year albeit remaining above the average in the Euro area. This negative recent development of the Portuguese economy contrasts with the previous period of growth above the EU average.

Employment has been continuing to increase since 1997, but most of this growth is based on non-permanent employment relationships. According to the CGTP, 42% of young employees (25 years of age and younger) are working in “precarious” jobs (fixed-term, occasional or seasonal, or pseudo-self-employment). New legislation favouring permanent employment contracts was passed in July 2001, and its concrete effects will be observed in the near future. A new law on immigrant workers (January 2001) may also be seen as a factor for the legal protection of employees on the labour market, although it was criticised for being biased in favour of the immediate interest of employers in using the immigrant workforce. The unemployment rate is still very low but a slight increase is expected for 2002 and 2003.

In political terms, the period covered by the present report was marked by growing turbulence, culminating in the resignation of Prime Minister António Guterres (Socialist Party) in December 2001 and the subsequent dissolution of the parliament. The central cause of the fall of the Socialist government was the lack of a strong leadership and of a coherent strategy for governance, which was visible in subsequent reshuffles of the Cabinet and political retreats in the face of pressure groups. In January 2002 the former Minister of Labour and Social Affairs, Eduardo Ferro Rodrigues, was elected new Secretary General of the Socialist Party. By combining a clearer left-wing

profile with a strong commitment to values of so-called *good governance* (particularly with regard to strictness in public finance), he was successful in restoring, to a considerable extent, the Socialists' credibility and in mobilising the Party for the national elections on 17 March 2002. Strong support also came from the trade unions, including not only UGT unionists but also some prominent CGTP leaders.

Table 1: Macro economic data (1998-2003)

	1998	1999	2000	2001 E	2002 E	2003 E
GDP	4.7	3.4	3.5	1.8	1.4-1.8	2.3-2.8
Inflation (consumer prices)	2.8	2.3	2.9	4.4	2.8-3.5	2.2-3.0
Investment	9.1	5.2	4.7	0.0	-1.3	3.7
Private consumption	7.2	5.2	2.8	1.3	1.5	1.8-2.2
Public demand	3.2	4.9	3.5	1.9	0.7	0.9
Unemployment rate	5.0	4.4	4.0	4.1	4.3	4.7
Compensation of employees/per capita	3.7	4.2	6.3	6.4	4.7	4.0
Balance of public administrations (total; in % of GDP)	-2.3	-2.1	-1.7	-2.0	-1.6	-1.4
Public debt (in % of GDP)	54.7	54.5	53.7	53.5	53.5	53.3

Sources: Banco de Portugal, *Annual Report 2000*; Banco de Portugal, 'Prospects for the Portuguese Economy in 2002', in *Boletim Económico* Dezembro 2001; European Commission Autumn Forecast (2001-2003) – Portugal and OECD, *Economic Outlook* – November 2001

Table 2: National elections (1999 and 2002)

Parties entering parliament	Share of votes (in %)	
	1999	2002
PS (Socialists)	44.0	37.9
PSD (Liberal-Conservative)	32.3	40.1
CDU (Communists and others)	9.0	7.0
CDS/PP (Conservative)	8.4	8.8
BE (Radical Left)	2.5	2.8

Source: Público 18.3.2002

Despite these efforts, the left was defeated in the elections. The Socialists' election results went down from 44% to 37.9% of the votes, but they were able to remain close to the liberal-conservative PSD (40.1%). The Communists suffered a further defeat, losing about 20% of their electorate and lacking any visible strategy for a reversal of their long term decline, which accelerated in the second half of the 1990s.

The new government is expected to introduce a set of measures in the field of labour and social affairs that will – directly or indirectly – affect the balance of power in industrial relations. The weakening of legal protection against dismissal, and the review of the social aid scheme (*Rendimento Mínimo Garantido*) introduced by the former Labour Minister Ferro Rodrigues, are on the PSD's list for change.

1.2. Trade unions' priority demands, employers' attitudes, and the role of the government

Both trade union confederations, CGTP and UGT, are making considerable efforts to stimulate the negotiations by introducing new contents (reduction of working time, vocational training, equal opportunities, health and safety, *inter alia*) and by bringing permanent pressure to bear on the government to induce it to introduce new legislation that supports employees' participation rights at all levels (in the company, in sectoral collective bargaining and in macro-concertation). Employers generally limit bargaining to negotiations on wage increases, making other changes conditional on far-reaching deregulation of the existing agreements. Thus, unions only rarely succeed in effectively broadening the area of negotiations, and agreements tend to be limited to wage issues.

In addition to these constraints, Portuguese wages and salaries continue to be by far the lowest in the European Union, so that wage increases are still the major issue in collective bargaining. In 2000-2001 both confederations' wage demands converged at approximately 5.5% – 6.5%. Other common demands referred to substantial increases in the statutory minimum wage and pensions, to the reduction of working time (35-hour week), and to holidays (5 weeks).

Tax reform was another important common demand of both trade union confederations. CGTP and UGT understand that employees bear the major tax burden while the liberal professions and companies are allowed to make use of a variety of legal and illegal ways of avoiding taxes. The unions' demand for tax relief for the wage and salary-earning classes as part of a general tax reform took on major importance in the context of the 2001 bargaining round (see below).

Table 3: Collective bargaining: factors (2000-2002)

	1998	1999	2000	2001	2002
Government's inflation forecast	2.0	2.0	2.0	2.8	2.7
Verified inflation (consumer prices)	2.8	2.3	2.9	4.4	2.8-3.5*
Nominal wage increase in public services (basic rates)	2.75	3.0	2.5	3.71	2.75
Productivity growth / per capita	2.4	1.6	1.4	2.0	2.4
Productivity growth / hour	X	2.7	2.2		
Unit labour costs	1.9	2.6	4.6	6.2	3.9
Real unit labour costs	-1.9	-0.7	1.5	2.2	0.7

Sources: Bank of Portugal, cited by CGTP; European Commission Autumn Forecast (2001-2003) – Portugal; OECD, Economic Outlook – November 2001; UGT; Direcção Geral da Administração Pública

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During the last decade, the inflation rate expected for the period to be covered by agreements (so-called “contemporary” inflation) has become a crucial factor in the definition of union demands and employers' offers.¹ This contributed to the decrease in inflation rate and was acceptable for the unions as long as the

¹ Previously, unions based their demands on the losses in purchasing power caused by the inflation preceding negotiations. The change in the method of wage demands from past to future inflation anticipated the expected decrease in inflation, thus helping that expectation to be confirmed.

government's forecasts with respect to inflation were reasonably close to reality. In the light of the Maastricht criteria, it had become a political priority for governments to bring down inflation. Major efforts were made to get bargaining partners to commit themselves to this objective.

This policy was successful. Portugal entered the Euro zone and until 2000 inflation continued at a low level (between 2% and 3%). But during 2000 the situation changed (with inflation starting to rise again) and a conflict arose between the unions and the Socialist government over the official inflation forecast for that year (2.0%). The unions' criticism was that this official estimate represented concealed support for employers' demands for wage moderation. They proved to be right as real inflation exceeded the government's forecast by almost 1 percentage point (verified inflation: 2.9%).² In 2001, the conflict was aggravated because the government insisted on deliberately underestimating inflation, the discrepancy between its forecast (2.8%) and the actually verified inflation rate (4.4%) reaching 1.6 percentage points.

Table 4: Agreements and disputes (1999-2001)

	1999	2000	2001
Number of agreements published	388	371	361
Number of employees covered (thousand)	1.465	1.453	1.396
Strikes* 1st 6 months / number	143	185	121
Strikes* 1st 6 months / employees involved (thousand)	28.5	32.0	13.6
Strikes* 1st 6 months / working days "lost" (thousand)	57.0	29.3	16.4

Source: DGCT, *Rendimentos do trabalho – Variação média ponderada intertabelas* and *Salário mínimo nacional*; DETEFP, *Boletim Estatístico* September 2001.

* Strikes: numbers do not include disputes in the public services

Looking back on the last two collective bargaining rounds, the government appears to have taken an active role in keeping agreed wage increases low. Employers were happy to take advantage of this situation, making initial offers close to the government's inflation forecast and showing strong resistance to unions' demands for higher increases. It seems that for the last years employers have been tending to define their *deadline* for the outcome of

² It was not until September 2000 that the government corrected its inaccurate forecast, by which time the most important collective agreements had already been signed.

wage negotiations on the basis of the formula “official inflation forecast plus 1”. However, due to labour shortage in various areas, employers are prepared to pay much more on the labour market than they would concede at the negotiating table (see paragraph on growing wage drift below).

In this context, the number of agreements signed and of employees covered decreased in 2000 and 2001. But the growing difficulties in negotiations and discontent amongst unions did not result in a general increase in industrial conflict. The statistics indicate that during the first half of 2001 the number of strikes, of workers involved and of days “lost” in the private sector decreased considerably in comparison to the first 6 months of 1999 and 2000. Public services seem to be an exception from this trend, with a considerable increase in the number of strikes in 2001.

1.3. Social concertation: stimulating collective bargaining on non-wage concerns

In 2001, three macro-level agreements were achieved in the tripartite “Standing Committee for Social Concertation” (CPCS). The members of CPCS are

- the confederation of industrialists (*Confederação da Indústria Portuguesa*, CIP),
- the commerce and services confederation (*Confederação do Comércio e Serviços de Portugal*, CCP),
- the farmers’ confederation (*Confederação dos Agricultores Portugueses*, CAP),
- the trade union confederations UGT (*União Geral dos Trabalhadores*) and CGTP (*Confederação Geral dos Trabalhadores Portugueses*).

The two February agreements, one on “Health and Safety at the Workplace and Combating Accidents at Work” and the other on “Employment, Labour Market, Education and Training”, were both signed by all social partners with access to the CPCS. Both agreements go back to two agreements from 1991 which were also signed by all CPCS members.

A third agreement on the “Modernisation of Social Protection”, signed in November 2001, did not achieve such a broad consensus. The major employers’ confederation, CIP, which had participated in the negotiations, refused to sign the agreement. No consensus could be reached amongst the signatory organisations on the question of allowing high wage-earners to invest part of their contribution to social security in a private pension scheme

rather than in the public system. Thus, this controversial issue was put into an annex to the main agreement (signed only by the CCP, CAP and UGT). The main agreement was signed by CCP, CAP, UGT and CGTP. Its major achievement was the establishment of a model that guarantees the financial solidity of the public pension system in the medium and long term.

Both trade union confederations, the CGTP and UGT, make particular efforts to use collective bargaining as an instrument for implementing the tripartite agreement on education and vocational training. The CGTP is also pushing hard for collective agreements on health and safety, and in particular for the regulation of the election of workers' representatives in this area.³

1.4. Levels of bargaining and duration of agreements

During the last five years, the suspension of any orientation on wage policy in the social concertation has reduced the role of the macro-level negotiations in collective bargaining. The specific "social pacts" on vocational training, health and safety and pensions signed in 2001 (as well as the European employment policy guidelines) have created a margin for negotiations in these areas at macro and micro level, but wages, as the "major issue" in collective bargaining, are negotiated autonomously at the branch or company level. Macro-coordination in wage policy is organised inside union and employers' confederations, not between them.

At the same time, the share of employees covered by branch level agreements (*Contratos Colectivos de Trabalho*, CCT) has increased slightly, while company agreements and multi-company agreements (*Acordos de Empresa* and *Acordos Colectivos de Trabalho*, AE and ACT) tend to cover less workers.⁴ This trend in the scope of the different types of agreement contrasts with the increasing number of company agreements and the decreasing number of branch agreements, the former resulting from the restructuring of big companies and the latter probably being related to the restructuring and rationalisation of trade union organisation (primarily within the CGTP).

³ In its strategy document for the 2002 bargaining round, the CGTP included three annexes with a set of clauses ("clausulado tipo") to be negotiated with employers. Two of these annexes refer to the tripartite agreements on health and safety and on vocational training. The third one contains stipulations on equal opportunities between women and men.

⁴ Between 1997 and 1999 (most recent available data), the share of employees covered by CCTs rose from 86.6% to 88.0%, while the share of AEs and ACTs went down from 5.7% and 3.6% to 5.3% and 3.4% respectively.

Table 5: Scope of various types of agreement (1997-2001)

Type of agreement	Share of employees covered	Number of agreements				
		1997	1998	1999	2000	2001
General collective agreement at branch level (CCT)	86.6%	278	264	262	245	238
Company agreement (AE)	5.7%	91	84	105	103	100
Collective agreement for several undertakings (ACT)	3.6%	17	23	18	22	22
Ministerial decree (PRT)	4.1%	1	X	3	1	1
Total number of collective agreements (including ministerial decrees)		386	371	388	371	361

Sources: Portuguese Ministry of Labour and Solidarity, *Quadros de Pessoal*, and *Rendimentos do trabalho – Variação média ponderada intetabelas*, and the author's own calculations

Thus, the recent trend may be characterised as a recovery of the branch as the central level in collective wage bargaining, to the detriment of the tripartite macro-level negotiations. The continuing absence of decentralised negotiations (e.g. company agreements or “opening clauses” in the branch agreements) represents a serious problem for larger companies whose HRM practices frequently come into conflict with branch agreements which are primarily adapted to the conditions of the small and micro enterprises which constitute the bulk of companies. The most prominent example of this permanent tension within the Portuguese industrial relations system is the AutoEuropa plant (Volkswagen Group), which produces about 11% of the total volume of national exports.

Since 1996, the total number of employees covered by all existing agreements (including those which are not reviewed regularly) has been growing continuously. In 1999 it reached 2.2 million⁵ (1996: 1.9 million). During the same period (1996-99), the share of employees covered by agreements which had been renewed in the respective years went down from 85% (1996) to 65% (1999) and may have reached 63% in 2001 (estimate).

⁵ This is virtually the total number of employees in private companies registered with the Labour Ministry (*Quadros de Pessoal*).

Table 6: Coverage and duration of agreements

	1996	1997	1998	1999	2000	2001
Number of agreements published	401	387	371	388	371	361
Number of employees covered by all existing agreements (thousand)	1.945	2.043	2.110	2.223	X	X
Number of employees covered by renewed agreements (thousand)	1,663	1,399	1,397	1,465	1,453	1,396
Average duration (months)	14.2	13.1	16.1	13.8	16.9	16.5

Sources: Portuguese Ministry of Labour and Solidarity, *Quadros de Pessoal* and *Rendimentos do trabalho – Variação média ponderada intertabelas*.

In 2000 and 2001, the average duration of agreements was over 16 months, which is considerably above the average in 1996-97 and in 1999. According to legislation, wage agreements are generally reviewed every year and tend to cover 12 months. The average duration of agreements is longer because there is a considerable number of branches where negotiations frequently fail. In these cases, wage increases are determined unilaterally by the employers, and in the following bargaining round wage increases are negotiated both for the period since the last agreement signed and for the coming 12 months. As an example, an arrangement of this kind took place between the federation of non-governmental institutions for social care (UIPSS) and a group of CGTP unions. After several years without an agreement, the UIPSS and the unions signed an agreement (published in February 2001), which covered 2001 and the three previous years.

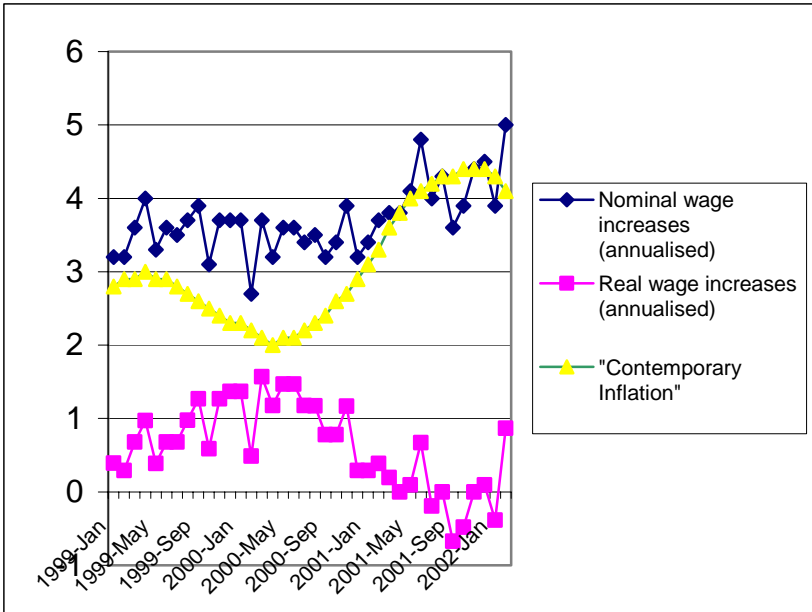
Wage agreements of longer duration are quite exceptional. In view of their recent experience with the government insisting on an unrealistic inflation forecast, unions are not prepared to embark on a debate on extending the duration of wage agreements to more than one year.

2. WAGES AND PURCHASING POWER

Since April 2000, when it reached its lowest point (2.0%), inflation had begun to grow continuously and – since September 2000 – at an increasingly faster pace, reaching an annual average of 4.4% in the last quarter of 2001. As inflation went up and nominal agreed wage increases (basic rates) did not keep up with this trend (3.4% in 2000 and 4.0% in 2001⁶), agreed real wages went down.

⁶ Supplements may increase the total increase in agreed wages by 0.1 or 0.2 percentage points.

Figure 1: Agreed wages and inflation (1999-2001)



Source: Bank of Portugal, *Indicadores de Conjuntura*; DGCT, *Rendimentos do trabalho – Variação média ponderada intertabelas*

Thus, agreed annual real wage increases (basic rates) fell to 0.5% in 2000 (1.3% in 1999), and in 2001 they decreased by 0.4%. At the same time, statutory minimum wages (defined by government) continued to grow at a rate above the inflation rate.

In several large branches, agreed wage increases (basic rates) were considerably below average, as for instance

- in 2000 in cleaning and security services (2.1% and 2.3%, respectively), electrical equipment (3.0%), and construction (3.1%),
- and in 2001 in cleaning services (3.0%) and the footwear industry (3.3%).

Wage increases in the public services, based on agreements signed by FESAP/UGT but refused by the CGTP's "Common Platform" for unions in public services, continued below the average, with 2.5% in 2000 and 3.71% in 2001 (basic rates).

Table 7: Inflation and wages (1996-2001)

		1996	1997	1998	1999	2000	2001
Annual inflation (consumer prices)		3.1	2.2	2.8	2.3	2.9	4.4
Collective Bargaining Private Sector ⁷	Average nominal wage increases (annualised, in %)	4.5	3.6	3.3	3.6	3.4	4.0
	Average real wage increases (annualised, in %)*	X	1.4	0.5	1.3	0.5	-0.4
Nominal increase in the statutory minimum wage (excluding domestic services, in %)		5.0	3.8	3.9	4.1	4.1	5.0

Sources: Bank of Portugal, *Annual Report 2000*; Bank of Portugal, *Perspectives of the Portuguese Economy in 2002*; DGCT, *Rendimentos do trabalho – Variação média ponderada intertabelas* and *Salário mínimo nacional*; www.SITese.pt

* refers to inflation during the period covered by the agreements ("contemporary inflation")

According to the analysis by the Ministry of Labour, the extraordinarily high increase in agreed nominal wages in the hotel and restaurant trade (above 5%) is the result of the general rearrangement of the various wage scales which are part of the general agreement in this sector.

