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The quality of industrial relations and the Lisbon strategy

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CHAPTER 2: The quality of industrial relations and the Lisbon Strategy

Industrial relations and the Lisbon reform agenda are interwoven. The Lisbon Strategy has entered the agenda of the social partners at all levels: European, national, in sectors and in companies. The use of instruments — law, collective agreements with and without binding effects, guidelines and benchmarking — varies and generally there is a tendency to combine hard and soft instruments, and less binding regulation, allowing more flexibility in implementation under diverse conditions. Differences in industrial relation regimes across Member States are visible in employment outcomes, the capacities of industrial relations actors and the contribution of the social dialogue process. In addition to differences in capacities, however, the willingness of unions and employers' association to 'buy into' the dialogue process and the Lisbon agenda may be the overriding factor explaining a successful contribution.

Introduction

This chapter ⁽¹¹⁾ evaluates how recent developments in industrial relations, social dialogue and social partnership, have contributed to achieving Lisbon Strategy objectives since its launch in 2000. It presents an overview of how trade unions and employers (the social partners) have responded to the Lisbon agenda and contributed to the achievement of the Lisbon objectives. The chapter describes how the Lisbon Strategy defined new objectives for modernising employment relations and social policy in six policy areas: (i) active labour market policies targeted at disadvantaged groups; (ii) training and the entry of young people into the labour market; (iii) lifelong learning and the position of older workers; (iv) working hours and working-time flexibility; (v) the reconciliation of work and family; and (vi) working conditions. One key policy domain, i.e. bargaining over wages, is not discussed in this chapter, which deals exclusively with non-wage issues. Issues related to wages, economic performance, inequality and poverty are addressed in Chapter 3.

In the second section the three key roles of the social partners — political influence and negotiators of reform; collective bargainers producing joint

regulation; and co-managers of policy programmes — are spelled out. The third section relates the variation in production, employment and industrial relations regimes across the EU to a small number of industrial relations characteristics. The fourth section is devoted to the discussion of social pacts, and the fifth section is a qualitative review of the various social partner initiatives in the six policy areas. The chapter concludes with some observations on the quality of industrial relations in the European Union.

The Lisbon strategy and social partnership

At the Lisbon Summit of March 2000 three new goals were added to the European Employment Strategy (EES). Firstly, achieving full employment by implementing a comprehensive policy approach was introduced to incorporate demand and supply side measures and thus to raise employment rates on the whole, as well as for women and people aged 55 to 64 years, towards the Lisbon and Stockholm targets set in 2000 and 2001. Secondly, improvement of quality and productivity at work was set as an objective. Thirdly, Member States should strengthen social cohesion and inclusion by promoting access to quality employment for all women and men who are capable of working, combating discrimination in the labour market, and preventing

the exclusion of people from work. As a response to these new goals, the guidelines were streamlined in 2003, and again in 2005.

Between 2005 and 2008, the integrated guidelines were regrouped under three priorities identified in the 2003 task force report:

- (i) attract and retain more people in employment and increase labour supply and modernise social protection systems;
- (ii) improve adaptability of workers and enterprises;
- (iii) increase investment in human capital through better education and skills.

The contribution of unions and employers (the social partners) is considered important. According to the Council, in a statement of March 2005, 'their support will be crucial in areas such as active labour market policies, lifelong learning or anticipating restructuring in industrial sectors.' In its 2004 communication, specifically directed at the social dialogue at the European level, the social partners are 'invited to develop a joint Lisbon action programme [...] identifying their contribution to the Lisbon goals'. Under the heading of 'Delivering reforms', the Commission 'calls on the European and

¹¹ This chapter is based on a draft by Jelle Visser, with research input of AIAS researchers Marieke Beentjes, Minna van Gerven and Valentina Di Stasio

national social partners to take part in genuine partnership for change by stepping up their efforts to address the themes identified above and ensuring that their contributions are as concrete and effective as possible' (EC, 2004b).

The High-Level Group on Industrial Relations and Change in the European Union proposed a new agenda for industrial relations in response to the challenges of globalisation, enlargement, EMU, the transition to a knowledge economy, demographic change, changing employment and family patterns. It suggested that this agenda should comprise the traditional issues of wage responsiveness, productivity and competitiveness as well as social inclusion, training and lifelong learning, working conditions and work organisation, new forms of employment, working-time flexibility and reconciliation of work and family life (EC, 2002b). These issues will be given a central place in this review. In order to strengthen the contribution of the social partners in the European reform agenda, the high-level group advised to create more space for the bipartite ('autonomous') social dialogue at the European level, to explore the possibility of 'soft law' instruments, including benchmarking, and to work towards better integration of the activities at various levels (European, national, sectoral and local).

Steps taken by the social partners at the European level include: the identification of a number of modernisation issues in their renewed work programme for 2006–08; their joint analysis of the 'Key challenges facing European labour markets', published in October 2007; the three 'autonomous' framework agreements on telework (2002), work-related stress (2004) and harassment and violence at work (2007), and the current negotiations on a fourth one on inclusive labour markets; as well as agreements

at the sectoral level and cross-industry frameworks of action on training and gender equality (see Chapter 4). This chapter will refer to some of these EU-level agreements and frameworks of action, in particular where they influence activities and policies in Member States, which is the main focus of this chapter.

The different roles of the social partners

With regard to the role of social partners in labour market and social policy reform, one can distinguish between three broad lines of influence.

Firstly, trade unions and employers (organisations) can act, alone or jointly, as special interest groups and con-

dition the course of reform through lobbying activities, political influence or entering into negotiations with the government. This line assumes the existence and use of some veto power; agreements typically require some concessions ('quid pro quo') over the speed and nature of policy reforms. One specific form in which this may happen is the conclusion of a social pact, here defined as a **tripartite** agreement between the government and the social partners on one or more issues of socioeconomic policy.

Secondly, unions and employers (organisations) can negotiate between themselves. Such **bipartite** agreements, without direct involvement of the state and the public authorities, are common in the domain of

Table 2.1: The different roles of the social partners

		Member States	EU
1. Veto power	(a) Lobbying	Pressure of main employers organisation VNO-NCW to change existing Employment Protection Legislation (EPL) in the Netherlands	ETUC campaign to change draft service directive
	(b) Social pacts	For example in Ireland, Slovenia or Finland	
2. Collective bargaining (and as a weaker form: joint guidelines/benchmarking)	(a) Autonomous	Danish collective agreements, including 'social plans' and EPL elements; Dutch collective agreements over flexicurity and agency work	Framework Agreements on Telework; Work-related Stress; Violence and Harassment
	(b) Sponsored	2003 agreement on vocational training and individual training rights in France	Framework agreements on parental leave, part-time and fixed-term
	(c) Dependent	Belgian biennial agreements since 1997; national agreements to implement the EU framework agreement on telework	(Union guidelines for coordinated bargaining agenda's in the context of EMU)
3. Implementation	(a) Co-management	Swedish Labour Market Board	
	(b) Advise	Consultation over setting of minimum wages in most Member States	Social partner advisory role in EU social security coordination for migrants

Source: J. Visser.

wages, working hours and working conditions, but may expand to include other issues, including employment protection, social insurance, pension provision, vocational training, conflict resolution or innovation of employment practices and employment contracts. The interaction between collective bargaining and state policy foresees three possibilities: (a) **autonomous agreements** implemented without interference of third parties (public agencies, courts, etc.); (b) **sponsored agreements** the implementation of which depend on the support and intervention of the government or legislator; and (c) **dependent agreements** which depend on, and implement, a particular law, reform or government policy. These possibilities are also available in a weaker form as **joint guidelines** rather than binding agreements.

Thirdly, trade unions and employers (organisations) can be involved, alone or jointly, in the **co-management** and implementation of public policies and reforms, for instance by joining labour market boards, training councils or insurance funds under public supervision. This involvement may also take a purely advisory character, without assuming the responsibility for the adopted policy and its execution.

These different lines of involvement can occur both at the European and national (or sub-national) levels. Table 2.1 offers a summary and some examples.

This scheme will be used to analyse the involvement of the social partners in six policy areas: (i) active labour market policies targeted at disadvantaged groups; (ii) training and the entry of young people in the labour market; (iii) lifelong learning and older workers; (iv) working hours and time flexibility; (v) the reconciliation of work and family; and (vi) working conditions.

The six areas differ with regard to the role of public policy and the involvement of unions and employers. In active labour market policies and social security, for instance, in most Member States the parameters of labour market policies are set by law and the role of the social partners is reduced to influencing the policies of the government, through lobbying, using political channels and via regular or ad hoc consultation. In some Member States the social partners use the opportunity to make or change the law through sponsored agreements and social pacts; in other Member States they influence the execution of the law, through a dependent implementation agreement or by assuming a role as co-managers of public policies or public-private partnerships. In a few Member States, there has been a genuine tripartite selection of both the goals and instruments of policy, but that is rather untypical in the area of ALMP. In the area of working hours, work-family policies, working conditions, training and lifelong learning, the influence of the social partners tends to be stronger, but in each of these policy areas there is some interaction with legislation and public policy.

The relevance of EU policies and regulations differs across these six policy areas too. EU directives in the area of working hours, working conditions and reconciliation of work and family are sometimes prepared by EU-level agreements negotiated between the European social partners. In the domains of ALMP and training, the EU has no competence and EU level policies are shaped through the open method of coordination process, based on guidelines, targets, policy review, recommendations, mutual learning and benchmarking. In the OMC process the social partners, at the European and national levels, are informed and consulted. They do not negotiate or condition the selection of EU objectives in these areas. At the

national level, within firms and sectors, their contribution is often much more pronounced, in particular when such policies are shaped through collective bargaining and when employers and unions have assumed a co-management role in the implementation of policies, for instance in the field of training.

Variations in concertation, collective bargaining and social dialogue across the Member States

The involvement of the social partners not only differs from one policy area to the next but also across EU Member States. Industrial relations are shaped by different traditions, institutions and practices affecting the interaction between public policy, collective bargaining and social dialogue. As was argued in the previous chapter, the EU may have created some commonality, but by no means did this create similarity.

This diversity can be described through different typologies. They can be helpful insofar as they help direct our expectations concerning the relationship between the contribution to the Lisbon agenda on the one hand and institutions of industrial relations or, more broadly, social and economic governance on the other. The analysis in the following section will draw on three typologies: production regimes, employment regimes and industrial relations regimes.

There are different ways to approach this diversity. The 'Varieties of capitalism' literature distinguishes between **production regimes** on the basis of the interaction between financial markets, company investment strategies, production of skills, social protection and wage policies. Employers and coordination of employer behav-

our play a key role. The main distinction is between coordinated market economies, like Germany or Sweden, and liberal or uncoordinated market economies like the United Kingdom (Hall and Soskice, 2001). There is some dispute as to how to classify France or the Mediterranean countries. Given the prominent role of the state, especially in prompting or standing in for employer coordination, Schmidt (2002) has proposed to classify the production regimes in these countries as 'state-centred'. The new Member States from central and eastern Europe also cannot be classified unambiguously, though most seem to oscillate between liberal and state-centred, perhaps with the exception of Slovenia, which is closer to a coordinated economy. In the transition economies, generally, the state has continued to be a central and dominant actor in the governance of the economy; first, by virtue of its position in creating the legal basis for the transition into a market economy and, subsequently, by the need to transpose the *acquis communautaire* (Kohl and Platzer, 2007:615). The outcome is in most cases close to the liberal market regime, also because of the weakness of societal actors, such as employers' organisations and trade unions.

Gallie (2007) has proposed a classification of **employment regimes**, in which unions and employment strategies are the key variables. There is a strong connection with Esping-Andersen's classification of welfare state regimes (Esping-Andersen, 1990). The main distinction runs between inclusive, dualist and market employment regimes. Inclusive employment regimes 'are those where policies are designed to extend both employment and common employment rights as widely as possible through the population of working age' (Gallie, 2007:17). In inclusive regimes, 'organised labour has a strongly institutionalised par-

ticipation in decision-making, both in its own right and through its influence over the party in government' (*idem*, 18). High employment levels, common employment rights and a strong safety net help to minimise differentials between different employment statuses and contain or prevent polarising tendencies in the labour market. Dualist regimes, in contrast, 'will be characterised by a consultative involvement of labour in the decision-making system, reflecting its weaker organisational strength' (*idem*, 19). Labour's influence on policies — Gallie infers — will be contingent on the political orientation of the government and the strength of unions will mostly depend on 'a more easily mobilisable core workforce of employees in large firms' (*ibid.*). This tends to be reflected in larger differences between insiders and outsiders as 'dualist regimes are less concerned with the overall employment levels but guarantee strong rights to a core workforce of skilled long-term employees, at the expense of poor working conditions and low security at the periphery' (*idem*, p 18). The third employment regime is called a market-based regime: 'the assumption is that employment levels and job rewards are self-regulated by a well-functioning market and that institutional controls by organised labour are negative rigidities'. As a consequence, labour is excluded from a significant role in decision-making. The distinction between insiders and outsiders based on employment rights should be less pronounced, since market employment regimes emphasise minimal employment regulation, but polarising tendencies based on skill, rewards and job quality might be large without the countervailing power of unions, collective bargaining or social protection.

