



Innovative Agreements on Employment and Competitiveness in the European Union and Norway



EUROPEAN FOUNDATION
for the Improvement of Living and Working Conditions

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The Research Group has also benefited from the contributions of the network of national researchers, as well as from the advice of the members of the project's Advisory Committee, including representatives of the EU social partners and the European Commission.

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Stefan Zagelmeyer



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Foreword

This is the second report in the Foundation's project 'Collective agreements on employment and competitiveness'. Recent high levels of unemployment in the European Union and successive employment policy initiatives have fuelled a broad public debate on the concept of these agreements in most Member States. Various initiatives have been taken, in several forms and at different levels. Most represent a serious attempt to use a partnership approach to improve employment and competitiveness. Different labels are used for these agreements, including 'employment pact', 'alliance for employment', 'social pact', 'national agreement on competitiveness and employment', and 'partnership 2000'. In this Foundation project, the term 'pacts for employment and competitiveness' (PECs) is used.

PECs combine three major elements: competitiveness, employment and partnership. They are an attempt to influence the level and structure of employment by a mix of market regulation, collective bargaining at the various levels, public policy intervention on tax, social security contributions, training, education and innovation. PECs aim to combine new developments in industrial relations with an active labour market policy, fiscal policy and industrial policy. They are based on a different logic to that of traditional neo-classical labour market theory, in which the agreed price of labour (wages) determines the labour demand and the process of restructuring is left entirely to market mechanisms.

While other studies have focused almost exclusively on national-level, tripartite or corporatist 'social pacts', this work examines activities and agreements (often subsumed under the heading 'employment/social pact') of the social partners at all levels, and in particular at company and sectoral level. It is based on a comparative study on 'Collective Bargaining on Employment in Europe', which was carried out by the EIRO (European Industrial Relations Observatory) network and coordinated by the Foundation during 1997. The EIRO study comprised a European overview and 16 national reports written by each of the EIRO National Centres.

This report is an extensive update of the EIRO study, covering the period January 1997 to February 1999, and looking at the subject in the context of national labour market developments, employment policies and collective bargaining. It includes a European-level overview, as well as sections on the employment situation, recent collective agreements, National Action Plans for Employment and a general evaluation for each country.

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Preface

Employment is currently ‘the big issue’ in the European Union. Against a background of consistently high unemployment rates, the EU Members States have made the fight against unemployment the top priority on their political agendas. In the Amsterdam Treaty, the EU committed itself to ‘promote economic and social progress and a high level of employment’ (new Article B of the EU Treaty). Based on this, a number of projects and processes have been started, providing a framework for European employment policy. In addition, governments and the national social partners at Member State level have made numerous efforts to create jobs and get the unemployed back to work.

Up to the early 1990s, collective bargaining in many European countries had not explicitly taken on the issue of preserving and creating employment. In many states, collective agreements had come up with new ways of avoiding or reducing planned job losses, or even of increasing employment levels. These ranged from national, sectoral or regional tripartite or bipartite ‘employment alliances/pacts’ to company-specific agreements between employers and works councils/trade unions. Among the top goals of the 1999 German EU Presidency's programme was the adoption of a European Employment Pact. However, while most political actors embrace the rhetoric of pacts, there has not yet been any thorough evaluation of their impact on economic performance and, in particular, on employment performance.

In 1998, the European Foundation for the Improvement of Living and Working Conditions (subsequently referred to as the Foundation) launched a research project called ‘Collective agreements on employment and competitiveness’. Its aim was to further investigate the subject matter, with the focus mainly on activities which relate to employment and competitiveness (for details, see *Sisson et al*, 1999).

Whereas other studies have focused almost exclusively on tripartite or corporatist ‘social pacts’ at national level, the research network of the European Industrial Relations Observatory (EIRO),

coordinated by the Foundation, produced in 1997 the comparative supplement on *Collective bargaining on employment in Europe* (Zagelmeyer and Schulten, 1997b). This was based on 16 national reports, written by the National Centres of EIRO, which focused on activities and agreements (often subsumed under the heading ‘employment/social pact’) of the social partners at all levels.

This report is part of the Foundation’s research project. It is an extensive update of the 1997 EIRO report on the basis of the 1997 national reports and a comprehensive analysis of the EIROOnline database.¹ The contents of this report is based on more than 300 EIRO records written by researchers of the EIRO network, plus the 15 national action plans (NAPs) of the EU Member States and additional sources where appropriate. While the investigation period runs from January 1997 to February 1999, reference is made to legislation passed and agreements reached at earlier dates if they are relevant and of significance.

This report is organised as follows:

- **Chapter 1** introduces the context of collective bargaining on employment, namely the European unemployment crisis and EU employment policy.
- **Chapter 2** outlines, analyses and comments on the main developments in collective bargaining on employment in the European Union and Norway.²
- **Chapters 3 to 18** are national reports for the 16 countries investigated. Each chapter is subdivided into context and overview; the labour market background (unemployment and employment policy); collective bargaining activities at various levels; the country’s National Action Plan; and an evaluation where available.

As regards the application of ‘agreements on employment’, this report follows a broad definition. ‘Bargaining on employment’ refers, first and foremost, to job reductions, maintenance and creation, either directly or indirectly. Sisson *et al* (1999) summarise the various approaches as follows:

- withdrawal of announced lay-offs;
- agreement to no compulsory redundancies;
- employment guarantee for certain groups (or all) of employees and for a certain time;
- unlimited employment guarantee;
- additional employment for specific groups (or all) of employees; and
- the transformation of temporary jobs into permanent jobs.

It is important to note that this report does not cover activities which have been funded by the European structural funds (territorial employment pacts) or qualitative aspects of employment, such as training. The training issue has been the focus of another comparative EIRO supplement (Caprile and Llorens, 1998).

¹ URL for EIROOnline is <http://www.eiro.eurofound.ie/>

² Chapters 1 and 2 are essentially an update of the 1997 EIRO report (Zagelmeyer and Schulten, 1997b).



The contents of this report is mostly descriptive, with the scientific analysis resting with the project's central research group (Sisson *et al*, 1999). Since the process of writing up this report was mainly a collect-and-edit exercise, the author does not claim the report to be truly scientific and original. Acknowledgement should be given to the members of the EIRO network. Any errors, misunderstandings or other imperfections lie entirely with the author. Finally, thanks are extended in particular to the Foundation's EIRO team, Eoin Campbell and Richard E. H. Walker for their invaluable support.



Chapter 1

Employment policy in the European Union

The European unemployment crisis

In 1999, most people regarded unemployment as the main problem in the European Union. That has not always been the case. According to Eurostat figures³, unemployment in what is now the EU averaged 2.2% of the civilian labour force in the 1960s and 4.0% in the 1970s. In the 1980s, the average rate of unemployment stood at 9.0%. Although the unemployment rate had declined to 7.7% in 1990, it rose steadily thereafter to 11.1% in 1994 and has since decreased to an estimated 10.0% in 1998. Table 1 shows the general development of unemployment rates in the countries covered by the European Industrial Relations Observatory (EIRO).

Activities at European Union level

Amsterdam Treaty (1997)

The unemployment crisis is now the overriding challenge to be met in Europe. This has been acknowledged by the Member States of the European Union in the Amsterdam Treaty of 1997, according to which the EU will 'promote economic and social progress and a high level of employment' (Article 2 of the Treaty on European Union). Furthermore, the June 1997 Amsterdam European Council agreed a new title on employment, the 'Employment Chapter' (Title VIII). This article commits the Member States and the European Community to developing 'a coordinated strategy for employment and particularly for promoting a skilled, trained and adaptable workforce, and labour markets responsive to economic change' (Article 125 of the EC Treaty). Member States shall promote employment and coordinate their actions, while the Community will encourage cooperation and, if necessary, complement these actions. Annual

³ Throughout this report, Eurostat unemployment rates will be used for EU Member States. In the case of Norway, unemployment rates were taken from ILO (1998b).

employment reports and policy guidelines will be drawn up, while the Council of Ministers may adopt incentive measures to encourage cooperation among Member States and support their actions.

Table 1 Unemployment as a percentage of the civilian labour force in the EU and Norway (seasonally adjusted figures)

Country/ Year	1961- 1970*	1971- 1980*	1981- 1990*	1990	1991	1992	1993	1994	1995	1996	1997	1998**	1999**
Austria	1.8	1.6	3.4	3.2	3.4	3.4	4.0	3.8	3.9	4.3	4.4	4.4	4.3
Belgium	2.0	4.6	9.7	6.7	6.6	7.3	8.9	10.0	9.9	9.7	9.2	8.3	7.7
Denmark	1.1	3.7	7.4	7.7	8.4	9.2	10.1	8.2	7.2	6.8	5.5	4.2	4.0
Finland	2.0	3.9	4.8	3.3	7.0	12.3	17.2	17.4	16.2	15.3	13.1	11.6	10.4
France	1.8	4.1	9.2	8.9	9.5	10.4	11.7	12.3	11.7	12.4	12.4	11.7	11.1
Germany***	0.7	2.2	6.0	4.8	5.6	6.6	7.9	8.4	8.2	8.9	10.0	9.7	9.3
Greece	5.1	2.2	6.4	6.4	7.0	7.9	8.6	8.9	9.2	9.6	9.6	9.4	9.1
Ireland	5.4	7.7	14.7	13.4	14.8	15.4	15.6	14.3	12.3	11.6	10.1	8.7	7.4
Italy	4.8	6.1	8.8	9.1	8.8	9.0	10.3	11.4	11.9	12.0	12.1	12.0	11.9
Luxembourg	0.0	0.6	2.5	1.7	1.7	2.1	2.7	3.2	2.9	3.0	2.6	2.4	2.3
Netherlands	0.9	4.4	8.5	6.2	5.8	5.6	6.6	7.1	6.9	6.3	5.2	3.7	3.1
Norway****				5.2	5.5	5.9	6.0	5.4	4.9	4.9	4.1		
Portugal	2.5	5.1	7.0	4.6	4.0	4.2	5.7	7.0	7.3	7.3	6.8	5.7	5.1
Spain	2.5	5.4	18.5	16.2	16.4	18.5	22.8	24.1	22.9	22.2	20.8	18.9	17.2
Sweden	1.7	2.1	2.6	1.7	3.1	5.6	9.1	9.4	8.8	9.6	9.9	8.3	7.7
UK	1.7	3.8	9.8	7.0	8.8	10.1	10.4	9.6	8.7	8.2	7.0	6.3	6.2
EU***	2.2	4.0	9.0	7.7	8.2	9.3	10.7	11.1	10.8	10.9	10.7	10.0	9.5

* Averages

** Forecast Economic and Financial Affairs DG

*** Figures until 1990 for Germany and the EU reflect the German situation before 3 October 1990.

**** Source: ILO (1998b)(Method: Labour Force Sample Survey).

Source: European Commission (1998)

The Amsterdam Treaty has established a new mechanism for making the coordination of national employment policies effective. Firstly, it foresees the establishment of common guidelines on employment, to be adopted by the Council upon a proposal from the European Commission. Secondly, it sets out the possibility for the Council to issue recommendations to individual Member States, again upon a proposal from the Commission. The Amsterdam summit agreed that these new procedures should be made effective immediately and called a special European Council meeting to discuss the employment situation – the Employment or Jobs Summit, held on 20-21 November 1997 in Luxembourg.

Luxembourg Employment Summit (1997)

At the Employment Summit in Luxembourg in November 1997, the political leaders of the Member States agreed a limited package of measures aimed at improving employability, supporting entrepreneurship, increasing adaptability and strengthening equal opportunities. The most important decisions reached by the summit were as follows:



- The employment provisions of the Amsterdam Treaty were to be put into effect immediately and guidelines for the Member States' employment policies for 1998 to be adopted by the end of 1997.
- A bi-annual meeting between the social partners, the Council 'troika' and the European Commission was to be instituted to review employment policy and the implementation of the 1989 'Social Charter'.
- Member States were called on to strengthen their economic policy coordination.
- Specific targets were recommended for the 1998 employment policy guidelines in terms of youth, long-term unemployment and training.
- The social partners were invited to negotiate agreements on modernising work organisation, covering flexibility and working time.

As regards the coordination of employment policy, the political leaders of the Member States decided to put into immediate effect the special provisions on a coordinated employment strategy as contained in Article 128 of the Amsterdam Treaty. This was essentially a formalisation of a process which was developed to follow up the implementation of the conclusions of the 1994 Essen summit. It was also similar to the procedure which already existed for the coordination of economic policies.

Essentially, the new process would follow a number of stages (Weber and Burnett, 1997):

- Each year, the European Council would examine the employment situation in the EU and adopt conclusions, based on a joint report from the Council of Ministers and the Commission.
- On the basis of the European Council's conclusions, the Council of Ministers, acting on a proposal from the Commission, would each year draw up guidelines which the Member States would take into account in their employment policies.
- Each Member State would submit to the Council of Ministers and the Commission an annual report on the measures it had taken to implement its employment policy in the light of the EU guidelines.
- At the end of each year, the Council of Ministers would examine how the guidelines were being implemented and, if appropriate, make recommendations to Member States.
- The Council of Ministers and the Commission would then draw up a joint annual report to the European Council on the employment situation in the EU and on the implementation of the guidelines, thus triggering the cycle for the following year.

The Luxembourg EU Presidency requested that the Commission present the first set of employment guidelines for discussion at the 1997 Employment Summit. The proposal for the *1998 Employment Guidelines* was issued on 1 October 1997, built around the four pillars of entrepreneurship, employability, adaptability and equal opportunities. The Employment Summit examined the Commission's proposal during the November meeting and adopted a number of

recommendations. The *1998 Employment Guidelines* were subsequently incorporated by the Member States into national action plans (NAPs) for employment. These were submitted in April 1998 and evaluated at the Cardiff European Council in June 1998 (Weber, 1998a).

Employment Guidelines for 1999

In October 1998, the Commission adopted its proposal for the *1999 Employment Guidelines*, within the framework of the European employment strategy. These stressed the need for continuity and consolidation, and closely follow the 1998 guidelines, but contained further emphasis on measures to help integrate people from ethnic minorities into the labour market, promote lifelong learning and promote the job-creation potential of the services sector.

The 1999 employment guidelines drew on two reports:

1. The draft *1998 Joint Employment Report* from the Commission and Council of Ministers aimed at informing the Vienna European Council in December 1998 of the progress made to date under the Luxembourg process. The report was based on the NAPs submitted to the Commission and Council in April 1998 and the implementation reports presented in July 1998. The main findings of the report were that the Luxembourg process was being consolidated and the political momentum was being maintained. Employment strategies were argued to have become more systematic, consistent and transparent.
2. The *1998 Employment Rates Report*, compiled at the request of the 1997 Employment Summit, was the first such overview report on the EU's employment performance. It aimed at presenting a brief analysis of developments in job creation and loss across the EU, and at drawing conclusions about the potential contributions that individual Member States could make to achieving a significant increase in the EU's average employment rate (Weber, 1998c).

Vienna Summit (1998)

The European Council Summit meeting, held under the Austrian Presidency in Vienna on 11-12 December 1998, reaffirmed employment as 'the top priority of the European Union'. It commended Member States on their efforts in implementing the 1998 employment guidelines, which, it argued, had contributed to a reduction in the average unemployment rate to under 10%. Nevertheless, it was stated in the Presidency conclusions that more needed to be done using a comprehensive approach, encompassing the following: macroeconomic policies directed towards growth and stability; economic reform promoting competitiveness; and employment policies designed to improve employability, adaptability, equal opportunities and job creation in existing and new enterprises.

The multi-annual surveillance system on employment was seen to have laid positive foundations for an ongoing process of learning from different elements of good practice in employment policies. However, it was argued that this process needed to be reinforced through the setting of verifiable objectives and deadlines at European and national level, and the institution of common performance and policy indicators. In order to achieve this, the Council called for increased involvement and responsibility on the part of the social partners.



The Council welcomed the European Commission's proposed *1999 Employment Guidelines* (Weber, 1998c) and called upon Member States, when revising their NAPs, to implement the guidelines. Particular emphasis was placed on the achievement of a coordinated economic and employment strategy, the 'mainstreaming' of equal opportunities and the realisation of the concept of lifelong learning.