Since it proved impossible to arrive at a compromise (in the first place on wages), several major agreements in the manufacturing industry were not concluded; in 2001, this was the case in the clothing, metal and car industries.

⁷ Calculations of wage increases by trade union organisations may differ slightly here and there from the numbers presented by the DGCT, but in general they correspond with the official figures.

Table 8 – Average annualised wage increases (basic rates)

Year of publication of the agreements	Workers covered (thousands)		Duration (months)			Nominal annualised increases basic rates (%)			Real annualised increases basic rates (%)		
	1999	2000	1999	2000	2001	1999	2000	2001	1999	2000	2001
Total	1.465	1.453	13.8	16.9	16.5	3.6	3.4	4.0	0.9	1.1	1.1
Agriculture	24	8	12	13.3	12.0	3.3	3.5	4.1	0.6	1.2	1.3
Fishery	2	1	16.6	11.0	11.0	3.4	3.4	4.4	0.7	1.4	0.9
Mining & quarrying	5	5	12	12.0	12.0	3.3	3.4	4.1	0.5	1.2	0.5
Manufacturing	451	506	13	23.1	19.0	3.5	3.6	3.8	0.7	1.3	0.9
Construction	211	206	12.0	12.0	12.0	3.8	3.1	3.8	1.0	0.8	1.0
Commerce & repair services	342	361	11.8	14.6	13.2	3.5	3.4	4.1	0.8	1.0	1.1
Hotels & restaurants	116	104	13.3	12.0	15.1	3.8	3.4	5.4	1.1	1.1	2.4
Transport & communications	87	61	22.3	14.5	18.6	3.5	3.5	3.8	0.8	1.0	0.9
Financial services	69	70	12	12.0	12.0	3.2	3.2	3.9	0.5	0.9	1.1
Real estate, security, cleaning and similar services	63	65	30.7	17.7	12.0	3.1	2.4	3.5	0.3	0.0	0.6
Education (private)	15	14	12	12.0	12.0	3.3	3.4	3.7	0.7	1.0	-0.3
Health & social services (private)	13	13	12.1	12.5	40.3	3.5	3.3	4.1	0.7	1.1	1.5
Other services	15	10	12	12.2	17.2	3.9	3.9	4.7	1.2	1.6	2.0
not covered (administrative workers)	58	28	12	12.0	12.0	3.4	3.4	3.6	1	1.1	0.8

Source: Portuguese Ministry of Labour and Solidarity, Directorate General for Working Conditions (The years quoted refer to the time of publication of the respective agreements, which generally takes place several weeks after the signing of the agreements.)

In the context of shortages in labour supply, employers tend to offer higher wages to employees in companies than those that are agreed collectively. The available statistical material does not allow calculation of the exact difference between agreed wages and employees' actual income, but the data presented below indicate a significant increase in the wage drift during 2000-2001.

Table 9: Wage drift

	1998	1999	2000	2001
Increase in compensation of employees per capita	3.7	4.2	6.3	6.4
Average nominal wage increases in collective agreements (annualised, in %)	3.3	3.6	3.4	4.0
Difference "Increase in compensation per capita" – "Agreed wage increases"	0.4	0.6	2.9	2.4

Sources: European Commission Autumn Forecast (2001-2003) – Portugal; Portuguese Ministry of Labour and Solidarity, *Rendimentos do trabalho – Variação média ponderada intetabelas*, and the author's own calculations

3. NON-WAGE CONCERNS: WORKING TIME, FLEXIBILITY, GENDER AND OTHERS

In 2001, less agreements than in the previous years brought changes in non-wage concerns. This refers in particular to arrangements over working time which had become central immediately after the new legislation on the 40-hour week and flexibility (1996), reaching their peak in 1997 and then decreasing continuously to a very low level. In the context of a general decrease in the number of agreements on non-wage concerns, 2001 brought several new regulations concerning occupations, job descriptions, professional careers and holidays (with unions demanding 25 days per year).

Unions' and employers' positions with regard to flexibility in work organisation still diverge widely. Thus, no agreement on this issue was achieved at the tripartite macro-negotiations ("social concertation") and very few collective agreements signed in 2001 referred to it.

Despite the unions' and government's efforts to promote new regulation in this field, equal opportunities for women and men are still a neglected issue in collective agreements. There have been numerous agreements relating to maternity and paternity, but very few results have been registered with regard to equality rights as such.

A certain number of agreements signed in 2000 and 2001 introduce some new regulation on vocational training and on health and safety at the workplace. Those referring to the latter have to be seen in relation to a broad election campaign for workers' health and safety representatives at the company level. In the context of the extremely low level of worker participation at the company level, this campaign may be a step of particular importance.

National tripartite agreements and the European employment guidelines are actively used by unions to put new "qualitative" issues on the collective bargaining agenda, but the present power relations between the social partners and the long-term stagnation in the collective bargaining process make it very difficult to achieve concrete agreements on these new issues.

A "European dimension" in collective bargaining in the form of supranational coordination or explicit reference to pay developments in neighbouring or reference countries is limited to the aim of both trade union confederations to bring Portuguese wages up to the EU average. The Doorn initiative and other efforts for supranational coordination are under discussion within the CGTP and UGT.

4. OUTLOOK FOR 2002

In the current bargaining round, the recovery of wages is the unions' top priority. Demands for increases are situated at about 6.0%. An increase in holidays (25 days per year), the reduction of working time (35 hours per week), employees' rights with regard to continuous vocational training, equal opportunities, and health and safety provisions are other major issues on the unions' agenda.

Most recent negotiations seem to confirm that the achievement of agreements will be even more difficult than in 2001, particularly in those sectors where employers do not concede wage settlements around 4%.

The economic and political context is not favourable to the unions. There are signs of recession, and there have been several plant closures during the last few months with hundreds of workers being made redundant.

Another most important factor will be the policy pursued by the new right-wing government. This relates in particular to macro-level social concertation. On the one hand, the government's commitment is decisive for the implementation of the recent tripartite agreements. On the other hand, the strategy for future macro negotiations (with or without agreements on wage and income policy?) will condition collective bargaining. A further aspect of

great importance will be the new government's position in relation to the employers' demand for new legislation on collective bargaining with the aim of opening the way for radical changes in the existing regulatory framework.

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Slovakia

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1. GENERAL BACKGROUND INFORMATION

1. 1. Economic, social and political climate for collective bargaining

During the last two years several macro economic indicators have shown improvements in Slovakia. Although GDP growth was not very high it was stable. In 2000, GDP grew by 2.2% and in 2001 it increased to 3.3%. The previous relatively high foreign trade debt was reduced and the internal balance of the state budget was also improved in 2000. The situation deteriorated in 2001 and the foreign trade debt increased again, although quite a substantial part of Slovakia's imports were investments in modern technologies, which may hopefully help to increase employment in the forthcoming period. The government succeeded in revitalising the banking sector (already privatised by foreign investors), which is one of the most important preconditions for effectively restructuring the Slovak economy. Interest rates decreased radically during the last two years, and this has facilitated access to loans for potential investors in the economy. While in 1999 the usual interest rate was around 17-18%, it was only about 11-12% in 2001. Inflation has steadily decreased - it was 12% in 2000 (compared to 14% in 1999) and 7% in 2001.

On the other hand, the figures for employment and real wages were still below the level achieved 11 years ago, when the political changes and economic transformation started in 1989. According to the official statistics (1), the average monthly nominal wages in the Slovak economy increased in 2000 by 6.5% and reached 11,430 SKK. Due to 12% inflation, real wages decreased further and were 4.6% lower on average compared to 1999. The wage gap between the private and the public sector widened further. The average monthly nominal wage in the business sector amounted to 12,880 SKK, while in non-profit organisations financed fully or primarily from the state budget the average nominal wages was only 9,830 SKK. This development had a clear impact on the differences in the decrease in real wages in these sectors. Whilst decrease in real wages in the private business sector was negligible (approx. 0.3%), real wages in the public sector

decreased by 9%. According to the preliminary information of the Statistical Office, this negative trend in wage development changed slightly in 2001, and the average drop in real wages was finally halted after the continuous 3-year decrease.

The other most critical area influencing collective bargaining during the period reviewed was beyond any doubt that of employment. The unemployment rate increased steadily from 18.6% in 2000 to 19% in 2001. Apart from the high average unemployment level there are very marked regional extremes in Slovakia. For many years now, the lowest unemployment rate has been recorded in the area of the capital Bratislava (approx. 6-7%), but in some regions unemployment is higher than 30-35%. Long-term unemployment has risen to 43.2%, and 21.9% of these persons have been unemployed for more than 24 months.

This situation is due mainly to staff reductions in well managed companies which continuously increase their productivity, to mass dismissals in badly managed companies and also to the lack of investments to create the new jobs that are needed. The sectors most threatened by employment reduction in 2000-2001 were construction and agriculture. There have been no appreciable changes in the health care and education sectors as yet. There was a slight increase in employment in small and medium-sized companies, especially in the services sector.

Although many structural changes have already been brought about in the Slovak economy, approximately 46% of all companies employ more than 1000 employees, and over 32% of the active labour force is employed in those companies. Private ownership expanded further and the large majority of companies and organisations are now in private hands. The share of GDP generated by the private sector is approximately 80%, and almost 66% of the total active labour force are employed in that sector. There was a further slight decrease in trade union density, which is now about 25-30%.

Although the level of education of the labour force has continued to improve, the education system based on state-owned schools still is not flexible enough to respond properly to changing labour demands. The ratio of youth unemployment (under the age of 30) is already 40% of the total unemployed.

High unemployment also exerted growing pressure on social insurance funding, and the abolition of the early retirement scheme remained valid during 2000-2001. In order to improve the situation, preparations for the reform of the social insurance scheme (including a 3-pillar funding structure

and also equalisation of the retirement age for women and men at 60) were launched in 2001. But it is expected that full implementation of the new system will take 10-15 years.

In 2000-2001, very high average unemployment with regional extremes and a decrease in real wages were probably the most influential factors affecting several areas of society and obviously also collective bargaining, and wage bargaining in particular.

1.2. Tripartite concertation - trade union priorities, employers' attitude and the role of the government

As mentioned in our previous collective bargaining report (Cziria 2000: 321), the General Agreement for 2000 (GA) between the tripartite social partners was signed in the spring of 2000. In the course of the second half of 2000 the trade union organisations criticised the policy of the government, which was unable to stop the rise in unemployment. The Slovak Trade Union Confederation (KOZ SR) representing the clear majority of unionised employees demanded that the government adopt more effective measures to improve the worsening situation in many companies followed by mass dismissals, debts and insolvency and finally bankruptcies.

After the one-year period, the social partners on the tripartite Council for Economic and Social Concertation evaluated the results of the GA social pact for 2000. The evaluation showed that although several goals had been achieved (e.g. reduction of tax burden) the government had kept its promises concerning the socially and politically sensitive issues of unemployment and real wages. Although unemployment decreased temporarily to about 17% at the end of 2000 due to application of the public-benefit job scheme, the unemployment rate was back up to 19% by March 2001 and remained virtually at that level to the end of the year. Although the decrease in real wages was curbed in 2001, the gap between the public and private sectors increased further.

The KOZ SR Congress, which evaluated the results of the GA 2000 very critically, was held in the late autumn of 2000. The Congress adopted a resolution authorising the KOZ Board to develop a strategy for further communication with the government and to decide on the necessary action. At its meeting in 1 February 2001, the KOZ Board decided not to join the negotiations for a GA for 2001 until the goals of the GA 2000 had been achieved. On the basis of this resolution, the KOZ SR declared that it was not prepared to negotiate on the new GA before the final evaluation of the GA

2000 in March 2001. The situation obviously could not change in such a short time, and the KOZ SR refused categorically to negotiate for the GA for 2001.

In the spring of 2001, the KOZ SR and some branch trade unions decided on more radical social action. In the private sector the most conspicuous actions were organised by Metal TU, where the participants demanded measures to reduce the high level of unemployment by creating new jobs. The other radical actions took place in the public sector, where the trade unions in the education and health care sectors organised protest meetings. These actions focused on an increase in teachers', doctors' and nurses' pay. Since these sectoral trade unions steadily increased the pressure for a pay rise, the government promised to deal seriously with the teachers' and doctors' demands and to decide on an increase in their pay as soon as possible according to the available capacity of the state budget. It should be noted that these protests and pressures for wage increases took place at a time when the government was preparing new legislation for the public service, which also included a new remuneration system for public servants.

The Government and the KOZ SR finally reached an agreement on an increase in the pay rates for the health care and education sectors within the framework of the new Public Service Act (2). This new Act plus the Civil Service Act (3) and the new Labour Code (4) were approved by parliament in July 2001 and entered into force on 1 April 2002. For the first time, the Civil Service and Public Service Acts introduce different employment frameworks and working conditions for private sector and public sector employees and even differentiate between the employment conditions for civil servants and those for public servants, including education and health care services (for more details see the section 'Outlook for 2002').

1.3. Changes in employment and influence of the European employment policy guidelines

Employment decreased by 1% in 2000 compared to 1999, when 2.1 million people were employed. The proportion of women's participation in the labour market was approximately 45% (women represent approximately 51% of the total population), but their participation in employment reduction was lower than that of men. In the first half of 2001 there were 1.989 million people employed in the country. Almost 25% of the total labour force, including their assistants, are self-employed.

In order to improve the dismal employment situation, the government adopted several measures in conjunction with the Ministry of Labour, Social Affairs

and the Family, Ministry of Finance and the National Labour Office. These include the new taxation scheme (entering into effect in 2001), which introduces tax reductions and grants tax concessions to foreign investors who invest in the regions, especially those with high unemployment, to create new jobs. Industrial zones/parks are being built in selected regions to offer better conditions for foreign investors to set up their business units there.

In order to reduce long-term unemployment as soon as possible the National Labour Office implemented the Public Benefit Employment Scheme (PBES), which the government subsidised with 1.5 billion SKK. During the year 2000 approximately 80 000 people were involved in the PBES; since the scheme was linked to the social benefit scheme for the long-term unemployed, they were interested in participating so as not to lose their entitlement to social benefits. The programme also continued in 2001.

The National Employment Action Plan for 2001 (NAP) was also adopted in Slovakia in addition to these partial measures. The NAP is the most comprehensive action plan recently available for putting the employment policy into practice. It was elaborated in line with the EU Recommendations for Employment Policy and was approved by the Slovak Government in November 2000. The next NAP was further elaborated on that basis in 2001. The four NAP pillars comprise more than 50 short and medium-term measures for improving the employment situation more systematically and reducing the high level of unemployment in Slovakia (see section 5 for further details).

2. WAGES AND PURCHASING POWER

Wage development in Slovakia in the 2000-2001 period more or less followed the trends of the previous years – there was no increase in average real wages. According to the official data of the Slovak Statistical Office (SO SR), the average nominal monthly wage amounted to 11,430 SKK¹ in 2000. Compared to the previous year, it increased by 6.5%, while the cost-of-living index increased by 11.6%. Real wages decreased by 4.6% as the result of nominal wage development and inflation. Nominal and real wage development in the economy in 2000, broken down according to company ownership, is presented in Table 1.

¹ Companies of all sizes and self-employed persons are also included.

Table 1: Monthly wage development in 2000

Ownership	Average monthly nominal wages ²		Real wage develop. 2000/1999 index
	SKK	Index 00/99	
In the public sector:	11 190	105.3	94.4
- of which state-owned	11 399	106.8	95.7
In the private sector:	12 505	111.2	99.6
- of which domestic owners	12 065	110.2	98.7
- of which foreign owners	15 755	105.0	94.1
- of which international ³ owners	16 644	113.9	102.1
- of which domestic cooperatives	9 194	108.8	97.5
Slovakia	11 864	108.4	97.1

Source: Modified according to the Report on the Social Situation of the Population of the Slovak Republic in 2000. Ministry of Labour, Social Affairs and the Family, Bratislava, 2001 and Report 3/2001 of the Slovak Statistical Office on Employees and Average Monthly Wages in 2000

As the figures show, the biggest real wage drop was in companies with foreign ownership (- 5.9%). Real wages increased only in private international companies (+ 2.1%). Monthly wage development broken down according to the sectors of the economy is shown in Table 2. According to these figures real wages decreased in practically all sectors (e.g. in services by almost 20%, while there was no decrease in the industrial, mining, and banking and insurance sectors).

According to the information on average wages⁴ the average hourly wages in the 4th quarter of 2000 in companies where collective agreements were concluded were 81.12 SKK (2000/1999 index 109.1%). But in companies where no collective agreements were concluded the average hourly wages

² Companies with less than 19 employees are not included.

³ Includes companies founded jointly with domestic and foreign owners.

⁴ Information on wage costs is issued quarterly by Trexima Ltd. under the auspices of the Ministry of Labour, Social Affairs and the Family.

were 87.86 SKK (00/99 Index 127.4%), which indicates higher wages and also higher wage dynamics in companies where no collective agreements were signed (there are most probably no trade unions present there).

Table 2: Sectoral wage development in 2000

Sector	Average monthly nominal wage		Real wage index 2000/1999
	SKK	Index 2000/1999	
Agriculture	9 325	109.5	98.1
Mining	13 438	111.9	100.3
Industry	12 291	112.3	100.6
Electricity, gas and water	16 055	110.6	99.1
Construction	12 037	110.9	99.4
Wholesale and retail trade	13 439	110.6	99.1
Hotels and catering	9 928	109.3	97.9
Transport, post and telecommunications	13 216	108.5	97.2
Banking and insurance	22 565	111.9	100.3
Renting, commercial services and research	13 897	107.5	96.3
Public admin., defence and social insurance	13 727	105.6	94.6
Education system	9 048	107.0	95.9
Health and social services	10 611	106.6	95.5
Other public and social services	8 812	89.4	80.1

Source: Modified according to the Quarterly Report 3/2001 of the SO SR on Employees and Average Monthly Wages.

The minimum monthly wage was increased twice during the period under review - on 1 October 2000 from 4,000 SKK to 4,400 SKK, and on 1 October 2001, when it was increased to 4,920 SKK. According to the preliminary data of the Statistical Office, the average nominal wage in 2001 was 12,365 SKK, when it increased by 8.2%. Allowing for inflation, the average real wages in 2001 finally increased by 0.8%, for the first time after the steady 3-year decrease in average real wages. The development of average wages in companies with more than 20 employees in the first half of 2001 is shown in Table 3.