For the purpose of this chapter, classification by production regimes can be helpful for understanding the differ-

ent approaches to education, company training and lifelong learning. Coordinated regimes, based on cooperation among employers, are expected to invest more in vocational education and training, and to produce higher rates of participation in company-based vocational training. The classification by employment regimes is important for understanding the social partner contribution to ALMP, the integration of young people and those furthest from the labour market, and the reconciliation of work and family interests. The expectation is that the differences between skilled and unskilled, older and younger, male and female groups are smallest in inclusive regimes, and that the social partners in these regimes are most active, through collective bargaining and otherwise, to further an agenda of integration and equal opportunity. Working conditions should be less polarised. Finally, for understanding the methods used by the social partners, and also their role in dealing with the issue of modernisation of employment relations, including working-time flexibility and working conditions, a third classification is needed.

This third classification is based on **industrial relations arrangements** proper, such as union and employer organisations, the power relations between them, levels and styles of bargaining, the space for social partner intervention in public policy and for state intervention in union-employer relations. On that basis it is possible to distinguish four arrangements or regimes (see Table 2.3): Nordic corporatism; social partnership, mostly developed in continental (western) Europe; liberal pluralism originating in the British Isles; and a polarised or state-centred regime found in southern Europe (Ebbinghaus and Visser, 1997; also Crouch, 1993, 1996). In 'Democracy in Europe', Schmidt (2006) produces a rather similar distinction

Table 2.2: Industrial relations regimes or arrangements

	North	Centre-west	South	West	Centre-east
Production regime	Coordinated market economy		Statist market economy	Liberal market economy	Statist or liberal?
Welfare regime	Universalistic	Segmented (status-oriented, corporatist)		Residual	Segmented or residual?
Employment regime	Inclusive	Dualistic		Liberal	
Industrial relations regime	Organised corporatism	Social partnership	Polarised/state-centred	Liberal pluralism	Fragmented/state-centred
Power balance	Labour-oriented	Balanced	Alternating	Employer-oriented	
Principal level of bargaining	Sector		Variable/unstable	Company	
Bargaining style	Integrating		Conflict oriented		Acquiescent
Role of SP in public policy	Institutionalised		Irregular/politicised	Rare/event-driven	Irregular/politicised
Role of the state in IR	Limited (mediator)	'Shadow of hierarchy'	Frequent intervention	Non-intervention	Organiser of transition
Employee representation	Union based/high coverage	dual system/high coverage	Variable (*)	Union based/small coverage	Union based/small coverage
Countries	Denmark Finland Norway Sweden	Belgium Germany (Ireland) Luxembourg Netherlands Austria Slovenia (Finland)	Greece Spain France Italy (Hungary) Portugal	Ireland Malta Cyprus UK	Bulgaria Czech Republic Estonia Latvia Lithuania Hungary Poland Romania Slovakia

Source: J. Visser, extended on the basis of Ebbinghaus and Visser (1997); Crouch 1993; 1996; Esping-Andersen (1990); Schmidt (2002; 2006); and Platzer and Kohl (2007).

(*) In France employee representation in firms incorporates both principles, in Spain and Portugal it is dualist, in Italy and Greece it is merged with the unions but based on statutory rights.

based on the position of the state and the role of societal and economic interests in policymaking.

Of the four countries she discusses, France is classified as state centred: policies are designed without the systematic input from societal actors, but actors are subsequently accommodated in a rather flexible implementation process, often based on derogation from the law. If this flexibility is not offered, actors will seek confrontation. In the United Kingdom, too, the state is rather powerful and may formulate policies without significant societal input. But because the state acts in a much more restricted sphere, far more is left to society or to the market. Rather than derogation from the law, there is simply

less law in the socioeconomic domain and more self-organisation. In Germany, like in other corporatist economies, the state tends to formulate and implement policies in tandem with certain 'privileged' societal actors, mainly business and labour. Rather than acting through open policy networks, and exerting their influence through lobbying, as is the case in the liberal-pluralist model, these interests are organised in peak associations. Compared to other 'corporatist' countries, but with unitary states like Sweden or the Netherlands, the state in federal Germany is weaker and less effective in its bargaining with societal interests (see also Streeck, 2003). This weakness is partly compensated through a stronger legalism, especially in labour relations.

The final case is Italy, which is halfway between the state-centred and corporatist model. In Italy, state and society do try to act together, but they tend to be weak on both sides and the state operates in a clientelistic rather than a corporatist manner. The corporatist approach in industrial relations was strengthened in the 1990s, for instance with the 1993 pact on collective bargaining, which in itself could be seen as a preparation for EMU membership (Ferrera and Gualmini, 2004). But the corporatism in Italy is still weaker even than in Germany, 'since the cooperative orientation of societal actors is of recent vintage, not backed up by public law, and much more dependent on action by a state that remains quite weak, despite changes for the better in the 1990s' (Schmidt, 2006:147).

Whether the transition economies of central and east European countries (CEECs) form a separate regime or must be classified according to one of these arrangements is a matter of debate. They tend to mix several elements. In a recent contribution, Kohl and Platzer (2007:617) argue that 'based on the typology proposed by Ebbinghaus and Visser (1997), no national CEE system of industrial relations can be unambiguously assigned to one of the western European models [...]. Only Slovenia exhibits reasonably close parallels with one of the Western European models — the continental social partnership model, with a strong Austro-German flavour.' Absence of sectoral collective bargaining and low bargaining coverage rates tend to orient the CEE economies towards the liberal or uncoordinated model. But the state and collective labour law play a much stronger role and this makes them more like the state-centred models of southern Europe. However, in contrast to the latter, the interaction between unions and management, and between unions and the state, tends to be less confrontational and more determined by the weakness of the union actor. With the exception of Slovenia and perhaps Slovakia, the transition economies do share the absence of sector level and unstable structures of workplace representation.

Obviously, as with any classification, the real world is messier than these typologies and the application to single countries is an approximation at best. Ireland, for instance, after the experience of two decades of social pacts, has developed features of social partnership or 'roundtable corporatism' (12). There are distinctions between Finland and the Scandinavian countries in matters of labour law, the role of the state and wage bargaining, or between Germany and its western neighbours

in the autonomy of wage bargaining from state interference and the institutionalisation of the social dialogue. Italy (and Spain) do not share all the features of French industrial relations, especially as Italian trade unions have a much stronger social support and the state is less present in collective bargaining. Further distinctions can even be made between sectors and regions within states, for instance in Italy or Belgium.

These typologies can be helpful, however, insofar as they help direct our expectations concerning the relationship between employment policies or the contribution to the Lisbon agenda on the one hand and institutions of industrial relations or, more broadly, social and economic governance on the other. Moreover, rather than a continuum along one dimension, industrial relations regimes differ qualitatively along different dimensions. The **quality** of industrial relations, therefore, is not measurable along one dimension or in one simple statistic, like high or low union membership, bargaining coverage, the rule of law, sectoral organisation or policy concertation. There are, as it were, different qualities, each with different effects on the regulation of the economy and the labour market

For example, in Nordic ('corporatist') and continental ('social partnership') industrial relations systems one expects to find a greater use of autonomous agreements and collective bargaining; in statist and transitional systems, more sponsored agreements and legal standards rather than those produced through collective bargaining; in liberal-pluralist systems there will be less standard setting by either the law or collective bargaining, since agreements will be less binding (or benchmarking and guidelines will be used instead) and cover fewer companies and employees.

A test of these predictions, and of the value of the classification by industrial relations regimes, can be obtained by studying the implementation of the first 'autonomous' framework agreement on telework, concluded between the European social partners in July 2002 (Visser and Ramos Martin, 2008; EC, 2008a). With this agreement, the social partners made first use of their right, to follow the implementation route of Article 139(2) of the EC Treaty and implement the agreement 'in accordance with the procedures and practices specific to management and labour and the Member States'. It turned out that a great variety of procedures and practices were in fact used.

The variation in the use of these instruments (guidelines, collective agreements, legislation etc.) across Member States, as shown in Chapter 5, is interesting and offers few surprises. With regard to the role of the state, there is a cluster of Member States, including, as one would expect, those in Scandinavia, the British Isles, the Netherlands, Germany and Austria, but also Italy and Spain, where guidelines and agreements have been the main instrument for implementing the European Framework Agreement on Telework, and where there was often much activity prior to the 2002 agreement. There is a second cluster where the legislation, usually based on or preceded by a national agreement or by consultations with the social partners, has seemed the preferred instrument. If we include the extension technique, which makes ('sponsored') national agreements binding, then this cluster includes Belgium, the Czech Republic, Greece, France, Luxembourg, Hungary, Poland, Portugal and Slovakia. There is however some overlap between the two clusters, as the legal and collective bargaining instruments do not exclude one another. This overlap is clearly present in Belgium, Greece and France, and in the public sectors of Spain and Italy.

12 The expression is of Walter Münchau, *Financial Times*, 23 June 2008.

Table 2.3: Models or clusters of industrial relations

			North	Centre	South	West	Transit
		Years	Organised Corporatism	Social partnership	State-centred	Liberal	Mixed
1	Union density	2000–06	74.7	35.4	20.2	33.9 (*)	22.8
	Union authority	2000–06	0.500	0.474	0.357	0.243	0.251
	Union concentration	2000–06	0.375	0.344	0.217	0.413	0.276
	Centralisation	2000–06	0.476	0.538	0.378	0.370	0.318
2	Bargaining coverage	2000–06	86.8	82.8	75.4	35.3 (**)	34.5
	Employer density	2001–02	58.0	72.7	65.8	47.5 (*)	28.4
	Sectoral organisation	2000–07	2.0	1.8	1.2	0.5	0.7
3	Employee representation	1999–01	2.00	2.00	1.60	0	0.48
		2005–07	2.00	2.00	1.60	0.83	0.93
4	Concertation	2000–07	1.33	1.44	1.00	0.50	0.81
	Averages of:		Denmark Finland Sweden	Belgium Germany Luxembourg Netherlands Austria Slovenia	Greece Spain France Italy Portugal	Ireland Cyprus Malta United Kingdom	Bulgaria Czech Republic Estonia Latvia Lithuania Hungary Poland Romania Slovakia

Source: Averages calculated from ICTWSS database.

(*) Without Cyprus and Malta.

(**) UK only (coverage rate in Ireland is unknown).

For measurement and data issues, see Chapter 1. Union authority and concentration are the main determinants of centralisation (see box 1.2).

A more profound test of the classification is obtained by verifying how it matches the variation according to the four pillars — union organisation, union–employer relations and collective bargaining, employee workplace representation, and national-level concertation — proposed in Chapter 1 of this report. Table 2.3 presents the averages for each regime calculated for the years 2000–06.

These data confirm by and large the qualitative portrait based on industrial relations systems in Europe, presented in Table 2.2. As expected, union density is significantly higher in the north and union authority and centralisation is highest under conditions of northern corporatism and social partnership. Union fragmentation — the opposite of concentration or ‘unity’ — mostly affects the unions in southern and east-

ern Europe. Bargaining coverage does not differ much between the industrial relations systems based on organised or labour-led corporatism, social partnership or state-centred systems, though the mechanisms through which this is achieved differ. In the north the unionisation rate of workers is higher than the organisation rate of employers¹³ and high levels of coverage are the product of high rates of unionisation. In continental western and southern Europe, coverage rates are two to three times higher than the union density rate and much more driven by high rates of employer organisation and the legal extension of collective agreements to non-organised firms by the state. Coverage

¹³ The organisation rate of employers is calculated by taking the size of the firms that affiliate with employers’ into account. This makes this statistic comparable with the way in which the union density rate is calculated (see Industrial relations in Europe 2004 report).

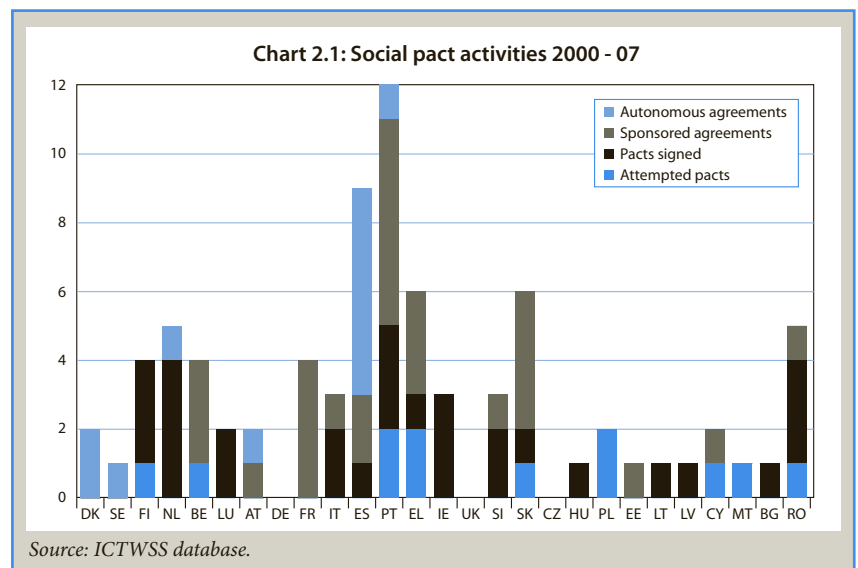
rates are much lower in the UK and in the CEECs (with the exception of Slovenia, here grouped together with the other social partnership countries). This is the result of much lower levels of employer organisations and the absence of sectoral agreements. Thus, even where the law does provide for the possibility to extend agreements to non-organised firms, usually on condition that the original agreement has the support of at least half the firms, weighted by size, the absence of sectoral agreements or the small minority of firms covered by any multi-employer agreement makes such provisions ineffective. The sectoral organisation of collective bargaining and the corresponding sectoral organisation of the social partners is clearly most developed in northern and continental western Europe, and mostly absent in the UK and Ireland (as well as Cyprus and Malta)

and ill-developed in the other transition economies (with the exception of Slovenia and, partly, Slovakia).