Cologne European Council (1999): Towards a European Employment Pact

The German Presidency's programme for the area of the Labour and Social Affairs Council ranked the adoption of a European Employment Pact among its top goals during the first half of 1999. Such a pact should contain employment policy guidelines with binding, verifiable goals aimed at, first and foremost, reducing youth and long-term unemployment, and at dismantling discrimination against women in the labour market. This European Employment Pact would augment the European Stability Pact. The German Presidency intended to draw up an agenda under the European Employment Pact that would link the opportunities offered by a global employment policy with a focused labour market policy. In the process, particular attention would be given to the effective interleaving of employment policy guidelines with fundamental economic policies. The European Employment Pact should be placed within the framework of the employment strategy launched at the 1997 Luxembourg Employment Summit. Essentially, the idea of a European Employment Pact encompassed more employment opportunities in the macroeconomic context of wages, monetary and fiscal policy, as well as the coordination of national employment policy measures.

The Presidency aimed to conclude this European Employment Pact at the Cologne European Council meeting in June 1999. However, developments in this area have so far been limited and there have been difficulties in getting the notion of a pact adopted. An informal meeting of EU Labour and Social Affairs ministers on 4-5 February 1999 in Bonn did little to change the situation. The idea of the pact was discussed at length at this meeting, also attended by representatives of the European Parliament, European Commission and European-level social partner organisations, but little progress was made.

Role of the social partners in EU employment policy

Joint statement of the social partners 1996

On 29 November 1996, following an initiative of the European Commission, the European social partners – consisting of the European Trade Union Confederation (ETUC), the Union of Industrial and Employers' Confederations of Europe (UNICE) and the European Centre of Enterprises with Public Participation and of Enterprises of General Economic Interest (CEEP) – adopted a joint statement on the Commission's *Action for employment in Europe – A confidence pact initiative* (Weber, 1997). This joint contribution emphasised the need for a cooperative approach in fighting unemployment and called for joint action, particularly in the field of training. In the joint statement, the European social partners stressed the need for an integrated approach to employment, encouraging improvements in the macroeconomic environment, exploiting the potential of the internal market to the full and implementing structural reforms in the labour market.

Nevertheless, in their comments on the Amsterdam Treaty, the European social partners showed significant differences in their economic and political strategies. On the one hand, UNICE had always expressed its scepticism about an extensive European employment policy and instead called for an increase in competitiveness of European industry as the sine qua non for the promotion of employment opportunities. On the other hand, the ETUC called the Amsterdam Treaty ‘a minimalist solution’ and claimed that the new employment chapter alone was insufficient to obtain significant advances in creating new employment. While the ETUC focused more on the strengthening of macroeconomic policy at European level and asked for a ‘pact on economic coordination’ to complement the ‘stability pact’ for EU Economic and Monetary Union, UNICE preferred further deregulation and flexibility of the labour market.

Employment Guidelines 1998 and Employment in Europe Report 1997

The European Commission expects the social partners to perform special roles in European employment policy. This can be deduced from two recent documents: the *1998 Employment Guidelines* and the executive summary of the *Employment in Europe Report 1997*.

The 1999 employment guidelines emphasised the following themes:

- *The need for entrepreneurship and job creation:* ‘Local employment initiatives and territorial pacts, bringing together all involved at local, regional and national levels, in a broad partnership approach have proved particularly effective. The lessons drawn from these successful experiences need to be promoted as part of a wider local development drive throughout Europe.’
- *The creation of a new culture of employability,* in which a ‘partnership approach’ should be developed: ‘Both enterprises and the social partners should be involved in joint efforts to invest Europe’s wealth in its future by offering the necessary work experience/training positions. The social partners are urged to conclude as soon as possible a framework agreement to open workplaces across Europe for training, work practice, traineeships and other forms of employability measures and to agree on the terms and conditions and to continue the impressive contribution which they have made over the past five years to the wage moderation which has contributed so much to the improved economic outlook and the improved prospects for new job creation.’
- *The promotion and encouragement of adaptability,* especially in order to promote the modernisation of work organisation and working patterns: ‘Social partners should negotiate, at the appropriate levels, particularly in economic sectors undergoing major structural change, agreements on work organisation and flexible working arrangements, including where appropriate reductions in working time, with the aim of making enterprises productive and competitive, and achieving the required balance between flexibility and security.’

In the executive summary of the *Employment in Europe Report 1997*, the Commission reveals its views on the responsibility for action and how it should be shared:

- Member States continue to have responsibility for employment policy, as well as the provision of sustainable growth and a favourable business environment.



- Employers must maintain the competitiveness and job-creating capacity of their enterprises. Maintaining and developing the productive capacity and motivation of their workforce depends on the provision of ongoing and relevant training, and by treating this training as an investment for the enterprise rather than a cost.
- Trade unions have a major role to play in promoting equity in the labour market in encouraging responsible wage determination. This not only increases investment, productivity and welfare, but also helps insiders to keep their jobs and outsiders to gain access to them.
- Local governments, within a coherent national strategy, must bring all relevant bodies together in partnerships for local development, to tap local capacities and local markets to identify sources of jobs.
- Individuals have a claim on opportunities offered to them. But they must also combine these opportunities with an individual responsibility – a willingness to adapt, to respond to incentives and to seek and master new capacities and skills.
- The European institutions have an important contribution to make.

Role of the European social dialogue

The responsibility and opportunity for the social partners to shape social policy is set to increase in the context of the Amsterdam Treaty and the European employment strategy. Legislative proposals in the social policy field will be addressed to all Member States and be the subject of the two-stage consultation process, with the possibility for the Commission to suspend the legislative process if the social partners announce their intention to open negotiations (Weber, 1998b).

In May 1998, the European Commission published a communication on *Adapting and promoting the social dialogue at Community level*. This proposed a number of modifications to the current operation of the European social dialogue processes at intersectoral and sectoral levels. The future development of the social dialogue, particularly at intersectoral level, was also the subject of debate at a ‘mini-summit’ called by the Commission in early June 1998. The main aim of this meeting was to explore the role of the social partners in view of their new responsibilities under the Amsterdam Treaty. President Santer and Commissioner Flynn underlined that the Commission was looking to the social partners for their ideas on how to advance the social dialogue in areas such as the European employment strategy.

Representatives of ETUC and CEEP expressed their willingness to take part fully in this strategy, at both European level and through their national members, in the formulation of NAPs for employment. However, the employers’ organisation, UNICE, expressed reservations about the involvement of the European social partners in this area; it voiced concerns about a possible breach of the principle of subsidiarity and argued that the majority of social and labour market policy issues should be addressed by governments and social partners at the national level.

Following this mini-summit, ETUC and CEEP issued a joint statement on 8 June 1998, pledging their commitment to making the European employment strategy succeed. In their statement, both organisations expressed their satisfaction at the implementation of the Amsterdam Treaty's employment chapter. They also stated that they wished to be involved in the coordination of employment policies at European level through their specific input to the June 1998 Cardiff European Council meeting and by working out a common position for the December 1998 Vienna Council (Weber, 1998b).



Chapter 2

Overview of collective bargaining on employment and competitiveness

The rise of the unemployment rate has continually been accompanied by a controversial discussion on the role of collective bargaining in contributing to and fighting unemployment. In general, the European social partners have different views on how collective bargaining could help to improve the employment situation. On the one hand, employers and their associations focus mainly on supply-side policies, improved competitiveness via increased labour market flexibility and reduced labour costs. Therefore, a moderate wage policy and deregulation of the labour market are regarded as the best ways to create new employment. On the other hand, the trade unions focus mainly on macroeconomic demand management and the redistribution of the available supply of work. They emphasise demands for various forms of working time reduction, which should create a better distribution of existing work and, thus, bring about opportunities for new jobs.

In recent years, collective bargaining in many European countries has explicitly taken on the issue of creating and preserving employment, and improving competitiveness. In many states, collective agreements at all levels have come up with new ways of avoiding or reducing planned job losses, or even of increasing employment levels. These have ranged from national or regional tripartite or bipartite ‘employment alliances/pacts’ to company-specific agreements between management and works councils/trade unions. These agreements are new in style and their form and impact merit further investigation.

This chapter examines the action that the social partners in the EU Member States and in Norway have taken themselves (occasionally together with governments) to preserve and create employment through new forms of collective bargaining. Details on agreements and activities in the 16 countries investigated may be found in Chapters 3-18.

The general picture across Europe in the 1990s has been that, in many countries, the rise of collective bargaining on employment and competitiveness was closely connected to two factors: firstly, the cyclical downturn that hit the EU Member States at the beginning of the decade, although it hit some countries harder than others; and, secondly, the structural and adjustment problems of European economies and societies. At the macro level, this led to the rise in unemployment. At the micro level, many companies had problems in keeping afloat and were forced to restructure and adjust to the changing conditions. In a number of cases, this had negative employment effects.

Against this background, governments and social partners have been searching for policies to remedy the situation. With few exceptions, European countries have witnessed the occurrence of explicit bargaining on employment – be it on a tripartite basis (between governments, trade unions and employers’ associations) or a bipartite basis (between the social partners).

Table 2 provides an overview of negotiating activities at different levels on employment and competitiveness during the 1990s in EU Member States and in Norway.

Table 2 Bargaining on employment and competitiveness at different levels in the 1990s (overview, excluding mining)

Level	National	Regional/ Local	Sectoral	Company
Austria			✓	✓
Belgium	✓○★	○	✓	✓
Denmark	○	○	✓	✓
Finland	✓○		✓	✓
France	✓		✓	✓
Germany	○★	○★	✓	✓
Greece	✓○	○		
Ireland	○	○		✓
Italy	○	○	✓	✓
Luxembourg	○		✓	✓
Netherlands	✓		✓	✓
Norway	✓			✓
Portugal	○	○		✓
Spain	✓	○	✓	✓
Sweden	★		✓	✓
United Kingdom				✓

- ✓ Collective agreements between the social partners (employment pacts).
- Collective agreements between the social partners and government (social pacts).
- ★ Failed attempts to conclude social pacts.

The extent to which collective bargaining on employment and competitiveness is an issue in the various national industrial relations systems differs widely, as do the form, contents and impact

of collective agreements on employment. These differences are obviously conditioned by the shape of national industrial relations systems, a comprehensive description of which is beyond the scope of this study. Table 3 shows density figures on membership of trade unions and these provide a rough idea on the diversity in European industrial relations, especially as regards the relevance and representativeness of the participating organisations and the activities/resulting agreements.

Table 3 Trade union membership as a percentage of wage and salary earners, 1985 and 1995

	1985	1995
Austria	51.0	41.2
Belgium	52.0	51.9
Denmark	78.3	78.3
Finland	68.3	79.3
France	14.5	9.1
Germany	*35.3	28.9
Greece	36.7	24.3
Ireland	56.0	46.6
Italy	47.6	43.3
Luxembourg	**53.0	43.4
Netherlands	28.7	25.6
Norway	55.7	57.7
Portugal	***51.4	25.6
Spain	11.5	****18.6
Sweden	83.8	87.6
United Kingdom	45.5	32.9

* Western Germany; ** 1987; *** 1986; **** 1994.
Source: ILO (1998a)

Where employment has been an explicit bargaining issue, the aim depends largely on the bargaining level.

- **At national and regional level**, in the vast majority of cases, the general aims have been, either explicitly or implicitly, to reduce unemployment as well as to maintain and increase employment.

In the relatively centralised collective bargaining systems of Norway and Sweden, the social partners have aimed to conclude agreements on procedural and substantive issues in a way that furthers productivity, competitiveness and growth of companies in the first place, to the indirect benefit of employment and job security.

- **At sectoral level**, bargaining on employment has mainly aimed at avoiding redundancies and layoffs, and at fixing the level of employment. In a small number of cases, it has aimed at creating employment. Only a few agreements provide for job creation for certain groups, in particular the young, unskilled and long-term unemployed.

- *At company level*, bargaining on employment has, in most cases, been used as a means to avoid redundancies. A number of French, Italian, Spanish and German agreements seek to create jobs. In general, only very few agreements or alliances provide for target numbers for job creation.

Methods and types of agreement are diverse. As regards the contents of the agreements and the employment strategy pursued, three broad categories of measures may be distinguished:

- reduction of wage and/or non-wage labour costs;
- reduction of labour supply; and
- increase in organisational, wage and/or working time flexibility.

In general, activities in the majority of countries are reported to have aimed primarily at wage moderation (including wage freezes and reductions). Such activities occur in Belgium, Denmark, Finland, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden and the UK. Other activities are targeted at reducing indirect labour costs by, for example, reducing the social security contributions of employers (and in a few cases of the employees). These activities have been undertaken in countries such as Belgium, Denmark, Finland, France, Italy and Spain. Wage subsidies are reported to be applied in Denmark, Ireland, Luxembourg, Italy, the Netherlands, Portugal and Spain. Some collective agreements include 'opening' and 'hardship' clauses, or clauses for small and medium-sized companies, allowing for exemptions from collectively agreed standard rates (in Austria, Germany, Italy, the Netherlands and Spain). Other agreements include 'entrance wages' for special target groups, such as the long-term unemployed (in Finland, Germany, Greece, Ireland, Italy, the Netherlands, Spain and Sweden).

Other methods used for employment maintenance and creation are related to working time. Many activities aim at increasing flexibility in working time (for example, in Austria, Belgium, Finland, France, Germany, Italy, the Netherlands, Spain and the UK). Others activities involve the reduction of weekly working hours, either with or without full or partial wage compensation (for example, in Austria, Belgium, France, Germany, Luxembourg, Italy, the Netherlands, Portugal and Spain). Also frequently used are provisions on early and partial retirements, and on the introduction or extension of part-time work.

Issues that also deserve attention are the relationships between (1) the legal framework, public employment and labour market policy, and collective agreements on employment; and (2) collective agreements at different levels. In a number of countries (for example, Austria, Belgium, France, Germany and the Netherlands), labour legislation and public employment policy seem to have had a marked impact on collective agreements on employment. This has been due to either the social partners at lower multisectoral, sectoral or company levels being obliged to conclude such agreements or by setting incentives to do so 'voluntarily'. In other cases (such as Denmark, Finland, France, Greece, the Netherlands, Portugal and Spain), national/multisectoral agreements seem to have heavily influenced legislation and/or public



employment and labour market policy. In yet other cases, higher level agreements have provided a framework for lower level agreements (as in Germany). In many cases, however, it seems that employment-related activities are highly interrelated and interdependent, so that it can prove difficult for the external observer to clearly identify cause-and-effect relationships.

Although, in many countries and at many levels, employment has emerged as an important collective bargaining issue, the extent to which it has become a central topic is not yet clear. In most cases, employment is closely connected to other bargaining issues such as pay or working time. In addition, a thorough evaluation of the impact of measures and the effect of agreements is, in most cases, not available.

Country overviews

There are many different agreements on employment. Table 4 summarises the development of these activities in the countries covered by this report. Details are provided in the individual country studies in Chapters 3-18.

Table 4 Bargaining on employment and competitiveness: country overviews

Austria	Since the social partners mainly use legislative channels as a means to influence employment levels, collective bargaining on employment at sectoral and company level exists but is rare, and usually intends to maintain rather than create employment.
Belgium	Beginning in the mid-1970s and throughout the 1980s and 1990s, employment creation (in general and for special target groups) has remained one of the most important topics in collective bargaining at the levels of tripartite national, bi- or tripartite regional, bipartite sectoral and company.
Denmark	Although government has the primary responsibility for employment, the social partners have addressed the question of employment in collective bargaining since the mid-1990s in tripartite talks, regional industrial centres, social chapters of sectoral agreements and at company level.
Finland	Since the early 1990s, employment has been an objective of the bipartite incomes policy agreements, which also aim at lowering unemployment. In 1997, a three-year 'incomes agreements for employment' was signed. There is some bargaining on employment activity reported in the municipal sector and at company level.
France	Since 1993-94, there has been an increase in negotiating activity on job creation, mainly due to the success of numerous intersectoral negotiations and the growth of in-house negotiations on job creation.
Germany	During the 1980s and more explicitly since the early 1990s, German collective bargaining has taken on the issue of employment. Tripartite and bipartite employment alliances and pacts exist at national, regional, sectoral and company level.
Greece	During the 1990s, several National General Collective Agreements and a tripartite 'Confidence Pact' of 1997 deal with employment. There are also some local agreements.
Ireland	Since 1987, there have been several tripartite national agreements, all of which give particular prominence to employment. Although there are some examples, employment has yet to emerge as a significant issue in sectoral and company agreements.