Table 3: Average monthly wages in the first half of 2001

Ownership	Average nominal wages		Real wage index 2001/ 2000
	SKK	Index 2001/ 2000	
Public sector:	11 452	105.2	98.2
- of which state-owned	11 605	106.5	99.4
Private sector:	12 939	110.5	103.2
- of which domestic owners	12 024	106.4	99.3
- of which foreign owners	16 163	106.2	99.2
- of which internationals	17 882	113.9	106.3
- of which cooperatives	9 091	107.1	100.0
Slovakia	12 229	108.1	100.9

Source: Modified according to the Report on the Social Situation of the Population of the Slovak Republic in 2000. Ministry of Labour, Social Affairs and the Family, Bratislava, 2001 and Report 3/2001 of the Slovak Statistical Office on Employees and Average Monthly Wages in 2000

As the data show, the highest real wage increase was again achieved in international companies (6.3%), while real wages decreased again in the public sector. Sectoral wage development in the first half of 2001 offers a more detailed perspective on real wage development. Although average real wages increased slightly (the highest increase was in banking and insurance:+8.8%), real wages nevertheless decreased in 8 sectors (the highest real wage decrease was again in the services sector: -14.5%). This means that the wage gap between the private and the public sector also increased further in 2001. Whilst the average nominal wage gap in 2000 was 2,687 SKK, it was already 3,656 SKK in 2001 (comparing the first 6 months of 2000 and 2001).

With regard to the ratio between productivity and wage increase, the productivity increase in 2000 was ahead of the wage increase by several points in almost all sectors. Productivity increased, for example, by 12% in industry, by 8.5% in the building trade and by 5.5% in the textile sector. Similar trends were identified in 2001 (e.g. a 14% productivity increase in industry and a 14.8% in construction).

3. WORKING TIME DEVELOPMENTS

There were no dramatic changes in weekly working hours, overtime, paid leave and retirement age during 2000 and 2001. The maximum weekly working time is laid down in the Labour Code at 42.5 hours (including 0.5 hours for a break in each working day or shift). The average weekly working hours fluctuated around 40 - 41 hours. A slight increase was observed in the implementation of flexible work schedules in companies and organisations. Most of these are in the electricity and gas sector, the chemical industry, the metal industry and the banking and insurance sector. Some extra paid holidays (over and above the standards set by the Labour Code) were provided, mostly in organisations of public administration and in the chemical industry, the wood-working industry and forestry sector, the metal industry and the services sector. Table 4 provides further details on working time and paid holidays.

Table 4: Working time and extra paid holidays

Average weekly working hours	1999	2000	2001
working in single shifts	40.89	40.88	40.90
working in two shifts	40.32	40.13	40.18
working in three shifts	40.08	39.74	39.55
	%	%	%
Organisations with extra paid holidays	16.50	16.80	15.00

Source: Information on working conditions 2001. Trexima Ltd. Bratislava

4. EUROPEANISATION OF COLLECTIVE BARGAINING

Slovakia is not as yet directly involved in EU sectoral collective bargaining coordination, but the employer and trade union representatives at the sectoral level have working contacts with their partners at the EU level and generally attend the meetings of the relevant EU sectoral joint committees. There were several new incentives towards the europeanisation of collective bargaining in December of 2001. The first was the outcome of the international conference on sectoral social dialogue in EU candidate countries, organised by the ILO and the EC, at which not only were the experiences of several candidate countries discussed (for further details on Slovakia see Cziria 2001), but where the representatives of several EU member states also shared their

experiences with European sectoral collective bargaining. The second event was the start of the Phare project, which was designed to support the further development of the bipartite social dialogue in Slovakia.

As regards European works councils, there is no legal base for EWCs in the recent labour legislation⁵. However, the representatives of several EU multinational companies operating in Slovakia generally attend the EWCs meetings at the corporate level as guests.

5. FLEXIBILISATION OF WORKING CONDITIONS AND DECENTRALISATION OF COLLECTIVE BARGAINING

During the years 2000-2001 there were no substantial changes in the levels or context of collective bargaining. Sectoral and company collective agreements were concluded in the private business sector, and collective agreements were concluded at the basic level in public sector (in the organisations). The duration of the collective agreements remained practically the same - sectoral collective agreements are usually concluded for 2-3 years, whilst at the company level the usual length of agreements is one year.

Nor were there any appreciable changes in the flexible organisation of working conditions. Open-ended contracts are the predominant form of flexibility, and part-time employment still remained very low (about 1-2%). A slight increase was observed in the implementation of the flexible organisation of working time (see Table 5).

Table 5: Application of flexible working time

	1999	2000	2001
Organisations with flexible working time (%)	24.40	32.60	34.80

Source: Information on working conditions 2001. Trexima Ltd. Bratislava

Another tool which could possibly contribute to higher flexibility on the labour market - the early retirement scheme - was restricted by legislation and could not be applied in 2000-2001. At the same time, several measures

⁵ The operation of the European Works Councils is already included in the new Labour Code (scheduled to enter into force on 1 April 2002), but the relevant provisions will actually enter into force when Slovakia becomes an EU member state.

supporting company flexibility and adaptability were included in the NAP for 2001. Pillar III of the NAP includes, *inter alia*, "the implementation of modern forms of work organisation and more flexible patterns of working time, which also respect employers' and employees' needs". The Labour Code (5) which recently came into force provides several options for employers to conclude more flexible employment contracts (open-ended contracts, fixed-term contracts, contracts for completion of a particular task and contracts for working activities) and to apply different patterns of working time (full-time, part-time, flexitime, job-sharing). All of these options could be implemented in order to improve the flexibility of companies and their ability to respond better to changing market demands. But the implementation of the measures mentioned above is still quite rare and will require more active cooperation between employers and trade unions in the collective bargaining process.

The assessment of the implementation of these two measures in 2001 is not yet available, but some estimate has been possible on the basis of the analysis of several collective agreements. The Institute for Research on Labour, Social Affairs and the Family (IRLSAF) has analysed several collective agreements in the textile-garment-leather, construction, chemical, metal and food industries in order to identify the "flexibility issues" in collective agreements concluded for 2000. The size of companies involved varied from more than 2,000 employees to about 100 employees. The report of this survey (Czírta and Munková 2000) showed that no special provisions had been included to deal with flexibility in working conditions. In a few cases measures were included for dealing with redundancies. According to the Labour Code and the Employment Act (6), employers should discuss mass dismissals with the trade union representatives and should seek ways and means of helping workers who are made redundant to find a new job. Most of the collective agreements analysed reflected this only as an employer duty. The application of various types of employment contracts and flexible work schedules were not included in the collective agreements analysed. In most cases a standard 40-hour working week was applied. Part-time employment was applied only in a few exceptional cases. Employers are not very interested in part-time because, as they state (Prušová and Líška 1999), the implementation of more flexible patterns of work organisation requires more demanding administration. Apart from the fact that they are used to working full-time and having fixed working hours), the lack of interest on the employee side could also be explained by the potential decrease in their earnings, which are already low, if they work part-time.

The next area of the analysis of the above-mentioned collective agreements were measures for improving worker employability. This issue was reflected in most of the collective agreements but in very general terms, and in many cases concrete needs for the development of human resources in the company were not included. The extension of the scope of collective bargaining towards employment and flexibility issues is a current challenge for the social partners in negotiations at the sectoral level, and in particular in company-level negotiations.

6. GENDER ISSUES IN CURRENT COLLECTIVE BARGAINING AND LEGISLATION

In March 2001, the Slovak government approved the Concept of equal opportunities for women and men. The Concept reflects equal opportunity principles included in international and EU documents, which are especially relevant for Slovakia in its EU accession talks (*acquis communautaire*). The Concept is an outline of strategic steps concerning the legal and institutional facilitation of equality in three main areas: labour market, public and political life and harmonisation of family and working life. The text states that discrimination against women on the labour market, mainly concerning their occupation, is influenced primarily by prejudices as to the suitability of certain jobs - or management positions - for men. Preference is being given to male applicants due to concern that women might take maternity leave or frequently stay at home to look after sick children. It also points to gender-based differentiation of wages, the segregation of male and female jobs and inequality in the remuneration of men and women (the average ratio of women's to men's wages is approximately 75 : 100). The following are several measures and recommendations for applying equal opportunities in employment:

- 1) Measures to facilitate a systemic approach to elaborating and upgrading the list of occupations and workplaces prohibited for women, pregnant women, juveniles and mothers within 9 months of childbirth.
- 2) In cooperation with the social partners, steps to facilitate the observance of equal pay for men and women for equal work and work of equal value.
- 3) In cooperation with the trade unions, measures to facilitate the monitoring of equal pay for men and women for equal work and work of equal value.
- 4) Extension of possibilities for women's representation in management posts and regular evaluation of those posts.

- 5) In cooperation with the social partners, measures to create conditions for the employment of women and men who take care of children as well as the employment of dependent family members and to facilitate their return to work through further training, re-qualification and advisory services on transferring to self-employment. Action to provide incentives for employers to create more opportunities and more extensive use of part-time work, home-work, temporary work and various types of variable work regimes.
- 6) Due attention to the providing of equal opportunities for men and women in draft legislation concerning pension insurance.
- 7) Measures to support the establishment of the institution of ombudsmen as public protectors of basic human rights and freedoms.
- 8) Action to facilitate an annual “Family and work” audit oriented to assessing which employers are supporting employees’ family commitments.
- 9) In cooperation with the social partners, steps to make sure that tripartite general agreements and collective agreements contain measures for reconciling work and family life and that equal job opportunities are provided for men and women.
- 10) Action to support projects for improving the status of rural women and men as well as that of men and women with reduced career opportunities.

According to the Employment Act (6), it is prohibited for employers to publish discriminatory job offers (e.g. based on age, gender, etc.). Nor must there be any discrimination against employees with fixed-term contracts. The Labour Code (5) specifies in Article VII that women and men have equal status at work. Women are given the same working conditions enabling them to participate in working life not only with regard to their physiological needs, but in particular with regard to their social mission as mothers, child rearers and carers.

The implementation of the EU principles was also included in Pillar IV of the NAP for 2001 – “Strengthening equal opportunity policies for women and men” – where the following measures are enumerated:

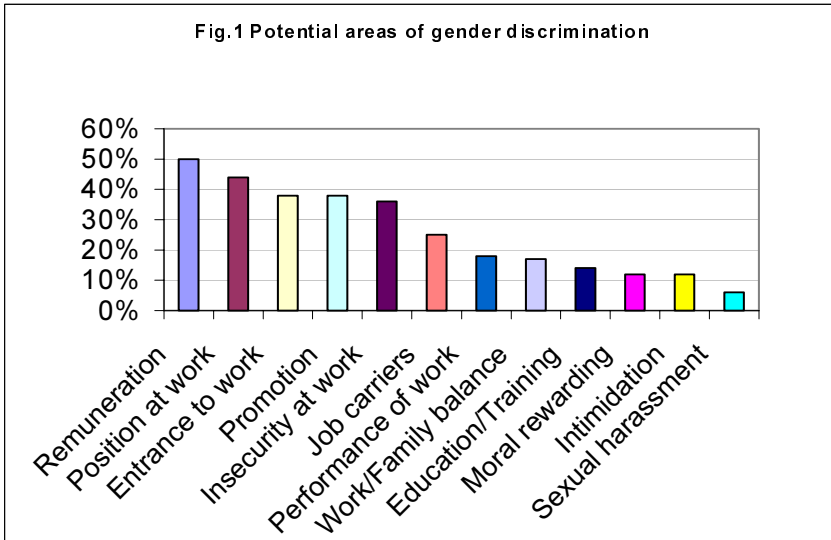
- to ensure the application of legal and institutional instruments and mechanisms to eliminate discrimination in employment;
- to monitor the situation in the exercise of the right to employment by groups of persons threatened with discrimination and to use the results to initiate improvements;

- to gradually equalise the proportional representation of men and women in individual sectors of the national economy, vocations and occupations; to extend the possibilities for women to hold management positions.
- to contribute to the elimination of differences in the remuneration of men and women, mainly through the consistent monitoring of compliance with the equality principle, regardless of gender;
- to facilitate access to employment for persons taking care of children and dependent relatives, including the establishment of conditions for renewing skills when returning to the labour market;
- to provide for the development of a system of schools offering a second chance at education for young people with no qualifications, for the long-term unemployed, for older employees, and for women returning to the labour market after an interruption for bringing up children.

Since the NAP for 2001 is currently under evaluation, no definitive results are available at the time of writing. However, the situation regarding gender equality in employment could be broached to some extent by examining the results of the survey conducted by the Institute for Research on Labour, Social Affairs and the Family (Czírja, Munková and Kyjácová 2001). According to the opinion of 241 respondents (mostly from the metal and textile industry, education and the health care sector), the most frequent potential areas of gender discrimination in employment are as shown in Fig.1.

Implementation of the EU principles has also been strengthened in the new Labour Code (4). Apart from the general prohibition of any discrimination (race, sex, age, religion, trade union membership, etc.) special new provisions have been included to strengthen equal opportunities at the workplace. According to these provisions, employees who feel that they are being discriminated against have the right to take the matter to court. The employer concerned is obliged to provide evidence for the court that equal treatment was not breached in the case in question.

The Public Service Act (2) and the Civil Service Act (3) also contain the prohibition of any form of discrimination. In the event that these principles are not observed, an employee can likewise claim his/her rights before the competent body or law court. During a legal action before the competent body or tribunal, the civil or public service institution endeavours to prove that these rights have not been violated.



The employer may not require information from a natural person concerning her pregnancy, unless the job involves work of a type that is prohibited for pregnant women, concerning family relations, integrity (unless it is a type of work which requires integrity on the basis of specific regulations), or concerning political, trade union or religious affiliation, which could be detrimental to the personality of the applicant. Once a person has been accepted for a job, the employer must not violate the principle of equal treatment regarding job access. Should these obligations be breached, the person is entitled to adequate financial compensation equivalent to twice the amount of the monthly wage.

Equal opportunity is well regulated by the labour legislation but is not yet regularly considered to be a collective bargaining issue, apart from certain questions concerning pregnant women and women who are taking care of young children which are usually included in collective agreements.

7. OUTLOOK FOR 2002

In the recent bargaining round completed for 2002 there were no special issues or changes compared to the previous year. The usual wage bargaining rounds for 2001 reflected the increase of the minimum wage to 4,400 SKK

and its effect on the increase in wage tariffs. Apart from the increased minimum wage (4,920 SKK), the next bargaining round in the autumn of 2002 will also be influenced by changes introduced in the new labour legislation, which reflects the implementation of the EU Directives pertaining to EU candidate countries.

Until April 2002, employment conditions and labour relations in Slovakia were guided by the Labour Code in both the public and the private sector. The implementation of the new labour legislation introduces different employment conditions for private and public-sector employees - for the first time in over 40 years. Furthermore, the employment framework in the public sector will also be diversified for both public and civil servants. For example, employment conditions in the civil service will require state employees to undergo sectoral training, tests and wage assessments. Employee freedom of association is also guaranteed in both civil service and public service institutions, and the trade union organisations are allowed to represent the employees there. The trade unions in the public sector will have the right to bargain collectively at the sectoral level and to conclude collective agreements on wages and working conditions. The trade unions' partners are representatives appointed by the government or by the respective ministries. Where no trade union organisation is present, the employees elect a staff committee, but staff committees are not entitled to bargain collectively.

Certain distinctions are made and limitations imposed on bargaining scope in the civil service and the public service. Trade unions in the civil service can bargain on pay, the length of working time and holidays, and on contributions to the Social Fund. Trade unions in public service institutions can bargain on more issues, including, for example, the reduction of standard working time without loss of wages.

The outcome of the new sectoral wage bargaining rounds in the autumn of 2002 will be included in the proposal for the state budget (including the compulsory contributions to the insurance funds) and will enter into force upon approval by parliament. Collective disputes will be guided by practically the same rules as in the private sector but with some exceptions (civil servants in some positions are excluded from the right to strike).

The new labour legislation for the public sector will challenge public employers and the respective sectoral trade unions and will require that the social partners adopt new approaches to effective collective bargaining on wages and working conditions. The principal changes are also included in the new Labour Code, which will also affect trade unions' activities and

collective bargaining in both the private and the public sector. Extra time off with pay has been laid down for trade union or employee delegates. The trade unions are rarely present in small companies (up to 50 employees). In organisations where no trade union organisation is present and there are at least 20 employees, the employer must organise (and cover the cost of) the election of an employee council (in the private sector) or staff committee (in the public sector). When there are 5-19 employees, employee or staff delegates are elected. The councils/committees and delegates have rights similar to those enjoyed by union delegates, but these rights are restricted in comparison (no right to bargain collectively and no participation in decision-making). The term of mandate is 4 years, and employee councils or staff committees should consist of at least 3 members, depending on the size of the organisation.

Apart from the full-time paid trade union delegates (in some bigger companies), each trade union delegate is now entitled to a minimum of 30 minutes' paid time off per month and per union member working in the company. Similarly, employee council or staff committee members or delegates are each entitled to a minimum of 10 minutes per month and per employee employed in the company. More time off with pay for delegates can also be agreed in collective agreements.

Furthermore, additional co-determination rights are laid down for trade unions with regard to working time arrangements, which could be matter for collective bargaining. Regular or irregular weekly work schedules - a 5-day working week or, for example, a 6 or 7-day working week - can be laid down, subject to consultation and agreement with the local trade union representatives. Employees are entitled to an uninterrupted period of rest of at least two consecutive days per week, which should normally include either Saturday and Sunday or Sunday and Monday. If the operations of the organisation do not permit this, exceptions can be implemented, again subject to agreement with the trade unions.

Unilateral transfer to other work or to another location is also specifically limited. The employer must inform the employees concerned in advance about the reasons for the transfer and must reach agreement with the employees concerned on the duration of the transfer.

Home-work can be also agreed in the employment contract. Employees working part-time can agree in their employment contracts on the unequal distribution of their working time (e.g. working full-time but only on certain weekdays).

The new Labour Code also lays down a shorter working week of 40 hours. But this does not mean that real working time has actually been reduced, since the previous 42.5 hours included a rest period of 0.5 hours for each working day. The 40-hour limit represents the net working time (and does not include the 2.5 hours per week for daily breaks). At the same time a new ceiling has been laid down allowing workers to work a maximum of 58 hours in a week, including overtime and the performance of any secondary jobs.

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Spain

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1. GENERAL BACKGROUND INFORMATION

1.1. Social, political and economic background to the 2001 bargaining round

By the end of the year 2000, the collectively negotiated wage settlements for the year were proving to be highly unsatisfactory owing to the sharp rise in inflation. Against this background, the Government set a scarcely credible inflation target of 2% for 2001, which was greeted with widespread scepticism and which made it hard to take Government forecasts for the coming year seriously. This meant that people were much gloomier about the prospects of sustaining growth and about the economic situation in general.

The decrease in the rate of job creation and the major slowdown in the rate at which unemployment was falling were in marked contrast to the rise in companies' profits and earnings. Meanwhile, the Government was doing nothing to tackle the problems. Its actions were either ineffective or counterproductive and its policies were simply designed to make the rich richer. A change was already becoming evident in the Popular Party's approach to government in comparison with the previous parliament: they were now starting to impose measures without any prior negotiation or consultation and to approve policies that were harmful to workers' rights. The CC.OO. and UGT unions repeatedly rejected these measures, for example the decision to remove restrictions on opening hours to the detriment of small businesses and all retail workers.

