

Trade union and government responses to the economic crisis in
Europe: Collective bargaining as an instrument to tackle the economic
downturn?

Vera Glassner,
European Trade Union Institute, Brussels

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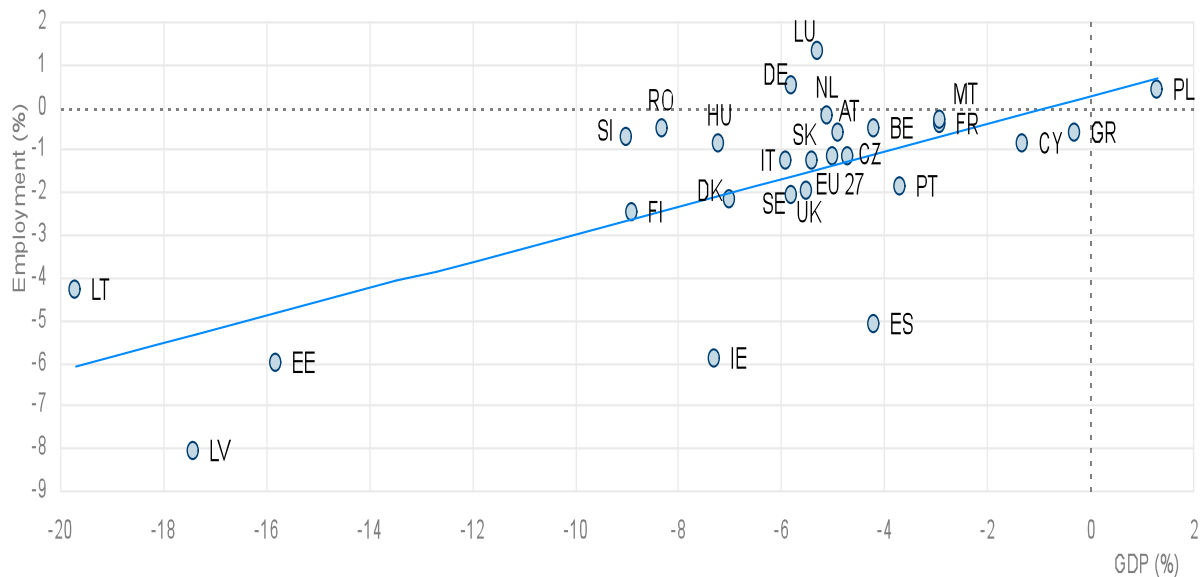
Introduction

In the second year since the onset of the global financial crisis, Europe has been deeply hit by the recession. Although a turning point has been reached, with industrial output starting to grow in most of the EU countries in the third or fourth quarter of 2009, the labour market situation in Europe has further deteriorated. The annual total unemployment rate for 2009 in the EU27 is 9.1 %, with large differences between national labour markets. The latest Eurostat figures (January 2010) indicate total unemployment of almost 23 % in Latvia, 19 % in Spain, around 15 % in Estonia and Lithuania and 14 % in Ireland, contrasting with comparably low levels – between 4 and 6 % – in the Netherlands, Austria and Luxemburg. A clear divide has also emerged with regard to unemployment growth within the EU in the course of 2009.

Figure 1 shows the relation of changes in gross domestic product (GDP) and employment in the EU member countries between the second quarter of 2008 and the second quarter of the following year (ETUI 2010a). The Baltic countries suffered the largest losses both in terms of employment and output, with output contracting by more than 17 and employment plummeting by above 8 percentage points within one year. Likewise, in Ireland both GDP and employment decreased to a considerable extent (- 7.3 and - 5.9 percentage points, respectively). In Spain the decline in output (around - 4 percentage points) has been below the EU-average whereas employment slumped by about 5 percentage points, compared to the EU-average decline of 1.2 percentage point. This contrasts to the situation of countries such as Luxemburg, Germany and the Netherlands that fared much better in terms of maintaining employment despite declines in GDP (slightly) above the EU-average.

Government and social partner responses to tackle the economic crisis have been multifaceted and included a wide range of policy measures. Focusing on policy responses aiming at the protection and promotion of employment and at safeguarding workers' purchasing power, this paper presents national arrangements for short-time working and partial unemployment as well as exemplary and innovative outcomes of collective bargaining against the background of the economic crisis. One of the remarkable features of the crisis is the changing role of actors. This concerns first and foremost the important function of the state by providing a supportive framework for collective bargaining, or by directly joining social partner negotiations. In this respect, statutory, i.e. law-based, arrangements for short-time working and partial unemployment are of particular importance. Furthermore, the role of bargaining actors has increased as statutory provisions for short-term working have to be implemented at the sectoral and – in particular – at the company-level.

Fig. 1 Change in GDP and employment, 2008Q2-2009Q2



Source:: ETUI 2010a, Benchmarking Working Europe 2010

This paper clearly focuses on solution-orientated social partner responses that represent cases of better practice rather than giving an exhaustive overview of collective bargaining developments in Europe against the background of the crisis. ‘Negotiated responses’ are however far from being self-evident in the event of the economic crisis. Rather, in large sections of the economy no such responses have emerged, in particular in a large part of the services sectors and the public sector. Also, in many cases collective agreements have been the result of a protracted and conflictual bargaining process, sometimes even involving industrial action.