Employee representation in the firm reaches its highest levels under conditions of corporatism and social partnership, though on this dimension the differences with southern Europe are small, thanks to highly institutionalised forms of employee representation in Spain, France and Italy in particular. The main differences were with the 'voluntarist' regime in the UK and Ireland and many of the new Member States, with limited employee representation, especially in non-union firms (with Slovenia and Hungary as the main exceptions). As a result of Directive 2000/14/EC establishing a framework for informing and consulting employees, adopted in March 2002, there was considerable change between 2000 and 2006, and the differences across Member States have narrowed, but the transposition has not yet been fully completed in all Member States and effective coverage is often unclear (Eurofound, 2008; EC, 2008b). Finally, the scores for national concertation or the institutionalised involvement of the social partners in social and economic policymaking also show the expected variation across these five industrial relations clusters. In this case the score of '2' is reached when there is an institutionalised practice of such consultation extending over many years and over issues of social and economic policymaking, including macroeconomic policy, social security and social protection, and work-family policies.

Social pacts

One particular form through which social partners have become involved in the reform agenda of the EU is the conclusion of a social pact or agreement with the government. Such tripartite



pacts were concluded in a number of EU-15 countries in the 1990s, in many cases related to the preparation of entry into the Economic and Monetary Union in 1999. Examples of such pacts, including wage and non-wage issues, were found in for instance Ireland, Spain, Italy Portugal and Finland. In recent years there have been attempts at social pacts in the EU-12, with some success, for instance in Bulgaria, Slovenia and Romania. Chart 2.1 presents an overview, by Member State, of the different instruments — pacts, sponsored (and dependent) agreements, and autonomous agreements.

Once again, we observe considerable variation across EU Member States, with most activities apparent in Portugal and Spain. These differences are in part a consequence of the different types of pacts or agreement. In Portugal and Spain the idea of broad pacts valid for a number of years and covering many (wage and non-wage) issues seems to have been abandoned. Instead, social pacts and agreements tend to focus on one single issue (training, wage coordination or minimum wage) and need re-affirmation each year. Ireland presents a contrasting case; here a practice of plurian-

nual social pacts has developed since 1987, covering a broadening range of policies and reforms — in 2006 the seventh such pact was signed. In Finland, too, the tripartite incomes policy agreements that have been signed since 1995 cover two years or more and various policies, including taxation, social insurance and training. In the Netherlands and in Slovenia, too, social pacts tend to cover many issues and more than one year.

In many countries there were attempts to conclude single issue pacts, such as wages or conflict resolution for instance in Sweden, or on unemployment insurance and active labour market policies in Denmark or, indeed, broad pacts covering many wage and non-wage issues, for instance in Belgium (1997 and 2005), Germany (1998–2002), Greece (2000) France (1997) or Poland (2003). Including such (unsuccessful) attempts and agreements sponsored by the state or those that implement legislation, social pacts are a rather widespread phenomenon that excludes only a few countries (the Czech Republic, Malta and the United Kingdom, where the unions have proposed a social pact). Social pact activities tend to run across all types of industrial relations,

employment and production regimes. This is consistent with the interpretation that social pacts, and sponsored or dependent agreements, are not just an expression of social partnership but also attempt to renegotiate once established social policies and patterns of decision-making in the social and economic domain, or in industrial relations proper. Thus, we find attempts at social pacts, and renegotiation of established patterns, even in the Nordic corporatist regime, which are usually characterised by highly institutionalised patterns of consultation and little intervention of the state in industrial relations like Sweden and Denmark.

The cross-national variation in social pacts and agreements is not related to union density or bargaining coverage. Perhaps the relationship is curvilinear and unions in the middle range — not too strong and not too weak either — are most attractive as partners for the government. If they are very strong, they may demand too many concessions or feel that they can realise their objectives through normal collective bargaining in sectors and firms. If they are very weak they may be unattractive for opposite reasons, for instance because they cannot deliver consensus on behalf of employees. Of greater relevance for the conclusion of social pacts is the extent to which they can take decisions that bind their affiliates and members, and their capacity to coordinate activities with employers.

The authority of union confederations does increase the likelihood of a social pact and of concertation generally ($r = 0.521$)¹⁴. Confederal authority is

14 Confederal authority is measured as the sum-score of five elements: whether the confederation has a mandate to represent its affiliates in joint bodies and councils with the employers and/or the government or independent experts; whether they have the apparatus to, and do regularly participate in central negotiations with employers or governments; whether they have central strike or resistance funds; whether they can influence the appointment of union officials of affiliates; and whether they can veto agreements signed by affiliates.

Table 2.4: Social pacts and agreements by issue area

	Social security	ALMP subsidies jobs	Taxes / budget	Training (youth + older workers)	Pensions, early retirement	Employment protection legislation	Time flexibility working hours
2000	4	3	3	3	3	3	3
2001	3	3	1	6	3	2	2
2002	5	3	2	3	1	3	0
2003	5	3	3	3	2	3	0
2004	6	5	4	2	2	0	2
2005	2	3	2	1	2	0	0
2006	5	3	4	2	3	2	0
2007	4	4	2	1	3	1	0
Total	34	27	21	21	19	14	7

Source: ICTWSS database.

associated not only with concertation and social pacts, but also with higher bargaining coverage ($r = 0.559$) and higher levels of coordination between the social partners ($r = 0.612$). No claims of causality are made however; it may be that the participation in national consultation proceedings causes confederations to demand and receive more power and resources from their affiliates. It seems plausible, however, that, once established, confederal authority is itself a source of policy coordination and contributes to achieving higher levels of coverage through national or sectoral agreements. This is confirmed in a forthcoming analysis, based on a pooled regression over 21 countries and 35 years, using the ICTWSS database, by Tirelli et al. (2008). They show that the probability of social pacts and agreements increases with the ‘problem load’ of the national economy (instability, high unemployment and inflation), political instability and the need for governments to seek re-election.

Social pacts may relate to wage moderation, the targeting of the expected inflation rate, the articulation of sectoral and company bargaining, or conflict resolution procedures, issues that are beyond the scope of this chapter. The non-wage issues included in these

social pacts, or subject to specific ‘single issue’ social pacts and agreements, are listed in Table 2.4. It turns out that social security issues (the level and duration of unemployment, sickness and disability benefits, eligibility rules) are most frequently negotiated, followed by active labour market policies and job subsidy schemes. This is to be expected, as these are issues that require negotiations with the state and can almost never be dealt with by the social partners themselves. Training, early retirement and, especially, working hours and time flexibility are much closer to the issues that are the subject matter of collective bargaining and autonomous agreements. Taxes and budgets, of course, are not, neither are subsidies and mandatory social security contributions and benefits¹⁵. Employment protection legislation issues have a relatively low profile in social pacts (Boeri, 2005; Elmeskov and Duval, 2006) which is usually explained by the resistance of trade unions to renegotiate the rights of their core membership. One of the major positive examples of

15 Although some recent agreements and pacts do mention issues related to work–family reconciliation (for instance, leave rights for parents and childcare facilities), these issues could not be sufficiently separated and are here covered under time flexibility (leave and flexible working hours) and taxation (subsidies and provision of childcare).

Box 2.1: Europe's pathways to flexicurity and the role of social partners

One of the main challenges the European Union is currently facing is how, in the era of globalisation and ageing, to live up to European citizens' expectation of providing a distinct European social model. Can a strong social Europe also be a strong economic Europe? Can Europe indeed have its own way compared to the rest of the world? This is what the flexicurity debate is about.

Flexicurity strategies aim to combine employment and income security with flexibility in labour markets, work organisation and labour relations. This approach should transcend the simple trade-off between flexibility and security, where the former is seen to be in the exclusive interest of the employer and the latter in the interest of the employee. In a flexicurity strategy, flexibility and security should not be seen as opposites, but as mutually supportive labour market components.

In today's labour markets, traditional kinds of job security are not always sustainable and do not always constitute the right solution; people change jobs more often, sometimes because they want to and sometimes because they have to. In this context, new kinds of security are needed, so that workers can change from one job to another job in a safe and successful way and acquire new skills. Active labour market policies, motivating lifelong learning and training, improving customised support to jobseekers, supporting equal opportunities for all and equity between women and men contribute to such transition security. Similarly, flexible contractual arrangements should ensure that companies can adapt to changing market circumstances. Internal (within the enterprise) as well as external flexicurity are equally important. Therefore, high-quality and productive workplaces, good work organisation, and continuous upgrading of skills are essential.

Considering the wide differences in practices and challenges between Member States, a one-size-fits-all approach is not appropriate. Second, it has to respect Member States' autonomy regarding labour market and social policies. The solution has been to propose a set of flexicurity pathways, based on the work of the European Expert Group on Flexicurity. The word 'pathways' suggests that Member States can take different roads forward, based on different challenges, priorities and possibilities.

Flexicurity pathways can be designed and implemented across four policy components:

- (i) flexible and reliable contractual arrangements;
- (ii) effective active labour market policies to strengthen transition security;
- (iii) comprehensive lifelong learning (LLL) strategies;
- (iv) modern social security provisions that provide adequate income support, encourage employment and facilitate labour market mobility.

Moreover, a supportive and productive social dialogue and trust-based industrial relations system are a general precondition for flexicurity to work.

The main elements of the typical flexicurity pathways, which could inspire Member States in setting their own flexicurity agenda, are the following.

Pathway 1: Tackling contractual segmentation

This pathway addresses the issue of flexibility at the margin of the labour market. It suggests reducing asymmetries between standard and non-standard work by promoting upward transitions in the labour market and by integrating non-standard contracts fully into labour law, collective agreements, social security and lifelong learning systems. Non-standard contracts are then treated as equal to standard contracts, following the principle of *pro rata temporis*. Alternatively, standard contracts could be made more attractive for companies by introducing an open-ended contract in which specific elements of protection are built up progressively with time, until

'full' protection is achieved. Such a contract guarantees basic but adequate protection from the start and automatically builds up 'full' protection as the working relationship continues. Social partners and governments should negotiate the terms of these arrangements and make the benefits of changes visible to their constituents.

Pathway 2: Developing flexicurity within the enterprise and offering transition security

The second pathway emphasises safe and successful job-to-job transitions. Built-in contractual guarantees and human resource management policies should ensure timely progress into new jobs either within the company or outside the company once the necessity arises. Furthermore, it may be feasible to introduce individualised transition guarantees to redundant workers, to be borne jointly by employers, social partners and public employment services in order to prevent unemployment. A strong system of lifelong learning and vocational training may form the basis for productive labour market transitions both inside and outside companies. Such a system should allow for quick access to effective training funds and facilities at branch level. Within this pathway, strengthening internal flexicurity is also relevant, especially to enhance the employability and skills of workers.

Pathway 3: Tackling skills and opportunity gaps among the workforce

This pathway recommends strengthening, on the basis of existing levels of labour market dynamism, investment in skills and R & D. The employment and security opportunities and options of specific groups in the labour market can thereby be enhanced and productivity growth boosted. A broad-ranging approach is needed to keep the labour market accessible to the low-skilled and other groups at risk, such as minorities, older workers, women and the early school leavers, of becoming long-term unemployed or excluded in other ways. Employability and skills enhancement is an important task for public employment services, but flexicurity will also benefit from the possibility to conclude binding collective agreements at branch or regional level that combine provisions on how to address the flexibility needs of both employers and workers by investment in innovation and training. Where the institutional structures for such agreements are not yet in place, support from the social partners and government is needed.

Pathway 4: Improving opportunities for benefit recipients and informally employed workers

This pathway starts from the urgent need to increase the employment opportunities of persons who are currently on social security benefits or working in the informal sector. ALMP and social security should offer sufficient opportunities and incentives, in terms of increased conditionality of benefits, for return to work and to facilitate this transition. Long-term welfare dependence could thus be prevented. Informal work can be regularised by offering flexi-secure contracts, lower payroll taxes and a skills perspective for these sectors. By formalising informal economic activities, increased financial resources can be raised for building up a more comprehensive social security system. Stronger institutional capacity can be developed by stimulating the social partners to negotiate key elements of working conditions and by better cooperation between labour market and benefit institutions. Social dialogue can be further developed at sector and regional levels.