Italy	Collective bargaining on employment has become increasingly important since the 1980s. In the 1990s, it has acquired top priority in national-level tripartite bargaining and has become an important issue in collective bargaining at all other levels.
Luxembourg	Although collective agreements do not see the creation or maintenance of employment as their main aim, there are some cases at sectoral and company level.
Netherlands	At national level, regular tripartite talks on employment and bargaining issues have led to the government reducing labour costs in exchange for wage moderation. The bipartite Labour Foundation frequently publishes recommendations for the bargaining agenda at lower levels of the sector and the company. The 1990s have seen recommendations and resulting collective agreements for the employment of special target groups.
Norway	Although employment/unemployment issues have been a central feature of the collective bargaining rounds of the 1990s, specific employment targets are seldom included in the texts of collective agreements.
Portugal	Although a tripartite pact signed in 1996 included a specific chapter on the promotion of employment, there is hardly any formal collective bargaining on employment. As a consequence of the 1996 pact, Regional Networks for Qualification and Employment were established.
Spain	From the late 1970s until 1986, some bipartite and tripartite bargaining on employment occurred at national level. Since the beginning of the 1980s, employment has become an issue of increasing importance in collective bargaining at regional, local and company level. From the 1990s, there has been ‘offensive’ action on employment in bargaining at sectoral, regional and company levels, leading to the bipartite labour reform of April 1997, which has been implemented in legislation.
Sweden	Collective agreements which aim explicitly at creating or maintaining employment in a direct way are not frequent. In 1998, bipartite talks on a ‘pact for growth’ yielded no results.
United Kingdom	Although there have been a few such agreements since the 1980s, collective bargaining on employment (usually at company level in the form of job security agreements) plays a minor role.

Collective bargaining at national level (social pacts)

In recent years, the majority of EU Member States have witnessed activities on employment and competitiveness by the social partners at national level. However, there exist many differences in the content, scope and legal form of these national initiatives or ‘social pacts’. The most frequent form of national-level social pact is the so-called ‘Pacts for jobs’, as seen in Germany, Italy and Portugal. These pacts have been concluded between the social partners and the national government, and they contain a wide range of economic, industrial, social and labour market policy measures, with the explicit aim of creating new employment. Another form of social pact is the national agreement as found, for example, in Ireland. This does not focus explicitly on labour market policy but, nevertheless, covers a broad spectrum of macroeconomic activities (including wage moderation) which aim to strengthen competitiveness and thereby indirectly promote employment. Such a policy of national wage moderation also exists in Norway, which still has a centralised model of wage bargaining. Similarly, though more indirectly, this type of social pact occurs in the Netherlands, where there is an informal tripartite employment policy and bipartite agreements on various issues are concluded within the national Labour Foundation.



Some commentators see the new national-level social pacts in the tradition of post-war incomes policies. However, the latter were demand-side oriented and mainly intended to fight inflation. The new national-level social pacts aim explicitly, in most cases, at fighting unemployment by using supply-side oriented measures. Furthermore, in many countries, the national organisations of social partners have signed intersectoral agreements on employment with a strong emphasis on either training (in order to improve the employability of employees, as in Finland, France, Greece, the Netherlands and Spain) or on other labour market measures (as in the Netherlands and Spain).

Finally, in recent years there has been a number of cases in which a national initiative has explicitly failed. One such case occurred in Germany in 1996, when the trade unions left the 'Employment Alliance' after the government decided on various cuts in social benefits and a deregulation of the dismissals legislation. Again, in 1998, the trade unions quit the national initiative on the issue of eastern Germany. A further attempt to forge a national 'Pact for Jobs' (*Bündnis für Arbeit*) in late 1998 seems to have been successful.

Another case of a failed national initiative occurred in Belgium in 1997 when, for the first time since the 1960s, the social partners failed to reach an intersectoral agreement on wage moderation. Instead, they accepted government imposition of measures on employment and maximum pay increases. A subsequent attempt in 1998, however, was successful.

Collective bargaining at regional level

Regions are increasingly gaining importance in the political system of the European Union. Among the reasons for this is perhaps the increasing use by regional authorities of the programmes of the European structural funds, which enhances the status of these authorities. To make better use of the Community's structural funds, the Commission has proposed the conclusion of territorial employment pacts. These aim at establishing regional or local partnerships in order to enable more effective coordination of actions. In recent years, a growing number of regional tripartite agreements have been concluded between the social partners and regional governments, with or without the support of the structural funds. However, since the territorial employment pacts are documented elsewhere (European Commission, 1999), this report mentions these pacts only if there is reference to other regional employment activities with social partner involvement. Such activities have developed in Belgium, Denmark, Germany, Greece, Ireland, Italy, Portugal and Spain.

Collective bargaining at sectoral level

In many EU Member States, the sectoral level is still the most important level for collective bargaining. This is where issues of basic wages and standard working time are determined. Since the 1980s, however, most countries have seen a continuing decentralisation, or even erosion, of sectoral collective bargaining. This trend has been further influenced by growing unemployment. On the one hand, increasing international competition may result in a growing number of companies having problems with accepting the collectively agreed industry-wide standards. On the other hand, growing unemployment weakens the bargaining position of the unions and, thus, makes them accept lower standards in return for job guarantees.

In some countries, the social partners have included ‘opening clauses’ or ‘hardship clauses’ in sectoral collective agreements. These usually allow the social partners at company level to agree on standards of pay and conditions below the collectively agreed rate for a limited period of time in return for job guarantees. Opening clauses of this type can be found in Austria, Germany, Italy, the Netherlands and Spain.

Sectoral collective agreements can also include lower standards of pay and conditions for special target groups, such as the long-term unemployed. Collective agreements on partial or early retirement are regarded as a major contribution of the social partners in the fight against unemployment. An interesting approach has been taken in Denmark, with the introduction of ‘social chapters’ in sectoral collective agreements. Here, the sectoral social partners seek to improve employment opportunities for groups such as the long-term unemployed, disabled and older people; they ask the partners at company level to establish working groups or committees in order to develop ideas on how to secure jobs or even create new employment. In Italy, sectoral bargaining in some cases is starting to take on the issue of job creation.

Collective bargaining at company level

Bargaining on employment and competitiveness is taking place increasingly at company level, either between management and trade unions, or between management and works councils. These initiatives are called ‘pacts for employment and competitiveness’ (PECs). They are different from the ‘social pacts’ or tripartite initiatives on national level. In most cases, the bargaining aim of PECs is to avert redundancies or to guarantee the current level of employment in situations of company restructuring, investment decisions on production locations or falling demand for a company’s products. Thus, bargaining activities are mainly initiated by employee representatives as a response to the announcement of a new company strategy.

In the vast majority of cases, management and employee representatives have negotiated employment and substantive issues (such as pay and working time) together in packages which include a kind of trade-off – job security for concessions on the employees’ side. Methods to preserve employment vary from company to company. In most cases, the aims of the agreements have been achieved. There have also been some cases of company agreements creating employment, notably in France, Germany, Italy and Spain.

France is notable as a country where, since the early 1990s, company-level bargaining on employment has been growing. Since 1995, there has been considerable emphasis in such agreements on job-sharing and reduction of working time. The 1996 loi Robien (Robien law) has given the process increased impetus. This legislation provides for reductions in employers’ social security contributions for companies which, on the basis of a sectoral or company agreement, introduce a new collective working time organisation, together with a minimum 10% reduction in working time. This is on the condition that more employees are recruited or that redundancies are avoided. In March 1997, the French Ministry of Labour put the number of agreements concluded under this legislation at 344. Of these, 207 were deemed ‘positive’ (creating jobs) and 137 ‘defensive’ (with no jobs being lost).



Table 5 Examples of pacts for employment and competitiveness (PECs)

	Company*
Austria	A paper manufacturer
Belgium	Cockerill-Sambre, Uniroyal, Axial, Defever, Frameries, Interbrew, Levi Strauss, Belgacom, Opel Antwerp, Ford Genk, Volkswagen Forest
Denmark	Tele Danmark
Finland	Otava printing, Leonia Bank
France	Perrier, EDF and GDF, Xerox, Malichaud-Atlantique, Téléassurances, The Boiron Pharmaceuticals Laboratories, Air France
Germany	Volkswagen, Deutz, Viessmann, Audi, Mohn Printing, Ravensburger, Preussen Elektra, Siemens, Continental, Bayer, Ford Germany, Mercedes Benz, Thyssen Krupp, Deutsche Bahn, Hoechst Marion Roussel, Pirelli, Dasa Airbus, Opel Germany
Ireland	Bord Gáis, TEAM Aer Lingus
Italy	Fiat Arese, Fiat Melfi, Fiat-Auto, Falck Sesto San Giovanni, Galbani, Marzotto, Postalmarket, Cirio, Infostrada, Ferrero, Italian State Railways, Electrolux-Zanussi, Ansaldo, Fiat-Hitachi, Barilla
Luxembourg	Electrolux, Sommer Industrie, Hypobank Luxembourg and Vereinsbank International
Netherlands	Baan, KPN Telecom, Philips, Kodak, ABN Amro, Heineken, VSN, GADO, VEONN, GVB, KBB
Norway	Norway Post
Portugal	Grundig, OEM, Somincor, Renault Portuguesa
Spain	Repsol, Stockauto, Caja Madrid, La Caixa, Banco Exterior, BBK Savings Bank, Telefónica, Mercedes Benz, Citroën Hispania, Ford Almussafes, SEAT
Sweden	Vattenfall Energy Group
United Kingdom	Rover, Jaguar, Ford Halewood, Peugeot Ryton, Vauxhall, Massey Ferguson – Agco, Blue Circle, Sheffield City Council, British Airways

* Agreements in these companies are described in detail in the country studies in Chapters 3-18.
 Source: EIROOnline <http://www.eiro.eurofound.ie/>

Issues for future research

In the 1990s, many European countries have witnessed an increase in bargaining on employment and competitiveness at various levels. These agreements definitely mark a change of direction in collective bargaining. Although the main aim of all these activities has been either to preserve or to create jobs, the actual impact and success cannot be thoroughly and conclusively determined on the basis of information obtained from the EIRO.

The monitoring and evaluation of these agreements remain a serious problem. Only in a few cases have agreements been subject to systematic and thorough evaluation procedures. This may be due to a variety of reasons, such as the short time since the conclusion of some agreements, lack of sufficient research or lack of interest of the signatories to either evaluate their agreements or publish the information.

In practice, a number of potentially problematic issues should be examined in future research:

- Most of the company agreements are defensive, in that they guarantee existing jobs rather than create new ones.
- Even if employment agreements have positive effects regarding the level of employment at micro level, this need not necessarily imply positive employment effects at macro level.
- Employers usually accept binding employment measures only in exchange for activities to improve competitiveness of, for example, wages or working time. Such cases are sometimes criticised as ‘concession bargaining’ by the trade unions. But since, in most cases, there is reciprocity in exchange in the resulting agreements (*quid pro quo*), it is difficult to know where concession bargaining begins and ends.
- In cases where agreements on employment are concluded by works councils, the relationship and balance of power between them and the trade union(s) may be affected.
- In a number of cases, there has been conflict not only between the employers’ associations and the trade unions, but also internally among the unions regarding the contents of the agreements and representativity of organisations. In a number of cases, high wage demands by some unions have repeatedly threatened policies on collective wage moderation.
- Another issue in this context is a phenomenon which has been labelled ‘regime’ and/or ‘subsidy shopping’. This term refers to the relationship between governments, EU, employers and employees in the competition for subsidies, production locations, investment and, finally, jobs.
- What roles can collective bargaining and the activities of the social partners play in the fight against unemployment? This question also addresses, on the one hand, the relationship and division of responsibilities between public employment policy and public labour regulation, and the activities of the social partners on the other.

Those searching for best practice on fighting unemployment by collective bargaining on employment will be disappointed by the results of this report. The scope for ‘benchmarking’ as an instrument for the effective monitoring and evaluation of employment and labour market policies and the identification of good practice appears to be, at best, limited. As such, most agreements are the culmination of a set of specific institutional and economic conditions, and are not likely to be easily transferable as a package from one organisation or country to another.

By agreeing the Employment Chapter in the Amsterdam Treaty, EU Member State governments recognised the employment challenge as a key issue of European concern. As regards the responsibility of the actors in the labour market, they can neither be blamed exclusively for the extent of unemployment in Europe nor are they able to solve the problem on their own. As the executive summary of the Commission’s *Employment in Europe Report 1997* states: ‘While in the short term, net job creation depends mainly on the rate of output growth, in the longer term it also depends on institutional structures and societal choice on the priority given to employment and how possible conflicts, between this and maintaining productivity growth and competitiveness, are reconciled.’



Chapter 3

Austria

Context and overview

Historical development

In Austria, employment became an issue as early as the mid-1970s, when the social partners became concerned about increasing unemployment among youth. Their concern became more pronounced when unemployment kept rising during the relatively favourable economic period of 1990-92, and especially when long-term unemployment continued to increase.

Bargaining on employment has hardly any tradition in Austria (Gaechter, 1998b). Collective agreements have been used only in a subsidiary way and usually to maintain employment rather than create it. The main aims in collective bargaining have been to keep wage increases sensitive to growth rates and to advances in productivity. Only recently have legal changes on working time (reduction and flexibility of working time, as well as Sunday work) given impetus to collective bargaining activities in these areas.

In general, the Austrian social partners have used the law principally as a means of influencing employment levels. In the strongly centralised and corporatist system of Austrian industrial relations, they already have access to legal change within the political system through the ministries, parties and parliament. Generally, they have chosen this instrument rather than collective agreements when shaping their labour market policies.

It is reported that the rapid process of internationalisation of the Austrian economy seems to be making national legal regulation less viable and is forcing the social partners to settle issues of social policy (such as working time and pensions) at the sectoral level. This 'denationalisation' process (or decentralisation away from nation-wide regulation) has also attained an important

dimension of 'desectoralisation'. A tendency to delegate more and more to company-level agreements has been discernible for some time, but is now clearly gaining momentum. The Austrian EIRO National Centre considers it not unlikely that matters of employment and competitiveness will soon go the same way (Gaechter, 1998b, 1998c).

Labour market background: Unemployment and employment policy

The general situation in the Austrian labour market as regards employment and unemployment was summarised by the Federal Ministry of Labour, Health and Social Affairs in the 1998 National Action Plan: 'Despite a certain deterioration in the last 15 years, the situation on the Austrian labour market is still exceptionally good: in only one EU Member State is the unemployment rate lower, while the employment rates are among the highest in the Community. The proportion of all unemployment, accounted for by the long-term unemployed and the level of youth unemployment, is also very low.'

Historically, the average rate of unemployment in Austria was 1.6% for the period 1971-80 and 3.4% for 1981-90. It has been rising during the 1990s – from 3.2% in 1990 to an estimated 4.4% in 1998.

Labour market policy and industrial relations are closely associated in Austria. The bargaining process involves the government and political parties. In return, government has until now been careful not to take any action which has not been agreed beforehand between and with the social partners. Thus, the Austrian social partners play an important and influential role as policy-makers in employment and labour market policy.

The main methods used in Austria to fight unemployment have not involved collective bargaining. The following methods have been used instead:

- Early retirement provisions had the aim of providing young labour market entrants with jobs vacated by older workers. Due to budgetary constraints, early retirement is now no longer favoured.
- The Working Time Act (*Arbeitszeitgesetz*, AZG) includes the option for collective agreements to reduce normal weekly working time from 40 hours to 35 hours, and to make working hours flexible in order to boost competitiveness.
- In their capacity as governors of the Public Employment Service (*Arbeitsmarktservice*, AMS), the social partners have made attempts to improve its performance in the interest of job seekers and employers.
- Together with local communities, the Public Employment Service and other interests, the social partners are represented on the boards of work foundations (*Arbeitsstiftungen*). These were designed to absorb redundant workers from particular industries, to retrain them and coach them on the way back to employment or self-employment. The first work foundation was established in 1986, when Austria's largest steelworks had to be restructured. Since then, the establishment of work foundations has expanded to cover whole industries nation-wide, such as food processing and transportation.