The paper is structured as follows. Section 1 will present public policy responses and the involvement of social partners by highlighting the link between national systems for short-time working and partial unemployment and collective bargaining (see subsection 1.1). Exemplary and innovative collective agreements made by the national social partners at the intersectoral and sectoral level in response to the crisis are summarized in section 2, and company agreements aiming at maintaining employment via the flexible reduction of working time or work-sharing, increasing skills and the job mobility of workers within the firm, and enhancing the innovativeness of companies, are presented in section 3. Government and union responses to the crisis in the financial sector – that differ considerably from those in the manufacturing industries – are summarized in section 4. Conclusions are presented in section 5.

1. Public policy responses and the involvement of social partners

Governments' and social partners' responses to the economic crisis included a wide range of policy measures and instruments. This paper focuses on labour market responses equally aiming at maintaining employment by reducing working time and at protecting wages by (partly) compensating income losses resulting from the reduction of working hours through public wage subsidies. Such arrangements for short-time working and partial unemployment, and the crucial role of unions and employers' associations in implementing these provisions on the company-level, will be presented in the following section.

1.1 Short-time working arrangements and their implementation through CB

Statutory, i.e. law-based, arrangements for the temporary reduction of working time have been existing already prior to the crisis in a number of countries – such as Austria, Belgium, France, Germany, Italy and the Netherlands, dealing mostly with (seasonal) fluctuations in employment in particular sectors. In response to the crisis, governments extended the eligibility criteria and duration of such schemes. The use of such schemes has been made conditional on the exceptional event of the crisis, whereby companies have to prove a loss in turnover or profits, the duration of validity has been extended, and certain types of workers such as temporary agency workers have been included (as in Austria, Belgium, France, Germany and Italy). In Portugal regulations on partial unemployment due to 'entrepreneurial crisis' that provide for a compensation of wage losses financed by the public social security fund have been in existence before the onset of the economic crisis. However, information on the implementation of the Portuguese law on partial unemployment at the sectoral and company level is scarce. In other countries, with Spain being the most prominent example, the introduction of a system of statutory short-time working providing for a wage subsidy for employees that remain employed in the company but work shorter hours than stipulated in their collective agreement or labour contract is under discussion.

Arrangements for the collective reduction of working time differ between countries in terms of duration of entitlement (ranging from three months per year as in Bulgaria and Romania to two years as in Germany and Italy), eligible workers (for example, temporary and fixed-term contract workers), the level of pay compensation for 'lost' working hours and so on. In general, short-time working has proven to be an important instrument for maintaining employment and workers' purchasing power (Glassner and Galgóczi 2009; Eurofound 2009). In some countries – Bulgaria, Hungary, Poland, Romania and Slovenia – legal provisions for short-time working have been newly introduced or – as in the Netherlands - reintroduced.

Statutory arrangements for short-time working and partial unemployment share two features. First, wage and labour cost subsidies are usually financed through public unemployment funds, and second, legally based short-time working provisions have to be

implemented via collective agreement. Table 1 shows the link between the statutory arrangements and the levels of implementation through collective bargaining.

In most countries, short-time working schemes are based on labour law, but in three cases regulation on the temporary reduction of working time is based on a collective agreement. In Sweden, the ‘Agreement on temporary lay-offs’, concluded in March 2009 for blue-collar workers in the manufacturing sectors and later extended to professional technical staff, provides for compensation of losses in income resulting from working time reductions. Likewise, the Danish agreement on work-sharing was reached by unions and employers in the manufacturing sectors (covering both white- and blue-collar workers) in 2007 and allows for a 13-week-period of work-sharing, with a possibility of extension of up to 26 weeks, through collective agreements at the enterprise level. The case of Romania stands out in this respect, as a national collective agreement that regulates pay reductions in case of a halt in operations or the temporary suspension of business activity has been concluded already in 2007. In response to the current economic crisis, an ‘emergency ordinance’ stipulates that employers and employees are exempted from the payment of social security contributions during the period of partial unemployment of an employee. In addition, employees’ wages are free of income tax during the temporary suspension of production.

Table 1: National short-time working schemes and their implementation via collective bargaining

National short-time working arrangements	Country/countries	<ul style="list-style-type: none"> • Based on labour law (LL) • Based on multi-level collective agreement (CA) 	Implemented by collective agreement	
			sectoral level	company level
Short-time working ('Kurzarbeit')	DE, AT	LL	**	**
Partial unemployment ('Chômage partiel')	FR	LL	*	**
Partial unemployment in case of 'entrepreneurial crisis'	PT	LL	*	**
Temporary economic unemployment	BE	LL	**	**
Reduction of working time ('Werktijdverkorting')	NL	LL	**	**
Short-time working, reduction of working	PL, BG, HU, SI	LL	—	**

time, wage subsidies for companies				
Wage Guarantee Funds ('Cassa integrazione guadagni')	IT	LL	*	**
Reduction of working time during production stops or suspension of production, compensation of indirect labour costs	RO	CA, (LL)	-	**
'Temporary lay-offs'	SE	CA	*	**
'Work-sharing'	DK	CA	*	**

Notes:

** predominant level;

* important level;

– bargaining level marginal or non-existent.