This text box is based on a contribution by Ton Wilthagen, professor at Tilburg University, the Netherlands and rapporteur of the European Expert Group on Flexicurity. For an extensive presentation of the flexicurity pathways see European Commission communication 'Towards common principles of flexicurity: More and better jobs through flexibility and security', COM(2007) 359 final of 27 June 2007, Brussels. For information on the contribution of European social partners, see Chapter 4.

a reform initiated and supported by the social partners is the reform of the statutory severance pay system in Austria in 2001. The reform extended the system beyond the small majority of employees which had been entitled to severance pay, reduced the length-of-service increment, and removed obstacles to mobility by making payments portable in individualised accounts.

The industrial relations contribution to the Lisbon Strategy

The *Joint Employment Report 2007/08* (Council 2008) finds that Member States have increased their efforts to integrate people at the margins of the labour market and to create an active approach towards higher employment levels and social inclusion. To this end, Member States have used different means, like active ageing strategies through restricting eligibility conditions and increasing incentives to work longer for employees, enhancing

work opportunities for older and particularly disabled workers, improving working conditions and providing opportunities for skills upgrading and re-training, and providing conditions for working-time flexibility and reconciliation of work and family life. In each of these areas the social partners' and collective bargaining agendas are important. This section reviews the state of play in six related policy domains: active labour market policies and social security reforms; training and integration of youth; improving the employment prospects of older workers and lifelong learning; working-time flexibility; reconciliation of work and family life; and working conditions. An additional text box looks at flexibility, the pathways towards flexicurity, and the role social dialogue could play (Box 2.1).

Table 2.5 offers a baseline for the discussion in this section. For each of the five industrial relations regimes, the mean employment and unemployment rates by age group and the mean male–

female gaps have been calculated. The data largely confirm Gallie's analysis of these regimes in terms of employment inclusion or exclusion. Thus, the highest employment levels and lowest male–female gaps are found in the inclusive employment regimes of Nordic corporatism. The liberal pluralist (or market-based) regime comes second best. Of the two dualist employment regimes, the polarised pluralist regimes of southern Europe have worse outcomes — in particular the low employment rate and high unemployment rate for young people, and the large disadvantage for women, is striking. The dualist employment regimes of continental western Europe, operating under conditions of social partnership, perform poorly when it comes to older workers, partly because of the extensive provisions for early retirement that seem hard to reverse. There are also low employment rates of young people, and high youth unemployment rates in the transition economies.

Unsurprisingly, for the inactive population, the decision not to seek employment varies with age (Table 2.6). For those between 15 and 24 years, the main reason is (full-time) participation in education and training, whereas later in life this motive becomes negligible. For the group between 25 and 49 years of age the responsibility for children or other caring duties is the most important self-declared reason, in particular (but not only) among women. For older workers, between 50 and 59 years, such responsibilities still play a role, though to a lesser extent. One third of those in this age group have retired but there are many others who do not believe that there is a job for them. From this simple analysis, it is apparent that large gains, in terms of employment inclusion, can come from policies that reconcile work with care responsibilities, for instance through: provision of childcare, improved leave arrangement or flexible working arrangements; poli-

Table 2.5: Employment inclusion by regime type in 2006

Indicators for 2006	Nordic corporatism	Social partnership	Liberal pluralism	Polarised pluralism	Transition economies
Employment rates					
Total	73.3	67.3	70.1	63.0	61.3
F/M gap	- 5.5 (*)	- 13.9	- 14.9	- 19.4	- 10.7
Youth (total)	49.0	42.9	51.6	30.9	26.4
F/M gap	- 0.6	- 4.7	- 4.7	- 9.6	- 7.9
Older workers (total)	61.6	39.4	55.3	41.3	42.5
F/M gap	- 6.2	- 16.9	- 22.4	- 21.2	- 16.2
Unemployment rates					
Total	6.2	6.4	4.9	8.2	8.5
F/M gap	0.7 (*)	1.3	0.7	4.2	0.5
Youth (total)	16.0	13.2	11.4	20.7	18.7
F/M gap	0	0.3	- 2.4	7.4	1.6
Older workers (total)	5.0	6.1	2.7	4.9	6.1
F/M gap	- 0.2	1.3	- 0.7	0.4	- 0.5

Source: Calculated from the European labour force survey, 2006, Eurostat.

(*) F/M gap, meaning that the female employment rate is 5.5 percentage points below the male employment rate, and the female unemployment rate 0.7 percentage points higher, etc.

Table 2.6: Main reasons for not seeking employment in 2006

EU-27 total	15–24	25–49	50–59
In education or training	87.4	10.9	0.3
Looking after children or incapacitated adults	2.0	25.0	3.9
Other family or personal responsibilities	1.8	19.5	13.9
Retired	0.3	2.8	31.5
Discourages workers or belief that no work is available	1.6	7.7	6.4

Source: Calculated from European labour force survey 2006, Eurostat.

cies that make work more and retirement less attractive for older workers; lifelong learning and training policies that make older workers more competitive in the job market; policies that reverse age (as well as sex) discrimination and increase the transparency of the labour market; and policies that improve working (and health) conditions for all, but in particular older workers. These are issues for collective bargaining and public policy, and often the combination of the two — providing general incentives and ensuring delivery in the company or workplace — is crucial.

Active labour market policies and social security reforms

In the past five years, EU Member States have increased spending on active labour market policies (ALMP), with a tendency to increase the conditionality of unemployment insurance, tighten the eligibility conditions for unemployment benefits, raise the effectiveness of job-search assistance, emphasise the individual responsibility of jobseekers and monitor job searching activities. Additionally, in many Member States financial incentives are being created to increase the readiness of people with a disability to take up work, while subsidies are given to employers to hire disabled people and to adapt their workplace to their needs. There is, however, still a way to go; the *Joint Employment Report* notes that the current average exit age from the labour market (at the age

of 60.9 years on average) is still much below the 2010 target of 65 years of age. This is one of the hardest areas of reform and it is clearly related to many other issues (dismissal protection, lifelong learning, better employment opportunities for older workers, part-time retirement and flexible time use, and working conditions). For migrant workers and their families, activation measures vary from training and language courses, wage subsidy schemes to employers, attempts to integrate children of immigrants into the educational system and the launching of special programmes in geographic areas where migrants are concentrated.

In most Member States, unions and employers are in some way or another involved in the political process of preparation and establishment of these policies. In a majority of countries, this participation is institutionalised through the participation of the social partners in tripartite bodies or via political and administrative channels. In the Nordic countries, governments have a long tradition of including both employer's organisations and trade unions in decision-making over ALMP, partly because trade unions have retained a role in the provision and administration of unemployment insurance. In Belgium, too, policies are mostly set through tripartite consultations, even though the state retains final responsibility. In the Netherlands, as in Germany and Austria, the role of the social partners in ALMP has been weakened. In France the social partners have retained a strong role

through bipartite funds and there have been attempts to carve out a more autonomous bargaining role for the social partners.

Austria presents an example of social partner involvement in ALMP in early 2007, when unions and employers offered a joint programme aimed at improving employment opportunities for unskilled, unemployed and young people. Something similar happened in Denmark with regard to young people with low levels of formal initial education. The recent social pacts signed in Ireland (2000–03, 2003–05 and 2006–11) include a wide range of labour market measures. In order to tackle the labour market and demographic problems, the Finnish government and the social partners adopted in 2003, after lengthy negotiations, legislation to reform the private sector pension system with a view to discouraging early retirement. Furthermore, in late autumn 2002, the Central Organisation of Finnish Trade Unions presented proposals including a substantial increase in the resources for active labour market policy so that the 'activation rate' for unemployed people can be lifted from the present 20 % to 40 %, which is more in line with the activation rates usually seen in other Nordic countries.

After almost a year of negotiations, the Dutch social partners concluded a social pact with the government in November 2004, including measures to phase out early retirement. In the tripartite Social and Economic Council their representatives agreed to set the target for the employment rate at 80 % in 2020. A specific participation summit between the government, the social partners and the municipalities was supposed to agree on specific job measures for the 200 000 people with the largest distance to the labour market. However, it turned out to be impossible to reach a new pact on

this occasion. Employers had linked the issue to a reform of the dismissal protection system for workers under open-ended contracts, a move which the trade unions vetoed.

In Spain, a tripartite agreement containing measures related to pension reform was signed in July 2006 by the government and the social partners. Many of these measures were already included in the agreement relating to improvement and development of the social security system (*Acuerdo para la mejora y el desarrollo del Sistema de Protección Social*) for 2001–04. Also, an agreement was reached between the government and social partners in early 2006 on merging the occupational training schemes for the unemployed with the continuous training systems for active workers.

In July 2007, the Italian government signed a social pact with the trade unions concerning pension reform, social security, flexible employment contracts, competitiveness, young workers and women. In Slovenia, the social agreement for the period 2003–05 established plans for a sustainable social security system for all citizens¹⁶. After a difficult period, with social dialogue at a low, another three-year social pact was signed in July 2007, though its effects are unclear and its most tangible result appears to be that the tripartite system of concertation was rescued for the time being. In the Czech Republic the government accepted the proposals agreed between the social partners, submitted through the Social and Economic Council, aimed at broadening the inclusion of long-term unemployed in retraining programmes and to improve active measures to enhance youth employability.

There were also failed attempts at reform pacts. The most spectacular case is probably the end of the 'Alliance for

jobs, competitiveness and training' in Germany. Initiated in September 1998, the social partners had agreed with the government to join forces on a number of issues, including a permanent reduction of non-wage labour costs and structural reform of the social security system; employment-promoting work-sharing; better use of early and partial retirement; the development of new fields of employment for low-skilled workers; and labour market policy to fight youth and long-term unemployment. No agreement could be reached on concrete solutions and by 2002 it was dead. Following the re-election of the government the government moved alone and introduced a series of reforms (*Agenda 2010*) on pension, social assistance and unemployment insurance, against the opposition of the trade unions.

In Belgium the government tried in 2006 to reach a so-called 'generation pact' with the social partners, intended to make early retirement less attractive and introduce measures to tackle youth unemployment and welfare poverty. But it proved impossible to secure the cooperation of the trade unions and the government moved on its own with a weaker version of its original plans. However, in the next general round of central bargaining between the social partners, for 2007–08, many of the measures to increase the active participation of older worker were included in the agreement and recommended to the sectoral and company negotiators. These negotiations take place under a strong 'shadow of hierarchy' of the state, since the state has tied the maximum wage increases by law to the developments in France, Germany and the Netherlands. The Italian centre-right government that was in power from May 2001 to 2006 was less inclined to acknowledge the role of the social partners in policy concertation. Yet, the government did start negotiations with the unions and manage to secure the support of two of the three

main union confederations in the 2002 'Pact for Italy', which included various measures, including benefits and services for workers when they (re)enter the labour market and experimental measures to lift dismissal protection in companies employing less than 15 employees)¹⁷. The pact was highly contested and large parts of the pact were never implemented.

In most European countries, issues relating to the unemployment benefit system are not included in the (bipartite) negotiations of collective agreements. An exception is Belgium, where most sectors have set up welfare funds that grant additional advantages in the case of illness, unemployment and recently, retirement. In Greece, the social partners have signed agreements on the issue of insuring workers against unemployment. Danish and Swedish agreements also contain provisions for the re-employment and training of workers made redundant and these issues have in both countries been subject to general agreements for the private sector, preceding the negotiations in sectors. Since 2000, the Dutch social partners include provisions for re-integration of people with weak attachments to the labour market in their collective agreements.

Finally, in several Member States, the trade unions play a role in the administration of the system, by managing either payment bodies (Belgium) or unemployment funds that collect contributions and pay the benefits (Denmark, Finland, Sweden). These institutions have come under considerable pressure for change, however. The current trend is towards a diminishing role of the unions in the administration of unemployment benefits (Schaapman and Van het Kaar, 2005). Such reforms, creating a single entry point for all types of (insured and

¹⁶ <http://www.eurofound.europa.eu/eiro/2007/08/articles/si0708029i.htm>

¹⁷ http://www.ilo.org/public/english/dialogue/ifpdial/sd/social_pacts/italy.htm

uninsured) jobseekers, have taken place in many countries, including the Netherlands, Finland, Sweden and Norway. In the Netherlands this meant that the social partners were sidelined and they no longer have managerial control over labour market offices or the administration of unemployment insurance. In the Nordic systems, as in Austria and Belgium, unions have retained more control, but in Denmark, trade unions feel that their position in this domain has weakened.

In Finland, the introduction of an independent unemployment insurance fund in 1992 has allegedly undermined the strong position of the trade unions in the management of unemployment benefits. Before, trade unions administered all unemployment insurance funds in Finland¹⁸, but since the reform they must now compete with an independent (and cheaper) fund. Böckerman and Uusitalo (2005) argue that its success has eroded the link between unions and the entitlement to earnings-related unemployment benefits, and thus contributed to the decline in unionisation in Finland. In Sweden, the government has introduced similar legal changes in 2007, altering the connection between union membership and membership of an unemployment insurance fund.

Youth employment and the school to work transition

The successful integration of young people in the labour market has become a priority goal of European poli-

¹⁸ Like Denmark and Sweden, Finland operated a so-called Ghent system, where membership of an unemployment insurance fund is required to access earnings-related unemployment benefits, which are paid at much higher level than the state guaranteed benefits. Theoretically it was possible in Finland to be a member of a union-administered fund without joining the trade union, but in practice the two memberships have been inseparable. YTK has been providing since 1992 earnings-related benefit coverage for a price considerably below the level of union membership fees.

cymakers. The size of the youth population, aged 15 to 24 years, is predicted to shrink from 12.6 % to 9.7 % of the total population between 2005 and 2050, yet, the training of young people and the organisation of the transition from school to jobs remains a matter of great concern.