- In 1997, changes to the Working Time Act (*Arbeitszeitgesetz*, AZG) and the Leisure Time Act (*Arbeitsruhegesetz*, ARG) provided the social partners with the option to conclude collective agreements allowing the social partners to agree Sunday working for individual establishments, if this was necessary to attract or retain jobs. Such collective agreements had to specify the activities to be permissible on Sundays and the time allowed for them. Prior to this, it was only possible to grant specific exemptions from the ban on Sunday work if the technology required continuous production. The Minister of Labour, Health and Social Affairs could, however, permit a whole industry to work on Sundays (Gaechter, 1997a).

In 1998, the social partners issued a joint resolution addressed to the government, requesting specific measures to reduce the tax burden on wages and to increase incentives for investment in research, development and training in an effort to combat unemployment and to raise competitiveness (Gaechter, 1998c).

Collective bargaining on employment

Collective agreements with a reference to employment are rare in Austria. In general, they can be found where working time is a bargaining issue. In wage bargaining, net job creation has never been an issue, although the maintenance of jobs is sometimes considered, especially when competitiveness is involved (Gaechter, 1997b).

Sectoral level

On the basis of the legal changes regarding working time, a number of collective and works agreements have been signed. The following industries are involved:

Metal sector

In Autumn 1993, an ‘opening clause’ was agreed for the metal sector. This provided for the possibility to conclude works agreements on converting the money from the wage and salary increase agreed nationally to investment funds for the maintenance or creation of employment. Up to 1997, this tool was only used in 53 cases, mostly in larger enterprises (Gaechter, 1997b).

Construction industry

In the construction industry, a collective agreement on working time was concluded in 1996. It aimed to reduce the number of formally unemployed in this highly seasonal industry by minimising overtime hours in favour of a greater number of regular hours (more weeks of formal employment per year). Since a modest cost reduction for enterprises is involved, it may be argued the measure is also likely to create employment. A similar agreement was signed for the metal sector in April 1997 (Gaechter, 1997a).

Public sector teachers

In Autumn 1997, the government and the teachers’ sections within the Union of Public Services (Gewerkschaft Öffentlicher Dienst, GÖD) agreed a package of legal changes on retirement and working time. The aim was to cut costs and ensure the employment of young teachers. The deal included provisions on:

- *Early retirement*: Teachers born in 1953 or earlier may retire from the age of 55. The total pension sum they would have received between the ages of 60 and 76 would then be paid over the longer period.
- *Sabbatical leave*: Over a period of three to five years, a teacher would be entitled to two to four years' pay, stretched over the entire period including one year's sabbatical. In a special version of the scheme, teachers would be able to save up time from the age of 50 and take several years' sabbatical from 55, to be followed seamlessly by retirement at 60.
- Introduction of *unpaid leave and part-time work* at more than 50% of regular hours.
- *Overtime hours* would henceforth only be paid if the agreed minimum weekly teaching requirement had been worked.

Banking sector

In banking, employment protection was an issue in 1998, but management continued to emphasise that in the short term no redundancies need be expected (Gaechter, 1999c).

Company level: A paper manufacturer

After the passage of the 1997 legal changes regarding Sunday work, the Federal Section – Industry (Bundessektion Industrie) of the Austrian Chamber of the Economy (Wirtschaftskammer Österreich, WKÖ) and the Chemical Workers' Trade Union (Gewerkschaft der Chemiarbeiter) concluded a plant-level agreement for a paper manufacturer, which is owned by a transnational company. The agreement extended Sunday work for 100 employees (out of 800) who were involved in the production of napkins and handkerchiefs. Also, the parties agreed on the introduction of a five-shift cycle, the reduction of working time from 38 to 36 hours per week (by adding 13 days off per year) and a pay rise of 3.75%. Other parts of the same plant producing the basic tissue had worked on Sundays since 1970 for technical reasons, and some parts of the downstream production had done so since 1988 and 1993. The agreement was expected to make the establishment fit to be the enterprise's international centre of excellence and to boost employment.

National Action Plan

In early 1998, the Austrian Government – represented by the Ministry of the Economy (Bundesministerium für wirtschaftliche Angelegenheiten, BMwA) and the Ministry of Labour, Health and Social Affairs (Bundesministerium für Arbeit, Gesundheit und Soziales, BMAGS) – together with the social partners were engaged in drawing up the National Action Plan (NAP) for employment. It was agreed to address the employment goal primarily in terms of removing obstacles to and creating incentives for employment. To this aim, the parties set the following goals for the NAP, the last two being quantifiable (Gaechter, 1998a, 1998c, 1999a, 1999b):

- to assist the formation of new enterprises;
- to facilitate long-term secure and productive careers of gainful employment and the redeployment to new occupations of employees under the threat of unemployment;



- to ensure that those seeking employment find adequate training and job opportunities;
- to provide support for non-market social services employment;
- to ensure a continuation of the restrictive policies on first-time labour market access for third-country nationals;
- to increase employment by 100,000 by the year 2002; and
- to reduce the unemployment rate to 3.5% by the year 2002.

Evaluation

There is no direct assessment or evaluation available of the measures aimed at reducing unemployment and/or increasing employment in Austria. Early retirement schemes are reported to have been relatively effective, leading to low participation rates in the age group over 50 and comparatively low youth unemployment. There is still a low participation rate of women. The work foundations are reported to have achieved success (Gaechter, 1997b).




Chapter 4



Belgium

Context and overview

Historical development

Belgium has a long tradition of bargaining on employment. Closely associated with the increase in unemployment, measures to stimulate job creation and safeguard jobs have been designed and implemented in various forms and at all levels from the mid-1970s. Since the 1980s, employment creation has become one of the important topics in collective bargaining. During that period, changes in the content of agreements took place. The initial goal of bargaining on employment was the protection of existing employment and the creation of jobs for specific ‘problem groups’ (such as the long-term unemployed and workers with low skill levels). Recently, there has been a move towards incorporating such issues as lowering labour costs, reducing working time and across-the-board hiring of employees (Belgium, 1997)

From the beginning of the 1980s, the Belgian Government has become an increasingly active party in negotiations between the social partners by imposing rules and norms, such as pay guidelines as well as regulations on the distribution of work and working time reduction. A key issue in Belgian collective agreements involving employment provisions is the link between the employers’ demand for lower social contributions and the unions’ wish to grant this benefit only in return for a guarantee of higher employment. Since, in a number of cases, the social partners have failed to reach agreements, the government has often assisted in finding solutions.

The two priorities in employment promotion policy most relevant to industrial relations are (1) reducing labour costs through pay restraint and reducing employers’ social security contributions; and (2) redistributing work between a larger number of people, together with measures to ensure greater flexibility in work organisation.

There are doubts reported regarding the positive effects of the myriad of employment measures encapsulated in collective bargaining agreements. After 20 years of experimenting with all sorts of agreements, the net result is still a high number of unemployed in Belgium and a fairly stable employment (Bruyninckx and Krzeslo, 1998).

As in Austria, there is a double mechanism of escaping responsibility at the sectoral level reported in Belgium. On the one hand, the responsibility for agreements, including employment provisions, is passed on to the company level (where, in fact, not much is realised in this respect); on the other hand, the responsibility for agreements is shifted to the tripartite level, where the government is held responsible for providing the necessary framework for realising and achieving employment policies (Belgium, 1997).

Despite the 1998 intersectoral agreement, the autonomy of the social partners and the discreet role of the State (a characteristic feature of Belgian industrial relations) is increasingly fading away. In the 1980s, a trend began involving the weakening of the central or intersectoral level in favour of the sectoral and company levels. Paradoxically, the national government's intervention reinforced the decentralisation of negotiation and those centrifugal forces are now dominant (Dryon and Krzeslo, 1997a).

Labour market background: Unemployment and employment policy

Compared to other EU countries, Belgium's labour market performance in terms of unemployment is relatively poor. After witnessing an average unemployment rate of 2.0% during the period 1961-70 and 4.6% in the following decade, unemployment soared to an average of 9.7% between 1981-90. Since 1994, when unemployment reached a peak of 10.0%, the situation has improved – to an estimated 8.3% in 1998.

The Belgian employment policy pursued for several years now is based on the EU recommendations in the 1993 White Paper on 'Growth, Competitiveness and Employment'. The policy aims at harnessing all possibilities for preserving and creating jobs, as well as getting more people into the job market. It consists of two pillars – the reinforcement of the economic foundations and growth – with flanking measures aimed at increasing the employment-intensity of growth. Belgian employment policy has always attached great importance to consulting the social partners in the tradition of consensual social dialogue and to the complementarity of federal, regional and community employment policies.

Since the economic recession of the early 1980s, Belgian employment policy has been divided into five types of measure:

- job creation mainly through subsidised (public sector) employment;
- encouraging people to enter and leave the job market (through measures such as early retirement or career breaks);
- reducing recruitment costs by giving bonuses on recruitment and granting social security reductions;



- making working hours and contract periods more flexible; and
- training initiatives, sometimes coupled with work-experience projects.

These measures were confirmed by the Belgian Government in the 1996-97 'global plan' (van der Hallen, 1997b) and in the national employment guidelines for 1998 (Krzyszlo and Bruyninckx, 1999).

In recent years, in its efforts to promote employment the Belgian Government has developed a range of formulae for reducing labour costs through measures to cut employers' social contributions. These measures include the Maribel system, the Vande Lanotte plan and the Smet plan. The Federal Government wanted to see the same sort of provisions in the multi-industry, intersectoral agreements negotiated between the social partners, based mainly on work-sharing formulae such as the promotion of part-time work, career breaks or early retirement.

Maribel system

Belgium's Maribel system, set up in 1983, was designed to ease employers' social security costs for manual workers by partially transferring them to the government's social security budget. In 1997, the government announced a set of reforms to the Maribel system which extended the mechanism from the export-oriented industrial sectors (which face international competitive pressures) to all industry sectors. This resulted in a further loss of BEF 6 billion in social security contributions, even though the social security system was already in crisis. The new system had repercussions for the development of collective bargaining, since the drop in government social security revenue was financed through the BEF 6 billion; this had been earmarked in July 1996 to help the social partners negotiate agreements on employment at sectoral level, covering such issues as reduction in working time, early retirement and job creation.

Vande Lanotte plan

Under the Vande Lanotte plan, adopted as Royal Decree in 1997, companies recognised as being in difficulty or restructuring were eligible for a reduction of employers' social security contributions if they signed a collective agreement reducing working time to 32 hours a week in order to avoid collective redundancies. Pay compensation for the employees' loss of earnings were to be settled by collective agreements at company level. To encourage a company to consider a 32-hour week, the reduction in its contributions was linked to the reduction in working hours. If, at the end of a two-year period, the company was no longer in difficulty but maintained the reduction in working hours, it would still be eligible for a flat-rate reduction in contributions for two more years. The employees involved then received a pay cut in proportion to the reduced working hours, but with partial compensation, limiting the net wage loss to between 3% and 6%.

The 'defensive' part of the Vande Lanotte plan covered companies engaged in reorganisation; the 'positive' part provided for the reduction of social security contributions when jobs were created. In this case, the benefit of the reduction in contributions was shared between employer and workers: the workers' part aimed at compensating them partly for their loss of income (Dryon and Krzyszlo, 1997b; van der Hallen, 1997b).

Since the Vande Lanotte plan was not as popular as expected, the Belgian Government adapted it in July 1997. By way of experiment, ‘healthy’ companies would now also be able to make use of the scheme. Each eligible company would enjoy a reduction of BEF 97,000 in employer contributions per year for each employee concerned (van der Hallen, 1997b).

Smet plan

Approved by the Federal Government in July 1997, the Smet plan targeted subsidised jobs. The approval procedure required the employer to describe the job clearly in the application, which also had to contain a positive recommendation from the company’s union representatives. In addition, the regional director of the National Employment Service (RVA) had to approve the application.

Collective bargaining on employment

1989 law on competitiveness as legal framework

The 1989 law on industrial competitiveness (*Loi de la sauvegarde de la compétitivité*) stipulated that the Central Economic Council (Conseil Central de l’Economie/Centrale Raad voor het Bedrijfsleven, CCE – a joint body advising the Belgian Government on economic matters) report twice a year on Belgium’s competitive situation in relation to the country’s seven main competitors. Pay increases agreed through collective bargaining must be limited to the ‘wage standard’ or pay guidelines. This standard shows how much nominal wages may increase over two years, taking into account expected pay trends in neighbouring countries. The law further stipulated that before negotiations proceed, the government and the two sides of industry must agree on the wage standard and on the way in which it is calculated (Bruyninckx, 1998).

National level

Central Collective Agreement No. 60 (1994)

In 1993, the Belgian Government issued its ‘Global plan for employment, competitive strength and social security’ (*Plan global pour l’emploi, la compétitivité et la sécurité sociale*), adopted for the period 1994-96. The plan included a revision of the indexing systems and pay restraint, aiming at the securing or creation of jobs. The current policy framework and collective bargaining on employment were provided by the Central Collective Agreement No. 60 of 1994, which was drawn up by the social partners in the National Labour Council (Conseil National du Travail/Nationale Arbeidsraad, CNT). This Central Collective Agreement sketched out the procedures and objectives of collective agreements aimed at promoting employment. Additional measures outlined the regulations concerning reductions in social contributions in exchange for added employment. It also included procedures for bargaining and application at the sectoral and company level.

A number of sectoral agreements were made within this framework during the 1995-96 collective bargaining round, opening the way for reductions in social security contributions for companies. Depending on the agreement, the reduction was automatic or contingent on the implementation of certain sectoral measures. The measures regularly used in collective agreements to date have

been career breaks, lowering the age of early retirement to 55 for workers who have worked for 33 years, and part-time retirement, the last two only on condition that the employees concerned are replaced (Belgium, 1997).

Supplement to the 1989 law on competitiveness (1996)

For the 1996-97 period, Belgium's central social partners were – for the first time since 1960 – not able to agree on any of the maximum pay increases proposed by the experts from the Central Economic Council. After attempts to agree on a new social pact had failed, due to the resistance of the trade union FGTB/ABVV, the central social partners had instead to accept a series of measures on employment and maximum pay increases imposed on them by the government in the form of a supplement to the 1989 law, valid for the period 1996-97.

After roughly a decade of pay freezes, the 1996 legislation provided that pay increases may now be agreed covering all employees, provided that they did not exceed the average increases in neighbouring and competing countries, namely France, Germany and the Netherlands. This was the first time in the history of Belgian industrial relations that the government had imposed a ceiling on pay increases by law. Traditionally, agreements provided for minimum rises.

Another set of issues on which the social partners could not agree were the employment-related proposals submitted to them by the National Labour Council (CNT) and the Central Economic Council (CCE), even though they claimed unanimously that employment remained their chief concern. In the CNT, the unions were not able to obtain the employers' agreement (1) to make the demand for greater flexibility dependent on measures to encourage redistribution of work through part-time arrangements, early retirement and career breaks; and (2) to renew the special employment-related measures provided for in the previous agreement. The government therefore took the initiative of listing those measures which it wanted to see. These included the reduction of employers' social security contributions (1) for companies which introduced work redistribution schemes which led to recruitment of new staff (through part-time work and career breaks); and (2) for schemes which restricted overtime, phased in early retirement, reduced working time by including training hours in normal working time, or introduced flexible working hours (Bruyninckx, 1998; Dryon and Krzeslo, 1997a).

National intersectoral agreement (1998)

In November 1998, the social partners in Belgium reached a national intersectoral agreement for 1999-2000. The agreement included the following:

- a maximum pay increase of 5.9%, including consumer prices index allowances and increases in basic pay rates, as calculated by the CCE;
- a promise by employers to improve training programmes for workers; and
- the government's commitment to reduce labour costs by a total of some BEF 18 billion.

Negotiations involved a number of contentious issues. As regards the wage norm, employers were generally in favour, but also recognised that some more affluent sectors may want to be

more generous in terms of pay increases. The unions recognised that their rank and file also expected greater pay increases after several years of wage restraint. Both sides shared the concern that the competitiveness of Belgian industry has a major impact on employment. The November 1998 agreement solved the issue by not fixing a wage norm across the board, but rather by calling for 'responsibility' during sectoral negotiations, taking into account the national wage norm. Reductions in labour costs would have to be 'earned' each year by the employers. The unions made it clear from the outset that labour cost reductions could not be distributed among employers unless they had made a plain commitment to increase employment. The promised BEF 18 billion was divided into two tranches of BEF 9 billion each. After the first year, an evaluation of the employers' activity in the areas of training, job creation and wage increases would take place, carried out by the CNT (Bruyninckx, 1998; van der Hallen, 1998c).