This period towards the end of December 2000 saw a number of protests by construction workers demanding that the Non-Government Bill regulating subcontracting in the industry should be pushed through Parliament, since subcontracting is the main cause of the high level of industrial accidents in the industry. At the same time, public sector workers held a number of stoppages and an industry-wide strike to demand fair wages which would restore and improve the purchasing power that had recently been eroded, as well as their right to collective bargaining.

1.2. The main trade union demands, the position of employers and the role of the Government

During the second half of 2000 and the beginning of the following year, the trade unions were involved in a dialogue with the Government on the one hand and employers on the other. One of the issues on the table was employment, more specifically the renewal of the 1997 Interconfederal Agreement for Stability in Employment which was about to expire. Other topics for discussion included the renewal of the Interconfederal Agreement on Collective Bargaining and, at a more institutional level, the need to protect the rights of workers over the age of 50 who have been made redundant, as well as a reform of the unemployment benefit system in order to improve access to benefit.

In March, the Government imposed its own reform without any attempt to seek the agreement of the social partners. This reform completely failed to tackle the problem of temporary employment, since it contained no measures to address this issue. What was originally conceived and designed as a reform aimed at women, immigrants and other groups that have the greatest difficulty in finding work has turned into yet another wasted opportunity, since it is strongly biased in favour of employers, increasing their power to the undoubted detriment of workers' rights.

As far as the trade unions are concerned, they presented the following proposals at the Forum for the Reform of Collective Bargaining:

- to reform the Spanish industrial relations model which has evolved from the period before the adoption of the Constitution up until the present day;
- to combine a flexible approach to bargaining with a strengthening of sectoral agreements;
- to introduce concepts such as groups of undertakings that reflect the realities of industry but are not included under the current legislation;
- to reflect the new reality by including new individual and sectoral types of work;
- and to establish clear principles regarding the applicability of concurrent agreements covering different levels.

Ostensibly, the Government's proposal was based on the promotion of company-level agreements which it claimed are more conducive to wage efficiency. However, it was clear from the outset that its real intention was to reform the collective bargaining system. Even many employers found the

measures proposed by the Government unacceptable on the basis that they would lead to an increase in the number of industrial disputes by undermining the stability created by sectoral agreements in key industries and threatening the system which has worked successfully for more than twenty years where pay rises are linked to the forecast rate of inflation and based on joint recommendations by the main trade unions which have played an essential role in keeping inflation in check.

Eventually, the social partners (the trade unions UGT and CC.OO., and the employers' associations CEOE and CEPYME) informed the Government and the whole of society of their opinion that the Government's intended reform of the collective bargaining system was unacceptable. Mindful of their responsibility to Spanish society and in view of the current economic and social situation, they expressed their desire to reach an agreement based on the 2002 Collective Bargaining recommendations. By informing the Government of their intentions in this way, the social partners managed to use collective bargaining to achieve their demands and restore their proper role so that they could continue to develop the consensus that they have been building since the transition to democracy without external interference and in an independent and participatory manner. Thus, the 2002 Interconfederal Agreement on Collective Bargaining (hereafter referred to as the IACB) was signed on 20 December 2001. Its content is described later on in this report.

The Appendix "Reform of the Pensions System" provides a brief description of the main issues, proposals and results of this reform.

1.3. European employment policy and the role of the social partners in implementing and monitoring it

Since the creation of a European Employment Strategy to be implemented through National Action Plans on employment (NAPs) was approved in 1997, initially in the Treaty of Amsterdam and then also at the Luxembourg Summit, none of the National Action Plans drawn up by the Spanish Government have been supported by the trade unions. There are two reasons for this. The first is that successive Popular Party governments have systematically excluded the trade unions from participating in the drawing up of the Plans. This is not merely a procedural issue, since according to the thinking that informs the European Employment Strategy and the Employment Guidelines, one of the key innovations for ensuring the qualitative and quantitative success of the efforts to promote employment is the close involvement of the social partners, something which implies much more than simply allowing them to express their opinion.

The second reason relates to the content of the Plans, which undoubtedly explains in part their failure in previous years. This year, the Government has once again made the same mistakes in its fourth Plan.

The collective bargaining procedure can contribute to job creation by influencing different aspects such as the relationship between training and skills, training the workforce in the specialised skills needed to perform specific tasks, the influence of geographical location, proper management of supply and demand, and promoting employment for women. All of these issues constitute major challenges that the main trade union organisations have attempted to address in the Collective Bargaining guidelines and recommendations that they have put forward over the past few years. How successful they have been has varied considerably, depending on the industry in question and the economic situation at the time.

2. NEGOTIATED WAGES AND PURCHASING POWER

2.1. Percentage increase in average wages and earnings for 2000 and 2001

For the period up to the beginning of December 2001, a total of 4,058 collective agreements were signed, covering some 8,162,003 workers. The weighted average pay rise negotiated was 3.40%.

Furthermore, 74.83% of these agreements, covering a total of 6,107,412 workers, contained a wage guarantee clause ensuring that pay rises would be amended to reflect the difference between the Government's inflation forecast and the actual end-of-year inflation figure. The average inflation figure stipulated in the agreements for when this clause should kick in was 2.47%.

1,617 new agreements were signed, covering some 2,829,859 workers and providing for an average pay rise of 3.58%. 77.92% of these new agreements, covering a total of 2,204,931 workers, contained a wage guarantee clause, kicking in at an average inflation value of 2.91%.

A further 2,441 existing agreements were reviewed, covering some 5,332,144 workers and providing for an average pay rise of 3.31%. 73.19% of these agreements, covering 3,902,481 workers, contained a wage guarantee clause, with an average kick-in value of 2.18%.

An analysis of the figures in terms of the level at which the agreements were negotiated shows that 1,054 sectoral agreements were signed up until December, covering some 7,326,717 workers. The average pay rise negotiated for the financial year was 3.47%, which is slightly above the

overall average for all agreements. Similarly, the 76.24% of workers covered by a wage guarantee clause is also higher than the overall average, as is the average kick-in value of 2.49%.

3,004 company-level agreements were signed, covering a total of 835,286 workers. The average pay rise over the period was 2.81%, while the rather modest 62.43% of workers covered by a wage guarantee clause is below the overall average for all agreements.

Table 1: Provisional collective bargaining results 2001

Figures to beginning of December

	Company-level	Sectoral	Total
New agreements:			
Number of agreements	1,199	418	1,617
Number of workers	362,143	2,467,716	2,829,859
Average pay rise	2.94	3.68	3.58
Workers with wage guarantee clause	256,020	1,948,911	2,204,931
Percentage	70.70	78.98	77.92
Average kick-in value	2.28	2.98	2.91
Reviewed agreements:			
Number of agreements	1,805	636	2,441
Number of workers	473,143	4,859,001	5,332,144
Average pay rise	2.72	3.36	3.31
Workers with wage guarantee clause	265,478	3,637,003	3,902,481
Percentage	56.11	74.85	73.19
Average kick-in value	2.18	2.18	2.18
All agreements:			
Number of agreements	3,004	1,054	4,058
Number of workers	835,286	7,326,717	8,162,003
Average pay rise	2.81	3.47	3.40
Workers with wage guarantee clause	521,498	5,585,914	6,107,412
Percentage	62.43	76.24	74.83
Average kick-in value	2.25	2.49	2.47

Source: Compiled by UGT's Confederal Trade Union Action Secretariat using figures supplied by the Trade Union Federations and the Ministry of Employment

2.2. Wage growth in real terms

The following table shows the collective bargaining figures for the last four years, covering a broadly similar period up to December. It also includes the Government's original official inflation forecasts (it should be remembered that the Government forecast for 1999 was revised in September of that year). Finally, some conclusions are drawn on the basis of these figures.

Table 2: Collective bargaining 1998-2001

	1998	1999	2000	2001
New agreements:				
Number of agreements	1,861	1,550	1,462	1,617
Number of workers	3,433,367	4,354,983	2,988,074	2,829,859
Average pay rise	2.76	2.51	3.06	3.58
Workers with wage guarantee clause	2,262,858	2,751,021	2,155,255	2,204,931
Percentage	65.91	63.17	72.13	77.92
Average kick-in value	2.16	1.85	2.34	2.91
Wage growth in real terms	1.0	-0.4	-0.9	0.9
Reviewed agreements:				
Number of agreements	1,793	1,691	1,840	2,441
Number of workers	4,004,556	3,589,616	5,194,255	5,332,144
Average pay rise	2.50	2.37	2.79	3.31
Workers with wage guarantee clause	1,904,715	1,986,732	3,698,612	3,902,481
Percentage	47.56	55.35	70.24	73.19
Average kick-in value	2.09	1.96	2.09	2.18
Wage growth in real terms	0.7	-0.5	-1.2	0.6
Sectoral agreements:				
Number of agreements	869	850	846	1,054
Number of workers	6,609,278	6,942,517	7,290,104	7,326,717
Average pay rise	2.67	2.49	2.94	3.47
Workers with wage guarantee clause	3,729,567	4,377,369	5,293,188	5,585,914
Percentage	56.43	63.05	72.61	76.24
Average kick-in value	2.12	1.89	2.19	2.49
Wage growth in real terms	0.9	-0.4	-1.1	0.8

Company-level agreements:				
Number of agreements	2,785	2,391	2,456	3,004
Number of workers	828,645	1,002,082	892,225	835,286
Average pay rise	2.22	2.12	2.46	2.81
Workers with wage guarantee clause	438,006	360,384	510,679	521,498
Percentage	52.86	35.96	57.24	62.43
Average kick-in value	2.17	1.88	2.09	2.25
Wage growth in real terms	0.4	-0.8	-1.5	0.1
All agreements:				
Number of agreements	3,654	3,241	3,302	4,058
Number of workers	7,437,923	7,944,599	8,182,329	8,162,003
Average pay rise	2.62	2.44	2.89	3.40
Workers with wage guarantee clause	4,167,573	4,737,753	5,803,867	6,107,412
Percentage	56.03	59.63	70.93	74.83
Average kick-in value	2.13	1.89	2.19	2.47
Inflation forecast	2.1	1.8	2.0	2.0
Actual year-on-year inflation	1.8	2.9	4.0	2.7
Increase in purchasing power on the basis of initially negotiated pay rise	0.8	-0.5	-1.1	0.7

Source: Compiled by UGT's Confederal Trade Union Action Secretariat using figures supplied by the Trade Union Federations.

- ▶ The number of agreements rose in 2001, as did the number of existing agreements that were reviewed and the number of company-level agreements signed.

The year with the highest number of new agreements was 1998, and this year also had the second highest overall number of agreements.

- ▶ The number of workers covered by collective agreements in the past two years was broadly similar and was higher than in the previous two years. The figures for the past two years are also similar as regards the number of workers covered by new and reviewed agreements. The number of workers covered by new agreements in 1999 is particularly striking, since

it is almost a million higher than the figure for 1998, which is the second highest figure for the four years in question.

- ▶ The percentage of workers with wage guarantee clauses has risen substantially across all trade union federations. The best figure is for new agreements in 2001, where nearly 78% of workers were covered by these clauses. Furthermore, whilst still only a modest 62.4% in 2001, the figure for company-level agreements is at least on the up again.

The strikingly low percentage recorded for company-level wage guarantee clauses in 1999 coincided with the only year where the total number of workers covered by company-level agreements was over a million.

Finally, it is important to draw attention to the fact that in 2001 it was possible to achieve both an increase in the percentage of workers with a wage guarantee clause and a negotiated pay rise of 1.4% above the forecast rate of inflation.

- ▶ As regards the extent to which the pay rises stipulated in the collective agreements translate into a rise or fall in purchasing power once the year-on-year inflation figure is known, approximately two thirds of the purchasing power lost in 2000 (when purchasing power fell by some 0.1%) was recovered in 2001.

An analysis by type of agreement reveals that new agreements signed in 2001 recovered all of the purchasing power lost in 2000, whereas existing agreements that were reviewed recovered only half.

In overall terms, company-level agreements do worst in this category, since they make the most modest gains when purchasing power rises, whereas in the years where the year-on-year inflation figure is higher than the official forecast, they are the agreements that suffer the greatest drop in purchasing power.

The above comments refer essentially to collective bargaining in the private sector, since public sector workers have seen their purchasing power fall consistently over a number of years.

As far as reviewed agreements are concerned, both the number of agreements and the number of workers they cover have risen as a result of a growing preference among negotiators for agreements of more than one year's duration. Over the last four years, reviewed agreements have not done as well as new agreements in terms of initially negotiated pay rises, the percentage of workers with a wage guarantee clause, and

consequently the real growth in wages before taking into account the effect of the guarantee clauses.

- ▶ This demonstrates that the economic situation in a given year cannot be used as the basis for calculating figures for subsequent years in agreements of several years' duration as in the case of these reviewed agreements. In order to maintain the purchasing power of such agreements and avoid the dangers of over-optimistic forecasts, it is essential that they contain wage guarantee clauses that cover the full difference between the forecast inflation rate and the actual rate.
- ▶ It is worth discussing the average inflation rate at which the agreements stipulate that the wage guarantee clause should kick in, since it can be seen to have risen slightly each year. Whilst in 1999 it was virtually the same as the forecast inflation rate, it was almost half a percentage point higher than the forecast in 2001.

Evidently, this trend can be attributed to the lack of credibility of the Government's inflation forecasts over the past few years, although in practice this gap between the forecast rate of inflation and the average kick-in value negotiated for the wage guarantee clauses is meaning that employers are "let off" part of the negotiated increase in purchasing power.

2.3. Purchasing power

The provisional figures for 2001 show that 74.83% of workers have a wage guarantee clause, with a slightly higher figure for new agreements than for existing agreements that have been reviewed. By using the figures that are currently available, and taking the current year-on-year inflation rate of 2.7% as our basis, it is possible to predict the average negotiated pay rise once the effect of the wage guarantee clause has been taken into account.

We have also used a selection of texts that analyse the kick-in value for the clauses in order to help us determine, in the case of agreements with wage guarantee clauses, the type of clause, its kick-in value, and the negotiated pay rise.

Consequently, it is possible to distinguish between the pay rises stipulated in the agreements on the basis of the kick-in value of the guarantee clause. This has enabled the following table to be drawn up, showing the number of workers with a wage guarantee clause and the average initially negotiated pay rise for 2001.

Table 3: Kick-in point of guarantee clause - Collective Bargaining 2001
All agreements: Effect on negotiated pay rise

Type of clause	Total number of workers with guarantee clause	Weighted average pay rise	Percentage added to initially negotiated pay rise ⁽¹⁾	Pay rise resulting from application of clause starting 1/1/2001
Kicks in at forecast inflation rate	2,938,320	2.75	0.7	3.45
Kicks in at forecast rate + 0.5	366,445	2.95	0.2	3.15
Kicks in at forecast rate + 0.8	1,007,007	3.75	--	3.75
Only paid as an additional increase in 2002	1,795,640	3.65	-- ⁽²⁾	3.65
<i>TOTAL with clause</i>	<i>6,107,412</i>	<i>3.19</i>	<i>0.35</i>	<i>3.54</i>
<i>TOTAL without clause</i>	<i>2,054,591</i>	<i>4.01</i>	<i>--</i>	<i>4.02</i>
<i>TOTAL</i>	<i>8,162,003</i>	<i>3.40</i>	<i>0.26</i>	<i>3.66</i>

⁽¹⁾December inflation rate 2.7%

⁽²⁾These workers, who number 1,795,640, or 22% of the total, will on average receive an additional non-retroactive pay rise in 2002 (over and above the standard pay rise negotiated for that year) of 0.40%.

Source: Compiled by UGT's Confederal Trade Union Action Secretariat using figures supplied by the Trade Union Federations

Taking into account the effect of the wage guarantee clause based on the 2.7% inflation figure for December, the average pay rise for all workers covered by agreements up to the beginning of December 2001 was 3.66%.

As far as the year 2000 is concerned, our study (in which the clauses were also sampled for quality) shows the following pay rises for all agreements signed up to the middle of 2001 that relate to the year 2000, once the effects of the wage guarantee clauses have been taken into account: 2,626,213 workers, or 30% of the total, have a retroactive guarantee clause which means

that it takes effect from the day that the collective agreement is signed. On the basis of an average pay increase of 2.92%, which is the figure for the average negotiated pay rise for all agreements, this would give a final figure of 4.9%, once the effect of the wage guarantee clause has been taken into account.

The remaining workers are covered by guarantee clauses which only partially cover the gap between the forecast and the actual rate of inflation.

On the basis of an initially negotiated pay rise of 2.92%, the following table shows the overall pay rise once the effect of the wage guarantee clause has been taken into account:

Table 4: Kick-in point of guarantee clause - Collective Bargaining 2000
All agreements: Effect on negotiated pay rise

Type of clause	Total number of workers with guarantee clause	Weighted average pay rise	Percentage added to initially negotiated pay rise	Pay rise resulting from application of clause starting 1/1/2000
Kicks in at forecast inflation rate	2,626,213	2.9%	2.0	4.9%
Kicks in at forecast rate + 0.5	438,650		1.5	4.4%
Effect of clause capped at 0.5%	217,998		0.5	3.4%
Kicks in at forecast rate + 0.9	226,717		1.1	4.0%
Only paid as an additional increase in 2001	2,513,846		--*	2.9%*
TOTAL with clause	6,023,424		1.0	3.9%

* These workers, who number 2,513,846, or 28.8% of the total, received an additional non-retroactive pay rise in 2001 (over and above the standard pay rise negotiated for that year) of between 1.5% and 2% as a result of their wage guarantee clauses.

Source: Compiled by UGT's Confederal Trade Union Action Secretariat using figures supplied by the Trade Union Federations

3. WORKING TIME TRENDS

3.1. Average working hours

According to figures compiled by UGT's Confederal Trade Union Action Secretariat, the weighted average annual number of working hours for all agreements signed for 2001 was 1,761 hours.

Table 5: Average negotiated working hours 2001
 Figures to January 2002

	Company-level	Sectoral	Total
New agreements			
Number of agreements	1,314	447	1,761
Number of workers	412,584	2,588,200	3,000,784
Average working hours	1,076	1,766	1,758
Reviewed agreements			
Number of agreements	1,833	648	2,481
Number of workers	485,338	4,941,283	5,426,621
Average working hours	1,711	1,767	1,762
All agreements			
Number of agreements	3,147	1,095	4,242
Number of workers	897,922	7,529,483	8,427,405
Average working hours	1,709	1,767	1,761

Source: Compiled by UGT's Confederal Trade Union Action Secretariat using figures supplied by the Trade Union Federations and the Ministry of Employment

This table shows that sectoral agreements have the highest number of annual working hours, whereas company-level agreements provide for a lower number of hours. The average working week for all agreements comes out at 39.5 hours.