Youth unemployment has fallen between 2000 and 2006, but in some regions (southern and eastern Europe) unemployment still affects one in five or six young people. Employment rates also vary a great deal. The highest employment rates of young people are reached in Denmark, the Netherlands, Austria, the UK and Ireland; the lowest are in Greece, Italy, Luxembourg, Hungary, Poland, Bulgaria and Romania. Generally, low employment rates go together with high unemployment rates, and in fact many young people may stay longer in (full-time) education. Obviously, enrolment rates in (tertiary) education and the division between part-time and full-time education and work have a major influence on employment rates. It is for this reason that the OECD has tried to draw attention to those young people who are not in employment, education or training (NEET) (Quintini et al., 2007). Better than inactivity rates, they capture the problem of inadequate training and education, and the difficulty of organising the transition from education to work. The EU average of young people not in employment, education or training stands at 18 % of the population aged 15 to 24 years, but this hides considerable variation across Member States, with the lowest NEET rates in Denmark and Netherlands and the highest in France, Italy, Poland, Romania and Slovakia. Although NEET rates are usually higher among young adults, with teenagers more likely to be enrolled in education, Spain, Italy, Malta, the UK, Romania and Bulgaria also exhibit high percentages of NEET rates among teenagers, indicating problems

of school dropout, lack of training and joblessness (EC 2007a, pp. 36ff).

Policy measures to improve youth employment include improved vocational education and training, specific guidance and pathways for at-risk school-leavers, intensified and personalised guidance and job search support, reduction of employers' social security contributions, tax promotion for apprenticeship places, wage support for recruitment of long-term unemployed youth and even reduced taxation of students' jobs. The availability and acceptance of part-time jobs, and the combination with part-time education, is another major factor.

The major contribution of the social partners lies in the area of wage policies (youth entry rates), working time (part-time jobs) and training. The first area lies outside the scope of this chapter, part-time employment will be discussed in a later section. Training and organising the transition to work is especially important for those with weak or low educational credentials. Both unemployment and employment rates are strongly related to educational attainment.

Table 2.7 shows the gap in employment ratios between those with tertiary (ISCED 5–6) and primary schooling (ISCED 1–2). Unsurprisingly, young people with tertiary education reach much higher levels of employment, and are less likely to be unemployed, than those with the lowest levels of education. The main exception is southern Europe, where a majority of higher educated young people are not in employment and one fifth is unemployed. The education gap is particularly large in the transition economies, but the problems for young people with little education are visible from these data in all employment and industrial relations regimes. Here, there is clearly a huge task for governments and social partners.

Table 2.7: Youth employment and unemployment rates by level of educational attainment

	Nordic corporatism	Social partnership	Liberal pluralism	Polarised pluralism	Transition economies
Youth employment rate					
ISCED 0–2	37.6	30.1	33.7	25.9	8.9
ISCED 5–6	71.5	72.0	79.0	48.0	65.4
Education gap	– 33.9	– 41.9	– 45.3	– 22.1	– 56.5
Youth unemployment rate					
ISCED 0–2	23.0	19.0	20.6	22.6	37.9
ISCED 5–6	12.9	16.1	7.2	22.9	19.5
Education gap	10.1	2.9	13.4	– 0.3	18.6

Source: Calculated from the European labour force survey 2006, Eurostat.

Strategies aimed at tackling youth unemployment are, in most cases, part of a broader policy design addressed at unemployment in general. Only rarely do youth employment programmes enter social dialogue or collective bargaining as the only or key issue. Moreover, a comparison across countries suggests that the priority given by social partners to this topic is not very strong and not correlated with the extent of youth unemployment.

Austria, Belgium and Denmark are among the Member States where the involvement of social partners is highly institutionalised. In 2007 the Austrian social partners presented joint proposals aimed at reforming the current, generalised system of apprenticeships with individualised qualification programmes for young and unemployed workers and to introduce a special programme for unemployed older workers. The government welcomed the initiative and adopted a youth employment pact in April 2008 that had been agreed with the social partners. It relates to training arrangements outside the workplace as well as incentives for quality or gender mainstreaming measures in vocational training. In Belgium the generation pact foundered, but in the

bargaining round of 2007–08 some proposals for training and easing the employment prospects for young people were incorporated. In the autumn of 2004 an ambitious tripartite cooperation project was launched in Denmark, involving the government and the social partners, with a view to analysing the levels of access to vocational training of Danish workers, especially those with only a short period of formal education¹⁹). In February 2005, the government followed with an action plan for the development of competences for this group of (future) workers.

Another Member State showing considerable involvement of social partners is Spain, which set up the 2005–08 youth plan based on discussions in the Tripartite Commission on Youth Employment. Slovenia has also moved in this area, based on tripartite discussions in its Economic and Social Committee. In the other CEECs with tripartite bodies for consultation, social partners, when at all consulted, tend to have only a vaguely advisory role with little leverage on actual policies. In Bulgaria, for instance, unions and employers agree on the inadequacy of

¹⁹ <http://www.eurofound.europa.eu/eiro/2005/02/tfeature/dk0502101t.htm>

the national action plan in fostering the provision of a skilled workforce matching the labour demand (lack of professional skills).

The regulation of youth employment programmes via collective agreements varies a great deal across EU Member States. The main topics are minimum entry wages (Netherlands), apprenticeship programmes (Germany, Belgium) and the organisation of vocational training. Sectoral agreements and co-ordination among employers play a key role in job classification systems, training requirements and apprenticeship schemes in the coordinated production regimes of northern and continental Europe. This implies usually joint responsibilities for the management of vocational training schemes, sometimes even for the recruitment of young people. Elsewhere in Europe, there are many attempts to do the same.

In France, for instance, unions and employers draw up job classification schemes and training requirements in sector-level collective bargaining. Under the 2007 pact, Italian sectoral bargainers are encouraged to do the same for apprenticeship training. In Spain the 2005 multisector agreement regulates the establishment of training contracts. Collective agreements on training at the sectoral level are also negotiated in Romania and Slovakia. In Poland some sectoral collective agreements define the rules according to which employees can develop their occupational skills. In the Czech Republic, social partners at the sectoral level monitor enterprise-level collective agreements, seeking to incorporate into collective agreements more adequate training arrangements. In Hungary tripartite regional councils produce the list of the vocational qualifications most demanded in the labour market. In Slovenia and Malta the role of employers is much more pronounced than that of the unions. In Portugal governments have tried to interest em-

ployers in designing sectoral training programmes together with the unions. In the UK union officials are involved in the development of the occupational and qualifications standards, but remain outside the framework of any systematic social partnership arrangement.

Lifelong learning and the position of older workers

The changing occupational structure of employment and the transition into a knowledge economy is arguably one of the most important trends in current and future labour markets. Rapid economic growth goes together with occupational and sectoral change and the reallocation of labour across firms, sectors and occupations. It requires workers to constantly update their skill and engage in a process of up-skilling. Social dialogue at various levels has addressed the issue of enabling enterprises to provide continuous vocational training or lifelong learning and offer employees adequate training opportunities. Given the expansion of highly skilled occupations and the rising educational attainment of the labour force, older workers are under pressure to remain competitive compared with younger workers with higher educational qualifications.

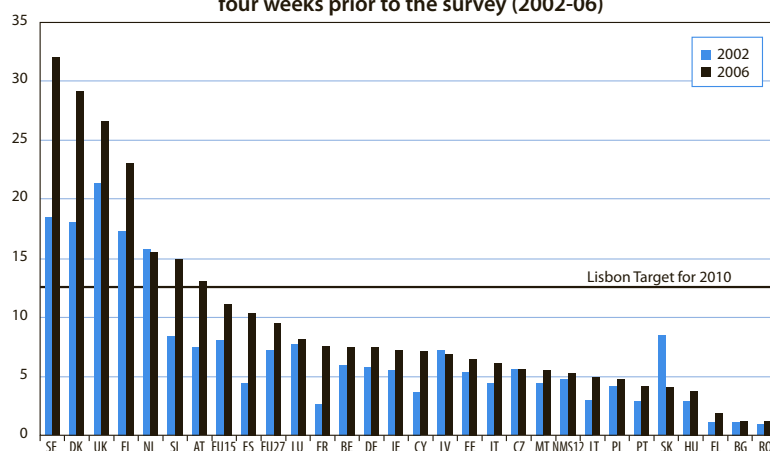
Employment rates of the population aged 55 to 64 years are still below 50 % in most Member States, the target rate of the Lisbon Strategy for 2010. Only the inclusive Nordic regimes achieve rates as high as 60 %. As one might expect, employment rates of older workers, between 55 and 64 years of age, are highly correlated with educational attainment (see Table 2.8), as for the younger age groups (Table 2.7). People with less than upper secondary education are more disadvantaged, especially in Italy, Hungary, Malta, Poland and Slovakia. In some Member States (Portugal, Finland, the United King-

Table 2.8: Employment rates of population aged 55-64, by educational attainment

	Nordic corporatism	Social partnership	Liberal pluralism	Polarised pluralism	Transition economies
ISCED 0-2	48.7	29.0	52.1	36.5	27.7
ISCED 5-6	74.0	59.0	72.4	61.1	62.8
Gap	- 25.3	- 30.0	- 20.3	- 24.6	34.1

Source: Calculated from the European labour force survey 2006, Eurostat.

Chart 2.2: Trends in adult participation, aged 25-64 in lifelong learning four weeks prior to the survey (2002-06)



Source: calculated from the European labour force surveys 2002 and 2006, Eurostat.

dom and Sweden), however, the employment rate of low-educated older workers is very high, though mostly in low-wage jobs. This is directly related to the high employment rates of older women in these countries. In view of the gap in employment rates across educational attainment levels, and the generally lower level of employment among workers with only primary education, the need for additional training on a continuous basis is particularly large among older workers with low levels of education. This is an area where the social partners, in particular, can play an important role.

On average, participation in lifelong learning has been on the rise in the majority of the EU Member States, but most Member States are still far off the

target of a 12.5 % participation rate set for 2010 in the Lisbon Strategy, and more common effort, including social partner action, is called for (see Chart 2.2). There is a massive variation across Member States with only Sweden, Denmark, the United Kingdom, Finland, the Netherlands, Slovenia and Austria reaching the 2010 Lisbon target for lifelong learning. Italy, Portugal and most of the EU-12, including Ireland and Germany, are still far off target. In the past five years, the strongest improvements were made in the Nordic corporatist countries, which already had the highest level of lifelong learning (Table 2.9).

Post-initial learning provided or consumed after formal schooling works cumulatively rather than as compensation

Table 2.9: Participation rates of adult workers (25 to 64 years) in post-initial education activities and enterprises offering vocational training

	Nordic corporatism	Social partnership	Liberal pluralism	Polarised pluralism	Transition economies
Lifelong learning					
2002	17.9	8.6	13.4	3.1	4.3
2006	26.2	10.4	17.1	5.9	4.4
	+ 8.3	+ 1.8	+ 3.7	+ 2.8	+ 0.1
Any learning activity in 2006					
ISCED 0–2	57.1	43.3	23.4	23.4	12.7
ISCED 5–6	90.4	77.8	63.6	66.2	56.3
Gap	– 33.3	– 34.5	– 40.2	– 42.8	– 43.4
Formal education					
Formal education	10.1	3.8	6.9	3.1	2.6
Non-formal education					
Non-formal education	45.5	16.9	24.3	9.9	9.6
Informal education					
Informal education	62.6	53.7	45.0	33.0	25.4
% of enterprises offering training					
10–49 employees	70.0	55.2	63.0	32.8	29.3
50–249 employees	88.3	78.4	75.0	61.4	55.6
250+ employees	94.7	92.2	83.0	85.2	78.2

Source: Eurostat, calculated from European labour force survey, and refers to 2006. Participation rates of adults in formal, non-formal and informal education are calculated from provisional Eurostat data for 2005. **Formal education** is defined as education and training in schools, universities and colleges; **non-formal education and training** includes all activities outside a formal education programme, in particular vocational training at the initiative of the enterprise; **informal learning** corresponds to self-learning (using printed material, libraries, video and audio material, or computer-based and online Internet-based web education), which is not part of either formal education or company training.

for the lack of formal education (Table 2.9). Participation rates in such learning increase with educational levels. Employers find it more rewarding to provide training to higher skilled workers, since the returns to investment are supposed to be higher. A similar argument explains the lower access of older workers to training, given the shorter time span over which training costs can be recouped. The decline in training intensity over the life cycle is one of the main hurdles to be addressed by a lifelong learning approach to education and training⁽²⁰⁾.

Levels of training are lower and the educational gap in lifelong learning is larger in pluralist, polarised and transition industrial relations systems (Table 2.9). This is related to the much lower rates of company-provided training, especially by smaller firms. The SME sector is also poorly covered by unions and collective agreements, especially where company bargaining prevails. Only when they are covered under sectoral arrangements, with the help of common funding, will small firms have the capacity and incentives to offer training to a significant number of employees. These conditions are poorly fulfilled in southern and in eastern Europe (see Table 2.9).