Regional level

In the Belgian context, it is important to note that, within the federal system, the regions have the possibility of following their own route on several policy issues concerning employment, vocational training and collective bargaining. Finance, taxation and social security are federal responsibilities. However, these matters are linked in practice because the collective agreements for 1997-98 granted reductions in social security contributions to companies which redistributed jobs in order to encourage training and employment (van der Hallen, 1997a).

Flanders

The signatories⁴ of the Leuven Declaration of July 1997 declared their commitment to reduce the unemployment rate to between 3% and 5% by the year 2003. To this end, seven policy themes were developed to be implemented simultaneously. These were sustainable economic growth; reduction of working time and distribution of labour; reduction of labour costs; reform of the funding of the social security system; the development of new forms and sectors of employment; transforming the 'hidden' and 'semi-hidden' labour markets into legitimate jobs; and training.

In late 1997, the Flemish social partners took the initiative to negotiate a social agreement for the Flanders region, covering the period 1998-2000. This step followed several years of failing to reach a federal social agreement for the whole country. Among other measures, the budget for the proposed Flemish plan included:

- BEF 900 million for employment creation in the non-profit sector;
- BEF 1.7 billion to provide extra means for existing employment redistribution measures, including, among others, early retirement schemes, part-time employment and temporary leave;
- BEF 300 million to be invested in repairing and maintaining Flemish roads through the employment of new workers;
- BEF 80 million to support specific personnel needs in education; and
- BEF 3.3 billion to be used primarily to support measures to cut labour costs in companies that create new employment.

⁴ The signatories included the Federal Minister for Employment, her counterpart for the Flemish Community, the director-general of the Belgian Employers' Federation and the presidents of the three trade unions.



In March 1998, the Flanders regional government finalised its contribution to the Belgian National Action Plan (NAP) for employment, which was submitted to the Cardiff European Council meeting in June 1998. The main emphasis for Flanders was on training and encouraging work-sharing, with a BEF 5,000 subsidy being provided to any employee who gave up a full-time post for a part-time one or opted for a career break. The plan was adopted by the social partners (Krzyszlo and Bruyninckx, 1999).

Wallonia

In the context of the Belgian NAP, the Walloon plan for employment and training used the guidelines defined in the 'Declaration of Walloon Employment Policy', as adopted by the Walloon Parliament and approved in 1997 by the tripartite Economic and Social Council of the Walloon Region (Conseil Economique et Social de la Région Wallonne, CESRW). The Walloon plan for employment and training supported, among other measures, projects in companies aimed at reducing working time to increase employment.

One part of the declaration involved aid for experiments in the reduction of working hours to create jobs. The Walloon region had declared its willingness to give a subsidy of about BEF 4,000 per employee to compensate for wage losses in companies that reduced working hours to 32 hours a week in order to create jobs. In practice, up to March 1998, only one company in Wallonia (the specialised nail factory, Yvens-Decroupet) had tried the experiment and recruited five persons with the help of regional aid (Dryon and Krzeslo, 1998). In the Walloon region, no formal agreement on the labour plan was concluded by the social partners, although they had drawn up the main elements of the agreement (Krzyszlo and Bruyninckx, 1999).

Brussels

Among other measures, the Brussels-Capital region intended to give subsidies to companies that reduced working time to create jobs because this method was considered more productive in terms of job creation than the proportional reduction of social security contributions. Furthermore, it wanted to incorporate a 'social clause' into public contracts involving an obligation on companies to recruit young people from less-favoured districts. This measure would also be imposed on public-sector companies carrying out cleaning, parks and gardens maintenance, and conservation work.

Sectoral level

In 1997, many sectoral agreements in Belgium included employment provisions. Most of these provided for reductions in social security contributions in exchange for new hirings (Bruyninckx and Krzeslo, 1998; van der Hallen, 1997a). Among the most notable forms of employment measures were:

- end of career policies, including early retirement, part-time retirement or additional unemployment benefits for older unemployed;
- more attractive and better supported long-term leave schemes;
- measures encouraging part-time work; and
- flexible work schedules or career breaks.

Elektrabel

In May 1997, a collective agreement was signed at Elektrabel, the electricity company employing 14,000 people. This agreement, concluded by management and two minority unions, provided for pay rises and the recruitment of 1,000 temporary workers to make up for 2,500 workers planned to depart through natural wastage.

Two other unions refused to sign the agreement on the basis that since Elektrabel's 1996 profits amounted to BEF 30.4 billion, some of those profits (about 3.2%) should be used to create jobs. Both unions requested a progressive reduction of working hours down to a 32-hour week (based on four 8-hour days) over a period of six years without loss of pay (but with wage restraint for six years), in order to recruit 1,700 people under open-ended contracts of employment.

In December 1998, the 1997 agreement was revised and management agreed to 'examine positively the reduction of working time to 35 hours a week' over the course of the next collective agreement periods – from 1999 to 2002. Hours would be reduced from 1 January 1999, but the rate of reduction was to be negotiated. Moreover, 300 additional full-time workers would be recruited and recruitment for the 1,000 temporary posts planned would be speeded up. Wages, however, would be frozen until the year 2002. This is the first sectoral agreement signed on the 35-hour week since Elektrabel represents the entire national electricity sector.

Company level

At company level, several significant and far-reaching mergers have occurred in the important banking and insurance sector. In addition, the Belgian postal services were reorganised, the automobile industry was once again subjected to major reorganisation, and the closures of Levi Strauss and Lee Europe further complicated the industrial relations scene. What was left for the unions to negotiate was usually, following Belgian social bargaining traditions, an acceptable social plan to accompany the closures. Such social plans have included traditional financial guarantees and compensations for the loss of income, as well as a number of measures to help employees locate other job opportunities (Krzyszto and Bruyninckx, 1999).

Implementing government measures, a number of agreements were concluded to maintain or create jobs through a reduction of working time linked to the reduction of social security contributions.

Cockerill-Sambre

In Spring 1998, it was decided that the publicly owned shares in the Belgian steel producer Cockerill-Sambre (a company owned 78.8% by the Walloon regional authorities) should be sold to a foreign company in order to improve competitiveness. The Walloon region imposed a number of terms and conditions on the future owners. These incorporated a large part of the unions' demands, such as preserving existing corporate assets and sectors, the guarantee of new investments and plant modernisation, and preserving a workforce of 7,800 until the year 2003. Among several interested companies, the French-owned Usinor steel group finally became the majority shareholder. The unions preferred Usinor since its proposals guaranteed both balanced

investment in the two centres of Liège and Charleroi, and maintenance of a level of employment acceptable to them.

Uniroyal

At the truck-tyre manufacturer Uniroyal, a reduction of working time was negotiated in exchange for increased productivity. Thus, the threatened closure of the Belgian headquarters was avoided. The agreement covered the company's 600 workers, but did not create any new jobs. It included the introduction of a 32-hour working week instead of a 37.5-hour week, accompanied by the introduction of four shifts working four 8-hour days over a six-day week instead of a five-day week. Wages were reduced in line with the number of working hours.

Axial

The management of Axial, a car-parts distribution centre, planned to dismiss 82 of the company's 254 workers in early 1998 and make a 10% wage cut for the remaining staff. Negotiations with the trade unions produced a formula involving transition to a 32-hour week, using the provisions of the Vande Lanotte plan. Workers would experience a real wage cut, but this was largely compensated for by bonuses arising from other government schemes (the net wage loss was 4%).

Defever

An agreement at the Defever laundry works stipulated that 24 of 63 workers would move from a 37.5-hour week to a 32-hour week, thus allowing for the recruitment of four new workers. For certain employees, working hours would vary during the year according to the volume of work. The agreement used the 'positive' provisions in the Vande Lanotte plan.

Framerries

The Framerries local authority concluded an agreement with the trade union of the General Confederation of Public Services (Centrale Générale des Services Publics, CGSP), providing for a general transition from a 38-hour week to a 35-hour week for 274 municipal employees, with new recruitment of at least 10 people. The reduction in hours covered established officials as well as temporary staff. The salaries of those involved would remain at 97.5% of the previous level.

Interbrew

In November 1996, the brewing group Interbrew announced the ending of bottling activities at its Belle Vue Brewery in Molenbeek, an industrial district of Brussels. This meant the loss of 103 jobs out of 167 in the company's bottling section. Subsequently, management negotiated a company plan with the unions to avoid redundancies. A solution was eventually approved, based on the Vande Lanotte plan, in a company referendum in April 1997.

The Interbrew agreement provided for a reduction of working hours from 37 to 32 a week, with a limited loss of earnings. As a result, 15 jobs would be preserved and the employer, as required by law, would compensate the employees concerned for the loss of pay by means of a reduction in social security contributions. There would be no redundancies, but instead some early retirements at age 50 and various other measures would take place.

Levi Strauss

In October 1998, the US-based jeans manufacturer Levi Strauss announced plans for the closure of its three Belgian plants (at Deurne, Wervik and Gits) with the likely loss of 1,034 jobs. Another plant in France was also to close. Overcapacity, high employment costs, falling demand and increasing competition were the main motives for this decision. Production costs per unit were between 49% and 75% higher in Belgium and France than the Levi group's European average.

After union proposals to save the plants were rejected by management, a social plan to accompany the closure of the plants was negotiated between the company management and union representatives. This social plan was approved by a ballot in December 1998. It contained a number of 'classic' items, such as compensation for breach of contract, closure premia and a 'golden farewell' of BEF 400,000 per worker. These measures cost about BEF 600 million. An additional BEF 50 million would fund early retirement options (from as early as 48 years old).

Innovative elements of this social plan were the 'job premium', which promised extra premia for those who found further employment (BEF 150,000 for those who found it within the first four months; BEF 100,000 within eight months; and BEF 45,000 within a year), and the 'training premium', which was paid to those employees who followed extra training oriented towards new employment (BEF 10,000 monthly, with a total maximum of BEF 60,000). Both elements aimed at preventing former employees from settling down into the unemployment system. In order to support the active search for new employment, a unit would support and guide the employees, providing measures such as outplacement and retraining programmes (van der Hallen, 1998b).

Belgacom

Belgacom is the partially privatised, but still largely Government-owned Belgian telephone company. Large-scale restructuring was negotiated at Belgacom early in 1997, initiated because of new rules on economic competitiveness introduced by the European Union. Following negotiations, Belgacom announced plans to reduce its number of employees from currently about 26,000 by about 5,000 by the end of 1998. The accompanying compensation measures that were agreed included a voluntary early retirement scheme for all employees aged over 50, in which they would retain 75% of their gross income and a lump sum worth six months' pay if they accepted the plan. Other policies designed to ensure the competitive capacity of Belgacom in the liberalised market included a major analysis of the 'trainability' of about 6,000 employees, to adapt their skill levels to the new technologies in the telecommunications sector.

Opel Antwerp

In October 1997, following the decision by the headquarters in Zürich to reduce production costs and production capacity, Opel Belgium announced a new slimming down of the 7,800-strong workforce at its plant in Antwerp (by between approximately 1,700 and 1,900 jobs) as part of efforts to restructure the company. The Antwerp plant would produce only the new Astra model, a smaller vehicle requiring considerably fewer personnel for its production. For Opel Antwerp, which suffered from poor profits in recent years, this meant the second large-scale reorganisation over a five-year period. The 1992 reorganisation was taken care of largely through a system of early retirement.



After a bargaining period of some two months, a draft agreement was drawn up, focusing on a collective agreement covering a period of five years. It contained the following measures:

- a job security clause valid until 2002, with a corresponding investment programme as a 'guarantee plan', limited wage increases and a wage-indexation guarantee;
- the company applies to the Minister of Employment as a company undergoing restructuring, which should provide for an early retirement scheme from the age of 52;
- greater flexibility in the deployment of employees, with greater dependence on demand;
- the abolition of the annual holiday closure;
- some of the redundancies should be avoided by 'outsourcing' the materials-handling department internally within the Opel group rather than externally.

The core of the draft agreement included two proposals for a new form of work organisation. Workers could choose between them in a referendum. The options involved working within either a three-shift or two-shift system. For the employees, the three-shift system involved one additional working hour per week for the same wage and 1,600 jobs losses. This was the proposal favoured by the trade unions. The other proposal involved a two-shift system within a four-day week, involving a cut in wages of between 10% and 20% for employees, but only 993 job losses.

In a referendum in February 1998, with a high turnout of 90% of all staff, the draft agreement was accepted by 59.9% of workers and 62% of management staff. Approximately 60% of employees chose the three-shift system. A clear preference was expressed in favour of maximum retention of current wages (van der Hallen, 1998a).

In August 1998, it was reported that due to the success of the new Astra model, only 800 jobs instead of the 1,600 predicted would be cut; 140 temporary workers would receive fixed-term contracts; 1,000 temporary workers would receive a contract extension; and about 200 additional temporary workers would be hired.

Ford Genk

In September 1998, Ford announced the reorganisation of the Belgian car assembly industry at its plant in Genk. Between 2,500 and 3,000 jobs, or about 25% of the current workforce, were threatened over the next two years. Management and unions started negotiations immediately. Union representatives aimed at limiting the number of jobs losses and negotiating measures to prevent 'uncushioned redundancies'. The company was willing to invest in 'humane forms of restructuring'. Ford promised to invest BEF 5 billion in an industry park that would attract supplier companies. New employment could thus potentially compensate for the losses at Ford Genk itself. Work reorganisation and redistribution was an additional method under discussion.

Volkswagen Forest

In September 1997, a company agreement was concluded at Volkswagen's Forest factory. This introduced reductions in working time and thus allowed for the preservation of jobs and the possible creation of new ones. The agreement provided for the following:

- The reduction of weekly working hours, from 36 to 35, for workers on day shifts. The transition was staggered until 1999 and effected by increasing the number of compensatory rest days (from 26 to 30 per year). The reduction to a 35-hour week was financed by the wage margin: a wage rise of BEF 5 per hour, planned for blue-collar workers for 1997 and 1998 under the sectoral agreement signed by the Fabrimetal metalworking employers' organisation, was foregone in order to finance the reduction of working hours. The two extra days off planned for 1999 were financed by using the wage rises provided for in company collective agreements concluded at Volkswagen.
- The reduction of weekly working hours, from 36 to 32, for workers on night shifts. The new 32-hour week meant a total of 46 compensatory rest days in 1998 and 48 in 1999. The reduction to 32 hours led to a cut in gross pay of 8.57%, equivalent to BEF 4,000 a month or BEF 56,000 a year. Thus, for a worker previously on day shift, moving to a night-shift working pattern of 32 hours per week would mean a wage rise of about 10% because of the night-shift bonus.
- The replacement of collective annual holidays with plant closure by individual holidays, which would make it possible for the plant to run at maximum capacity.
- A maximum of four Saturdays per year may be worked by each worker, provided that all compensatory rest days for that period are used up. Saturday work should be used to meet increased production needs or to make up any loss of production.

This agreement meant that management could extend the period of machinery utilisation, and so increase production, without new investment. Annual production was to rise from 200,000 to 240,000 units. Although the agreement contained no such formal commitment, the recruitment of 400 to 600 workers on supply or temporary-work contracts was likely. The deal guaranteed employment until 1999 and would save the 700 to 800 jobs under threat from the assembly of a new model in the plant which would need fewer hours of work (Soudan, 1998).

In July 1998, a new collective agreement was concluded at Volkswagen Forest in order to meet the production quota set by central management in Wolfsburg (Germany). The 1998 agreement introduced shiftwork over weekends in the bodywork and painting workshops in return for a fixed contract for 1,300 temporary employees. The new shift became operational in September 1998, made up of 300 volunteers. The agreement even mentioned the possibility of setting up a second weekend shift for all production units as from 1999. The agreement did not call into question the plan introduced in 1997 to reduce working hours (Soudan, 1998).

Current debates and issues

General reduction of working time

In Autumn 1997, the general reduction of working time reappeared on the Belgian political agenda. This was due to a report by the Planning Office (Bureau du Plan), an economic-forecasting quasi non-governmental organisation, which came to the conclusion that a reduction in working hours, combined with a reduction in social security contributions on the final hours

worked, would be more likely to create jobs than any of the reductions in employers' contributions allowable under the various employment promotion schemes operating in Belgium (Dryon and Krzeslo, 1997b).

Local employment agencies

Also under debate in Belgium is the role of local employment agencies. These are local associations, run by the social partners and local authorities, which provide services to individuals by employing long-term unemployed workers and granting them a supplement to their unemployment benefits (Bruyninckx, 1997).