Sources: Glassner and Galgóczi 2009; Glassner and Keune 2010a; Planet Labor 2010a

The social partners' role in implementing these provisions at the sectoral and – in particular – the company levels is crucial. In countries such as Austria, Belgium, Germany and the Netherlands provisions on the implementation of short-time working schemes have been established in a number of sectoral collective agreements. In other countries – mostly those in which collective bargaining is predominantly carried out at the enterprise level – short-time working provisions are implemented primarily through company agreements. In countries where collective bargaining is decentralized and employee representation in the company is weak (i.e. in Bulgaria, Hungary, Poland and Romania) collective agreements on short-time working have been implemented primarily in large and multinational companies. In Slovenia, the provision of wage subsidies for cuts in full-time working requires a collective agreement at company level. In Italy so-called 'Wage Guarantee Funds' provide for the compensation of income losses resulting from a reduction of working time or the temporary total suspension of activity. The use of the funds requires the conclusions of a collective agreement at the company or plant level (see section 3). Likewise, the Swedish agreement on temporary lay-offs concluded for blue-collar workers in the manufacturing sectors and a similar agreement settled later on for professional technical staff are implemented at the company level.

2. Intersectoral and sectoral agreements addressing the impact of the crisis

This section provides an overview of exemplary intersectoral and sectoral collective agreements made in response to the economic crisis and dealing with issues such as the **flexibilisation of wage-setting**, the protection of employment through the **flexible reduction of working time**, the maintenance of human capital and **training** (see Table 2).

Agreements aimed at the flexibilisation of wage-setting allow for the *temporary* suspension of pay increases in companies facing economic difficulties. Three agreements are exemplary in this respect. First, agreement concluded in the German metal sector in November 2008. The agreement stipulates – besides a lump sum and a special one-off payment – a general pay increase of 2.1 per cent in two steps, which can be suspended if the company's financial situation is particularly strained. Second, the 'pilot agreement' reached by the Finnish social partners for blue-collar workers in the technological manufacturing sector (that is, electronics, mechanics, ICT and metalworking) concluded in August 2009 provides for the possibility of 'incremental' wage increases at the company level according to conditions set in the sectoral agreement. At the company level, pay rises set in the sectoral agreement can be delayed or even abandoned under certain circumstances – for example, if a company's present financial situation cannot reasonably take the strain of higher labour costs; if demand is exceptionally weak; or if the wage increases would threaten jobs. A similar agreement that provides for the renegotiation of wage increases in 2010 and 2011, taking into account the company's economic situation, was later agreed for salaried employees in this sector. Third, in Sweden two collective agreements for employees in the technological sector (that is, engineers, architects and other professional technical staff) secure a general pay increase of 2.3 per cent for a period of one year, which can be undercut, however, if the company faces temporary financial difficulties. In contrast to the agreement concluded by the Swedish white-collar multi-sector union Unionen, the agreement for architects and engineers does not include a general wage norm for 2010, and pay increases are set exclusively at local level.

One exemplary agreement that aims to strike a balance between the aim at increasing companies' cost competitiveness and to goal to maintain workers' purchasing power and employment is the 'Interprofessional Agreement' concluded in Belgium. The agreement sets the framework for collective bargaining on wages and conditions on the sectoral level for a two-years-period. The 'balanced' character of the interprofessional agreement is reached by the promotion of non-wage elements such as the provision of lunch vouchers and the maintenance or increase of social benefits and benefits for workers on partial unemployment, and tax reductions on labour costs and financial incentives for companies in order to recruit long-term unemployed persons. The agreement concluded in the Belgian chemical sector in spring 2009 has been strongly determined by the national framework agreement. Instead of a wage increase (above the index-based pay adjustment) indirect pay elements, such as food vouchers, transport subsidies, and an increase of the partial unemployment benefit, have been settled in collective agreements.

The agreement on additional short-time working benefits on top of the statutory minimum allowances concluded in the German metal industry is exemplary for a sectoral agreement specifying statutory provisions on the company-level (see section 1.1). The agreement provides for two modes of setting additional allowances at the company-level (Vogel 2009). Furthermore, the agreement includes an opening clause on the implementation of training measures at the company-level for workers in short-time work. As an incentive for employers, no additional short-time work allowances have to be paid during the period of training. The metal sector agreement concluded in February

this year is a continuation of the social partners' solution-orientated approach to overcome the crisis without major job losses. The agreement guarantees a step-wise wage increase that can be suspended in cases of temporary financial strain of a company, a 12-month employment guarantee for workers on short-time working, a new option for the further reduction of working time and a new mode of calculation of short-time working benefits that allows companies to pay out the annual leave and the 13th-month salary in proportion to the hours worked.

Another type of agreement, aiming at the flexibilization of working time and the protection of jobs and human capital can be found in the Dutch transport sector. Confronted with a substantial decline in demand for labour, the social partners stated that they wanted as much as possible to avoid forced dismissals and the outflow of workers from the sector. The sector's social partners agreed on three measures that have to be further specified at company level by the management and a union representative: First, older workers threatened by unemployment get guarantees that they can enter the pre-pension scheme; Second, a flexibilisation of working time schedules through the temporary expansion of the obligatory and voluntary time-for-time regulations; and, third, the employer gets the right to determine unilaterally when the working time reduction days agreed in the sector collective agreement have to be taken up. Later on, the social partners established a temporary mobility centre that aims at facilitating employment of unemployed truck drivers and crane operators.