The following table, compiled using Ministry of Employment and Social Affairs figures, shows how working time has been reduced over the past five years. It should be pointed out that the figures are only final figures for the years up to 1999 and that thereafter they are provisional figures up to the beginning of December 2001.

Table 6: Collectively negotiated reduction in working hours

	% Agreements					% Workforce				
	1997	1998	1999	2000	2001	1997	1998	1999	2000*	2001*
Reduction in hours	13.3	17.3	23.1	28.0	28.9	14.0	15.8	30.0	34.2	37.1
No reduction	86.7	82.7	76.9	72.0	71.1	86.0	84.2	70.0	65.8	62.9
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

* Figures to beginning of December 2001. Final figures for years to 1999.

Source: Ministry of Employment and Social Affairs. Figures from Collective Agreements, compiled by UGT's Confederal Trade Union Action Secretariat

This table shows the efforts being made in collective bargaining rounds to reduce the number of working hours stipulated in collective agreements. The following aspects should be highlighted:

The percentage of agreements that reduce working hours has risen in successive years compared to the percentage of agreements that do not reduce them.

As far as the percentage of workers affected by a reduction in working time is concerned, the figures are even more positive, since it has risen at a faster rate, reaching a figure of 37% of all workers covered by collective agreements in the year 2001.

The annual reduction in the total number of working hours is still not high enough. Nevertheless, the trend is for the annual reduction to increase, albeit by an extremely modest amount. Taking into account the fact that it is an annual figure, the reduction does not even amount to two full 8-hour working days.

3.2. The 35-hour week

In the context of collective bargaining, the trade unions identified the reduction of working time as a key issue with a view to moving forward on this aspect of bargaining where no progress had been made for several years. The progress described in this section would have been inconceivable four years ago and demonstrates that it has indeed been possible to move forward on this issue.

UGT's Confederal Trade Union Action Secretariat undertook a study covering collective agreements between 1997 and 2001 in both the private and the public sector, including regional and local government employees. According to this study, by the end of 1997 only 76 collective agreements providing for a reduction to a 35-hour week had been signed in the private sector, whereas 299 were signed between 1998 and 2000. Over the same period, the number of workers covered by such agreements rose from nearly 79,000 to more than 297,000.

This trend in the private sector, where the number of 35-hour week agreements rose from 76 to nearly 300 in 2001 and where the number of workers covered almost quadrupled, confirms that the unions' approach to the issue on the collective bargaining front is on course to achieve a 35-hour week for everyone.

It is important to draw attention to the fact that the best results were achieved in sectoral agreements and in large companies where the trade unions are stronger.

One significant change is that for the first time the number of agreements in the private sector was higher than the number in the public sector, with particularly high figures in the autonomous regions that have introduced measures to promote the reduction of working time.

According to the Ministry of Employment's figures for public sector agreements, in 1997 there were 132 agreements providing for a 35-hour week, covering a total of 88,673 employees. By the year 2000 the number of employees covered had more than doubled, despite a clear Government policy of seeking to prevent civil servants from working a 35-hour week which even led them to go to court to appeal against the 35-hour week agreements that had been reached in certain autonomous regions and municipalities.

The 35-hour week has now been achieved for the majority of employees of the governments of the autonomous regions. Out of a total of 1,025,445, some 691,335 autonomous government employees (including the health workers who recently became employees of the autonomous communities) now benefit from agreements that provide for a 35-hour week, accounting for more than 67% of all employees at this level.

The majority of the agreements negotiated and signed by the autonomous regions and the social partners between 1998 and 2001 promoted stable employment by introducing measures to reduce and reorganise working time, using a number of different mechanisms to support this process.

One much remarked upon phenomenon that should also be mentioned is the fact that in certain parts of the public sector (enterprises, organisations, local government, etc.) an effective working week of less than 35 hours has been implemented in practice without it being explicitly stipulated in the collective agreements, in order to avoid the risk of being taken to court by the central Popular Party government.

The following figures make interesting reading in this respect: up until 1997, 75 35-hour week agreements had been signed covering some 12,635 employees. Between 1998 and 2001, on the other hand, the number of agreements rose to just 90, while the number of employees covered rose to 28,317, allowing us to conclude that the new 35-hour week agreements were signed by the local councils and regional authorities with the largest numbers of employees.

In overall terms, then, the number of collective agreements providing for a reduction in working time to a 35-hour week almost trebled between 1997 and 2001, and the number of workers covered by such agreements rose by 138%. The largest increases, both in terms of the number of agreements and the number of workers covered, occurred in the private sector.

In terms of the way in which this issue has been dealt with during collective bargaining rounds, there can be no doubt that the figures concerning the number of agreements in which a 35-hour week has already been negotiated are positive, although there is still a long way to go. What the statistics show is that it has been possible to put an end to the impasse that had been reached in the context of collective bargaining with regard to the reduction of working time, and that progress has been made towards the introduction of the 35-hour week. This constitutes an endorsement of the approach taken by the trade unions and suggests that they should continue along the same lines in order to achieve their stated aims of a more even distribution of work, the creation of stable jobs, and improving workers' quality of life.

4. EUROPEANISATION OF COLLECTIVE BARGAINING

In today's world, collective bargaining takes place against the backdrop of economic globalisation, a phenomenon which is causing fundamental changes in political and social relationships and indeed industrial relations. The need for global solutions arises from the fact that many of today's problems are a result of the greater economic interdependence of the world's nations, particularly since the creation of a Single European Market where many

companies have become transnational in nature and now have a single business strategy for the whole of the European Union.

One response to this new reality was European Directive 94/45, which led to the signing of a number of voluntary company-level agreements creating transnational bodies for information and consultation.

Initially, the Spanish employers' association CEOE adopted the same attitude as its European counterparts by opposing and seeking to prevent the creation and recognition of transnational structures for worker representation. More recently, however, there have been signs of a change in this attitude, with employers' associations starting to talk of accepting a management model based on greater co-operation, in view of the fact that it has a positive impact on companies' balance sheets. On the one hand, European Works Councils are seen by companies as tools for preventing industrial disputes and achieving a more committed workforce, whilst on the other hand it has become clear that they do not impinge upon companies' business plans.

As far as the Spanish trade unions are concerned, the establishment of European Works Councils is a strategic priority that ranks alongside increasing participation in the organisation of labour and changing the structure and content of collective bargaining. A number of problems are associated with the setting up of EWCs, in particular the differing extents to which consultation procedures already exist in the different countries and different national traditions with regard to whom represents the workers on such bodies, i.e. the company works council or the trade unions. Another problem that has been encountered when trying to increase the powers enjoyed by European Works Councils is that the majority of the countries in which multinational companies have their headquarters already have consultation systems which are more advanced than the one provided for by the Directive, and in many of these countries the national trade unions play a very important role in these structures.

One of the most interesting aspects in the Spanish context is the agreement in the metalworking industry between the two main trade unions, UGT and CC.OO. This agreement defines the criteria for electing trade union representatives for European Works Councils, with a view to preventing practices such as management handpicking representatives who are sympathetic to the company's viewpoint, or attempts to negate trade union pluralism by choosing representatives who share a similar ideology.

The Spanish transposition of the Directive respects the role of the trade unions by establishing that EWCs may only negotiate at a transnational level insofar as they do not contravene the content of national collective agreements. In other words, it should be clearly established that any agreements reached at European level which involve changes to the working conditions or remuneration laid down in a company's collective agreement will only be valid for that company's employees once they have been ratified by the various national employee representation bodies.

The main criticism that the Spanish trade unions have levelled at the Directive is that it provides no direct mechanism for the participation of the trade unions in European Works Councils. The Spanish unions believe that in order for EWCs to function successfully it is essential that their members should be trade unionists.

5. INTRODUCTION OF FLEXIBLE WORKING CONDITIONS AND DECENTRALISATION OF COLLECTIVE BARGAINING

Throughout the year 2000, the Spanish trade unions were involved in a range of bilateral negotiations with employers and tripartite negotiations with employers and the Government, concerning a number of issues such as the quality of employment and job security, vocational training for employees, social welfare, and equal opportunities. Most of these negotiations were conducted in the context of the European employment strategy, and they form part of the issues dealt with by the social partners during the negotiation of collective agreements.

Stability in employment continues to be a strategic objective, the aim being to achieve as broad a consensus as possible in order to enable the extremely high current level of temporary contracts to be reduced. Stability in employment is thus a recurring theme in the actions undertaken by the social partners at every level: in the centralised negotiations at State level, in the regional negotiations in the autonomous communities, and in the sectoral collective bargaining undertaken at State, provincial or company level.

The Interconfederal Agreement for Stability in Employment (AIEE) which was signed by trade unions and employers in 1997 (and which remained in force until March 2001) has contributed to the creation of permanent jobs (nearly one and a half million new permanent jobs have been created), has led to a 4% reduction in the number of temporary contracts in the private sector,

and has promoted the conversion of temporary contracts into permanent ones (over a million).¹

The Agreement on Stable Part-time Contracts was signed with the Government in 1998 and unilaterally rescinded by the Government when it passed Royal Decree 572001. This agreement achieved a 12.7% increase in permanent part-time jobs and a 2.6% reduction in the number of temporary contracts.

Furthermore, the trade unions have signed agreements with employers and regional governments in seventeen autonomous regions introducing measures to promote job creation and improve job quality (reduction of labour costs by offering financial incentives to companies creating stable jobs; investment in vocational training; promotion of jobs in the non-profit making sector; support for the reduction and reorganisation of working time; support for employment initiatives for the most disadvantaged groups, etc.).

Employment, job creation, maintaining existing jobs and job stability (i.e. converting temporary jobs into permanent ones) have formed part of the collective bargaining process and the collective agreements signed at every level, from sectoral to national and company level. In the year 2000, 1,741 collective agreements covering nearly five million workers contained clauses relating to employment.

Also in 2000, and once again in the context of the European Employment Strategy, employers and trade unions signed the Third In-Service Training Agreement for employees. This agreement preserves the system's basic principles such as promoting the ongoing training of employees, prioritising disadvantaged groups, the participation of the social partners, and implementation of the agreement across the entire country.

Towards the end of last year, at a time of growing economic uncertainty when the first signs of a downturn were beginning to appear, the main trade unions and employers' associations initiated negotiations with the aim of giving a joint signal of confidence that would help to extend the cycle of economic growth, boosting employment and creating better quality jobs as well as promoting equal opportunities. These negotiations led to the signing of an agreement with regard to general criteria, guidelines and recommendations for collective bargaining in 2002.

¹ Source EPA 2nd quarter of 2000-

The agreement introduces a wage co-ordination procedure according to which the main basis for determining pay rises will be the 2% inflation forecast together with productivity gains (in accordance with the criteria established by the European collective bargaining co-ordination group). In addition, the inclusion of wage guarantee clauses in all agreements is recommended. As far as employers were concerned this point was one of the main obstacles to reaching an agreement, although currently 75% of workers are already covered by such clauses.

At the same time, the agreement recognises that all companies are different and they cannot all be treated in exactly the same way. Consequently, it recommends that negotiators should take specific circumstances into account when determining the wage terms for each collective agreement.

The agreement is especially positive with regard to employment, since it endorses the principle that collective agreements have a central role in achieving the aim of greater stability and a better balance between security and flexibility. As far as stability is concerned, the agreement highlights the need to protect existing jobs and create new ones, as well as stressing the importance of achieving stability by converting temporary contracts into permanent ones. It also emphasises the need to find a balance between security and flexibility in order to protect jobs and avoid traumatic downsizing by adapting the structure of the workforce in accordance with the criteria laid down in the 1997 Agreements. Management of working time, the number of hours worked and the way they are distributed are all identified as key contributors to boosting employment and meeting the needs of employers and employees alike.

The importance of employers and employees sharing information is also stressed, so that they can prepare for change in advance. Consequently, the agreement provides for the creation of nationwide sectoral monitoring centres which will carry out regular analyses of the economic outlook and employment trends. Another aim of the agreement is to promote training for employees in order to ensure their employability and further their career development, as well as to boost companies' competitiveness.

One crucial section of the agreement (crucial, because it is the first time that a reference to this issue has appeared in an agreement of this type) emphasises the aim of promoting equal opportunities in order to put an end to sexual discrimination at work. The agreement establishes a number of criteria for eradicating the discrimination that currently exists and recommends a series of measures to prevent discriminatory practices, particularly with regard to

wages, from being incorporated into collective agreements. As far as health and safety in the workplace is concerned, it is recommended that collective agreements should couch the duty of companies to ensure proper monitoring of employees' health in terms of risks that have been identified and not removed. One further recommendation is the creation of joint safety committees that would work to prevent risks and provide employees with training on health and safety issues.

Overall, then, this is a positive agreement which contributes to improving the employment situation by promoting stability with regard to costs (insofar as it encourages wage restraint). The social dialogue between the social partners has enabled them to reach agreement on a number of criteria relating to stability in employment and equal opportunities which have served to create a climate in which the trade unions are more involved and better informed. Consequently, it can be expected that an atmosphere of trust and calm will prevail during the 2002 collective bargaining round.

6. GENDER ISSUES IN THE CONTEXT OF COLLECTIVE BARGAINING

In view of the fact that the problems associated with employment and unemployment affect women particularly seriously, a number of measures seeking to promote equal opportunities are being developed in Spain, most notably Act 39/1999 regarding Work-Life Balance. Prior to this Act being passed after being debated by Parliament, there was a period during which the social partners were consulted. CC.OO. and UGT made a series of proposals during this consultation period, but these were only partially incorporated into the Act. The Act omits a number of elements relating to motherhood, protection against health risks and parental leave that are considered by the trade unions to be essential for the correct transposition of EU Directives and for encouraging men to make use of their existing rights in order to achieve an appropriate work-life balance.

Consequently, whilst recognising the significant advances made in comparison with the previous legislation, both major trade unions are very critical of the fact that an opportunity has been missed to take more effective steps towards achieving the aims set out in the Act's Preamble: the promotion of work-life balance, the sharing of family responsibilities, and protection against unfair and discriminatory decisions on behalf of employers which prevent people from meeting their family commitments.

Some of the rights established by the Act (time off and leave, reduction in working hours, the right to return to one's job after having a child, adoption, or protection against risks during pregnancy) are usually covered in the contractual regulations of collective agreements. Consequently, the trade unions' collective bargaining guidelines recommend that the texts of collective agreements should be adapted to the new legislation so that employees' recognised rights are reflected as far as possible through the inclusion of a number of proposed improvements.

The collective bargaining round in 2000 saw the first moves to adapt collective agreements to the Work-Life Balance Act, but the fact that there are still many agreements that have not been adapted constitutes a serious impediment to people's ability to exercise their employment rights fully, in spite of the fact that the Act sets minimum standards. One of the most important principles established by the Act is that rights relating to work-life balance are individual rights which may be used by both male and female employees, with the exception of maternity leave, which remains a right of working mothers although they can decide to transfer this right to the father, and the right to time off for (breast)feeding which can only be transferred to the father if the mother is working.

The wording of many collective agreements, however, still only allows time off for female workers in these cases. Such agreements not only fail to comply with the law but also go against the aims of the trade unions. Consequently, it should be ensured that collective bargaining plays an active role in enabling people to make full use of their rights and, in particular, in helping to put an end to all forms of sexual discrimination at work.

7. OUTLOOK FOR 2002

The key influences on collective bargaining in 2002 will be the introduction of the euro, the global economic downturn as a backdrop to continued, albeit slower, economic growth in Spain, and the 2002 Interconfederal Agreement on Collective Bargaining (IACB).

The 2002 IACB is a mandatory agreement, which means that it must be applied to collective bargaining at sectoral and company level. Its criteria, guidelines and recommendations set very clear targets which relate specifically to this year. The aim is not only to benefit workers, businesses and the whole of Spanish society but also to promote security by proposing alternative measures that will enable the social and economic challenges faced by the country this year to be met successfully.

As far as wages policy is concerned, it establishes a system that has been jointly agreed by employers and employees which is based on three key elements: the Government's inflation forecast, productivity, and a wage guarantee clause that guarantees the purchasing power of negotiated wages in the event of inflation being higher than forecast. It also covers other wage-related issues such as general guidelines with regard to performance-related pay.

The other 2002 IACB criteria for collective bargaining in 2002 can be summarised as follows:

- To protect existing jobs and create new ones, to promote stability in employment, and to attempt to avoid traumatic downsizing by achieving a balance between flexibility and security.

Stable employment is a core business asset and is essential in order to ensure companies' competitiveness and employee security.

Companies' permanent needs should be catered for by permanent staff. When a company has temporary needs they should be covered by employees with the appropriate form of temporary contract. In such cases, the collective bargaining process should make full use of the labour law provisions promoting the use of contract types that prevent companies from repeatedly employing the same workers on successive temporary contracts without good reason.

Similarly, the collective bargaining process should apply and develop the legally enshrined principle of equal treatment for part-time and temporary workers, ensuring that they enjoy the same rights as permanent employees.

- To promote training for employees, since this contributes to maintaining and improving employment, supports employees' career development and encourages them to take on new responsibilities.
- To promote equal opportunities and help put an end to sexual discrimination at work, ensuring equal pay for equal work.
- To promote Health and Safety in the Workplace by introducing more effective risk prevention measures.
- The IACB also contains a number of general negotiating guidelines that emphasise the duty to negotiate and encourage the use of self-arbitration procedures and consequently the strengthening of joint arbitration committees.

References

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APPENDIX CONTRIBUTED BY UGT

Reform of the pensions system. Summary of main issues, proposals and results.

The Agreement for the Improvement and Development of the Social Welfare System, which arose from the Pact of Toledo Recommendations and the Social Pact of October 1996, was signed by the Government, CC.OO., CEOE and CEPYME on 9 April 2001. UGT did not sign the agreement because it felt that it did not reflect the aims that both major trade union confederations had sought to achieve from the outset and during the negotiation of the agreement.

The key points of the agreement are as follows:

SEPARATION OF SOURCES OF FUNDING FOR THE SOCIAL WELFARE SYSTEM. Given the non-contributory nature of benefits supplementing the minimum pension, their source will be clearly established and the corresponding amendments will be made to the relevant Social Security legislation. Furthermore, the Budget Act will set progressively higher State contributions until these supplementary benefits are fully funded by State contributions within a period of not more than 12 years.

USE OF SURPLUS FUNDS. The signatories to this agreement consider that a positive contribution to consolidating the Social Security System could be made if the Government, in consultation with the social partners and in accordance with what is feasible in the light of the current and forecast economic situation, were to allocate to the Reserve Fund, and on a priority basis, any surplus funds arising from the budget in terms of national insurance contributions.

In any event, and in accordance with the Pact of Toledo Recommendations, the Government shall allocate any surplus funds in such a way as to achieve a balance between increasing benefits and reducing national insurance contributions.

RESERVE FUND. In view of the importance that the creation of the Reserve Fund has had for the Social Security System, the signatories to this agreement have set the size of the Fund at the amount equivalent to the total regular benefit payments made by the Paymaster General of the Social Security System in a standard month.