Higher Council for Employment

In 1997, Belgium's Federal Government established the Higher Council for Employment as a technical body, independent of the government and social partners. This new body is designed to accelerate and improve the monitoring of employment developments (including the effect of collective agreements on job creation) and to advise on its decision-making. It has three missions:

- to draw up opinions and recommendations on measures to promote employment, in particular those included in sectoral or intersectoral collective agreements;
- to support income restraint for the self-employed and other types of income, including rents, dividends and social benefits; and
- to make recommendations on the evolution of wage costs when exceptional circumstances threaten economic competitiveness.

In December 1997, recommendations on government policies made by the Higher Council for Employment provoked the anger of the leaders of the two main trade union organisations and criticism from the employers' federation. The Council had taken a clear-cut position on questions for which compromises had been hard to reach between the social partners. These included:

- *Reduction of working hours:* According to the Council, employers and trade unions would never be able to agree on a general reduction. Instead, efforts should be made to promote part-time work or the four-day week by lengthening the working day and staggering working hours, and to encourage negotiations on these points at company level.
- *Pay indexation:* The Council suggested replacing the automatic system with one based on a single annual indexed rise. This would fit in with the necessary wage restraint already in place following the guidelines imposed on the social partners by the government. The Council also proposed introducing wage flexibility in line with the productivity of companies.
- *Reduction of wage costs and job creation:* The Council thought that a general reduction of employers' social security contributions was necessary for all companies in the form of a fixed amount for each worker. Contrary to union wishes, this reduction should not be linked to job creation but granted unconditionally.

- ‘*Maribel*’: The Council recommended that the Maribel system be extended to the service sector.

The negative reaction of the social partners was not based on the originality of the Council’s recommendations, but rather on the feeling, widely shared by all the social partners, that advantages achieved through social consultation were being challenged by an institution acting well beyond its terms of reference (Dryon and Krzeslo, 1998).

National Action Plan

The Belgian National Action Plan (NAP) for employment of 1998 was the result of broad and intensive consultations between the Federal State, the regions and communities, and the social partners. Nevertheless, EIRO reports that the Belgian Government failed in its attempt to reach an agreement with the social partners. Discussions failed over the reduction of employers’ social security contributions and on the impact of such a reduction on job creation. The employers’ approach was to ask for a general overall reduction, while the trade unions wanted to link cuts to the redistribution of work.

The NAP provided for a reduction in employers’ contributions of some BEF 36 billion over the period 1999-2000. BEF 18 billion would be granted to measures relating to the extension of the right to career breaks, certain benefits for part-timers, the development of training and the revision of certain job classifications which are unfair to women. The NAP also foresaw a reduction in social security contributions for a limited number of companies that accepted a four-day week without an automatic reduction of working time but only on condition that they recruited new workers. The remaining BEF 18 billion was earmarked for those sectors and companies that took employment initiatives in the framework set by the intersectoral agreement.

Evaluation

The latest evaluation report on Belgian employment policy was published on 25 November 1998 and concluded that (Jadot, 1998):

- Belgian employment policy was based on good intentions, but lacked realism;
- the country’s pay guidelines could not be controlled;
- proposals drawn up by the social partners relating to the ‘unemployment trap’ lacked coherence; and
- the adaptation of employment policies to European Union norms spelt the end of the current Belgian social model, dating from 1944.

The report criticised the current statutory pay guidelines policy, which was designed to guarantee that wage increases will be limited to the level of those in neighbouring countries. The policy has failed since it cannot be monitored. The law lays down an administrative penalty and fines for



companies that do not comply with the norm. As the report stated: 'Firms find out from the inspection services of the Ministry of Labour about the possible penalties in case they break the rules. Penalties include fines payable from the budget that they have put aside for wage increases.' The effect is that a number of wealthy sectors allow for higher wage increases, which creates discrimination between different types of worker (van der Hallen, 1998d).

Context and overview

Historical development

Without changing the responsibility of government and altering the division of labour with regard to employment policies, the Danish Government has, since the mid-1990s, urged the social partners to address the question of employment in terms of wage bargaining and collective agreements (Petersen, 1997a).

At the heart of the debate on the social partners' direct involvement in creating and preserving employment via collective agreements is the question of how to find an appropriate balance between state legislation and economic incentives, on the one hand, and the social partners' preferred voluntary method, on the other. Although provisions on employing persons with a working disability have been present in a number of collective agreements ('social chapters'), the question is whether the principle of voluntarism and agreement-based preservation and creation of jobs will meet the need (Petersen, 1997a).

Furthermore, a 1998 survey of employees' attitudes to the question of whether pay rises create unemployment by destroying competitiveness indicated that support for the pay restraint policies, which have characterised collective bargaining in Denmark since November 1987, is fading away. In the government, in parliament and among the labour market parties, there is currently a fear that the present situation will once again spiral into the negative position of the 1980s and that pay restraint policy will be eroded (Madsen, 1999).

Labour market background: Unemployment and employment policy

Reflecting positive economic growth since 1994, Denmark has experienced a drop in unemployment to an estimated 4.2% in 1998. Historically, unemployment rates have increased from an average of 1.1% in the period 1961-70, to 3.7% during 1971-80, to 7.4% during 1981-90. Since reaching a peak of 10.1% in 1993, unemployment has steadily decreased – to 4.2% in 1998.

While employment policies are primarily the responsibility of government, the social partners in Denmark play an active part in the formulation and implementation of the various legislative measures aimed at preserving and creating employment. The framework for labour market policy, as well as more specific measures, are set by the Ministry of Labour in cooperation with the National Labour Market Council (*Landsarbejdsrådet*), which is composed of representatives of the social partners (Petersen, 1997a). The 14 regional labour market councils (*De Regionale Arbejdsmarkedsråd*), with a similar composition, are responsible for the selection of instruments and implementation of policy, together with the Public Employment Service (*Arbejdsformidlingen*). As a general rule, the ‘Danish model’ is associated with the direct involvement of the social partners in legislation, which directly affects conditions on the labour market (Madsen, 1998).

Labour market policy

Labour market legislation and employment policy in Denmark consist of a number of instruments directed towards the creation and protection of employment. These instruments include (Madsen, 1998; Petersen, 1997a):

- *Individual action plans* by the Public Employment Service for every unemployed person. These plans specify the activities which are to be undertaken in order to bring the person into ordinary employment, for example, by entrepreneur allowances, re-training, job rotation, job training and job pooling.
- *Paid leave schemes*, giving the employed as well as the unemployed the opportunity to leave the labour market for a short period, in order to take part in further training, child care, etc.
- *A voluntary early retirement pension scheme*, which covers members of an unemployment insurance fund in the age group 60-66 years.
- *Part-time voluntary pay* may be paid to people who satisfy the conditions for joining the voluntary early retirement pension scheme, but who want a gradual withdrawal from the labour market.

The labour market reform of 1994 changed the rules governing unemployment benefits, activation, leave and further training. Among other measures, it reduced the entitlement to unemployment benefit, reduced labour supply by encouraging job-sharing and improving opportunities for paid leave, and abolished the right to regain eligibility for unemployment benefit via subsidised employment. Furthermore, it decentralised active labour market policy. The 14 regional labour market councils (in which the social partners are represented) plan regional initiatives within an economic framework set at the central level.



Pay restraint and abolition of the employer's labour market contribution

Pay and wage developments in neighbouring countries are frequent topics in the discussion on the competitiveness of the Danish economy. After the Danish Employers' Confederation (Dansk Arbejdsgiverforening, DA) complained about excessive wage increases, which would lead to a decline in the competitiveness of Danish industry, Denmark's 1999 budget settlement foresaw the reduction of employers' costs. The measures included the abolition of the employers' labour market contribution (0.6% of the wage bill) from the year 2000 and a reduction in the rate of corporate tax.

Early retirement

Another important method of fighting unemployment in Denmark is early retirement. The latest statistics show that early retirement is increasingly popular among Danish employees. Thus, in Summer 1998, the Danish Employers' Confederation (DA) called on the government to amend the early retirement scheme and, in particular, to eliminate the '200 hours rule', which makes it possible for people on early retirement to work 200 hours per year without a reduction in their allowances. The Minister of Labour signalled his preparedness to have tripartite talks on the issue.

The early retirement benefit scheme was introduced in 1979, with the intention of giving those large groups of unskilled workers, who had performed hard physical work for 40 years, an opportunity to retire under reasonable financial conditions. At the same time, early retirement was regarded as a means of creating jobs for younger generations, in a period of high and rising unemployment. Over the years, however, there has been a trend towards the early retirement benefit scheme being used not only by unskilled workers, but also increasingly by groups of salaried workers and academics.

Denmark's 1999 budget also contained major changes in the rules governing early retirement benefit and pensions. The changes, effective from 1 July 1999 with a five-year transitional period, included (Madsen, 1998):

- Early retirement benefit (*efterløn*) from the age of 60, but with an entitlement to 91% of the maximum rate of unemployment benefit (a reduction from the current 100%).
- The rate of benefit would no longer be lowered after two and a half years of early retirement, implying that the amount paid out over the whole period would not change.
- Pensionable age for the State retirement age would be lowered from 67 to 65 years.
- An early retirement fee of about DKK 300 a month would be charged to employees in addition to the ordinary contributions to the unemployment insurance fund, which have previously been sufficient for obtaining early retirement benefit. At the same time, contributions must be paid for 25 years, as opposed to the current 20 years, in order to earn the right to early retirement benefit.
- The '200 hours rule' would be abolished: people may work as much as they like, but for each working hour an amount equivalent to the rate of unemployment benefit for one hour would be deducted from their early retirement benefit.

Collective bargaining on employment

National level

Joint Declaration (1987)

After government intervention in the pay round of 1986 and high pay increases in the following year, the Danish government, together with trade unions and employers' organisations, agreed the 'Joint Declaration' in 1987. Since then, wage bargaining has been based on the principle that pay rises must be below those of Denmark's competitors, in particular Sweden and Germany (Madsen, 1999).

Tripartite negotiations on labour market policy (1997)

Throughout 1997, the Danish Government and social partners discussed the issues of how to reduce the marginalisation of certain groups in the labour market and how to improve employment opportunities for individuals with a reduced ability to work. The government's objective was the creation of some 40,000 'flexi-jobs' by the year 2005, aimed at offering jobs on special terms to people with a disability, illness or reduced ability to work. Employers would receive a wage contribution of between one-third and two-thirds of the minimum wage, depending upon the employee's ability to work. While the social partners supported the idea, they did not agree on replacing the tradition of voluntary agreements in this area (the 'social chapters', *see below*) with legislative provision, as proposed by the government.

In the 1997 budget, a 40% penalty tax on overtime payments was introduced in the civil service, aimed at reducing the level of overtime work. As a result, overtime payments declined by 40% over the first nine months of 1997. However, the Danish Lawyers and Economists Association (Danmarks Jurist- og Økonomiforbund, DJØF) has been unable to measure any improvement in employment (Petersen, 1998a).

Tripartite negotiations on collective bargaining (1997)

In December 1997, in the tripartite talks on the Spring 1998 collective bargaining round, government representatives advised the social partners to keep pay increases at a moderate level in order to stimulate job creation, without, however, specifying a precise figure for pay increases. The Danish Employers' Confederation (DA) argued that lower pay increases in Germany and Sweden meant that Denmark's current 4% increase in pay per year would have to be cut by half in order to maintain the competitiveness of Danish companies. The Danish Trade Union Confederation (LO) agreed that pay increases should be kept at a moderate level but, according to its calculations, this meant an increase on the present level of 4%.

Prior to the tripartite negotiations, the LO proposed the replacement of the Joint Declaration with a new and broader social contract. Whereas the existing declaration focused on keeping cost increases lower than those abroad, the proposed new social contract would seek to commit the social partners to a broader set of overall policies in areas such as tax, vocational training and the labour market. The DA responded by stating that there was no need to revise the existing Joint Declaration. However, both sides agreed to continue their negotiations after the completion of the 1998 bargaining round.



Tripartite agreement on labour market reform (1998)

On 29 September 1998, a tripartite agreement was reached by the Danish Government and social partners (Petersen, 1998b). The changes represented the third reform of labour market policy during the 1990s, following initiatives in 1994 and 1996. The tripartite agreement, which would serve as the guideline for legislative proposals, included a number of labour market policy measures, a reduction of the period during which unemployment benefit can be obtained (from five to four years), and increased efforts for integrating the long-term unemployed and people from ethnic minorities into the labour market. While a number of unions were sceptical, the LO-affiliated General Workers' Union in Denmark (Specialarbejderforbundet i Danmark, SiD) opted out of the deal.

Regional level

In order to maximise the possibilities for local job creation, regional industrial centres have been established. To a large extent, these centres correspond to employment pacts by which local and regional policies are coordinated and harmonised. An industrial centre is a forum for dialogue between the most important actors in the promotion of regional industry. Participants include the regional labour market council, a number of municipalities and one or more counties. The industrial centres ensure increased coordination of the labour market, as well as educational and industrial initiatives in the regions.

Sectoral level

In order to preserve and create employment, a majority of social partners in the private sector inserted 'social chapters' in the 1995 collective agreements. Common characteristics of these social chapters included (Petersen, 1997a):

- a wish to participate in the improvement of employment of groups with a reduced ability to work (the long-term unemployed, disabled people and elderly employees unable to carry out a normal job), according to the terms of employment in the collective agreements;
- that the creation of such jobs should promote employment and should not, as an effect, expel already employed staff; and
- the social partners agreed to establish working groups and committees with a view to propose initiatives and issue information.

Within the public sector, an agreement between the Ministry of Finance (Finansministeriet) and central bargaining body for public sector employees (Centralorganisationernes Fællesudvalg, CFU) led to a social chapter being inserted in the 1995 collective agreements. This stated that:

- extraordinary employment should not lead to layoffs of already employed people;
- part-time employment was possible under certain conditions;
- employees with a reduced ability to work and people who have taken early retirement could be employed on special terms; and
- initiatives must be made with a view to motivating institutions/companies to (1) meet the wish among senior employees to be employed on special conditions (partial early retirement)

and (2) increase employment opportunities for people who are covered by existing social and employment policy schemes.

At regional and municipal level, a framework agreement, similar to the social chapter, was made between the National Association of Local Authorities (Kommunernes Landsforening, KL), Association of County Councils (Amtsrådsforeningen i Danmark, ARF) and Association of Local Government Employees' Organisations (KTO).

The estimated coverage of the social chapters has grown from 826,000 employees in 1995 to 1,481,500 in 1997. The breakdown is as follows (Petersen, 1997a): 370,500 employees (private sector); 225,000 employees (public sector); 791,000 employees (regional and municipal level); 44,000 employees (finance sector); and 51,000 employees (agriculture and food sector).

Company level

Tele Danmark

On 29 January 1997, the semi-privatised telecom operator Tele Danmark informed its employees of its decision to reduce staff by 2,500 and take on 500 new employees. The reduction in staff was part of an efficiency plan to adjust a former State monopoly to a telecommunications market which is increasingly characterised by liberalisation and competition.

After two weeks of industrial conflict, a meeting between management and the Danish Union of Telecommunication Workers (TKF) took place on 13 February 1997 and produced a form of agreement. Tele Danmark agreed to further talks on TKF's proposal for increased retraining of employees (Petersen, 1997b).

In May 1997, Tele Danmark and TKF reached an agreement on early retirement for employees aged over 55; in early September 1997, some 1,600 employees had agreed to take early retirement. It was also agreed to start a retraining programme for approximately 4,000 existing employees.

National Action Plan

The Danish National Action Plan (NAP) for employment was drawn up in response to the EU Employment Guidelines for 1998 and submitted prior to the Cardiff European Council meeting in June 1998. Due to the general election of March 1998 and the intention of the Ministry of Labour to be among the first countries to submit its NAP, the Danish social partners had little time to consult with their affiliates and comment properly on the NAP.

Context and overview

Historical development

Since the recession at the beginning of the 1990s, when unemployment in Finland soared from 3.3% in 1990 to over 17.2% in 1993, employment has been the main objective of national incomes policy agreements. It has also been an issue in a number of company-level activities (Finland, 1997).

Labour market background: Unemployment and employment policy

The general situation in Finland's labour market has been an average unemployment rate of 3.9% in the period 1971-80 and 4.8% during 1981-90. In the 1990s, unemployment rose dramatically, from 3.3% in 1990 to a peak of 17.4% in 1994. Since then, it has fallen steadily – to an estimated 11.6% in 1998.