An example of an agreement concluded between the state and organised business can be found in the French chemical sector. The agreement on training for chemical workers has been concluded by the sector's employers' association, the UIC (Union des Industries Chimiques), and the Ministry of Economy, Industry and Employment and provides a national framework agreement on the use of training programmes in order to increase the employability of workers, avoid redundancies and increase the competitiveness of companies in the industry (ICEM 2009). The agreement is strongly supported by the Fédération Chimie Energie of the CFDT union (FCE-CFDT). In Italy, a tripartite agreement signed by the national social partners, the government and representatives of the regions defines training guidelines for jobseekers, temporary inactive workers or those working fewer hours, and workers in mobility procedures. Training measures are financed by the European Social Funds and cross-industry funds. In order to better identify the qualification needs of companies, regional labour market observatories and institutions for social partner consultation will be established.

Recent developments in wage bargaining indicate a continued trend towards wage moderation. For instance, the recently concluded agreement in the Danish manufacturing sectors, running for two years until March 2012, provides for an hourly wage increase of about 1.07 %, based on the sector's minimum wage in the first year, and a further wage increase of around 1.7% (based on the minimum wage in February 2010) in the second year. Likewise, in Austria social partners in the energy sector settled moderate pay increases between 1.45 and 1.6% (electricity sector) and 1.7% (oil sector) in January this year. In the Dutch metalworking and electro-technical sectors, an agreement running for 15 months and providing for a wage increase of 1.65% (with a phased pay out in the electro-technical sector) has been concluded. The agreement settles conditions for early

retirement of workers aged 61.5 (in metalworking) and 62 (in the electro-technical sector). Social partners further agreed on a sum of €30 million made available for lifelong learning in the electro-technical sector. The agreement concluded in the Italian chemical sector, valid from 1 January 2010 to 31 December 2012, can be regarded as particularly favourable for workers. It provides for annually increasing wage rates, training measures – in particular for workers that have been dismissed – and an increase of contributions to the sector's supplementary pension and healthcare funds by employers.

Tab. 2: Examples of innovative (multi-sectoral) agreements

Country	Signatory parties to the agreement (date of conclusion)	Main provisions of the agreement:
Germany	IG Metall (Baden-Württemberg) and the employers' association Gesamtmetall (November 2008)	<ul style="list-style-type: none"> • Phased general pay increases (2.1% bi-annually in 2009) • Lump-sum payment of €510 to compensate for three months without pay increase (November 2008 to January 2009) • Contributions by employees (0.4% of monthly wages between January and April 2010) to finance pre-retirements.
Belgium	The peak-level employers' association FEB/VBO (Belgian Federation of Employers) and other industry organizations and the peak-level trade union confederations (FGTB/ABVV, CSC/ACV, CGSLB/ACLVB), (December 2008)	<ul style="list-style-type: none"> • Increasing non-wage elements in collective agreements by providing lunch vouchers, increasing travel compensation etc. • Maintenance of real value social benefits and increasing benefits of workers on partial unemployment • Maintaining the system of automatic indexation for wage raises • Tax reduction on labour costs • Incentives to hire long-term unemployed
Belgium	The chemical sector unions (ACV/CSC MECC, AC/CG FGTB, chemical energy sector sections of CGSLB) and sectoral employers' associations (March – April 2009)	<p>Chemical sector: wage increase by 10 eurocent/hour Oil industry: Increase by 0.26 % above index-based wage rise Glass industry:</p> <ul style="list-style-type: none"> • netto-bonus from 75€ minimum; • temporary unemployment benefit increased to 8,60 € / day; • Transport indemnisation of 70% for public transport costs • Pre-pension system for workers 56 years (shiftworkers) of age and for other works from 58 years onwards. <p>Energy sector:</p> <ul style="list-style-type: none"> • increased value of meal-tickets, hospital plan
Finland	<p>Metalworkers' Union (Metallityöväen Liitto) and Confederation of Finnish Industries – EK (August 2009)</p> <p>Later (September 2009) adopted for academically trained and managerial staff in the technological manufacturing sector (concluded by the Federation of Professional and Managerial Staff – YTN and EK)</p>	<ul style="list-style-type: none"> • Possibility to set pay increases on a company-by-company basis, depending on the economic situation of the company • Increasing flexible wage-setting in line with economic developments by allowing for step-wise ('incremental') increases of salaries • Suspension of wage increases only in the case of a continued demand crisis, where growth in labour costs is not bearable for the company and pay rises would threaten jobs

