

# Measuring key dimensions of industrial relations and industrial democracy (2023 update)

## Introduction

This report builds on previous Eurofound studies that have developed a conceptual framework for mapping industrial relations and identified four key dimensions: industrial democracy, industrial competitiveness, social justice, and quality of work and employment. The report aims to update the 2018 Eurofound study specifically, which focused on industrial democracy. It has three main objectives: to update the indices of the four key dimensions for 2018–2021; to develop a cross-time analysis of the Industrial Democracy Index from 2008 to 2021, particularly regarding national industrial relations system trends in terms of EU convergence; and to update the industrial relations system typology of industrial democracy, to contribute to cross-country analysis of evolving trends and patterns of change from 2008 to 2021.

Key aspects of the methodological approach are the use of high-quality data (applying strict conceptual and statistical quality criteria when reviewing and fine-tuning the indicators); following the methodology for building indices developed by the European Commission's Joint Research Centre and the Organisation for Economic Co-operation and Development; and following Eurofound methodology for analysing convergence trends in industrial democracy.

## Policy context

The policy context is characterised by the impact of the COVID-19 pandemic and by the war in Ukraine, which threaten ongoing economic recovery in Europe. The recent outbreak of war between Israel and Hamas is likely to further destabilise growth.

The EU institutions have adopted NextGenerationEU, a €806.9-billion temporary financial instrument designed to boost recovery through issuing common European debt, with the Recovery and Resilience Facility providing Member States with €672.5 billion for investment and reforms.

The war in Ukraine has caused a massive humanitarian crisis and led to an escalation in prices for essential goods, increasing the risk of poverty in Europe and dampening

economic growth. In an effort to mitigate the consequences of the war, EU institutions have suspended the rules of the Stability and Growth Pact until the end of 2023. This has enabled euro zone countries to develop discretionary fiscal measures to curb rising energy costs, increase defence capabilities and address the refugee crisis.

EU industrial relations are underpinned by the European Pillar of Social Rights, which aims to strengthen workers' rights to decent working conditions and to a quality working environment. It restates the EU's commitment to bipartite social dialogue and the negotiation of collective agreements between the social partners. The Val Duchesse social partners summit planned for 2024 continues the promotion of social dialogue at EU level.

The role of collective bargaining under the EU model of industrial relations has been reinforced by the directive on adequate minimum wages in the EU. Its primary goal is to establish a framework to improve the adequacy of statutory minimum wages and enhance workers' effective access to minimum wage protection. It explicitly promotes collective bargaining and recognises that strong and inclusive collective bargaining systems are important for ensuring adequate minimum wage protection. The directive was followed by a Commission communication and a proposal for a Council recommendation, both aimed at promoting social dialogue and collective bargaining. The directive sets the bar in terms of collective bargaining quite high, proposing that the Member States aim for a collective bargaining coverage rate of at least 80%.

## Key findings

- The updated indices of industrial democracy and industrial relations as a whole show a polarised picture, with small groups of Member States having very high or very low performance. Country differences are less marked in the other key dimensions.
- The cross-time analysis of the Industrial Democracy Index from 2008 to 2021 shows a very moderate trend of upward divergence, meaning that the EU27 mean score increased slightly, and differences between

countries were mostly stable. This is the result of initial downward divergence until 2013–2017 (when the mean decreased and differences between Member States increased), which was reversed by upward convergence subsequently.

- Twelve countries show fairly stable trends around the EU27 average of the Industrial Democracy Index from 2008 to 2021 (Belgium, Croatia, Cyprus, Czechia, France, Germany, Greece, Ireland, Italy, Romania, Slovakia and Spain).
- Nine countries are converging. Of these, Bulgaria, Estonia, Latvia, Lithuania, Poland and Portugal are catching up (their scores were initially lower than the EU average but are growing more quickly and the gaps are decreasing). In the case of Denmark, the Netherlands and Slovenia, their scores were initially higher than the EU average but are declining, thus moving towards the rising EU average.
- Six countries are diverging. Of these, Austria, Finland, Luxembourg and Sweden initially had scores higher than the EU average, and their averages are growing at a faster rate than the EU average. The scores of Hungary and Malta were initially lower than the EU average and are declining.
- The updated typology of industrial democracy (2008–2021) shows four clusters of Member States.
  - The **industrial-democracy-based governance cluster** includes Austria, Denmark, Finland, Germany, the Netherlands and Sweden. These Member States are the best performers in industrial democracy and have high centralisation of collective bargaining, high degrees of coordination and routine involvement of the social partners in policymaking. This cluster shows a significant deviation from the EU27 average and follows a converging pattern. Its performance was initially higher than the EU average but is growing at a slower rate.
  - The **market-oriented governance cluster** has very low performance in industrial democracy and uncoordinated and decentralised collective bargaining systems. It includes the liberal countries (Cyprus, Ireland and Malta), the Baltic states (Estonia, Latvia and Lithuania), Bulgaria and Poland. From 2013–2017 onwards, Greece and Romania appear in this group. This cluster shows a significant deviation from the EU27 average and follows a diverging pattern. Its performance was initially lower than the EU average and is growing at a slower rate, increasing the gap over time.

- The **state-centred governance cluster** and the **company-centred governance cluster**, which include the remaining Member States, have intermediate performance in industrial democracy. Both clusters show fairly stable trends around the EU27 average.

- These results reflect a fragmented or divided industrial relations model, with winners and losers. Nevertheless, some southern and eastern European countries are slowly recovering from the impact of the 2008–2012 economic crisis.

## Policy pointers

- The analysis highlights the limitations of the existing data on industrial relations and industrial democracy and the indicators used to measure them. The available collective bargaining coverage indicator does not fully meet the quality criteria because of comparability problems. Other quality issues apply to the indicators of macro- and company-level social dialogue and of state intervention in collective bargaining.
- A joint effort should be made to gather comparable and high-quality data on collective bargaining coverage (which is of increasing political importance) and other areas related to industrial relations and industrial democracy. The indicators should be based on clear definitions agreed at European level to ensure national comparability. Data should be collected regularly to enable cross-time analyses.
- The research tools used complement analysis of the dynamics of and changes in national industrial relations systems. They should be updated regularly to contribute to more systematic monitoring and to further comparative analyses of evolving trends in industrial relations.
- The European Commission, the EU- and national-level social partners, national governments and EU agencies are invited to try to fill the gaps related to comparable and high-quality data measuring the quality and patterns of change of industrial relations in the EU27.
- The findings provide concrete evidence for policymakers in promoting the strengthening of industrial relations in Member States where it underperforms. The scores of the six Member States of the industrial-democracy-based cluster seem to prove that in a system of ‘good’ and mature industrial relations it is possible to combine efficiency, equity and voice. These countries are at the top of the overall industrial relations index, are among the top seven performers on the industrial democracy and industrial competitiveness indices, and are among the top eight on the social justice index.

### Further information

The report *Measuring key dimensions of industrial relations and industrial democracy (2023 update)* is available at <https://eurofound.link/ef23008>

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