A considerable share of adult learning is concentrated in non-formal and informal activities (Table 2.9), for which the assessment, validation and recognition has become a matter of particular concern for unions and employers. From the point of view of employability, the effectiveness of skill enhancement achieved through vocational training is correlated with the external recognition of the skills acquired and the transferability across firms. Hence, needs assessment and validation of training are two aspects relevant for the social dialogue. In their Framework of Actions on Lifelong Development of Competencies and Qualifications of 2002, the European social partners identified four areas for action: (i) identification and anticipation of competences and qualifications needed; (ii) recognition and validation of competences and qualifications; (iii) information, support and provision of guidance; and (iv) mobilisation of the necessary resources.

At the national level, the involvement of social partners in planning training activities and lifelong learning patterns is subject to considerable cross-country variation. The extent to which well-established practices of consultation of interests are extended to cover adult education as a central issue of the social dialogue is contingent, to a certain degree, on path-dependent trajectories. Hence, longstanding commitments to social partner involvement in policymaking in labour market reforms, common in the Nordic countries but also found in Germany, Belgium, Luxembourg, Austria and the Netherlands, are reflected in a more encompassing approach towards lifelong learning. In contrast, in Member States that have traditionally relied on voluntary bargaining, like the UK, or in Member States without a tradition of concertation, the influence and involvement of social partners is more haphazard and

20 "Study on access to education in Europe" – Final report, 2005:76; see also Chapter 2 in Employment in Europe 2007.

the role of the state usually larger. In the EU-12, provisions and regulations tend to be directly dependent on the positions taken by the government. Public agencies and administrative structures have a leading role, as is also the case in Ireland, Portugal and Greece. Whereas in the first group of countries continuing vocational training has been part of the industrial relations and collective bargaining agenda for some time, elsewhere the issue seems to have entered the social dialogue agenda more recently and is not always integrated into collective bargaining. Recurrent attempts to negotiate sponsored agreements, for instance in Portugal and Spain, indicate both the importance of the issue and the difficulty of implementing such agreements.

There are three key issues addressed in collective agreements that include clauses on training, common in many EU-15 Member States: funding; programme management and selection; and the extent of individual training rights of employees. The introduction of the so-called 'Individual learning account' is a matter of discussion especially in Sweden and United Kingdom, and a trend likely to spread to other countries in the foreseeable future. In France, the social partners agreed on an individualised training right in 2003 (see Box 2.2). The recognition of a right to training and the availability of paid leave for educational purposes are also common in the Netherlands, Finland, Austria, Spain, Malta, Slovakia and Ireland (limited to the public sector).

Local representation appears to matter greatly for the access to training. In some countries an increasing role is assigned to the works councils, especially in Denmark, Germany and Finland. The case of United Kingdom stands out, as trade unions function to some extent as brokers favouring access to training through the presence of Union Learning Representatives at

Box 2.2: Individual right to training in France

Reform of continuing vocational training was one of the issues considered under the industrial relations reform initiative launched by French employers association MEDEF in 2000. On 20 September 2003 a national cross-sectoral agreement on employees' lifelong access to training was concluded, signed by all five principal union confederations.

The agreement makes room for a customisation of training trajectories based on professional assessment by employers and the creation of an individual training right for employees. A new tool is created, the so-called training passport, drawn up at the behest of the employee and lists the knowledge, skills and occupational aptitude acquired either in initial and continuing training or through professional experience. Existing training leave schemes remain unchanged and employees can save training credits up to a period of six years, but they must seek agreement with employers about actual training and financing. There is a limited transferability of training rights, thus making the entitlement personal rather than company based.

The agreement was given the force of law in May 2004, with some modifications. The law encourages sectoral negotiations to detail arrangements, and some 130 sectoral agreements on professional training were concluded between October 2004 and April 2005. These agreements seek to guarantee equal access and improve conditions for training in SMEs and for older workers, as well as transferability of training rights, but they do less well in defining training needs, probably because the sector is less and less an organising unit and large firms tend to opt-out from sectoral arrangements. Another obstacle is that during economic downturns, when firms or sectors face difficulties, training rights tend to be sacrificed. An evaluation study commissioned by the Ministry also notes that the means for joint action and social dialogue are often lacking (Rivier and Seiler, 2006).

Source: Jelle Visser and Birgit Bentzen, 'Better governance and delivery of reform through partnership', Thematic Review Seminar of the EES, 24 April 2006, Brussels.

the company level. A recent study, using data from the workplace employment relations survey of 2004 found that trade union recognition has a consistently positive effect not only on the extent to which employees receive training opportunities, but also on the amount of training they receive (Stuart and Robinson, 2006). The research also showed that enterprises are more likely to offer higher levels of employee training — defined as 10 or more days' training a year — when they recognise trade unions, have some form of representative structure and where trade unions directly negotiate with management with regard to training. A similar result comes from research on Germany. A study based on matched pair analysis of IAB establishment panel data for 1996–2005 found that participation in training was consistently higher in establishments with works councils, compared with those

without works councils (Bellmann and Ellguth, 2006). Moreover, the participation rate increased in establishments with works councils after the reform of the Works Constitution Act in 2001, whereas it stagnated in companies without worker representation. The European Foundation for the Improvement of Living and Working Conditions (Eurofound 2008) refers to another example from Lithuania, where a survey conducted in 2005 under the EU EQUAL initiative examined the issues of training and skills development for employees. Looking at enterprises with collective agreements and trade union representation, the survey found that a majority of respondents reported that improvement in qualification levels and reskilling of employees were ensured by collective agreements. The agreements covered issues such as the skills development of older workers in particular.

Box 2.3: Advanced vocational training (Sweden, Denmark) and Skillnets (Ireland)

In 2002, Sweden included advanced vocational education in its regular educational system. Already in 1994, trade unions and employers' association had put forward a proposal for a system of tertiary non-academic education with strong links to working life. In response, a pilot project was carried out between 1996 and 2001. When the pilot scheme was extended to the whole country and to other target groups, it was brought under the newly formed **Swedish Agency for Advanced Vocational Education**. The key factor in the success of the programme is that it is demand-led and flexible. The scheme is locally grounded, based on bottom-up initiatives of trade unions and employers' associations in response to needs they identify through their members. Flexibility is built into the implementation structure, which means that new challenges and labour market demands can be met continuously. Stakeholders learn by monitoring as knowledge and experiences with implementing the programme find a feedback into the supply of courses.

A range of similar lessons can be drawn from the reform on adult and educational training in Denmark. A new **Labour Market Institution for Financing Education and Training** (AUF) with social partners' representatives was set up with similar aims to the Swedish Commission in 1996.

Skillnets is an example of experimenting partnerships in Ireland. Companies contribute on average one third of the costs of training. The scheme is demand-led insofar as the companies and their employees direct and control what training is offered and by whom. Skillnets has initiated an enthusiasm for training and enabled companies to undertake cost effective and flexible training of high quality with more focus. There are still some difficulties, however, related to the predominance of the sectoral approach to the formation and development of training networks promoted by Skillnets. Sharing sensitive information and knowledge with competitors within sectors has limitations, especially in a context where sectoral employer organisation is weak (Irish employers do not negotiate sectoral wage agreements, unlike many continental European countries).

Source: Jelle Visser and Birgit Bentzen, 'Better governance and delivery of reform through partnership', Thematic Review Seminar of the EES, Brussels, 24 April 2006.

There are widespread attempts across Member States to involve all social actors in financing the training effort²¹. One way is to create sectoral training funds administered by bipartite bodies based on compulsory training levies and/or payroll contributions, possibly in combination with government and ESF subsidies or tax exemptions. Such collective training funds can be found in the Netherlands, Belgium, Denmark, Finland, the United Kingdom (only construction), Spain, Cyprus, Greece and Italy (Cedefop, 2008). Finland is a particular case insofar as training schemes providing funding for continuous vo-

ational training can be set up at the initiative of employees.

A shift towards demand-led instruments seems to be the principal trend, in the framework of proactive policies aiming at eliminating skill shortages in national labour markets. In Finland, social partners are involved in government-forecasting approaches for future skills and qualifications. In the UK, employers in each sector lead the identification of training needs and the design of programmes; trade union officials are involved in this process depending on the union density in the sector and their degree of coverage. Employer-led sector skills bodies are also common in the Czech Republic. In Sweden social partners

have started projects on validation of sector skills in a tripartite governmental body; at the company level, validation relies on the employers' separate dialogue with employees directed to the identification of specific training needs. Other examples come from Denmark and Ireland (Box 2.3).

Working hours and working-time flexibility

Working hours and working-time flexibility (when and how long to work, the possibilities to take leave, or change schedules) are important not only for productivity, teamwork and job satisfaction, but also for the inclusion of women, older workers, students, disabled persons and those with commitments outside work in employment. In most EU-15 countries working hours became an increasingly important issue for collective bargainers in the early 1980s in response to unemployment and the growing intensity of work, but the issue has now shifted from the length of the working week to working-time flexibility, focusing on the annualisation of working hours, the possibilities for part-time work, the reconciliation of work and family life, and the organisation of 'time savings accounts' or 'working time banks'. In contrast, in most EU-12 countries collective bargaining plays a relatively small role in setting weekly working hours. Collective agreements either do not deviate from the statutory 40-hours norm or do not deal with the issue at all.

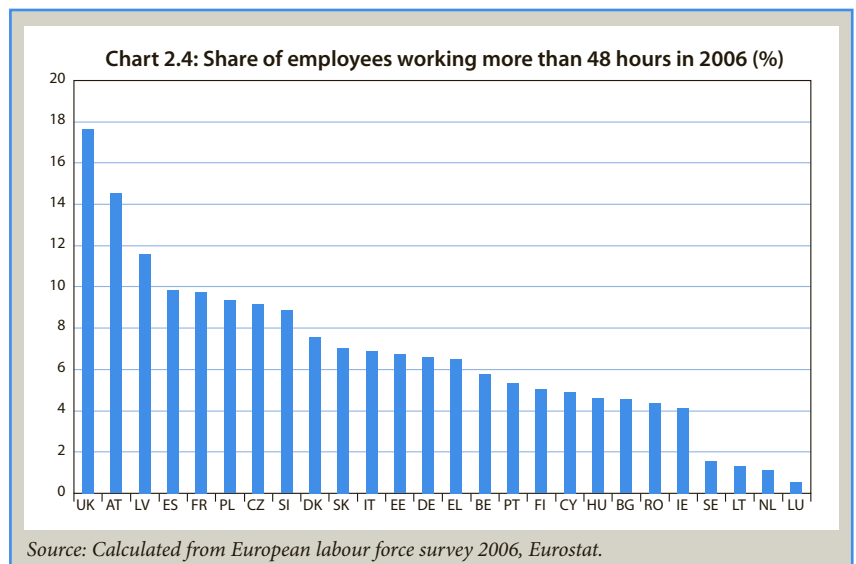
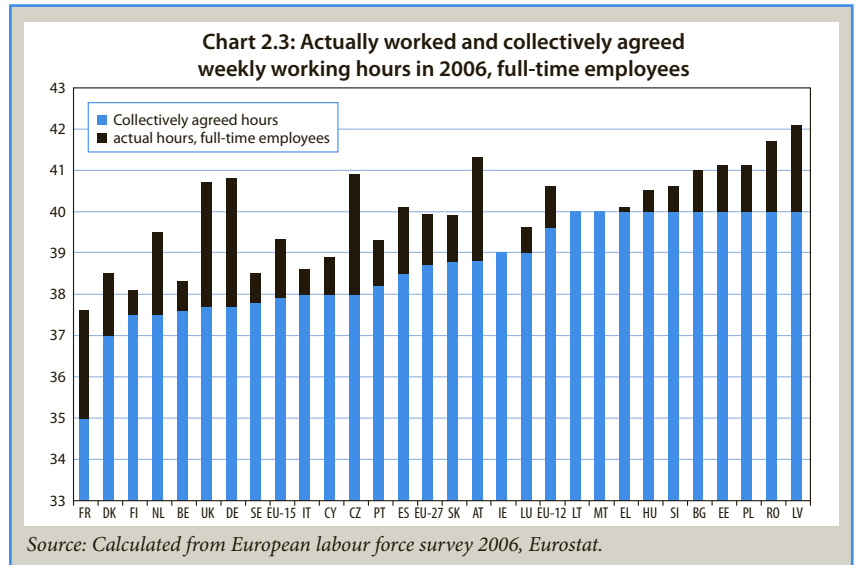
While the average number of working hours per person has declined over the last two decades, the length of the full-time working week has changed very little, indicating a significant part-time effect in the decline of working hours. According to the European labour force survey, the average number of usual weekly working hours in the

21 'Sharing costs and responsibilities for lifelong learning', Thematic Review Seminar, Brussels, 28 September 2005.

main paid job for full-time employees has remained close to 40 hours; it was 40.3 hours in 1995 and 39.9 hours in 2006. There are however pronounced differences across the EU-27; currently, full-time employees work on average the largest number of hours in Latvia, Romania and Austria, the smallest number in France, Finland and Belgium (Chart 2.3).