Although employment is often an issue in the rhetoric of the social partners during the collective bargaining process, labour market policy is left mainly to government (Hietanen, 1998a).

In the late 1990s, a number of public employment policy measures were introduced in Finland with the aim of boosting employability and job creation for special groups. These included the young, long-term unemployed, women, people with disabilities, immigrants, refugees and older workers. The current incomes policy agreement feeds into this process, providing for the social partners to continue their existing cooperation in the development of occupational knowledge and skills, while training measures will be carried out on a tripartite basis (Hietanen, 1998a).

The government's 'National Programme for Older Workers' was initiated in 1997, with the aim of raising the average retirement age to 60 by the end of 2002 by encouraging the retention and reintegration of older workers (Hietanen, 1997c).

Another government measure to combat unemployment is the 'Finnish National Workplace Development Programme', launched in 1995 and run on a tripartite basis between government, employers and trade unions. This programme aims at boosting productivity and the quality of working life by making full use of, and developing, staff expertise and innovative power in the Finnish workplace. Success will be achieved by developing human resources and helping organisations to reform their mode of operation (Hietanen, 1997b).

Collective bargaining on employment

National level

Finland has a long tradition of national incomes policy agreements. These cover almost 90% of employees. As the number of unemployed soared at the beginning of the 1990s, employment has become one of the main subjects of the tripartite negotiations and the resulting agreements.

First incomes policy agreement on employment (1990-91)

The main objective of the incomes policy negotiations for 1990-91 was to secure employment. However, the numbers of unemployed grew uncontrollably. One reason for this was the 'financial market crisis'. Instead of being used to revive employment, public funds were used instead to prop up the banking sector (Finland, 1997).

Incomes policy agreement on stabilisation (1992-93)

In 1991, the objective of the next stabilisation-oriented incomes policy agreement for 1992-93 was to control the inflationary pressure in order to secure competitiveness and improve the employment situation. For the first time in the history of Finnish incomes policy, employers put pay cuts and the deterioration of working conditions on the agenda, thereby aiming to improve the competitiveness of companies. The agreement included a freeze on nominal wages (Finland, 1997).

However, incomes policy was not able to make companies competitive or to prevent the rise in unemployment. Despite social benefit cuts and restrictive wage policy, the budget deficit and unemployment soared. Thus, employers refused an incomes policy agreement for 1993-94. During that period, collective bargaining took place at branch and company level (Kauppinen, 1998).

Central agreement on improving employability of young people (1993)

In 1993, the central organisations reached an agreement on improving the employability of young people. This was the most comprehensive agreement on employment to date. The bargaining parties agreed on new regulations concerning the salaries of young people on a sector-specific basis (Finland, 1997).

**Incomes policy agreement (1996-97)**

In 1995, an incomes policy agreement for 1996-97 included State budget cuts in social benefits, as well as moderate wage increases of 1.8% for 1996 and 1.3% for 1997 (Kauppinen, 1998).

Social partners agree on EMU buffer funds (1997)

In November 1997, the social partners agreed on the establishment of EMU buffer funds (*EMU-puskurirahastoista*). In order to protect wage earners against economic fluctuations within Economic and Monetary Union (EMU) and also to balance out cyclical economic changes within EMU, a total sum of up to FIM 7 billion would be collected in two buffer funds, created in the occupational pension scheme and the unemployment insurance system. The funds would function as anti-cyclical automatic stabilisers.

The motivation for these EMU buffer funds was the fear that the European Central Bank would not support Finland in recession in a future situation where foreign exchange policy could no longer be used to balance economic disturbances and with the Finnish business cycle being very different to that of much of western Europe, because of its high emphasis on wood-processing. The basic idea of the buffers was that, during good times, employers and employees would pay slightly higher social security contributions than necessary, with the result that, during bad times, rises in these contributions (which also affect labour costs) could be controlled by using the buffer funds for paying social security costs.

The collection of the buffer funds was to start at the beginning of 1999 and, according to estimates, the target sum would be reached by 2002-04. Both funds would be invested in the 'unemployment insurance fund', the new name for the former 'central fund of the unemployment funds'. Whereas the previous fund was administered solely by employers, they would now have two-thirds of the seats on the fund's board of trustees, while wage earners would administer the other one-third.

As a further result of the negotiations, the financing principles of earnings-related unemployment benefit would be reformed. However, the negotiators did not reach an agreement on a third type of buffer, a form of profit-sharing scheme (Hietanen, 1997d).

Second incomes policy agreement for employment (1998-2000)

In December 1997, the social partners signed a central incomes policy agreement, spanning the period January 1998 to January 2000. This covered 98% of wage earners. Since the overall focus of the agreement was on employment, it was named the 'Second incomes policy agreement for employment'.

The incomes agreement included pay increases which would raise average labour costs by about 2.6% in 1998 and 1.7% in 1999. It also involved the reduction of the minimum age for partial retirement (from 58 to 56 years from July 1998 until the end of 2000) and an increase in compensation for leave to 70% of the earnings-related unemployment benefit. There were measures in the agreement to enable unemployed people and older employees to combine part-

time work with a partial pension. There were also provisions on joint training concerning local collective agreements; the reform of the Employment Contracts Act; and studies and reports on local bargaining, the duties and status of employees' representatives, non-standard work, working time policy and working conditions. Furthermore, the social partners would continue preparatory work on the basis of proposals made in the personnel training development report and implementation of the proposals outlined in the strategy for lifelong learning.

As part of the negotiating process, the government made a number of decisions on tax and social security. In 1998, the employees' health insurance contribution would be lowered from 1.9% of pay to 1.5%, and from 2.35% to 1.95% on annual income over FIM 80,000. The health insurance contribution for retired people would decrease from 4.9% to 4.2%, and from 5.35% to 4.65% on annual income over FIM 80,000. An inflation adjustment of 2% would be made to income tax bands.

In 1999, the extra health insurance contribution of 0.45 percentage points on annual income that exceeds FIM 80,000 would be removed for retired people and wage earners. The general health insurance contribution for retired persons would be lowered from 4.2% to 3.9% (in addition to the removal of the additional contribution on annual income over FIM 80,000). Income tax rates would be lowered by 0.5%, except for the highest marginal rate of 38%. An inflation adjustment of 2% would be made to income tax bands. The maximum amount of earned income which is exempt from municipal taxation would be increased from FIM 5,500 to FIM 8,600 per year. The maximum tax-deductible amount (such as for work materials or travel expenses) for purposes of income tax on earned incomes would increase from FIM 1,800 to FIM 2,100.

The government programme included the target of removing all social security contributions levied on employers in which the benefit is not related to earnings. However, the state of the public economy has not so far permitted a reduction in these contributions. In the event that the contributions can be reduced, a number of different target areas have been suggested, such as support for small businesses, reducing the contributions of older workers or reducing employer contributions for the low paid. However, all the models proposed would face major technical obstacles since the current payment system for social security contributions has not been designed to handle the variety of detailed data on individuals necessary for creating a graduated system.

In the incomes policy agreement, it was further agreed that a special fixed-term Act would be made on a tripartite basis. The Act would be valid until the year 2000 and states that employers have the obligation to provide part-time jobs when requested. At the same time, the age limit for a part-time pension would be lowered to 56 years. Those long-term unemployed who are not effected by any of the above mentioned measures and who do not seem to have much prospect of getting work due to the ongoing unemployment situation should be given the chance to get unemployment benefit for a fixed term without any requirement to look for work (Hietanen, 1997a, 1997d, 1998a, 1998b, 1998c).



Municipal sector

At the beginning of the 1990s, the number of personnel in the municipal sector was being reduced by a total of 40,000 persons. Only about 4,000 people (1% of permanent personnel) were actually dismissed by utilising various methods such as natural wastage, local savings agreements, lay-offs, resorting to a shorter working week, part-time jobs, not renewing fixed-term contracts and avoiding the use of substitutes as savings measures.

The savings agreements were one of the main reasons for the relatively small number of dismissals and the securing of jobs. On the basis of the 1993 general agreement, which transferred bargaining rights partly to the local level (for example, on wages and working hours), the savings agreements aimed at the reduction of labour costs, maintenance of jobs and reduction in dismissals and lay-offs. Usually the savings agreements included an employment security guarantee for the period of validity of the agreement. The two main savings measures have been the changing of holiday compensation into free time and cutbacks in compensation elements (Finland, 1997).

Some of the current local agreements have been drafted for the purpose of government-subsidised two-year experiments on working hours (such as the 6+6 scheme, *see below*). About 20 municipalities are taking part in these experiments.

Company level

It is reported that methods at company level of maintaining employment include the reduction and flexibility of working time, part-time work, short-term employment contracts, partial retirement and job-sharing. Some companies have agreed that the time of payment of the holiday bonus will be changed or that the payment will be stopped entirely (Finland, 1997).

Otava printing

The Otava printing house made an agreement on shortening working hours to avoid the dismissal of professional workers. A 6+6-hour shift model was applied, but 8-hour days were also allowed periodically, mainly during the holiday seasons. In return, the company made significant new investments to ensure competitiveness and secure jobs. Management estimated that the agreed measures lead to a 30% increase in productivity per hour, an increase in used capacity, an acceleration of delivery cycles (logistics), more flexible working hours and arrangements of working hours, a reduction in overtime work, fewer absences and the lowering of labour costs.

Leonia Bank

In Spring 1998, the largely State-owned finance group, Leonia Bank, announced a massive reorganisation programme and reduction in its workforce in order to improve cost-effectiveness. The programme, to be carried out over the next two years, would affect 1,500 employees out of the group's 5,000-strong workforce and was subject to negotiation in the works council.

An industrial dispute over the plan was finally ended in June 1998 through negotiations between Leonia and the Leonia clerical staff organisation. The two sides agreed that the period for negotiation over the planned closure of a major payment services centre would run until the end

of 1998. The number of clerical staff to be dismissed would be reviewed. As a result of the negotiations, the estimated personnel cuts now total nearly 200 people, compared with previous estimates of 400. The parties also agreed that the possibilities for retraining would be examined and that training for new tasks, both within and outside the bank, would be started immediately.

National Action Plan

The Finnish National Action Plan (NAP) for employment was published in April 1998 in response to the EU Employment Guidelines. The preparation of the NAP proceeded on a tripartite basis. Generally, it followed the government's policy guidelines, while the social partners agreed on various measures within the working groups established by the recent central incomes policy agreement (Hietanen, 1998c; Ministry of Labour, 1998).

Evaluation

A study entitled *Does flexibility create jobs?* investigated the effects of the agreement drawn up by the central labour market organisations (valid 15 June 1993 to 15 June 1995) to improve the employability of young people. The job-creation effect of the agreement concerning the wages of young employees drawn up in 1993, by means of exceptions to the Contracts of Employment Act, was reported to be poor (Finland, 1997).

Context and overview

Historical development

Because of the rise in, and persistence of, unemployment in France since the 1973 recession, politicians, employers and unions have given job creation and redundancy prevention top priority on their agendas. Since the end of the 1980s, job creation has been considered a national objective. The range of tools to secure and create jobs is extremely broad (Bilous, 1997a).

After a slowdown in cross-sector and sector-level negotiations, there has been a greater amount of negotiating activity since 1993-95, the main trends being (Bilous, 1997a):

- the success of numerous cross-professional negotiations, whether as part of collective negotiations or within jointly managed bodies;
- focus of attention on the reform of the working week and on the pros and cons of measures in favour of early retirement in exchange for recruitment (the job substitution allowance or ARPE – *allocation de remplacement pour l'emploi*);
- the low number of sector-level agreements on the length of the working week;
- the more numerous agreements on the implementation of the ARPE; and
- the clear growth of in-house negotiations on job creation since 1990, to which the implementation of the loi Robien (Robien law) has given an extra boost.

Since the early 1990s, company-level bargaining on employment has been growing. Since 1995, there has been considerable emphasis in such agreements on job-sharing and reduction in

working time. The 1996 loi Robien has given the process increased impetus. This law provides for reductions in employers' social security contributions for companies which, on the basis of a sectoral or company agreement, introduce a new collective working time organisation, along with a reduction in working time and the securing or creation of jobs (Zagelmeyer and Schulten, 1997b).

Labour market background: Unemployment and employment policy

The labour market in France is still a cause for concern despite signs of improvement. Historically, the average rate of unemployment was 4.1% in the period 1971-80 and 9.2% during 1981-90. It reached an all-time high of 12.6% in June 1997, but has since improved – to an estimated 11.7% in 1998.

One of the defining characteristics of the French situation is the high degree of convergence between action undertaken by the State, employers and unions. In that triangular relationship, the State is the predominant actor. For nearly 30 years, the relationship between the law and collective negotiations has conformed to a relatively complex pattern. Usually, the government publicises its intention to modify existing legislation and then debates with employers and unions, either in bilateral or tripartite negotiations. Subsequently, a bill is adopted, the implementation of which depends on collective agreements. Next, employers and unions are invited to negotiate, with the State committing itself to the introduction of legislation containing the changes that such negotiations would entail (Bilous, 1997a).

In its 1998 National Action Plan, the French Government outlined its current employment strategy. This was developed around the three main principles of stronger growth, improved growth-driven job creation and growth which is of benefit to all. Among other measures, the government advocated a reorganisation and negotiated reduction of working hours as a means of modernising companies and creating jobs, in addition to continuing to try and find ways of decreasing indirect labour costs (Bilous, 1998b). A number of important policies were adopted in the 1990s, the most important of which are described below.

Provisions on part-time work (1992)

In 1992, the government introduced provisions to encourage part-time work. A partial retirement from activity was also possible, through gradual early retirement agreements. The purpose of these was to ensure that wage earners aged 55 and older had a replacement income until they reached retirement age, either because they had been affected by economic redundancy or because their transition to part-time status would consolidate jobs.

Five-year law on work, job creation and professional training (1993)

The five-year law on employment was introduced in December 1993. Its main aim was the creation of jobs by introducing flexibility into working arrangements and a reduction of employers' social security contributions, especially for low-paid and less-skilled employees. It also covered a number of other subjects, such as the reduction of labour costs, the reorganisation of the working week (especially the annualisation of working hours by industry or company-level



agreement in exchange for a reduction in working time) and the extension of part-time work. An amendment proposed during the debate advocated a 32-hour week. Some clauses of the bill required a national agreement to define the conditions of applicability (Bilous, 1997a; Freyssinet, 1997).

Loi Robien (1996)

Passed in June 1996, the loi Robien or Robien law introduced a stimulus for negotiations at company level. Essentially, it means that the State gives financial concessions, in the form of a partial exemption from employers' social security contributions, if a large reduction in hours worked (combined with a reorganisation of the working week) enables the same proportion of jobs to be created or redundancies avoided. The law's application requires a dual form of negotiation: a collective agreement must be signed within the company, which then negotiates a convention with the State on this basis (Freyssinet, 1997). The same option is available at sector level. In the case of a 'hiring' agreement (under which jobs are created), a 10% reduction in the working week, combined with 10% more workers being recruited, gives the company the right to a 40% exemption from social security contributions in the first year, then a 30% exemption for the next six years (or 50% and 40%, respectively, if the reduction is 15%). The new levels of staffing must be maintained for at least two years. In the case of a 'defensive' agreement (in which redundancies are avoided), the exemptions are the same but are granted for only three years. They can be extended for up to seven years.

Laws on creation of 350,000 public sector jobs (1997)

In 1997, the election campaign of the Socialists and their allies was based on an employment platform. The parties, which became the new government, promised to create 700,000 new jobs for young people (350,000 in the public sector and a further 350,000 in private companies). They also promised to reduce progressively the statutory working week, from 39 hours to 35, without reducing pay and to increase the national minimum wage (*salaire minimum interprofessionnel de croissance*, SMIC). The new government believed that growth alone would not be sufficient to reduce unemployment and thus wished to implement strong incentives to be matched by similar initiatives from the social partners. The SMIC was increased from 1 July 1997. A law on the creation of 350,000 new jobs in the public and associated sectors was passed in Summer 1997 (Bilous, 1998a, 1998c).