Sweden	Unionen and Almega STD (September 2009)	<ul style="list-style-type: none"> Collectively negotiated wage increase of 2.3 % that can be undercut at company-level if economic conditions require it
Sweden	Sveriges Ingenjörer and Sveriges Arkitekter, and Almega STD (September 2009)	<ul style="list-style-type: none"> Collectively negotiated wage increase of 2.3 % that can be undercut at company-level if economic conditions require it For 2010 no general wage norm in the agreement, wages set exclusively at company level
Netherlands	TLN (Transport and Logistics Netherlands), KNV (Royal Dutch Transport) and VVT (Association for Vertical Transport) on the employers' side and the unions FNV (Dutch Trade Union Federation) and CNV (National Federation of Christian Trade Unions): Agreement for the transport sector	<ul style="list-style-type: none"> Guaranteed access to pre-pension schemes for older workers threatened by unemployment. A temporary expansion of the obligatory and voluntary time-for-time regulations. Unilateral determination by employer of when working time reduction days have to be taken up. Temporary mobility centre.
France	Sectoral agreement on training for the chemical sector, concluded by the employers' association of the chemical sector UIC and the Ministry of Economy, Industry, and Employment. Strongly supported by the Federation Chimie Energie of the CFDT union (FCE-CFDT) (August 2009)	<ul style="list-style-type: none"> Increased use of training programmes for companies facing economic difficulties in order to increase employability, avoid redundancies and develop skills of workers
Italy	Tripartite national agreement on training for workers in short-time working (CIG) and mobility measures (February 2010)	<ul style="list-style-type: none"> Definition of training guidelines for jobseekers, employees that are temporary inactive or work fewer hours and received subsidies from the Wages Guarantee Fund, and workers in mobility procedures;
Germany	Sectoral agreement on the implementation of short-time work in companies of the metal sector (Gesamtmetall and IG Metall) (April 2009)	<ul style="list-style-type: none"> Easing the implementation of short-time work on company-level by reducing the period of notice to a minimum of one day, provided the works council agrees to the implementation of short-time work. Introducing two modes to pay additional short-time work allowances to workers (above the minimum thresholds stipulated by law). Easing the adoption of training measures in the company for workers in short-time work via an opening clause.
Germany	IG Metall (North-Rhine Westphalia) and employers' association Gesamtmetall (February 2010)	<p>Wage agreement:</p> <ul style="list-style-type: none"> a 320€-bonus (payable 1 May and 1 Dec. 2010) wage increase of 2.7 % with 1 April 2011, can be paid 2 months earlier or later, depending on the economic situation of the company <p>'Future at Work' agreement:</p> <ul style="list-style-type: none"> 12-month employment guarantee for workers employed in companies that have made use of short-time working since at least 12 month ('Future at Work' agreement) Monthly payment of annual leave and 13th-month salary, in proportion to the hours worked for a period of at least 6 months For a another 6 months a further reduction of weekly working hours from 35 to 28 hours with partial compensation of income; 12-month employment guarantee for apprentices <p>'Future in Training':</p> <ul style="list-style-type: none"> part-time training (alternating training and work phases)
Denmark	Manufacturing union Co-industri and the Confederation of Danish Industry (February)	<ul style="list-style-type: none"> Wage increase of 1.10 DKK from minimum level of 103.15 DKK (13.86€*)/hour in the first year and an

	2010)	increase of 1.75 DKK in the second year
Austria	Agreements concluded in the oil and electricity sectors by the multi-sectoral blue-collar union PRO-GE, the private services union GPA-DIP and the Austrian Chamber of Economics (January 2010)	<ul style="list-style-type: none"> • Wage increase of 1.45 – 1.6% and 1.7% (for 12 months, beginning 1 February), in the electricity and oil sector, respectively, with the possibility of larger increases for low-scale wage-earners based on an agreement signed by the company's works council;
Netherlands	Metal sector sections of FNV and CNV unions and sectoral employers' organization FME employers' organization (January 2010)	<ul style="list-style-type: none"> • General pay increase of 1.65%, whereby a phased increase of 0.5% on 1 July and 1.15% on 1 January 2011 has been settled in the electro-technical sector. • Early retirement for workers aged 61.5 years in metalworking and 62 years in electro-technics; • Sum of €30 million for lifelong learning in the electro-technical sector;
Italy	Filcem-Cgil, Femca-Cisl and Uilcem-Uil and the employers' organizations Federchimica and Farindustria (December 2009)	<p>Three-year wage agreement:</p> <ul style="list-style-type: none"> • Monthly wage increase of €38 from January 2010, €48 from January 2011 and €49 from January 2012. • Increased contributions to the sector's supplementary pension fund and supplementary healthcare fund by employers; • Increase of vocational training provision will be increased, and documentation of the hours of training undergone by each employee; • Special training measures for workers who have been made redundant;

Sources: Glassner and Keune 2010b, Planet Labor 2010b; Eucob@n database; ETUI 2010b;

* €-reference rate, 1 March 2010

3. Company agreements dealing with the effects of the crisis

The crucial role of social partners in implementing provisions for the temporary reduction of working time stipulated by law or in (multi)sectoral agreements has been demonstrated in section 1. Table 3 presents company agreements that thus most often deal with the *flexible reduction of working time*. Other issues addressed in company-agreements are *internal restructuring* through measures such as *mobility procedures*, *work-sharing* and *solidarity contracts*.

Company agreements settling the conditions for the **flexible reduction of working time** on the basis of provisions on short-time working have been concluded in particular in the car industry and the steel sector. In Italy, for instance, in companies such as the steel manufacturer Ilva, the Fiat-affiliate Powertrain and Fiat, at its plant in Naples, agreements on the use of the Ordinary Wage Guarantee Funds (CIGO) have been concluded by metal sector unions and the companies' managements in order to maintain employment through the reduction of working time. Similar agreements – albeit based on the 'Extraordinary Wage Guarantee Funds' (CIGS) that can be used for a longer period (12 to 24 months) – providing workers with compensation for losses in income resulting from working time reductions have been concluded in companies such as the steel

producers Indesit and ThyssenKrupp, as well as at the producer of agricultural machinery New Case Holland. The example of a Fiat affiliate in Emilia Romagna where the management was ready to negotiate on the introduction of short-time working only after strike action had been taken by the workers shows that collective bargaining has not always been without conflict. Similarly, collective action by workers at Indesit, the producer of household appliances, resulted in the resumption of negotiations by the management and the avoidance of a plant closure.