Actual weekly hours are almost always longer than contractual working hours, due to overtime. Collectively agreed weekly working hours have also remained quite stable over recent years, after the campaigns for further reductions came to a standstill in the late 1990s. Over the eight-year period from the beginning of 1999 to the end of 2006 the EU-15 average of the number of working hours set by collective agreement decreased slightly from 38.6 to 37.9 hours per week. The issue of working-time cuts has not fully disappeared from the agenda. It is still an issue in Belgium in response to employer pressure to lengthen the working week, in Greece, Portugal and Spain, reflecting union pressure to catch up with a trend to shorter working hours which they later joined, and in France, where recent new legislation seeks to mitigate earlier legislation on the 35-hour working week. The tendency is now for employers to press for longer working hours. The lack of real wage growth is likely to have lowered the appetite for working-time reduction among workers and unions.

One issue that clearly attracts the attention of trade unions and legislators is that of long working hours, exceeding the European norm of 48 hours per week. That was the maximum laid down in the EU Working Time Directive (93/104/EC) of 1993 (see Chapter 6). The 1993 directive allowed Member States to derogate



and set another reference period for calculating average working hours if so decided by collective agreement. In Article 18(1)(b) it also allowed Member States to make use of a so-called individual 'opt-out' from the obligation to limit the maximum working week to 48 hours, if individual workers are willing to sign. The United Kingdom availed itself of this possibility when, in 1998, it ended the opt-out of the social agreement annexed to the Maastricht Treaty and decided to implement the directive.

Research in the US has shown that Article 18(1)(b) had been used widely, its application driven by employers' perceived need of flexibility and workers' desire to top up earnings (Barnard et al., 2003). Dickens and Hall (2005:15) conclude that the 'reliance on the individual opt-out has been the key route to flexibility'. They speculate that the absence of employee representation and collective bargaining in many UK firms 'may well have inhibited the flexible application of the statutory rules' and have created a handicap for

making full use of European law. The Working Time Directive, and national legislation in many Member States, allows derogation from the law by collective agreement, thus creating a framework as well as incentive for negotiating the annualisation of working hours, longer reference periods, and limiting the use and cost of overtime. These possibilities have been widely used, for instance in Denmark, Germany, the Netherlands and Austria.

In the EU as a whole, the share of employees working more than 48 hours has risen slightly from 8.5 % in 2000 to 8.8 % in 2006. The largest incidence of long hours, above the norm of 48 hours, is found in the UK (17.7 %), Austria (14.5 %) and Latvia (11.6 %). In most Member States the share of employees working more than 48 hours lies between 4 % and 10 %; long working hours are rare in Sweden (1.6 %), Lithuania (1.3 %), Netherlands (1.1 %) and Luxembourg (0.6 %).

These differences are in part explained by the different interpretation, use and sometimes derogation of the 1993 directive. The individual opt-out clearly explains the case of the United Kingdom. In 2004, the Confederation of British Industry reported that nearly one third of the employees in their member firms had signed the individual opt-out. The Austrian case is almost opposite. Here, workers in many sectors are contractually allowed to work 50 weekly hours while maintaining an average of 40 hours a week over a year. For almost half of all Austrians who work long hours, 50 hours per week is the norm. In 2007, the maximum changed to 60 hours, with a shorter reference period of 24 weeks. In the summer of 2007, the Austrian parliament passed an amendment to the 1969 Working-Time Act, which provides for a number of new regulations, in particular with regard to working-time flexibility and part-time work. This amendment was drafted in close co-

operation with the social partners and obliges employers, including very small firms, to provide accurate information on the exact hours and time schedules actually worked by employees.

In Latvia, long hours reflect the fact that employees, pushed by low wages, seem willing to agree to work long hours. However, since Latvia joined the EU with the added possibility to find work outside Latvia, workers have become more demanding towards their employers and are less willing to accept very long working hours and/or low wages. In fact, from 2005 to 2006 the share of employees working long hours fell by 1.2 percentage points. In countries with the lowest share of employees working long hours, reference periods for deviating from the weekly norm are usually shorter and the law and collective agreements offer less room for expanding maximum working hours.

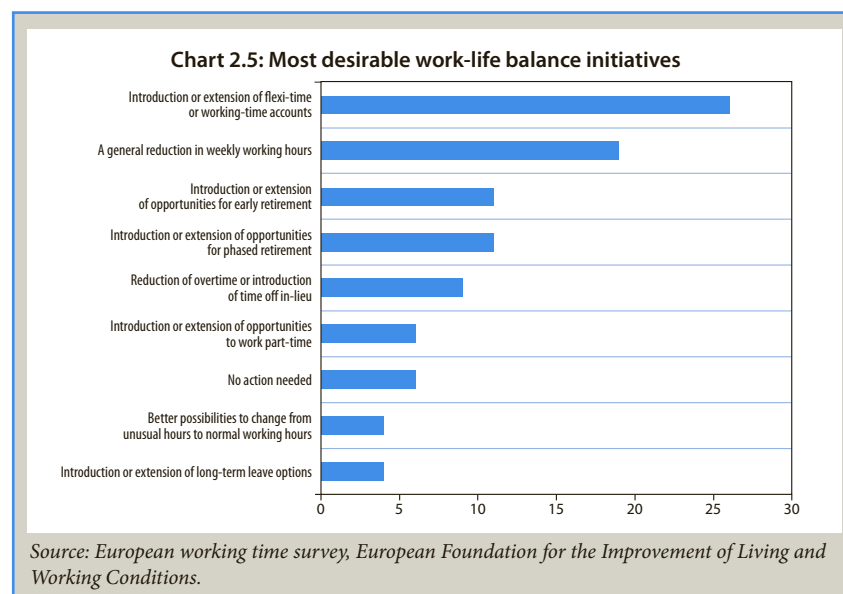
Part-time work is another form of individual working-time flexibility which has been influenced by European social dialogue, with the directive of 1997 based on an agreement between the European social partners (see Chapter 5). The incidence of part-time employment is still rising in the EU, from a share of 16.3 % in 2001 to 18.1 % in 2006. The dispersion across Member States is very large. In all new Member States part-time work remains uncommon. This may be explained by the low level of wages, and with more labour demand one may expect workers to increase hours and the share of part-time employment to decrease, as in fact has happened. It appears that, in comparing countries, there is a significant negative association between involuntary part-time work and the incidence of part-time work — the higher the share of involuntary part-time work, the lower the incidence of part-time in total employment ($r = 0.507$).

The opposite situation appears to prevail in the Netherlands, which is the first part-time economy in the world (Visser, 2002). The high and still increasing share of part-time work (more than two out of five employees work in a part-time job) goes together with a very low share of part-time workers looking for a full time job, despite government and employer campaigns to promote longer working hours. This tends to indicate a 'normalisation' of part-time employment, at least among women, as part-time employment has remained mainly a working-time pattern for women even in the Netherlands. A dimension of that normalising process is the application of standard rights and working conditions, including access to pension schemes and fringe benefits, to part-time employees, as foreseen under several national social partner agreements and the European part-time work agreement.

Reconciliation of work and family life

Due to the feminisation of the labour force and changes in demography and family structure, as well as the further intensification of work, the reconciliation of work and family life has become increasingly important on the agenda of public policymakers, human resource managers and social partners. The most desirable initiatives mentioned by employee representatives in European companies, according to the European working-time survey, are displayed in the chart 2.5.

The introduction or extension of flexi-time or working-time accounts tops the list. One in four employee representatives named this as the only or most important measure for further improvement of employees' work-life balance; 6 out of 10 said that they worked in establishments that already



practised some form of flexitime or used working-time accounts. A general reduction of the weekly working hours was mentioned by 19 % and ranks second. In the United Kingdom, Cyprus, Hungary, Portugal and Spain, and more remarkably in Sweden, employee representatives more often preferred a general reduction of working hours than the extension of flexible working-time arrangements. This can be understood against the background of long working hours in these countries, and perhaps the already satisfactory extent of time flexibility in Sweden. Eleven percent mentioned either early retirement or phased-in retirement, switching to part-time jobs towards the end of career. More opportunities for part-time employment was mentioned by only 6 % of these employee representatives. Remarkably, those that did mention this option were more likely to work in establishments that already offered opportunities to work part-time.

Broken down by country, the fit between working hours and family life varies considerably. The worst fit, according to those interviewed in the European working conditions survey,

exists in Greece (44.1 %) and Latvia (29.8 %). An explanation for Latvia may be the relatively large share of employees working more than 48 hours; for Greece it is more likely to be the low incidence of time flexibility. In the new Member States and in southern Europe, employee representatives express relatively high levels of dissatisfaction with work and family balance. At the other end, with the highest level of satisfaction about the work-family life fit (89 %), there is Denmark, which happens to be the country with the highest level of female labour market participation.

The disparity in satisfaction of work-family life balance among EU countries reflects the pattern of provision of family friendly measures and flexible forms of working-time arrangements. In the 12 new Member States (EU-12), legislation is the main tool for introducing family-friendly provisions, and collective agreements have added little as this has hardly been an issue and bargaining coverage is fairly limited. Those family friendly provisions that exist are set by law, usually as part of the social *acquis* and the directives of the 1990s: paternity leave or other forms of leave (Latvia, Lithuania, Po-

land and Slovakia); protection of pregnant women (Latvia, Romania); family friendly measures (Malta); gender equality (Poland and Slovakia); childcare provisions (Latvia, Romania and Slovakia). Only in the Czech Republic (regarding leave), Slovenia (gender equality) and Bulgaria (maternity leave and benefits) are there signs that these issues have been subject to collective bargaining in some cases.

In the EU-15, the influence of EU directives and also of the EES employment guidelines is picked up both in collective bargaining and in legislation. As far as leave and career breaks are concerned, agreements have been concluded at the national level in Belgium, Ireland, Greece and Finland; at the sectoral level in Belgium, Denmark, Germany, Greece, Italy, Luxembourg, the Netherlands, Austria, Portugal and Sweden; and in companies in Greece, Italy and Portugal. Agreements are rare on the protection of pregnant workers, childcare and elder care, however — they seem to belong to a more exclusive zone of state regulation. Examples do exist, however, for instance in the recent Irish social pacts which advocate the increase of childcare places and out-of-school-hours childcare services, in various recommendations to sectoral and company bargainers by the Dutch social partners at central level and in a number of agreements at sectoral and company levels. Legislative measures were introduced in Belgium, Portugal (equality), Italy (childcare provisions) and the Netherlands (pregnant workers, childcare provisions, paternity leave and other leave).

Working conditions, autonomy, work intensity and health

For most of the 20th century the Tayloristic model of work organisation was predominant in many parts of industry and services. The traditional or

Tayloristic model is characterised by standardised productivity processes and a top-down or prescribed organisation of work, with limited autonomy, little flexibility and rigid hierarchies. In the 1980s and 1990s new forms of work organisation evolved and it was generally believed that in most industries and also in many services the Tayloristic model was counterproductive, associated with poor quality and inflexible in its response to changing consumer taste and market shifts and worker dissatisfaction. With the new organisational forms, work organisations were supposed to change towards flatter hierarchical structures with greater workers' autonomy.

Data from the European working conditions survey suggests that in the first

half of the 1990s EU-15 employees, on average, did gain more control over the speed of work and over the order in which to fulfil tasks. However, this trend did not continue after the mid-1990s and the tendency to decreased autonomy of employees appears to have continued after 2000. This is also the prevailing trend in the EU-12. A similar finding is reported for the United States (Osterman, 1999). The diffusion of new organisational models associated with greater worker autonomy seems to have stalled in the 1990s.

Across Member States there is considerable variation. Employees in the Nordic countries, the Netherlands, Belgium and Luxemburg, and in Malta, report the highest levels of autonomy on all three indicators (Table 2.10, upper

panel). In the transition economies and in southern Europe employees report must lower levels of autonomy with regard to the speed of work, but not on the other two dimensions, especially with regard to the order in which tasks must be fulfilled, suggesting stronger hierarchical controls. Liberal pluralist (Ireland and the UK) and social partnership countries (Germany, Austria, etc.) fall in between on this indicator.

The lower panel of Table 2.10 reports the outcomes on work intensity. Employees in the Nordic countries report the highest levels of work intensity — fewer respond that they have 'enough time' and more that they work at high speed and under tight deadlines. Perhaps surprisingly, employees in the transition economies report less work intensity. The significantly lower proportion of employees reporting work at high speed in the United Kingdom and Ireland is also to be noted. The idea that longer working weeks are correlated with less work intensity, in particular speed of work, is not borne out by the facts. There appears to be no significant relation, across countries, between actual working hours and speed of work. More likely, the higher intensity of work in northern Europe is associated with more rationalised production methods and technological developments, both in industry and services.

High work intensity tends to have a negative influence on workers' health. This is especially the case when high work intensity goes together with low work autonomy. According to Karasek and Theorell (1990) demanding jobs need not be bad for health if they allow employee control. If, however, work intensity is experienced together with little control over the job, a stressful situation emerges with negative consequences for health.