FLEXIBLE RETIREMENT. 65 remains the general minimum age for access to a State pension. In order to encourage people to continue working beyond

this age, the Government undertakes to make the necessary legislative amendments to enable the following measures to be implemented:

- The amendment of the regulations governing partial retirement to allow people to receive a retirement pension while they are still working, effective from the moment that they can start to draw a State pension.
- Exemption from paying national insurance contributions for common contingencies for workers aged 65 and above, according to the terms stipulated in the Agreement, allowing access to permanent disability pensions even for workers over the age of 65; the amendment of certain aspects of the current regulations governing unemployment benefit for people over the age of 52 and the way in which retirement pensions are calculated, so that the basis for contributions from the age of 65 onwards cannot be higher than a calculation based on the rate of inflation.

The conditions for taking early retirement will be amended as follows:

- The current regulations governing access to retirement from the age of 60 onwards will continue to apply, in accordance with the application of the transitional rights. Furthermore, workers aged 61 and over who started paying national insurance contributions after 1 January 1967 will also be able to take early retirement, as long as they meet a number of conditions including being able to demonstrate that they have paid contributions for a minimum period equivalent to 30 years excluding the contributions relating to the twice-yearly extra month's salary paid as a bonus to workers in Spain.

CONTRIBUTORY NATURE AND FAIRNESS OF THE SYSTEM. The signatories to this Agreement undertake that in 2003, upon conclusion of the transition period for extending to 15 years the number of years that national insurance contributions must have been paid when calculating the basis for benefit entitlement, they will take whatever measures necessary to ensure that the most suitable calculation system for benefit entitlement is introduced.

IMPROVING BENEFITS. The following are considered to be in need of special attention because of the seriousness of the situations to which they relate or the particularly low level of the pension: widow's pensions, orphan's pensions and all minimum pensions in general.

The Agreement will remain in force until 2004. In its introduction it states that, in line with the Pact of Toledo Recommendations, it aims to achieve progress in terms of the convergence of the Special Regimes, the introduction of measures to combat benefit fraud, and in terms of increasing the extent to which people meet their obligations towards the Social Security system. It

also identifies the need to make progress with regard to complementary welfare provision. Finally, the Agreement addresses the organisational structure of the Social Security System by promising within the space of one year to present a Bill to Parliament concerning the creation of a Social Security Agency.

As indicated at the beginning of this appendix, UGT decided not to sign the Agreement because it believed that it failed to reflect some of the key aspects of the trade union agenda with regard to the areas most urgently in need of social welfare provision, as well as failing to ensure the future viability of the State pensions system. More specifically, there was concern about the measures relating to the separation of sources of funding, early retirement, and the changes to the calculation basis for benefit entitlement.

UGT feels that the 12-year period established for completing the separation of sources of funding threatens the stability of the system, and believes that the maximum acceptable period should have been six years. As regards early retirement from the age of 60 for people who only started paying national insurance contributions after 1967, it may only be taken by unemployed workers over the age of 61 who were made redundant for reasons unconnected with their own actions. What this means is that whether or not these people can take early retirement is left in the hands of their employers. Moreover, the Agreement fails to resolve the serious problem of workers over the age of 52 who are made redundant and are subsequently unable to find a new job. Finally, UGT rejects the commitment implicit in the Agreement to increase the number of years that national insurance contributions must have been paid when calculating the basis for benefit entitlement from 2003 onwards, since this will mean a reduction in the size of people's pensions in the future.

Translation from Spanish by Joaquin Blasco

Reference

“Report on the Social Security measures introduced as a result of the Pensions Agreement of 9 April 2001”. UGT Trade Union Confederation. January 2002.

Switzerland

Ewald Ackermann, SGB/USS, Bern

1. GENERAL BACKGROUND INFORMATION

1.1. The economic situation

The first part of 2001 saw a rise in employment. During the 4th quarter of 2000, employment figures had stood at 3,933,000, whereas this figure reached a high of 3,996,000 in the 3rd quarter of 2001, though it fell back to 3,962,000 in the 4th quarter¹.

The number of people registered as unemployed fell slightly in 2001 compared with the previous year.

Table 1: Development of registered unemployment²

Period	Number unemployed in 1,000	Percentage
2000 average	72	2.0 %
2001 average	67	1.9 %

At the same time, the number of people registered as looking for work³ fell from 124,000 (in 2000) to 109,000 (in 2001). However, these annual averages represent an over-optimistic view of the employment market, due to the fact that the economy started cooling off in the autumn of 2001. As a result, by December 2001 the number of people unemployed was back up to 86,000 while the number of people looking for work had risen to 130,000.

¹ Federal Office of Statistics (BFS): employment statistics [= quarterly reports of the BFS]

² Source of these and subsequent figures in Section 1.1: seco press releases.

³ The term 'people registered as looking for work' refers to all those people either in or out of work who are registered at an employment office and are looking for work.

1.2. The political situation

Referendums in 2001

In the Swiss system of direct democracy, it can be said that an amendment to the constitution can be called for by means of a petition for a referendum (requiring 100,000 signatures) and a law passed by the two houses of parliament can be annulled by means of a referendum (requiring 50,000 signatures). As a rule between 10 and 20 issues are decided every year in four polling weekends. In the year 2001 decisions had to be made on the following issues of importance for the trade unions.

Taxation of private capital gains

The SGB's petition for a referendum entitled 'Taxation of Capital Gains' called for capital gains to be taxed at a minimum rate of 20%. At the time the petition was drawn up and submitted, the stock market was enjoying a boom. However, by the time the referendum came to be held in December 2001, share prices had fallen, often to a spectacular degree, and support for the petition waned. The motion was rejected by a margin of 3 to 7.

Reduction in working time: the 36-hour week

In early 2002, the SGB lost a petition for a referendum calling for a reduction in working time by a similarly convincing margin of 1 to 4. This petition provided for the introduction of annual working time based on the principle of the 36-hour week. The SGB was unable to convince the public that the petition would lead to a reduction in stress levels in the workplace and in overtime working, as well as a fairer distribution of jobs between the sexes. The failure of both these petitions underlined the fact that the unions are faced with obvious resource problems when forced to run a number of referendum campaigns at the same time as holding negotiations with employers.

The launch of new petitions for referendums

In the public service sector, a petition for a referendum was submitted attacking the new law opening up the state-run electricity industry to the free market. The unions are worried about the effect this could have on the guarantee of supply and on price stability. The referendum will take place in September 2002.

A new petition for a referendum on postal services was successful in gaining the required number of signatures. This was aimed at obliging the government to reward the postal service for its public-service role (serving peripheral

regions and providing equal access to postal services for all), thereby preventing the planned closure of post offices.

Continuing issues at political level

Old-age and survivors' pension scheme (AHV)

In relation to the state old-age pension scheme (AHV), the most important component of the social security system, the trade unions are constantly forced on to the defensive. In 2001 the 11th review of the AHV was undertaken by parliament. The *Bundesrat* and the conservative parties are calling for the retirement age to be fixed at 65 for both men and women (at present men retire at 65 and women at 64). The SGB is particularly opposed to the flexibility provision, which it regards as socially inappropriate, and the scrapping of widows' pensions. Although the flexible scheme allows early retirement to be taken from the age of 62, it has already been pointed out that this hits those on the lowest incomes excessively hard. Meanwhile, thanks to various forms of mobilisation including a demonstration on the square outside the Swiss parliament, widows' pensions appear for the most part to have been saved. However, satisfactory progress on the issue of early retirement has yet to be made. Discussion of the bill is likely to be completed in 2002, but if improvements are not made to it, the unions will probably contest it by means of a referendum.

Maternity insurance

Statutory maternity insurance was laid down in the Swiss constitution over 50 years ago. In 1999, a bill on such provisions was rejected by the public despite the desperate efforts of the SGB. This bill would have provided for maternity leave of 14 weeks on 80% of normal income as well as basic income-related benefit for all mothers. Thanks, again, to the efforts of the SGB, a new bill is at present being drawn up at parliamentary level that drops the basic benefit provision. As this bill is also enjoying public support at present, it seems that it will finally be possible to keep the promise laid down in the constitution.

Unemployment benefit

The two main points in the parliamentary review of the unemployment benefit law completed in March 2002 provide for a reduction in payment of the daily allowance from 520 to 400 days (except in the case of the over-55s), as well as abolition of the payment of contributions on the section of income between 107,000 and 267,000 Swiss francs. At the end of March the SGB

took the decision to launch a referendum campaign to oppose this socially unacceptable review.

Taxation and financial policy

In 2001, the Swiss parliament launched a review of taxation policy. A new approach to family taxation is intended in particular to reduce the amount of tax paid by well-off couples and reduce the tax burden on homeowners. The SGB is opposing this package of reforms, and it is not clear at the moment whether it will ever come into force. For the government – which invested billions on an unprecedented scale in setting up a new airline following the collapse of Swissair in 2001 - the review would bring a substantial loss of revenue, and it is therefore opposed by the finance minister as well as a number of MPs.

Legislation to protect employees

An increase in job losses and in particular the Swissair scandal have revealed the inadequacies of the protection enjoyed by employees in Switzerland. In particular, there is no statutory obligation for employers to draw up compensation schemes for the victims of mass redundancies. The SGB is therefore putting together a package of demands aimed at achieving

- improved dismissal protection,
- a statutory obligation for employers to draw up redundancy compensation schemes
- improved protection of rights of personality at the workplace. Concrete demands are expected by autumn 2002.

Other issues

The 'No wages under 3000 francs' campaign

In the wake of a decision at its 1998 congress, the SGB launched a campaign against low pay in the second half of 1999, aimed at outlawing monthly wages of under 3,000 francs. The SGB has compiled numerous studies on this question, including an expert's report⁴ that received widespread attention. The public has been sensitised to this issue thanks to the efforts of the SGB: wages under 3,000 francs are now generally considered to be scandalously low, and the campaign to outlaw them is accepted as legitimate. See section 2.1 for successes achieved in 2001 in connection with this issue.

⁴ Expert's report on minimum wages, May 2000. [=SGB Dossier 6]

1.3. Trade union collective bargaining priorities

The SGB unions' collective bargaining priorities for 2001/2002 concerned early retirement, holidays and working time reductions. Of the many new agreements signed, three stand out in particular in terms of the number of people who will benefit from them:

- the LMV collective agreement for construction workers, which introduced early retirement from the age of 60 (see below)
- the postal workers' agreement, which achieved an increase in holidays (see 3.2)
- the agreement for workers in the watch and clockmaking industry, which introduced various improvements including - for the first time - 3 days' paid training leave, minimum wages and a reduction of one year in the age of early retirement.

2. PAY NEGOTIATIONS AND PURCHASING POWER

2.1. Pay agreements 2001/02

As in the previous year, the SGB unions entered into pay negotiations in 2001 with considerable confidence. As in 2000, they focused on four demands: automatic index-linking of wages, increases in real wages of between 2% and 3% (altogether around 5%) depending on the sector/plant, an emphasis on collective rather than individual pay increases, and the establishment of a monthly minimum wage of 3,000 Swiss francs.

General comments

Automatic index linking of wages presented very few problems, largely due to the fact that inflation was low (between 0.5% and 1% depending on the stage of the negotiations). However, it proved impossible to meet the targets for real wage increases because of the negative impact of the economic slowdown, exacerbated by the events of September 11th 2001. Despite this, several wage settlements over 3% can be reported, including some in sectors with significantly large workforces such as the postal service, the Swiss Federal Railways (SBB), and Swisscom, as well as at Migros and Coop. The unions involved in reaching these settlements did not have an easy ride, however. Tenacity and mobilisation of forces was called for. In the case of the nurses, formal legal action proved effective, resulting in pay increases of up to 10% in some cantons.

Table 2: Wage agreements concluded in 2001/02

Sectors (trade unions)	Company or Sectoral agreement	Results
Main construction industry (GBI)	S	80 francs per month across-the-board increase, 20 francs individually
Construction-related trades GBI)	S	From 1% to 4% depending on trade
Chemical industry (GBI)	C	Around 2% to 3.5%
Engineering (SMUV)	C	Between 0% and 3%. Provisional result.
Watch & clock-making(SMUV)	S	1.1 %
Metalworking (SMUV)	S	Between 0.5% and 1% depending on trade, significant increase in minimum wage to 3,000/month
Federal employees (FöV)		2.3 %
Post (communication)		3.5 % (about half of this as an across-the-board increase)
Federal railways SBB (SEV)	C	3.6% % (about half of this as an across-the-board increase)
Canton employees (VPOD)		Between 0.3% and 3 % depending on canton
Coop (VHTL)		3 % overall. For wages up to 4,000: across-the-board increase of 100; for wages over 4,000: individual increases
Migros (VHTL)		3.25 % (1.75 % as an across-the-board increase)
Printing (comedia)	C	Between 0.5 and 1.5 %
Banks (SBPV)	C	Crédit Suisse: 1.7 % individually UBS: 1.4 % individually
Catering	S	skilled: 4 %; unskilled: 19.5 %

The trend towards increasing individualisation⁵ of pay settlements had been slowed by the 2000/1 negotiations, and it proved largely possible to maintain this situation. This was especially the case with Migros, which for decades had led the way in individual wages policy. For the second time in succession it was possible to negotiate a collective pay increase for a significant proportion of the workforce at this major retailer. This was also the case with Coop, which was in favour of low pay, and partly also with the postal service, the SBB and Swisscom, where it proved possible to increase the flat-rate element in the employers' initial offers. So far, however, it has not proved possible to achieve a similar change of heart at Basler Chemie – despite repeated protests by the workforce at Novartis.

Individual cases in detail

In the case of the *main construction industry*, a new collective agreement had to be negotiated simultaneously, and a difficult struggle ensued. The GBI construction union's original demand was for 250 Swiss francs for all employees as well as early retirement from the age of 60 - which would have cost the employer around 5%. After 9 rounds of negotiations no agreement had been reached and as a result the GBI prepared to go on strike in April 2002. In mid-March, 12,000 construction workers in Bern demonstrated in particular in favour of the early retirement provisions. At the end of March, the employers backed down. Early retirement is to be introduced from 1.1.2003 on a staggered basis, and by 2006 all construction workers who wish to do so will be able to take early retirement at 60 and will receive a pension amounting to 80% of their final gross salary, with an upper annual limit of 64,000 francs. Financing of this scheme (around 5%) will be guaranteed by a parity-based foundation to which the employer will contribute 4% and the employee 1%. This success was welcomed by the Swiss unions as marking a milestone in union history. In return, the GBI exercised restraint in terms of its pay demands, accepting an across-the-board increase of 80 francs per month and also agreeing that any increases in 2003 would be limited to the rate of inflation. The GBI's original demand had been for 250 francs for all construction workers.

⁵ Pay increases are no longer fixed for all employees at the same amount as a percentage or in francs. Instead, they are fixed as a sum that the owner can distribute according to his or her own judgement.

In the case of the *chemical industry*, it proved impossible to prevent individualised wage settlements in spite of two demonstrations at Novartis.

At the *Post Office* and the *Swiss Federal Railways*, protest action by employees and the unions during the course of the negotiations helped to gain settlements that were significantly higher than the initial modest offers made by the employers.

Significant successes were again achieved in the *fight against low pay*. Remaining net wages of less than 3,000 francs were abolished in the metalworking industry. The VHTL union, representing employees in commerce, transport and the food industry, was able to establish a net minimum wage of 3,000 francs not only at major retailers Migros and Coop, but also in several companies in the food industry. In addition, negotiations with other companies (Globus, cigar industry) resulted in similar minimum wage levels being achieved. This was also the case in the book and tourism sectors. The increase in the minimum wage from 2,510 to 3,000 Swiss francs in the tourist industry represents a rise of 19.5%. Exceptions of 10% are allowed in mountain regions and, during the first six months of employment, in the case of employees without previous experience or training. A further significant increase in the minimum wage from 2,640 to 3,000 francs was also gained in the case of agricultural workers in the canton of Geneva, where the GBI was involved in negotiations. Thus the campaign against low pay conceived in 1998 and launched in the autumn of 1999 was successfully continued – though not concluded.

2.2. Purchasing power in 2001

Thanks to sensible economic policies, the economic situation improved quickly from 1997. The job market settled down and there was a significant fall in unemployment. In spite of this, it was not until the end of 2000 that the economic upturn came to be reflected in wage increases (see Table 3). Only in 2001 did wage settlements exceed the annual inflation rate (at the time of conclusion).

The following table⁵ provides an overview of the development in purchasing power over the last few years:

⁵ Source: Serge Gaillard: Mehr Lohn für „Normalverdienende“ – tiefere Managerlöhne. Text of an SGB press conference held on 15.8.2001.

Table 3: Nominal wages, inflation at time of conclusion of agreements, real pay components

Percentage change on previous year	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001 ⁵
Nominal wage ¹	4.7	2.6	1.5	1.3	1.3	0.5	0.7	0.3	1.3	2.9
Inflation at time of negotiations ²	5.3	3.4	2.8	0.5	1.9	0.8	0.3	0.0	1.3	1.6
Real pay components ³	-0.6	-0.8	-1.3	0.8	-0.6	-0.3	0.4	0.3	0.0	1.3
Additional social security contributions ⁴	0.0	0.8	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Development of purchasing power	-0.6	-1.6	-1.3	0.3	-0.6	-0.3	0.4	0.3	0.0	1.3

¹ BfS, based on accident insurance statistics

² Average inflation since October/November of previous year (at time of negotiations)

³ Difference between increase in nominal wage and compensation for inflation at time of pay bargaining in previous year

⁴ Not including sickness insurance premiums

⁵ Estimate based on overall collective pay settlements, BfS

2.3. Wage policy

Wage negotiations, which usually take place on an annual basis, frequently incorporate flexible, performance-related elements enabling companies to distribute wage increases or inflationary adjustments partly or wholly on an individual basis. The trade unions are keen to halt this trend towards individualisation.

There is a discernible trend towards across-the-board pay settlements in business and commerce and flexible agreements - or a mixture of both - in manufacturing industry and major service companies. The same applies to the balance between company and sectoral wage agreements: in business and commerce, sectoral agreements predominate, whereas in manufacturing industry and the major service sectors, company settlements are commoner.

In the 2000/01 bargaining round the trade unions had succeeded in slowing the trend towards flexible wages and putting greater emphasis on across-the-board settlements. In particular in the case of wholesale distributor Migros, where for decades it had been possible to achieve only individual pay rises, there was a return to this principle in the form of a general increase of 100 francs. At the same time the trade unions succeeded in significantly reducing performance-related pay elements in the telecommunications sector and the federal railways (SBB). These successes were sustained but not improved on in the 2001/02

bargaining round. In particular in the chemical industry the unions failed to achieve another general pay rise despite mobilising the workforce.

3. WORKING TIME

3.1. Weekly working time

The average collectively agreed weekly working time is 41 hours. Reductions of between half an hour and one hour per week were achieved in some minor collective agreements. The SMUV was keen to achieve a 36-hour week for the watch and clockmaking sector, but failed to do so.