In Sweden, the multi-sectoral agreement on temporary lay-offs has been implemented via job-saving agreements, such as those concluded at Volvo and Scania. At Volvo, jobs have been saved by reducing working time, mainly via flexible working time accounts, with wages almost fully maintained. Likewise, at Scania a similar agreement that limits losses in pay to 10 per cent (with a reduction of working time by 20 per cent) has been concluded, including the adoption of a training programme, funded by the European Social Fund. Measures aimed at maintaining employment in companies undergoing restructuring through the reorganisation of working time have been adopted in a number of Danish companies on the basis of the collective agreement on 'work-sharing'. The 13-week period of work-sharing stipulated in the multi-sectoral agreement can be extended up to 26 weeks through collective agreement at the enterprise level, as adopted for instance at the national engineering company Danfos and the multinational Grundfos.

The conclusion of 'job-saving' agreements, including the extensive use of short-time working measures, has been more conflictual at two companies in Germany particularly hard hit by the crisis, Schaeffler and Daimler. However, outcomes of negotiations are balanced and the result of an exchange of interest between labour and business. At Schaeffler, workers' wages have been 'adjusted' in line with the reduction of working hours and one-off payments have been cut. In return, employee participation rights have been extended. The 'cost-cutting package' concluded at Daimler does not provide for pay compensation for lost working hours. The general pay increase of 2.1 per cent set by collective agreement has been postponed, and a job guarantee settled in a previous agreement has been made conditional on the company's economic situation in 2010.

This contrasts with collective agreements negotiated at the Dutch subsidiary of DAF Trucks and at Renault in France, where reductions in working time do not incur any income losses on the part of workers. At Renault, a 'special crisis fund' that backs up the wages of workers in partial unemployment, in addition to the public partial unemployment benefit, has been established.

Measures of **internal restructuring** such as mobility procedures have often been combined with the introduction of short-time working. For instance, mobility procedures that regulate the transfer of workers within companies have been adopted at a number of companies in Italy, such as Indesit, Telecom Italia, Powertrain and Fiat. At the Fiat plant in Naples the introduction of job placement measures has been criticized by unions as representing 'unilateral postings' of workers by the management from one plant to another. An instrument for internal restructuring adopted in Italy that is aimed at maintaining employment through the reduction of working time is the conclusion of

‘solidarity contracts’ that have been concluded at Telecom Italia and Italian telecommunications provider Italtel.

In contrast to ‘emergency’ agreements aimed at avoiding large-scale redundancies or mitigating the social effects of redundancies, **training programmes** for temporarily unemployed or inactive workers tend to be included in restructuring programmes with a longer-term perspective. For instance, in the restructuring agreement at Telecom Italia the protection of workers’ know-how and their further training is an important element. Similarly, the job-saving agreement concluded at the German energy provider EON includes – among other things – training measures for a large part of the labour force. The agreement on ‘Training and compensation during partial unemployment’ at PSA Peugeot Citroen provides an incentive for workers on partial unemployment to participate in a training programme, with wages fully compensated. The pact on job security settled at Volkswagen guarantees the extension of the current employment guarantee by three years up to the end of 2014. In return, the management introduced a variable pay system and increased productivity commitments on the company’s sites. In order to avoid redundancies resulting from productivity increases a fund for the development of new business activities has been established.

Table 3: Overview of measures included in company-level agreements dealing with the effects of the crisis

Issues/measures	Examples (instrument, country, <i>company</i>)
<p>Flexible reduction of working time with partial compensation of losses in income, based on statutory short-time working or partial unemployment arrangements financed by public unemployment funds</p>	<ul style="list-style-type: none"> • CIGO – Ordinary Wage Guarantee Funds, applicable for a maximum period of 12 months: (IT): <i>Ilva, Powertrain, Fiat</i> • CIGS – Special Wage Guarantee Funds, applicable for a period between 12 and 24 months (IT): <i>Indesit, ThyssenKrupp, New Case Holland</i> • Temporary lay-offs (SE): <i>Volvo, Scania</i> • Solidarity contracts (IT): <i>Italtel</i> • Short-time working (‘Kurzarbeit’) (DE): <i>Schaeffler, Daimler</i> • Work-sharing (DK): <i>Danfoss, Grundfos</i>
<p>Flexible reduction of working time with full compensation for losses in income</p>	<ul style="list-style-type: none"> • Short-time working (NL): <i>DAF Trucks</i> • Maintaining workers’ net salaries through establishment of company ‘crisis funds’ at <i>Renault</i> (FR)
<p>Internal restructuring (‘Mobility procedures’, ‘Solidarity contracts’)</p>	<ul style="list-style-type: none"> • Mobility procedures, internal transfers of workers (IT): <i>Indesit, Telecom Italia, Powertrain, Fiat</i> • Solidarity contracts (IT): <i>Telecom Italia, Italtel</i>