Table 2.11, based on the scores averaged over the EU-27, supports this idea. The

Table 2.10: Work autonomy and work intensity

	Nordic corporatism	Social partnership	Liberal pluralism	Polarised pluralism	Transition economies
Work autonomy					
Speed of work	72.4	69.3	69.3	64.2	67.8
Methods of work	80.1	68.5	62.8	58.1	58.8
Task order	83.5	65.9	64.8	53.4	54.7
Work intensity					
Enough time	67.3	63.4	69.2	71.6	75.1
Tight deadlines	71.7	63.9	61.0	58.5	58.4
High speed	79.7	64.7	45.3	60.1	52.3

Source: Calculated from the European working conditions survey 2005, European Foundation for the Improvement of Living and Working Conditions.

Table 2.11: Interaction between work intensity and work autonomy in its negative effects on health and stress

'Work affects health negatively'		Work autonomy	
		Low	High
Work intensity	Low	27.7	23.9
	High	43.5	38.0
'Work leads to stress'		Low	63.2
		High	69.4

Source: Calculated from the European working conditions survey 2005, European Foundation for the Improvement of Living and Working Conditions.

negative consequences for health and the perceived levels of stress are highest — at 43.5 % and 76.3 % respectively — when employees experience a combination of high work intensity and low levels of autonomy. Higher job autonomy can partly offset negative impacts of high work intensity; the perceived negative consequences for health and work-related stress decrease significantly to 38.0 % and 69.4 %. This is still higher than what is felt to be the case in situations of low work intensity, even where autonomy is lacking. In other words, it seems desirable to address both the issue of workload — work speed and intensity — and the degree to which employees have control over their work.

The EU Health and Safety Directive (89/391/EC) of June 1989 addresses some of these issues. In Belgium, Denmark, Germany, the Netherlands and Sweden legal provisions and those based on collective bargaining (Denmark) go further than the EU health and safety directive by relating health at work to detailed aspects of work organisation. Employees in these countries report high levels of work intensity but also the highest levels of work autonomy. In many Member States, however, collective bargaining has yet to detail and develop the legislative provisions and often regulations lag behind the legal framework because it establishes only a weak relationship between work organisation and health, and monitoring instruments are weak. This can have potentially negative consequences, not only for productivity but also for absenteeism and continuous participation in the labour market, especially for older workers.

In October 2004 the European social partners formally signed an autonomous European framework agreement on work-related stress. According to that agreement the workload and degree of autonomy should be analysed

in identifying stress and concurrent health risks. If stress and health problems are identified, the employer must take action to prevent, eliminate or reduce it, with the participation and collaboration of workers and/or their representatives. Learning from their framework agreement on telework, the social partners developed a monitoring procedure for the implementation of the agreement at the national level (see Chapter 5; Visser and Ramos Martin, 2008).

The European Foundation for the Improvement of Living and Working Conditions published in 2008 a study entitled 'Working conditions and social dialogue' (Eurofound, 2008). Directive 89/391/EC is a key reference in the study, in particular its clause that 'employers shall consult workers and/or their representatives and allow them to take part in discussions on all questions relating to safety and health at work'. In the study, reference is made to a number of national surveys and reports, for instance in Belgium, Bulgaria, Germany, Estonia, Sweden, Finland and the United Kingdom, showing the positive impact of the presence of union workplace representation and works councils on occupational health and safety. For example, a Belgian trade union survey covering some 3 000 employees working in small and medium-sized enterprises found a correlation between the presence of trade unions and the extent of the influence that employees reported having on managerial decisions relating to occupational health and safety in their company, although the main determinant was occupational status (De Weerd et al, 2005). Furthermore, the study found that the information flow on occupational health and safety matters to workers was better if a trade union was present. Similarly, a study of trade union representatives in Bulgaria, commissioned by the International Labour Organisation, revealed a posi-

tive impact of social dialogue in the area of occupational health and safety, more specifically regarding issues such as good access to occupational health and safety training, trade union participation in the development of occupational health and safety policies, and improvements in occupational health and safety as a result of monitoring (Rice and Repo, 2000). Finnish and Swedish studies reported the positive effect of safety representatives and systematic cooperation between management and employee representatives (Gellerstedt, 2007).

Qualitative studies and administrative reports from labour inspectorates are another relevant source (Eurofound, 2008). In the United Kingdom, a report of the Health and Safety Executive (HSE) on stress management reviewed organisations, mainly in the public sector, that had adopted successful approaches to stress management at work. Social dialogue and 'round table' meetings were identified as highly effective tools in aiding the rehabilitation of employees with stress problems and in preventing or minimising sickness absence; at the same time, they helped to highlight shortfalls in management skills. (Jordon et al, 2003). The most notable example from Ireland concerned the establishment of the Construction Safety Partnership of 2000, following a safety crisis in the industry in the late 1990s. Among the objectives were the appointment of safety representatives on all sites with more than 20 workers; greater consultation; and the mandatory introduction of training provisions. A similar sectoral initiative, highlighting the importance of local and regional safety representatives participating in planning and follow-up activities, took place in Sweden. During the project, the number of fall-related accidents within the house building, road and construction sectors decreased by almost 3 000, after having increased during 1998 and 1999.

Unfortunately, reports by labour inspectorates or health and safety authorities that comment on the deficiencies of social dialogue in this area are rare. In one such report, the General Inspectorate of Social Affairs in France criticised the role of the social partners, stating that many bodies in which the social partners participate fail to take initiatives in the definition of priorities for a preventive approach (Zeggar et al, 2003). Shortcomings in the election and duties of employee representatives in occupational health and safety have also been observed by the Estonian Labour Inspectorate (Eurofound, 2008). Labour inspectorates can play an important role in encouraging social dialogue. In Portugal, for example, the General Labour Inspectorate has been involved in organising seminars and other meetings for social partners in the construction sector. In Romania, the Labour Inspection Office works to support the development and expansion of social dialogue structures, aiming to increase the social partners' involvement at decision-making level and in implementation activities. The Office also organises awareness campaigns and exchanges of good practice. In Italy, local-level occupational health services and the National Workplace Accident Insurance Institute play a prominent role both in advising organisations and providing information on occupational health and safety matters. Labour inspectorates in the Czech Republic are by law authorised to inspect compliance with legal regulations that establish rights and obligations in labour relations for employers, employees, the appropriate trade union body or works council, as well as occupational health and safety representatives. In Luxembourg, the Mines and Labour Inspectorate plays an important role in terms of information and informal mediation for social partners in the mining sector; it also provides advice to employer repre-

sentatives, as well as information and guidance to employee representatives. Finally, in Austria, the labour inspectorate has been actively involved in trying to encourage social dialogue on a sectoral basis, through so-called 'focus activities' (Eurofound, 2008).

Conclusion: the quality of industrial relations

Industrial relations and the Lisbon reform agenda have become interwoven. Many issues have entered the agendas of the social partners at all levels. Various instruments, often based on an interaction between collective bargaining and the law, but also information exchange, consultation, best-practice diffusion, benchmarking or joint administration and fund management, are used and it is less frequent for one method — the law or classical collective agreements with binding effects — to predominate. Industrial relations adds a certain element of flexibility to the governance toolkit of the European Union and it might be argued that without the involvement of the social partners at all levels in the Lisbon Strategy its reform agenda cannot be carried out in the world of work. It is exactly by adding flexibility in the implementation, and by raising the support for bottom-up solutions, that industrial relations provide a key resource.

For social dialogue to be successful, particularly in relation to potentially contentious areas, both parties need to be able to put forward their case coherently; at the same time, they need to have the mutual trust and respect necessary to work together to resolve differences. Sometimes, trust between the social partners can be built by working together on issues that are generally less controversial — such as telework or training and development

(Eurofound, 2008) — before moving on to more potentially contentious topics. But social dialogue is not always a matter of choice. Employers in many areas (such as company restructuring, and health and safety) are bound by law or agreement, and employee representatives and unions are under pressure to respond quickly when fears over job security arise due to restructuring or increased competition as a result of globalisation.

The Eurofound study on working conditions and social dialogue (Eurofound, 2008) ends with some important lessons that can be extended on the basis of the examples in this chapter. Firstly, it is crucial that both employer and employee representatives 'buy into' the social dialogue process. If one or both parties are not firmly committed to making the process work, it is unlikely to succeed or get off the ground. In some cases, the social dialogue process may fail due to irreconcilable differences between the parties. Obviously, it is difficult to bring together parties that have opposing views and expectations of the social dialogue process. However, this can sometimes be achieved by introducing the appropriate mediation arrangements. Mandatory statutes can help by raising the costs of non-dialogue and they usually help to protect the weaker party in the process.

Difficulties in the social dialogue process and the inability to come to meaningful proposals or agreements may also be related to internal disagreement and a lack of unity within one of the social dialogue parties. This can happen among both employers' and employee organisations and is responsible for many failures in social pact negotiations. One of the deeper causes is related to decline in membership support, especially on the union side, which usually makes leaders uncertain and hesitant towards agreements that involve deep and lasting commitments.

Sectors that are dominated by small companies, which are often not unionised, present problems in terms of the implementation and effectiveness of social dialogue, even if the dialogue process itself runs smoothly. Building and construction, and retailing, hotel and restaurants, are sectors dominated by SMEs with low levels of unionisation (and employer organisation in some cases); these present considerable problems with regard to making and implementing agreements, especially in the vital areas of working-time, working conditions, and health and safety. There is a need for both legal and extra-legal strategies to ensure that smaller companies have the necessary means and support to implement desirable policies.

Finally, some of the social partners expressed frustration at the fact that, although consulted by the government, their views were not always been taken into account in the drafting of new laws. The OPTEM (2007) study, commissioned by the Commission, showed that in particular the trade unions, more than the employers, were divided about the benefits of the European Employment Strategy and that their ambivalence was related to the perception that they had less influence than employers over the general direction of the strategy. Several respondents regretted that they had only a consulting role and that governments were not always forthcoming with information⁽²²⁾. Where such perceptions are held they clearly lower the commitment to be involved in the implementation of the Lisbon Strategy. Ensuring meaningful consultation in the selection of policies at the EU and national level is crucial for the mutually reinforcing contribution of social dialogue and open method of coordination process.

22 'The European employment strategy — Attitudes of the main actors in employment policy in 28 European countries', a qualitative study conducted by OPTEM and its European partners, on behalf of the Directorate-General for Employment, Social Affairs and Equal Opportunity, Brussels, July 2007.

There is a wide variety in industrial relations across the European Union. The 'quality' of the actors, in terms of power, representation, support, technical competence, democratic capacity for information exchange, and trustworthiness differs massively and these differences tend to be embedded in long-established patterns of relationships between employers, unions, political parties and states. The 'quality of industrial relations' is a key issue for the regulatory space that industrial relations can claim against the rival claims, or forces, of politics and markets.

Starting with the seminal contribution of Freeman and Medoff (1984), higher quality in terms of performance, productivity or worker satisfaction has been attributed to the 'voice' of unions in the workplace. At the macrolevel, Blanchard and Philippon (2004) report that cooperative industrial relations played an important role in alleviating unemployment rates, while 'countries with worse [conflictual] labour relations have experienced higher and longer-lasting unemployment' (2004:2). This has been corroborated by Feldman on a larger sample of industrial, developing and transition countries. Feldman's conclusion is that cooperative industrial relations 'have a noticeable pay-off in terms of lower unemployment', both 'among the total labour force, and among women and youths' (Feldman, 2008:201).

The 'quality' of industrial relations is directly related to the social and institutional support that the industrial relations actors enjoy in a particular political context, but which they must also earn (Visser and Hemerijck, 1997). Social support is evidenced by membership, mobilising power and standing in public opinion. Institutional support is based on the recognition of the social partners by lawmakers, codified in legal norms and supported by public policy, of the rights of representation, consultation and codetermination in particular

domains of social and economic policy. In this chapter the emphasis has been placed on the second — institutional — dimension, though in the variation across country groups or industrial relations regimes the differences in both dimensions were brought out clearly⁽²³⁾. The extent to which industrial relations are embedded in the wider production and employment regime — generally the complementarity of institutions — is important (see on this also the survey of studies in the *Industrial Relations in Europe 2006* report (EC, 2006b)).

Data are missing for comparing systematically, and quantitatively, the contribution of industrial relations, exploring differences across Member States and regimes, sectors, instruments and issue areas, and using a multivariate approach. It is tempting to relate the 'better' outcomes in for instance the Nordic countries in terms of employment inclusion, reconciliation of work and family life, and work autonomy, to the more encompassing organisation of the social partners and the ways in which they negotiate over a wide range of issues including social protection and labour legislation, but the influences of unspecified factors, like a more advanced economy and position in the international division of labour, or a long tradition of learning to do things in a particular way, cannot be ruled out. Yet, if used with wisdom, the comparison of achievements and successes, or failures, across countries or regimes remains a useful learning device both for academics and practitioners, from which inspiration can be drawn.

23 A study conducted by the European Foundation for the Improvement of Living and Working Conditions (European Foundation, 2004) proposed a concrete set of comparative indicators for measuring the quality of industrial relations. Among these indicators, also used in this chapter, are those that measure the 'capacity' of unions and employers' associations to represent their constituencies and negotiate binding agreements (organisational densities, coverage of agreement, organisational concentration, authority and centralisation) and those that measure the degree of coordination between them (bargaining coordination and engagement in social pact).

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