3.2. Holidays and paid holiday leave

Status quo

Current legislation prescribes annual holidays of four weeks and five weeks for young people below the age of 20. To this must be added at least 9 public holidays. Collectively agreed arrangements are significantly better than this, generally providing for holiday entitlement that varies according to age. All employees in the building industry are entitled to some 5 weeks, and six weeks have been agreed for persons over 50 years of age. The collective agreement for the chemical industry provides for between 20 and 28 days' holiday, depending on age, and 6 weeks from the age of 60 onwards. A similar model has been agreed for the engineering industry.

Results of negotiations for 2001/02

The following improvements in holiday entitlement were contained in the collective agreements renewed in 2001:

Table 4: Collective agreements renewed in 2001

Sector	Improvement
Post	For the majority of the workforce +1 week more. New: 5 weeks up to age of 49; 5 weeks + 3 days from age of 50 to 59; 6 weeks + 1 day for those over 60
Fitting-out trade, French-speaking Switzerland	+ 2 days. new: 24 days, 29 days from age of 50
Sub-floors	+ 2 days. new: 5 weeks for all; up to age of 20 and over age of 50: 6 weeks
Interior decoration	new 5 weeks for all (minimum 10 years of service)
Unilever-Bestfoods (Knorr)	Age-dependent improvements. New: 20 to 40: 23 days; 40-60: 25 days; over 60: 30 days
Hospitals, Wallis canton	+ 3 days; new: up to age of 40: 5 weeks; over 40: 6 weeks

3.3. Commencement of working life

The apprenticeship crisis between 1994 and 98 eased off to some extent, mainly thanks to the incentive scheme to boost vocational training launched as a result of trade union pressure. However the problems which had accumulated have not yet been satisfactorily resolved. An important factor in this context is the review of the vocational training law that has been launched by parliament. Youth organisations, in particular trade union youth departments, have, with SGB support, launched an apprenticeship campaign calling for measures to guarantee all young people the right to an apprenticeship and demanding that a vocational training levy be imposed on companies that fail to provide such training. However it is unlikely that these two points will be incorporated into any revised law. The poll on this issue is likely to take place in 2003.

3.4. Pensions

Under current law, men are entitled to an AHV pension at the age of 65 and women at 64. The deterioration in the position for women (retirement age to be raised to 65) and the simultaneous introduction of flexible early retirement from the age of 62, but with significant loss of pension (see 1.1) is likely to give rise to considerable controversy.

A main focus during the 2001/02 bargaining round was on the demand for the introduction of early retirement provisions. This was successful in the case of the main construction industry, where the age of retirement is to be gradually reduced to 60 between 1.1.2003 and 1.1.2006. Early retirement is voluntary and the pension payable will be 80% of the final gross wage, to a maximum of 64,080 francs per year. AHV contributions and occupational insurance will be paid until the statutory retirement age of 65 is reached. This system will be financed via a parity-based foundation that is to be set up. The cost will amount to 5% of the total wage, with the employer paying 4% and the employee 1%. As this collective agreement is likely, as usual, to be declared to have general validity, it will affect the entire construction sector - i.e. non-unionised firms and employees as well. Realisation of this demand by the GBI without doubt represents the most significant trade union success in recent times.

The issue of early retirement was also raised during negotiations in watch and clockmaking sector. The result was introduction of an early retirement option one year prior to the statutory age for an AHV pension (at present 65 for men, 64 for women). Once again, early retirement is optional. Those invoking this

right are entitled to a bridging payment of 18,000 francs per year from their employer. Early retirement entitlement is restricted to employees with at least ten years' service in the sector.

4. EUROPEAN NEGOTIATIONS, EUROPEAN WORKS COUNCILS (EWC)

About 60 Swiss companies come under the EU Directive on the establishment of European Works Councils. By the end of 2001, some 40 of these had concluded the requisite agreements. The SGB organises a meeting of EWCs every year to provide an opportunity for networking and an exchange of experience.

5. FLEXIBLE ORGANISATION OF WORKING CONDITIONS AND DECENTRALISATION OF COLLECTIVE AGREEMENTS

A clear majority of trade unions is nowadays in favour of collectively controlled flexible models provided they have been collectively agreed, offer employees a genuine right of participation in decision-making processes, take the family, social and cultural needs of employees into account and guarantee the maintenance of wage levels.⁶

During the course of 2001 there was no significant change in the field of irregular working time. So far the GBI has successfully defended itself against an attack on existing bonuses for work carried out between 20.00 and 23.00.

6. EQUALITY AND GENDER ISSUES

Success in a number of pay grievance cases meant that the VPOD was able to achieve a reclassification of typical female occupations in some cantons, thereby improving levels of pay. This was particularly true in the case of care workers, who staged a national strike and day of protest on 14.11.2001. The impact of this mobilisation, combined with high demand for care workers on the job market, resulted in wage increases and other improvements in working conditions that were of spectacular proportions in certain cantons.

⁶ Christine Luchsinger: 'Flexible Arbeitszeitformen und die Gewerkschaften', in *Flexible Arbeitszeitmodelle: Verbreitung und Hürden*. [= SGB-Dokumentation 38]

The collective agreement for postal workers established the right to equal pay for equal work and ensures that pay schemes do not result in discrimination. The agreement for auxiliary postal workers also bans discrimination on grounds of gender (and other criteria) and obliges the parties to the agreement to “realise equality”.

Another development worth noting was the extension of the relevant collective agreement to cover part-time workers at wholesale distributors Coop and Migros. This resulted in improvements in holiday entitlement, loyalty bonuses and continued payment of wages in case of illness. The VHTL hailed this extension of the agreement as a “major breakthrough”. This is probably true, even though in practice a number of issues have still to be resolved, especially the trade unions’ assumptions

- a) that for part-time workers overtime begins when the working hours laid down in their contract are exceeded;
- b) that allocation to wage scales should on principle be reviewed for indirect discrimination.

7. OUTLOOK FOR 2002/2003

The most important collective agreements to be re-negotiated in 2002/03 in the sectors covered by the SGB trade unions are as follows:

SMUV: Preparation of a collective agreement for the engineering industry (from mid 03)

VHTL: Coop, chocolate industry

GBI: Textile industry, paper industry

The SGB will continue its campaign against low pay – in particular making use of the new instruments available for establishing minimum wages (measures accompanying bilateral agreements).

Translation from German by Hugh Keith

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Abbreviations

Trade union confederations:

SGB: Schweizerischer Gewerkschaftsbund
(Swiss Trade Union Confederation)

FöV Föderativverband des Personals öffentlicher Verwaltungen und Betriebe
(Federative Association of Government Unit and Public Enterprise
Personnel)

SGB trade unions:

GBI: Gewerkschaft Bau und Industrie (construction and industrial
workers)

SMUV: Gewerkschaft Industrie, Gewerbe, Dienstleistungen (trade, industry
and services)

SEV: Schweiz. Eisenbahn- und Verkehrspersonal-Verband (railways and
transport workers)

VPOD: Verband des Personals öffentlicher Dienste (civil service)

VHTL: Gewerkschaft Verkauf Handel Transport Lebensmittel (wholesale
and retail, commerce, transport and food)

SBPV: Schweizerischer Bankpersonalverband (banks)

Gewerkschaft Kommunikation telecommunications

Comedia - die Mediengewerkschaft media

Unia - die Dienstleistungsgewerkschaft services

Others:

BFS: Bundesamt für Statistik - Federal Statistics Office

seco: Staatssekretariat für Wirtschaft – State Secretariat for the Economy

EBR: Europäische Betriebsräte – European Works Councils

GAV: Gesamtarbeitsvertrag – collective agreement

LMV: Landesmantelvertrag [alternative term for collective agreement in main construction industry]

SBB: Schweizerische Bundesbahnen – Swiss Federal Railways

United Kingdom

Iain Murray, Policy Officer, TUC, London

1. GENERAL BACKGROUND INFORMATION

1.1. Political developments

The General Election of June 2001 saw the Labour Party returned to office with a large majority and trade unions welcomed this. During Labour's first administration union membership had recorded a small increase for the first time in two decades. A number of key pieces of employment legislation had been introduced, including new statutory rights in relation to union recognition and a National Minimum Wage.

Strong employment growth and falling unemployment since the 1997 election had earned the Labour Government a reputation for economic competence and this certainly was a key factor in its second election victory. The election campaign itself was significant because it put the spotlight on public services with the Labour Party clearly committing itself to achieving a marked improvement in the quality of services by the end of its second term in office, if elected.

While trade unions strongly welcomed the pledge to boost spending on key services such as health and education, there were serious concerns about the commitment in the Labour Party's manifesto to involve the private sector more in the planned reform of public services. During the Labour Government's first term, many trade unions had already been critical of measures designed to promote public private partnerships and private investment in public services.

In the months following the election, this issue continued to generate a degree of friction between the Government and trade unions, especially those unions with a large proportion of their members employed in the public sector. A long-awaited speech by the Prime Minister to the TUC's Annual Congress on September 11, in which he was due to elaborate on the Government's plans for public services reform, had to be abandoned because of the terrorist attacks on the World Trade Center.

1.2. Economic and labour market developments

The UK economy expanded in both of the last two years with GDP growth of 3.0% in 2000 and 2.2% in 2001. However, like many other countries, the events of September 11 took their toll on the UK economy and zero growth was recorded for the last quarter of 2001. The Bank of England cut interest rates on seven occasions in 2001 (from 6% in January to 4% by the end of the year).

The relatively robust overall GDP growth of 2.2% in 2001 concealed sharply contrasting outcomes for manufacturing and services. While manufacturing recorded declining output in every quarter of 2001, the service sector continued to expand at a sufficient rate to sustain overall economic growth (with the exception of the last quarter).

Intense debate over the state of the public finances has been fuelled by the election promise to increase investment in public services and recent indications from the Government that there will need to be tax increases in the medium term in order to meet its substantial spending commitments on the National Health Service. However, throughout 2000 and 2001 the public finances remained very robust with a current budget surplus of £21 billion in 1999/00 and £25 billion in 2000/01. The Government anticipates that the budget surplus in 2001/02 will fall back to around £10 billion as the rate of growth in public spending accelerates.

The TUC and trade unions have strongly supported the Government's commitments on increasing public spending through its programme of 3-year Spending Reviews. However, the reality is that much of the increased public spending only started to feed through in 2000 and 2001 and more significant increases are due to take effect in the coming years.

Inflation in the UK remained subdued throughout 2000 and 2001. The respective Harmonised Indices of Consumer Prices (HICP) inflation rates for 2000 and 2001 were 0.8% and 1.2% and these were the lowest achieved by any EU state in both years. The domestic Retail Price Index (RPIX) inflation measure, which is the source of the Bank of England's symmetrical inflation target of 2.5%, remained below target throughout 2000 and 2001 with the exception of one month.

The domestic RPI inflation measure, which is commonly used as the reference point for collective bargaining negotiations, increased between the 2000 and 2001 pay rounds - it stood at 1.8% in December 1999 and 2.9% in

December 2000. However, since then it has declined again and it stood at 0.7% in December 2001.

In line with the growth in the overall economy, the labour market continued to expand in both 2000 and 2001. According to the Labour Force Survey, total employment increased by 230,000 in 2001 and the working age employment rate at the end of the year stood at just under 75%. ILO unemployment did increase slightly in the second half of the year but it was still only 5.2% in the final quarter of 2001 (compared to 5.1% in the first quarter).

However, alternative sectoral employment data published by the Government highlighted the divide between manufacturing and services in labour market terms. According to these data, in the year to September 2001 manufacturing employment declined by 150,000 while total service sector employment increased by 230,000.

In 2001 the Government continued to expand its range of “welfare to work” initiatives. For example, the New Deal programme for older unemployed claimants was expanded and a restructured national employment service (Jobcentre Plus) was being piloted before its nationwide launch in spring 2002.

1.3. Priority demands

Public services This issue of private sector involvement in public services has raised concerns within the trade union movement on two counts. Firstly, on the grounds that recent history reveals that private sector involvement has often led to a decline in the quality of public services, with the most cited case being the detrimental impact of privatisation on the UK rail network.

Secondly, there are concerns that private sector companies involved in these initiatives will tend to downgrade the terms and conditions of employees previously covered by public sector agreements. Involvement in discussions at sectoral level about the terms and conditions of such workers has become an increasingly important part of the TUC’s work over the past year.

In the second half of 2001 threats of disputes in certain key services (e.g. rail transport and benefit offices) and continuing problems with the recruitment and retention of key public sector workers (especially in southern England) fuelled widespread media coverage about unions’ concerns about extending private sector involvement. While the events of September 11 understandably

eclipsed the public services debate, there is little doubt that it will continue to be the main point of contention over the coming year.

Manufacturing & Productivity Government policies to alleviate the problems in manufacturing was a priority demand of trade unions throughout 2000 and 2001, especially those unions with a large number of members employed in the sector. UK manufacturing has been consistently shedding jobs since 1998 and there are now around 400,000 fewer jobs in the sector compared to three years ago. In addition, the sector was particularly hard hit by the downturn in international trade in 2001. The TUC's Budget Submission in 2001 called on the Government to provide an extra £1 billion to develop an active industrial policy to assist manufacturing.

The TUC and the lead employer organisation - the CBI - also published a joint Budget submission for the first time, calling on the Government to introduce a series of measures to improve productivity. This joint submission was based on the initial findings of a programme of work being conducted by the TUC and CBI, at the behest of the Chancellor, to investigate the causes of and solutions to the UK's low productivity problem. The final report of this joint initiative was published in October 2001 and made key recommendations for raising skills levels, spreading best practice, increasing investment and encouraging innovation.

Pensions The Government has continued with its extensive programme of reform to the pensions system. While the TUC and trade unions have supported elements of this programme, they have continued to campaign for annual increases to the basic state pension based on the higher of earnings or prices. This was the uprating policy in the UK until 1980 when the then Conservative Government ended the link to earnings, which led to a rapid decline in the relative value of the basic state pension. In addition, the TUC and trade unions have continued to voice concerns about the expansion of means testing involved in the Government's plans for reforming the pensions system.

The TUC has supported the Government's decision to introduce a new type of flexible low-cost pension (i.e. stakeholder pensions) aimed at workers on moderate earnings who do not have access to an occupational pension and for whom private pensions are largely unsuitable. The TUC has translated its views on stakeholder pension into practical action by developing a TUC Stakeholder Pension Scheme. However, the TUC and trade unions have also continued to promote occupational pension schemes as the best vehicle for most working people to save for a secure income in retirement.

Promoting trade union membership The Employment Relations Act, which came into force in June 2000, fulfilled the Government's pledge before the 1997 election to provide statutory procedures for unions to gain recognition in workplaces where they could show a majority of the relevant workforce wanted this. The latest analysis by the TUC (TUC 2002a) shows that there was a sharp rise in union recognition agreements in 2001 (450 compared to 160 in 2000) and that most of these were achieved under voluntary arrangements rather than by enacting the statutory procedure.

In January 2001 the TUC established a new consultancy called the Partnership Institute, which aims to spread best practice in employee relations by helping organisations to develop productive partnerships between unions and employers on a voluntary basis. While the Government has strongly supported the TUC's 'social partnership' approach to developing employee relations, it has been more lukewarm about the impact of the provisions of the EU Information and Consultation Directive. In contrast, the TUC and trade unions have strongly welcomed developments on this front.

In 2001 the TUC and trade unions also established a Promoting Trade Unionism Task Group with the aim of conducting research and producing recommendations on how the modern trade union movement can position itself to attract new members, with particular reference to using the Internet. The final report of the Task Group was launched at the September 2001 TUC Congress and included a recommendation to set up a new web site aimed particularly at recruiting employees in 'new economy' workplaces.

National Minimum Wage The TUC and trade unions have continued to campaign for regular increases to the NMW and welcomed the latest increase in October 2001, when the adult hourly rate was increased from £3.70 to £4.10 and the youth/development hourly rate was increased from £3.20 to £3.50. However, the TUC stated that it was disappointed that the Government was still rejecting the Low Pay Commission's recommendation that 21 year olds should get the full adult rate. In October 2002, subject to the continuation of favourable economic conditions, the adult rate is to increase to £4.20 and the youth/development rate to £3.60.

1.4. Union membership and collective bargaining coverage

The latest data on union membership from the Labour Force Survey (LFS) shows union density stabilising in the period 1998 to 2000. Union density for all those in employment in this period has stayed at 27% while density among all employees has remained around 29.5%. According to the LFS total union

membership in 2000 was just over 7.3 million, nearly 170,000 more than in 1998. In essence, these figures suggest that union membership growth has mirrored labour market growth in recent years with union density itself remaining at a stable level.

According to the LFS around 7 million employees are union members and this is close to the total number of members belonging to trade unions affiliated to the TUC (over 6.7 million). There is a significant difference in union density among private sector employees (19% density) and public sector employees (60% density). The LFS also provides an estimate of the proportion of all employees whose pay is affected by collective agreements and the latest estimate is 36%.

However, there are some indications that the LFS may slightly over-estimate collective bargaining coverage as a result of some respondents wrongly stating that they are covered (e.g. a case in point are employees in the public sector whose pay determination has shifted from traditional collective bargaining to statutory Pay Review Bodies in recent years).

A more comprehensive and authoritative picture of trends in collective bargaining in the UK can be gleaned from the latest Workplace Employee Relations Survey (WERS), which was undertaken in 1998. Analysis of this and previous surveys by Professor William Brown and colleagues from the University of Cambridge (Brown *et al.* 2000 & 2001) shows that the proportion of employees covered by collective bargaining in larger workplaces (i.e. those with 25 or more employees) has fallen rapidly in the past two decades, from 75% in 1980 to 40% in 1998. There has also been an even more rapid decline in the proportion of employees covered by multi-employer industry-level agreements, from 43% in 1980 to 14% in 1998.

Analysis of the 1998 survey data by this academic team, focusing on a larger sample of workplaces (i.e. those with 10 or more employees), shows that collective bargaining coverage in 1998 was only 35% (and probably around 33% in the case of the total employee workforce). These academics have also provided a more detailed breakdown of collective bargaining trends for all workplaces with more than 10 employees and this is set out in Table 1.

Table 1: Percentage of employees covered by collective agreements, Great Britain (workplaces with 10 or more employees)

	All covered by collective agreements	(Multi-employer agreements)	(Enterprise-based agreements)	Not covered by collective agreements
Public sector employees	61%	(40%)	(21%)	39%
Private sector employees	24%	(4%)	(20%)	66%
All employees	35%	(15%)	(20%)	65%

These statistics clearly show that the UK now has one of the most fragmented and decentralised bargaining regimes in the EU, with less than a quarter of private sector employees covered by collective bargaining. Only 4% of private sector employees are covered by multi-employer industry-level agreements and this accounts for less than a fifth of all those private sector employees whose pay is determined by collective bargaining.