Measures for training and innovation	<ul style="list-style-type: none"> • ‘Restructuring agreement’ at <i>Telecom Italia</i> (IT) • Agreement on ‘Training and compensation during partial unemployment’ at <i>PSA Peugeot Citroen</i> (FR) • Job-saving agreement at <i>EON</i> (DE) • Job-security pact at <i>Volkswagen</i> (DE) including the establishment of a ‘innovation fund’ aiming at the maintenance of jobs and the enlargement of human capital through the development of new business activities;

Sources: Glassner and Keune 2010a; Eucob@n database;

4. Government and union responses to the crisis in the financial sector

This section focuses on social partner and government responses to the economic crisis in the financial sector. These differ widely to responses in the manufacturing sectors where short-time working and partial unemployment measures have been adopted to a large extent. The European banking sector has been most severely affected in the first phase of the economic crisis. Since early autumn 2008 banks announced to cut a large number of jobs as a consequence of the financial crisis (Glassner 2009). However, large-scale job cuts had already taken place in the European financial sector in recent years. In order to address the various measures adopted in the banking sector by both governments and social partners, a survey among selected affiliates of the sector’s European Industry Federation, UNI Finance Europe, has been carried out between May and June last year. Unions from the Czech Republic, Denmark, France, Germany, Hungary, Italy and the United Kingdom) have responded to the survey. The results are summarized in Table 4.

Two sets of measures have been addressed. These are, first, *government measures* aimed at supporting the banking sector by re-establishing the lending function of banks through the provision of loan guarantees and by providing capital assistance to avoid bank failures; the (partial) state ownership of banks that have been recipients of large loan guarantees; the establishment of ‘bad banks’ with state assistance to deal with defaulted credits and ‘toxic’ assets. Second, the survey addresses measures set by *social partners* such as collective agreements at company level dealing with the flexibilisation/reduction of working time; legal provisions and/or collective agreements on employee protection against dismissal; Social plans in case of major redundancies; Re-skilling and qualification programmes for employees; Voluntary, temporary leave for employees with a guaranteed return to the job; Other union responses to the economic crisis in the banking sector such as for example entering into social dialogue, the mobilisation of banking sector employees, collective action;

The results of the survey show that state measures such as direct capital injections and the provision of loans and loan guarantees to banks have been adopted in all countries under consideration, with the exception of the Czech Republic. The sole measure taken by the Czech government in response to the banking crisis was to increase the deposit insurance limit. Czech banks have focused mainly on traditional business operations, such as lending, and have thus been less affected by the falling value of assets. High deposit-to-loan ratios, a low proportion of foreign currency loans and the relative independence of external funding are among the factors that have contributed to the resilience of the Czech banking sector. In Italy ‘hybrid instruments’ have been issued by state-led funds and agencies in addition to capital aids and loan guarantees. Only in Denmark, loan guarantees have been provided also to foreign subsidiaries. The state holds shares in major banks in Germany, Denmark and the United Kingdom. In France, state participation is rather indirect via state-governed control bodies. Among the countries considered in the survey, ‘bad banks’ established to swap out defaulted credits and ‘toxic’ assets have been established in Germany, Denmark and the United Kingdom.

Social partner responses – in particular via **collective bargaining** – have been less frequent in banking than in other sectors such as metals and chemicals. Although arrangements for short-time working and partial unemployment aiming at the maintenance of employment and the provision of public wage subsidies are existing in Germany, France, Hungary and Italy, no such agreements have reportedly been concluded in companies of the financial sector. In Denmark, the instrument of work-sharing, based on a sectoral collective agreement, allows for the temporary reduction of working time for a period of 13 weeks and can be extended up to a further 13 weeks via company agreement (see section 1.1). In the financial sector though the use of work sharing has been marginal and has been limited to collectively settled 13 weeks (Jørgensen 2009). Surprisingly, only in one country, i.e. Italy, collective agreements on the flexible reduction of working time – an instrument widely used in other sectors to avoid redundancies – have been concluded within the framework of a so called ‘solidarity fund’ for the banking sector. This fund, based on a 1998 framework agreement, provides financial support for measures aiming at retraining and qualification, the reduction of working hours or temporary suspension of activity, and early retirement.

Legal provisions and/or collective agreements on employee protection against dismissal in the banking sector are existing in all countries under consideration, with the exception of the Czech Republic. In Germany for instance, a provision on the protection of employees against dismissal (the so-called ‘*Rationalisierungsschutzabkommen*’) – has been revoked by the largest sectoral union ver.di by end of December 2008 and has not yet been renegotiated on the sectoral level. Agreements on the security of employment that commit the company to avoid compulsory redundancies, to provide training measures and to re-deploy employees within the company have been concluded in a number of banks. In Denmark, a combination of legal provisions and a national sectoral collective agreement on the protection of employees against redundancy is in place. Provisions on the negotiation and implementation of social plans in the case of mass redundancies are existing in all the countries under consideration.

With regard to **re-skilling and qualification measures**, no such programmes have been adopted at the sectoral level in the countries considered. This contrasts with the situation in other sectors such as chemicals where collective agreements on training have been concluded in some of the EU countries (see section 2). However, training is an important element in company agreements on restructuring that have been widely adopted in the banking industry even before the crisis hit. In most of the countries considered in the survey, voluntary leaves for employees (for example, sabbaticals) have not been adopted on a large scale by banking sector employers. In a few Italian banks (UniCredit), employees have the possibility to take voluntary sabbatical leave. The United Kingdom stands out in this respect, as flexible working arrangements, including temporary leaves and ‘sabbaticals’, are comparably widespread (CBI 2009).

Only in France, Italy and Denmark the sector’s social partners entered into **social dialogue** to address the impact of the crisis in the banking sector. In France, the CFDT union pressed for a tripartite meeting with employers and the Minister of Economic Affairs that to address issues such as executive pay in banks, the improvement of bank governance and financial market regulation. Although no such meeting took place finally, the two national banking associations and CFDT Banques discussed pressing problems such as how to restore liquidity in banking institutions. In Italy, social partners in the banking sector entered into social dialogue – however, without arriving at joint declarations or agreements. In Denmark, social dialogue – in particular in the event of crisis – is formally required. Thus, Finansforbundet and the Danish Employers’ Association for the Financial Sector – have to negotiate the terms and conditions of mass redundancies. The sectoral union, Finansforbundet adopted a set of guidelines of how to deal with dismissals, e.g. by providing special support and advisory services for employees experiencing or expecting redundancy.

Collective action has being taken only by French unions. For instance, an inter-union delegation of the main union federations CFDT, CFTC, CGT, FO and SNB-CGC was received at the Finance Ministry in March 2009 to discuss issues such as the merger of Caisse d’Epargne/Banque populaire, management remuneration rules, risk control and sanctions, increased transparency and information exchange between management and employee representatives, financial market regulation and supervision and the abolition of ‘tax havens’ (CFDT 2009).

Table 4: Schematic overview of survey replies (by countries)

Measure/instrument	YES (existing and applied in the banking sector)	NO (not existing)
Direct capital injections to banks	DE, DK, FR, HU, IT, UK, IT	CZ
Provision of loans and loan guarantees for banks	DE, DK, FR, HU, IT, UK, DK (also in foreign subsidiaries), IT	CZ
(Partial) state ownership of banks ('nationalisation')	DE, DK, UK	FR, IT, HU, CZ

Establishment of ‘bad banks’ with state assistance to deal with defaulted credits and ‘toxic’ assets	DE, DK, UK	CZ, FR, HU, IT
Statutory short-time working	–	DK, UK, CZ
Collective agreements at company level dealing with the flexibilisation/reduction of working time (working time accounts, and so on)	IT	CZ, DE, DK, FR, HU, UK
Legal provisions and/or collective agreements on employee protection against dismissal	DE, DK, FR, HU, IT, UK	CZ
Social plans in case of major redundancies	CZ, DE, DK, FR, HU, IT, UK	-
Re-skilling and qualification programmes for employees	DK, HU, IT, UK	CZ, DE, FR
Voluntary, temporary leave for employees with a guaranteed return to the job (for example, ‘sabbaticals’)	DK, IT	CZ, DE, FR, HU, UK
Other union responses to the economic crisis in the banking sector (for example, social dialogue, mobilisation, collective action)	FR, IT, DK	CZ, DE, HU, UK

Source: Glassner 2009.

5. Conclusions

A wide range of collective agreements concluded at various levels – national, inter-professional, multi-sectoral, industry and, most importantly, company level – are addressing the effects of the economic downturn across Europe. The role of the state has proved to be decisive in providing a framework for collective bargaining, in particular by establishing or extending legal provisions for short-time working and partial unemployment, that have to be implemented via collective agreement at company and/or sectoral level. Furthermore, the state has supported the conclusion of social partner agreements by providing financial resources to workers and employers via public unemployment funds, and has involved social partners in drafting social policy and labour market measures in tripartite structures for consultation and decision-making.

Overall, industrial relations systems have proved rather stable and sufficiently flexible to respond to the current economic conditions. This is particularly true in those countries where bargaining coordination is rather centralized at the national and/or sectoral level. In countries where collective bargaining is widely decentralized with the enterprise as the predominant level – as in the majority of the central and eastern European countries and in the United Kingdom – the conditions for enabling social partners to arrive at negotiated responses have been less favourable. Furthermore, short-time working arrangements are used primarily in companies of the manufacturing sectors, whereas workers in the services sectors are covered to a lesser extent.

Negotiated responses are to the largest part the result a rather balanced exchange of interest, albeit with wage restraint as a central feature. Wage concessions are often made in return for employment guarantees or the extension of employee participation rights. The downside of the social partners' priority of safeguarding jobs is a further deceleration of wage dynamics that is particularly felt by employees working in companies strongly affected by the crisis where resources to compensate for income losses due to short-time work are limited. This is particularly the case in SMEs, and – even more so – in the central and eastern European countries.

In general, however, social partners have played a decisive role in drafting and adopting a wide range of measures aimed at increasing companies' internal flexibility, limiting labour cost growth, maintaining employment, and improving skill levels, and in this way they contribute to creating the preconditions for sustainable recovery. For unions, meanwhile, it is vital to ensure that deviations from collectively set standards are in line with higher-level agreements and that they are temporary in nature. Equally important is the fight against wage restraint and the re-enforcement of a productivity-orientated wage policy. Unions should intensify the coordination of collective bargaining policies across borders in order to counter the pressure on wages and working conditions that is expected to continue even once the output crisis has been overcome.

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