While the public sector has a much higher coverage, at 61%, there has also been a substantial decline since the early 1980s when coverage was over 90%. Two factors have been responsible for this decline in the public sector: the growing number of employees in the sector who have retained collective bargaining rights but whose pay is now determined by statutory Pay Review Bodies. However, another trend is the increasing number of public sector employees (15% in 1998) whose pay appears to be neither covered by collective bargaining nor Pay Review Bodies.

Professor Brown and his team have also used the WERS data to map the changing role of collective bargaining on the control of non-pay issues in the workplace and their general conclusion is that even where unions retain collective bargaining rights, their influence has become more narrow and consultative. According to this analysis, these trends have been driven not just by the rapid decline in collective bargaining coverage in the past two decades, but also by a substantial growth in procedural individualisation through the increasing enactment of statutory employment protection rights via the individual employment contract.

In spite of this rather depressing analysis of the diminished role of collective bargaining, the research does highlight the crucial role that unions continue to play in the workplace and the pressing need to revitalise collective bargaining. The authors conclude that 'the extent to which employers are complying with their legal obligations depends significantly on the presence of active trade unions at workplace and organisational level' and that 'building an effective framework of employment around the individual employment relationship will require statutory support for collective representation' (Brown 2000: 627).

2. WAGES AND PURCHASING POWER

2.1. Average earnings

According to the Government's Average Earnings Index (AEI), the annual increase in average earnings in mid-2001 was 4.5% compared with 4.0% in mid-2000 (i.e. the 3-month periods ending in August of each year). Not surprisingly, one of the main reasons that the increase in average earnings was higher in 2001 compared with 2000 was that inflation was running at a higher rate in the run-up to the 2001 pay round.

In general, the overall picture for whole economy average earnings throughout 2000 and 2001 has been one of relative stability. However, this apparent picture of stability does conceal a number of contrasting trends in average earning trends for the different sectors in the economy.

One significant trend in 2001 was that average earnings growth in the public sector was outstripping that in the private sector. The 2001 mid-year increase in average earnings in the public sector was 5.7% compared with 4.2% for the private sector. The equivalent figures for 2000 show the opposite trend, with average earnings increasing by 3.4% in the public sector and by 4.2% in the private sector. The reasons for this are explained in more detail below.

Within the private sector, the 2001 mid-year increase in average earnings for services was 3.8% and 4.8% for manufacturing. The headline average earnings data for private sector services have fluctuated wildly over the latest 12-month period, peaking at 6.3% in February 2001 and then falling back to 2.8% by December 2001. However, most of this sharp fluctuation is explained by the substantial weakening in bonus payments in the sector over this period. Underlying earnings growth (i.e. average earnings excluding bonus payments) in private sector services in these two months was remarkably similar, at just under 4.5%. Average earnings growth in manufacturing has been declining since the middle of 2001 but, unlike private

sector services, this is more indicative of a decline in underlying earnings growth than a collapse in bonus payments.

The pay settlement data published by a range of independent agencies reflects this picture of general stability in the whole economy pay bill throughout 2000 and 2001. For example, the whole economy median settlement estimate published by the Industrial Relations Service has not strayed very far from 3% in the past two years. Subdued inflation trends have meant that the vast majority of workers have enjoyed real increases in their take-home pay. However, the pay settlement data does also reveal some wide variations between sectors and this is described in more detail below.

2.2. Private sector pay settlements

According to an analysis by Industrial Relations Services (IRS, 2001) the median pay settlement across the private sector increased only slightly between 2000 and 2001 (up from 3.0% to 3.1%) and this slight increase reflected the impact of higher inflation in the run-up to the 2001 pay round. However, slowing economic growth in 2001 combined with weakening inflation appears to have kept most settlements in the region of 3%.

Table 2 shows the median settlements in different parts of the private sector for the 2001 pay round and also for the previous year. As in the previous year, pay awards in construction in 2001 led the way with a median settlement of 4.5% (up from 4.1% in the previous year). High levels of building activity allied with labour shortages in many regions largely explain the above average settlement achieved by this particular sector.

The finance sector achieved the next highest median, at 4.0%, in spite of business levels and confidence falling throughout the year. However, many of the settlements in this sector tend to be processed at the beginning of the year and prospects for the sector in early 2001 were more optimistic and higher inflation was also a factor.

While the median settlement in many other sectors increased between 2000 and 2001, the outcome for most of these sectors was fairly marginal and most of the settlements for 2001 were grouped around 3%. There were three sectors where the median settlement remained at the same level as in 2000 (Food, drink & tobacco, Hotels & catering, and Textiles) and one where it actually fell slightly (Retail & wholesale).

Table 2: Median pay settlements in private sector industries, 2001 and 2000 pay rounds

	2001 median pay award	2000 median pay award
Call centres	3.1%	(not available)
Chemicals	3.1%	2.8%
Construction	4.5%	4.1%
Electricity, gas and water	3.1%	2.5%
Engineering & metals	3.0%	2.7%
Finance	4.0%	3.5%
Food, drink & tobacco	3.0%	3.0%
General manufacturing	3.0%	2.5%
General services	3.2%	2.8%
Hotels & catering	3.0%	3.0%
Paper & printing	3.0%	2.8%
Publishing & broadcasting	3.0%	2.8%
Retail & wholesale	2.9%	3.0%
Textiles	2.5%	2.5%
Transport & communication	3.3%	3.0%

Source: (Industrial Relations Service, 2001)

Notes: Estimates of median of settlement levels for the 12-month periods ending in August 2001 and August 2000

These three sectors have a fairly high proportion of low paid workers and there is some evidence that pay settlements have been more complex than the median suggests (e.g. some employers have been targeting higher increases on minimum rates in anticipation of the increase in the minimum wage in October 2001). However, wider economic factors have also played a key role, with large-scale job losses in the textiles industry and intense competition in the retail sector generating downward pressures on settlements.

While multi-employer collective agreements in the private sector are now much less prevalent in the UK, agreements of this kind are still widespread in the paper and printing sector. These agreements directly affect nearly 100,000

employees and influence the pay of a further 100,000, and in 2001 generated median settlements in the region of 3.0 to 3.3%.

Public sector pay settlements

The decision of the Labour Government, when first elected in 1997, to stick to the restrictive public spending plans of the outgoing Conservative Government and to keep a tight lid on public sector pay led to a further widening of the pay gap between private and public sector employees in the late 1990s. This exacerbated recruitment and retention difficulties in the public sector and jeopardised the Government's plans to revitalise public services in the longer-term.

As a result, in the second half of 2000 the Government began to set in motion a number of strategies to boost public sector pay and it has further developed this approach since then. As noted above, over the past year earnings growth in the public sector has been outstripping private sector pay growth and the Prime Minister is now openly taking credit for this. In addition, the Bank of England has stated that it believes that a period of above-trend earnings growth in the public sector is justifiable and that this should not ignite wage inflation across the wider economy.

The 2001 pay round in the public sector resulted in above-trend pay increases across the board, with the pattern being set by the 3.7% increase awarded to teachers and nurses by their respective independent pay review bodies. It should be noted that annual pay increases of all school teachers and many employees in the National Health Service are now determined by these statutory bodies rather than by traditional collective bargaining.

In addition, these pay review awards tend to have a strong influence on the pay increases achieved by those employees still covered by collective bargaining (i.e. around 60% of public sector employees). For example, virtually all local authority employees in England covered by the national collective agreement (1.3 million in total) received 3.5%. However, this agreement in local government, like those in the National Health Service and higher education, also gave an additional amount to lower-paid staff and boosted their pay by more than 3.7%.

The Government also boosted the pay of certain groups of public sector employees deemed to be most severely affected by recruitment and retention problems. For example, newly qualified teachers received a 6% rise in 2001 and the Government has also introduced a controversial performance-related pay increase of £2,000 for experienced teachers. A range of pay supplements

have also been introduced to address specific problems in London and the south-east, where high housing costs and private sector pay rates well above the national average are making it difficult to recruit and retain public sector employees.

Many of these recent above-trend increases in public sector pay are being implemented alongside a number of long-running initiatives to modernise pay systems in the public sector in order to make salaries more competitive with the private sector and also to resolve discriminatory aspects. Another significant trend in the past year has been the Government's encouragement of multi-year pay deals in the public sector which, it argues, benefits long-term financial planning.

3. WORKING TIME DEVELOPMENTS

The past year saw little change in the prevalence of long working hours in the UK. The latest data from Eurostat (for 2000) show that there continues to be a significant gap between the average weekly hours of full-time employees in the UK (43.6 hours) and that of the EU average (40.3 hours).

In addition, a new research report from the TUC (TUC 2002b) has shown that nearly 4 million employees were working in excess of 48 hours per week in 2001, highlighting the minimal impact of the Working Time Directive (WTD) since its introduction in 1998. The main reason for this is that in the UK the option to make individual agreements to opt out of the 48-hour limit has been used extensively. This was a central finding of a recent Government report looking at the impact to date of the implementation of the Working Time Regulations in the UK (Neathey & Arrowsmith 2001)

In June 2001 the European Court of Justice upheld a trade union's legal challenge against the holiday entitlement provisions of the UK's Working Time Regulations, which had stipulated that workers were entitled to paid annual leave only after 13 weeks' continuous employment with the same employer. As a result, in October 2001 the Government amended the Regulations to remove this qualifying period.

The Social Partners have now reached agreement in most cases on extending the WTD to the temporarily excluded sectors. Also, in March 2001 the TUC responded to a consultation by the Government on future regulations to deal with the end of the UK opt-out from some of the provisions on working time and night work in the Young Workers Directive. The Government has now indicated that it will consult on this issue for a second time sometime in 2002.

A recent survey of collective agreements by the independent Labour Research Department (LRD 2001) found that there were few new developments in either working time or holiday entitlement in the latest pay round. However, the introduction of a 35-hour week for schoolteachers in Scotland arising from an official inquiry into conditions of service was a significant development.

According to the LRD survey a basic working week of around 37 hours is now the most common arrangement, applying to 39% of collective agreements and 41% of workers. In addition, nearly two thirds of collective agreements covering 37% of workers provide at least 25 days' annual leave as basic entitlement.

In spite of the widespread incidence of long hours in the UK, the proportion of employees working paid overtime is generally on the decline. According to the annual New Earnings Survey (NES) the proportion of full-time employees receiving paid overtime has dropped from around a third 10 years ago to just over a quarter in 2001. According to the NES paid overtime is most prevalent among male manual workers (50%) and least common among female non-manual staff (15%).

A recent survey of overtime trends conducted by the independent Industrial Relations Services (IRS 2002) found that employers are continuing in their attempts to reduce paid overtime but that unpaid overtime is on the increase. Four fifths of surveyed organisations said unpaid overtime was worked and a quarter reported an increase in this working pattern over the past year. Over 90% said that the WTD had "little" or "no impact" on overtime practices because of the flexibility granted by the individual opt-out.

4. EUROPEANISATION OF COLLECTIVE BARGAINING

There is little evidence of substantial developments in this aspect of collective bargaining in the UK in 2000 and 2001. Furthermore, a recent review (Brown 2001: 29) argues that 'the UK is unlikely to be at the forefront of sustained moves by Europe's trade unions to develop a cross-border dimension to pay bargaining across the European Economic Area'. This review cites two barriers to such an approach being actively adopted by unions in the UK: firstly, the UK is likely to remain outside the single currency in the immediate future and will therefore not be affected by the increasing degree of wage transparency that the Euro is bringing about; secondly, the decentralised nature of collective bargaining in the UK is in direct contrast to the sector-based multi-employer bargaining structures that still tend to prevail in most other EEA countries.

5. FLEXIBILISATION OF WORKING CONDITIONS

Working Parents. In June 2001 the Government established a commission – the Work and Parents Taskforce – to advise it on how to put in place measures allowing parents with young children to ask their employers to work flexible hours. The Taskforce included both employer and union representatives and it reported in November 2001.

The Government largely endorsed the Taskforce's recommendations and as a result the Employment Bill currently progressing through Parliament will legislate to grant a new right for eligible working parents to request a flexible working pattern from their employer and to have that request seriously considered (i.e. it will be backed up with access to employment tribunals). The TUC and unions welcomed the fact that the Government was conceding that the law had a role in promoting flexible working, but argued that in itself this new right was but a "first step".

The Employment Bill also includes a number of new measures that will lead to improvements to the current minimum statutory maternity and paternity rights. Paid maternity leave will be increased from 18 weeks to 26 weeks by 2003 (with a right to take another 26 weeks unpaid leave) and the minimum state payment will be increased. At the same time working fathers will acquire the right to take two weeks paternity leave and to receive a minimum state payment if their employer does not pay their salary.

While the TUC and trade unions welcomed these planned improvements, they will generally not have an impact on the vast majority of employees covered by collective bargaining who generally enjoy maternity and paternity provision well in excess of even the new minima currently being legislated for. In addition, the TUC and unions have continued to campaign for minimum statutory maternity payments based on earnings replacement rather than low flat-rate payments.

After a legal challenge by the TUC the Government announced in April 2001 that it would be changing the qualifying right to parental leave. The original Regulations, which implemented the EU Directive on 15 December 1999, gave limited parental leave to parents of children born on or after this date. The revised Regulations extend the right to all parents with children aged under 5.

Temporary workers. Labour market trends for temporary workers have fluctuated in 2001. According to the Labour Force Survey the number of temporary employees fell substantially between the second and third quarter,

declining by more 115,000 (a proportional decline of 7 per cent). However, the data from the last quarter of 2001 show a slight recovery in the temporary workforce. These trends suggests that employers were targeting job cuts on non-permanent staff in the summer months in order to retain their core workforce where at all possible.

The Government has delayed implementation of the EU Fixed Term Contract Directive by a year and it will now not be transposed in the UK until July 2002. The Government had initially proposed to exclude pay and pensions issues in the equal treatment protection section of the Regulations but it backed down after the TUC and unions argued strongly that this may have constituted defective implementation of the Directive. In November 2001 the Government announced that it would be using the new Employment Bill to prevent pay and pensions discrimination against fixed-term employees and to transpose the Directive. However, the TUC and unions are still pressing for further commitments in this area, including the case for extending the scope of the Regulations to all workers and not just employees.

Collective bargaining and flexible working patterns. While the latest research shows that many unionised employees still work very long hours and that there have been relatively few developments on working time in recent collective agreements, there still have been some key developments in this area. For example, a TUC initiative (TUC, 2001) backed by the Government, has produced practical guidelines to help union representatives and managers introduce changes in working time which both promote work-life balance for employees and help to deliver business objectives (e.g. extended opening hours).

In addition, there is evidence of some innovative approaches by employers and unions working in partnership to reduce long working hours and the TUC will be highlighting these at a major conference on working time in early 2002. The aim of this conference is to launch a national debate on working time and to focus minds on the fact that the UK's extensive use of the individual opt-out from the WTD will be curtailed at some stage and that there is an imperative need for unions and employers to begin negotiating changes to ensure compliance with the 48-hour week.

6. GENDER ISSUES

The European Commission, in the 2001 edition of its Joint Employment Report, highlighted the gender pay gap as one of the key challenges that needs to be addressed by the UK Government. It stated that "the [UK] gender

pay gap remains one of the largest in the EU [and] the Government and Social Partners both have important roles in addressing the issue.” The latest data on the gender pay gap from the 2001 New Earnings Survey shows that average gross hourly earnings of full-time women employees was 81.6% of the equivalent amount for men.

The gender pay gap issue had a high profile throughout 2001 as a result of two major inquiries. In February 2001 an inquiry commissioned by the Equal Opportunity Commission (EOC) issued its final report (Equal Pay Task Force 2001) and in December a government-commissioned inquiry into women’s employment and pay published a separate report (Kingsmill Review 2001).

The independent EOC Equal Pay Task Force recommended that the Government should legislate to require employers to carry out regular equal pay reviews and this was strongly supported by the TUC and unions. The Government stated that at this stage it was not considering this approach but that it would give the EOC funding to develop equal pay review models for use in the workplace.

The Equal Pay Task Force also said that collective bargaining had a key role to play and that equal pay could best be achieved by employers and trade unions working together in partnership. To this end it made a number of recommendations designed to build the capacity of trade unions to work with employers to implement equal pay strategies in the workplace.

In the summer the TUC received funding from the Government for a pilot project that aims to provide training on equal pay issues to 500 union workplace representatives in spring 2002. The purpose is to give union representatives the confidence and skills to discuss and participate in equal pay audits with employers and to maximise the role of collective bargaining in reducing the gender pay gap.

The Government’s response to the Kingsmill Review, published in December 2001, included an announcement of a new measure to make it easier for women to get information from employers about whether they have equal pay problems. The Government also said that it would be encouraging all employers to conduct employment and pay reviews covering all aspects of women’s employment. The TUC and unions welcomed these measures but stressed that if this voluntary approach did not succeed, then the Government should make equal pay reviews a legal requirement.

The Government is also taking forward measures to speed up and simplify employment tribunal cases relating to equal pay and the Employment Bill

currently progressing through Parliament includes a requirement for employers facing such a challenge to provide certain information in response to a questionnaire. The same Employment Bill includes a range of new measures aimed at working parents with young children (see previous section).

The positive role of collective bargaining in addressing gender inequalities in the workplaces has been highlighted in recent research undertaken at the London School of Economics (Fernie & Gray 2001). Using the WERS98 data-set these two researchers have highlighted the positive impact of unions on the likelihood of workplaces having some form of equal opportunity policy and an array of family-friendly policies. In effect this research shows that women in unionised workplaces are much better off in terms of career opportunities, flexible work arrangements and general support for family responsibilities than their counterparts in non-union workplaces.

7. OUTLOOK FOR 2002

The Government projects that the UK economy will grow by at least 2.25% in 2002, with strong growth in public spending playing an important role. Independent forecasters are not quite so optimistic, but are still predicting GDP growth of around 2% and fairly minimal increases in unemployment. However, independent forecasters are much more pessimistic than the Government about any potential recovery in the manufacturing sector in 2001.

Whole economy settlements in the early part of 2002 are expected to be lower than last year because inflation was so low towards the end of 2001. The increase in average earnings for the whole economy is expected to be fairly subdued as a result of this trend and the dramatic decline in bonus payments compared with 12 months ago. However, it is also anticipated that certain groups of public sector employees will continue to achieve above-trend pay awards to tackle ongoing recruitment and retention problems in the sector.

Many commentators have forecast that growing pressures on government spending will require the Government to announce tax increases in its Budget in spring 2002. While the TUC has welcomed the opening up of the public debate about tax rises to fund improvements in the public services in the medium term, it has also argued that tax rises are not needed in the short term to keep the public finances on a sound footing.

It is expected that the issue of private sector involvement in the reform of public services will continue to dominate the dialogue between the Government and trade unions. However, other issues are also rapidly climbing up the agenda, especially concerns about the viability of occupational pension schemes as employers increasingly abandon 'final salary' schemes. Finally, there are strong indications that trade unions are becoming increasingly restless about the political alliances being developed by the Government in Europe in order to promote the flexible labour market model.

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