Tripartite conference on job creation, wages and the working week (1997)

In October 1997, a tripartite 'National conference on employment, pay and working time' was held (Bilous, 1997d). The agenda included pay policy, unemployment benefits, employers' social contributions and working time. The major suggestions by the French Government with importance for industrial relations were:

- The government intended, with the approval of the social partners which jointly manage the unemployment insurance system UNEDIC (Union nationale pour l'emploi dans l'industrie et le commerce), to create a complementary measure to the ARPE (*allocation de remplacement pour l'emploi*). It would allocate FRF 40,000 per year per worker to allow employees, who

began their working lives at the age of 14 and who have paid contributions for 40 years from the age of 16, to retire at the age of 56 if, in exchange, new jobs were created.

- The government was determined to change the base for the employers' social security contributions and to continue in its drive to reduce 'the charges burdening employment'.
- The government proposed that each sector, on the initiative of central intersectoral employer and union organisations, appraise the situation of youth employment and its prospects. Based on this information, the social partners would be able, on a sector-by-sector basis, to negotiate agreements with quantified aims to raise the proportion of young people in jobs, improve job security and increase training.
- On collectively agreed minimum wages, the government requested the social partners to restart sector-level negotiations on upgrading the lower pay rates set by collective bargaining.
- The government announced it would put a 'guidelines and incentives' bill before parliament in order to introduce the 35-hour week by the year 2000, the ultimate goal being a 32-hour week.

These suggestions were welcomed by the trade unions, but sharply rejected by the employers, namely the CGPME (Confédération générale des petites et moyennes entreprises et du patronat réel), representing small and medium-sized employers, and the CNPF (Conseil national du patronat français).

Cut in employee's sickness contributions (1998)

Since 1 January 1998, health insurance contributions have been moved from pay alone to generalised social contributions (*contribution sociale généralisée*, CSG) on all income. As a compensatory measure for the rise in the rate of the CSG, the employee's sickness insurance contribution will be lowered from 5.5% to 0.75% of pay (Concialdi, 1997).

Law on the introduction of the 35-hour week (1998)

In 1998, the law on the orientation and promotion of a reduction in working hours aimed to promote job growth by reducing the legal working week to 35 hours by the year 2000 or by the year 2002 for companies with fewer than 20 employees. The law set up financial incentives for companies that had reached an agreement within the company or that were applying an industry-wide agreement providing for a reduction of at least 10% (or 15%) in the working week while hiring at least 6% (or 9%) new employees, or avoiding new redundancies. In order to promote the hiring of low-income employees, this incentive would take the form of a reduction in charges, at a flat rate of FRF 9,000 to 18,000 per year per employee, depending on the situation. The level would rise according to the speed with which companies reduced and reorganised the working week. The incentive would be introduced over the coming five years and continue thereafter with structural aid at a level of about FRF 4,000 to 5,000 per year per employee. The law also provided incentives to cut the use of overtime hours and laid the basis for more use of part-time work. The mechanisms used to reduce working hours and their extent would be decided through negotiations of the social partners on a sectoral and company level, and would deal simultaneously with working hours, organisation of work and changes in wages.



Company-level bargaining will be the most influential, because it is at this level that the effects of reducing working time on work organisation can be measured. To address the implementation problem caused by the low level of union membership in companies and low collective bargaining coverage, the government decided to extend the opportunity given to trade union organisations officially deemed representative at national level (CFE-CGC, CFDT, CFTC, CGT and CGT-FO) to ‘mandate’ an employee to negotiate a company agreement. This ‘mandating’ procedure was thought up by employers and unions themselves, as previously provided for in the national intersectoral agreement of October 1995. Mandated employees (*salariés mandatés*) will be entitled to a similar kind of protection against dismissal as that enjoyed by union delegates.

The 1998 law was to be followed in late 1999 by another which would take account of the bargaining decisions made and establish the ways in which the reduction in hours would be implemented. It would be concerned particularly with the situation of employees paid the SMIC, new regulations on overtime, simplification of the methods of varying working time and new regulations on working hours for managerial and professional staff (Bilous, 1998c).

Collective bargaining on employment

National multi-sectoral level

1995 agreements

In an attempt to take back control of industrial relations issues from the State on the eve of the 1995 presidential elections, CNPF (Conseil national du patronat français) and the unions signed a series of agreements.

An agreement of June 1995 emphasised the integration of young people into the workforce. The State was also asked for further financial incentives to reduce labour costs for young people recruited.

The cross-sector agreement on job creation of October 1995 was signed by all unions except the CGT. There were a number of themes in this agreement linked to the reduction and organisation of working time, including time off in lieu of payment for overtime, improved working conditions, a ‘savings account’ for time worked (which allows staff to take longer holidays, ‘thus freeing working time for job seekers’) and the counting of hours worked on an annual basis mixed with a reduction in the working week. This agreement encouraged negotiation at sector level. However, it yielded relatively poor results. By the end of 1996, according to the Ministry of Labour, the agreement had been implemented in only 32 sectors out of 300. Themes dealt with included overtime, the various ways of counting working time, part-time working and the ‘savings account’. Very few agreements dealt with the reduction of the working week (Bilous, 1997a).

During intersectoral negotiations in October 1995, trade unions and employers’ organisations also agreed on the ARPE scheme. This allowed workers who had paid unemployment benefit security contributions for 40 years to retire, provided that their employer hired a new employee to

replace them. According to 1998 figures from UNEDIC, which runs the unemployment insurance scheme, some 122,000 people took advantage of ARPE over three years. It created 111,000 new jobs, 99% of which have been permanent contracts.

Renegotiation of ARPE scheme (1998)

In late 1998, France's social partners renegotiated the ARPE or 'early retirement for jobs' scheme. Employers agreed to negotiate on condition that the government did not interfere in the funding of the scheme. The Movement of French Enterprises (Mouvement des entreprises de France, MEDEF) – as the CNPF employers' confederation has recently been renamed – agreed to renew ARPE and to extend it to employees who began their working lives at the age of 14 or 15. It also stressed that the provisions adopted must be compatible with the financial situation of UNEDIC.

Sectoral level

The 1995 cross-sector negotiations delegated the implementation of numerous measures to each sector. The results have been disappointing. Negotiations at sector level (the level on which many unions rely) are steadily losing ground to in-house agreements (Bilous, 1997a).

After the conference of 10 October 1997, collective agreements were denounced or terminated by employers in certain sectors, for example, in banking, high-street department stores and, most recently, the sugar industry (Bilous, 1998c).

The Union of Metallurgy and Mining Industries (Union des industries métallurgiques et minières, UIMM), which has traditionally played a key role within French employers' circles, did not terminate the numerous collective agreements to which it was a signatory. It did, however, raise the possibility of this, stating that 'it would be opportune to bring the national collective agreements applicable to this sector up to date . . . The pernicious effects of the law should be compensated, enabling the work of individual employees to be organised in a way that satisfies the imperatives of business competitiveness' (Bilous, 1998c).

During a meeting held on 2 June 1998, the UIMM emphasised two objectives:

- an increase in the annual quota of authorised overtime, raising it from 94 hours to 318 (188 hours resulting from the move from 39 to 35 hours for 47 weeks' work, plus the 130 statutory hours); and
- the creation of a 'one-off free-timetable agreement', similar to the one for executives, to be made available to employees paid over FRF 240,000 per year. This step would mean that the hours worked would no longer be calculated, but that extra days off would be given as compensation.

Although the CGT-FO and the CFE-CGC felt that taking part in negotiations on these issues, and suggesting amendments or modifications, was preferable to terminating all the metal industry agreements, the CFDT, CGT and CFTC protested against this employers' initiative, seeing it as a way of 'sabotaging' the reduction in working time (Bilous, 1998c).



Company level

Job creation has been a developing theme in in-house negotiations since the early 1990s. Subjects dealt with concern primarily the management of the overstaffing problem. In general, the agreements ask for the implementation of measures put in place by the State. The period since 1995 has witnessed the development of new types of agreement. Still aimed at managing overstaffing, these agreements entail recourse to the practice of job-sharing or negotiated ways of reducing the working week. Companies which negotiate on job creation are usually large corporations in industrial zones and are found mainly within the industrial sector. Furthermore, the loi Robien has resulted in a rapid acceleration in company-level negotiations. In March 1997, the Ministry of Labour put the number of negotiations carried out under this legislation at 344. Of these, 207 were deemed 'positive' (with jobs being created) and 137 'defensive' (with no jobs being lost). A total of 48,000 employees benefitted from a reduction in the working week – 21,000 under the 'positive' agreements and 26,000 under the 'defensive' agreements (Bilous, 1997a).

Perrier

In October 1998, after a year of disputes and discussion, management and trade unions at Perrier in France (part of the Nestlé group) reached agreement on a redundancy programme, limiting the number of projected job losses.

In an attempt to address significant losses, the management of Perrier had been seeking to reduce drastically the workforce at its plant in Vergèze in the south of France, from 2,355 to below 1,700. Management wanted to cut 380 jobs and outsource a further 330 by divesting non-core business.

The agreement on Perrier's redundancy programme (*plan social*) included measures designed to rationalise the company's production facilities in order to clear the way for economic recovery and to do everything possible to avoid 'uncushioned' redundancies for workers affected by an overall cut of the equivalent of 349 full-time positions. Management committed itself to filling all vacant positions internally, with priority given to those workers whose jobs were lost. It also set up 'the necessary training programmes'. Workers affected by the outsourcing of the manufacture of wooden pallets would be reassigned to other jobs within the company. Furthermore, the deal reasserted the company's commitment to implement 'voluntary half-time working measures and employee career projects'. The new agreement added an additional measure whereby those workers aged 55 or over on 31 December 2001, who had opted voluntarily for half-time working before 31 December 1998, would be 'exempt from work'. Finally, management committed itself to opening negotiations on the introduction of the 'defensive' measures contained in the law on the 35-hour working week. An agreement on this issue was to be in place before 31 January 1999.

EDF and GDF

The French electricity company (Electricité de France, EDF) and the French gas company (Gaz de France, GDF), both public utility companies, together employ more than 140,000 employees.

Both companies have had to adjust to the downward trend in electricity consumption and also to prepare for the opening up of France to free competition as a result of the European Directive concerning electricity and gas. On 21 January 1997, both companies signed an agreement with three trade unions with the aim of improving competitiveness and productivity, while at the same time maintaining the current workforce levels.

The 1997 agreement, covering a three-year period, was called 'Expansion, public service, working time, jobs for young people: 15,000 new jobs, a project for everyone' (*Développement, service public, temps de travail, emplois des jeunes: 15 000 embauches, un projet pour tous*). It contained a number of measures, some of which were conditional upon the adoption of agreements at local level.

At national level, agreed measures included the improvement of possibilities for part-time working associated with partial or full wage compensation and the recruitment of 15,000 employees. The jobs would become vacant due to retirement and partial retirement. Provisions subject to local agreement were reduction in working hours across the board with (partial or full) wage compensation, flexi-time and the reduction of overtime.

The agreement was signed by the CFDT, CFTC and CFE-CGC, but not by the CGT or CGT-FO. The CGT was critical on the grounds that the deal would imply a reduction in the available number of jobs. It stated that the 15,000 new jobs that the two companies had undertaken to create corresponded to 9,350 full-time jobs. This was equivalent to a reduction of several thousand jobs when the 13,000 retirements, including early retirements, were taken into account. Both the CGT and CGT-FO began legal proceedings to annul this agreement through the 'right of objection' set out in the Labour Code. This allows organisations which have obtained votes amounting to more than 50% of the electoral roll in an enterprise to annul an agreement that would go against labour law.

On 22 September 1998, the Paris Court of Appeal (*Cour d'appel*) annulled the EDF-GDF agreement. Emphasising 'the de facto substitution of a statutory working week of 32 hours for the current 38-hour one within EDF-GDF', the Court stated that the agreement 'can be read not as a complement to the current staff statute, but as the establishment of a new statute, provisional for three years, comprising a new statutory working week, a new bonus and new rules for retirement and time savings accounts'. Among the 'stipulations contrary to the status' contained in the agreement, the ruling cited 'systematic recruitment on the basis of a 32-hour week, contrary to article 15 of the statute' and 'aid in reducing working hours . . . contrary to the statute, and especially to article 28'. The ruling also stated that the agreement 'creates discrimination in remuneration between staff carrying out the same work according to whether they are employed full time or part time'.

As a consequence of the court decision, EDF-GDF management announced 'the temporary suspension of any more job creation, moves to reduced-time working and early retirement . . . pending a more in-depth study of the consequences of the Court of Appeal ruling'. EDF-GDF

stated that this annulment had occurred at a time when the agreement 'was beginning to pay dividends'. At the end of September, 184 local agreements affecting more than 21,000 EDF and GDF employees had been concluded. More than 19,000 staff were working on a reduced time basis in the two companies, compared with 3,900 in January 1997 (Bilous, 1997b; 1998d).

In January 1999, management and unions resumed negotiations on the 35-hour week at EDF-GDF. One of the draft agreement's proposals was that the 142,000 EDF-GDF employees may work a 35-hour week without pay reductions. There was also an option to work a 32-hour week with pay for 37 hours. These measures were coupled with the statutory recruitment of 18,000 to 20,000 young people over three years. There would be a 20% quota reserved for young people from disadvantaged backgrounds or with no qualifications. The company would train them, which could lead to qualifications equivalent to a technical school baccalaureate. The draft agreement also involved the retirement of 12,000 employees, plus incentives to depart for 3,000 others. In all, subtracting the losses from the gains, EDF-GDF was to create between 3,000 and 5,000 new jobs (Bilous, 1999).

Xerox

In 1998, Xerox, the USA-based copier and document processing group, decided to restructure its divisions significantly. This included the relocation of its 'hot-line' service from France to Dublin in Ireland, as well as the centralisation of its administrative departments in Paris and the closure of its French head office. The total French workforce of 5,000 was to be cut by 206.

In October 1998, the CFE-CGC, CFTC and FO signed a redundancy programme. On 5 November, an early retirement agreement was reached with all five unions. The redundancy programme included assistance for employees to move to part-time working or to set up their own business, transfers of employees to other French Xerox subsidiaries and the placement of employees either with distributors or in Ireland. Xerox would also offer financial assistance to those workers who opted voluntarily for 'early redundancy', as well as to those workers who accepted voluntary redundancy. The plan was entirely funded without government aid.

Early retirement was being offered until 31 December 1999 to workers aged 52 and over (employed in administrative departments, customer call-centres and at the company's head office) and to workers aged 55 and over (employed in the customer service sector of the company). The early retirement allowance would be paid for up to eight years, until retirement age. This allowance would be increased in line with social security pensions and become payable following the 'mutually agreed' termination of the employment contract, whereby an employee receives early retirement compensation.

Malichaud-Atlantique

At Malichaud-Atlantique, an aeronautic subsidiary of the American Chromalloy group, an agreement concluded that the 35-hour week would be achieved by the introduction of the four-day week. There would be no wage cuts, but there would be a wage freeze in 1998 and 1999 (Bilous, 1998c).

Téléassurances

At Téléassurances, a subsidiary of GMF, an agreement for the company's 'tele-advisors' (who have only telephone contact with customers) reduced their working hours by 10% and 6% more staff were taken on. Regarding their pay, an overall 1.3% rise was decided for 1998. However, as a trade-off, the limits within which the hours were to be worked were extended. This agreement was signed by the CGT-FO, CFE-CGC and an independent union, but not by the CFDT or CGT (Bilous, 1998c).

Boiron pharmaceuticals laboratories

At the Boiron pharmaceuticals laboratories, an agreement on a 10% reduction in working hours, with 95 new staff to be taken on, was signed by the CGT and CGT-FO, but not by the CFDT or CFE-CGC. The matter of management's working hours was the subject of special discussion: this category of staff would have 47 half-days of time off. If a time savings account was created, management employees would not be able to accumulate more than 12 half-days per year. Furthermore, wages were frozen in 1998 (Bilous, 1998c).

Air France

In January 1999, management and unions representing ground staff unions drew up an overall draft agreement, covering a period of several years, on working time reduction, job creation and pay. However, unions were divided as to whether to sign the agreement. Once the three-year framework agreement was signed, the practical ways in which working time was to be reduced would be negotiated in each of the company's 26 sites. This framework agreement, in line with the Aubry law on the 35-hour working week, provided for the creation of 4,000 jobs over three years and the recruitment of a total of 5,000 new staff. The agreement also provided for various forms of annualised working time and for wage restraint from 2000 (Bilous, 1999).

National Action Plan

The French National Action Plan (NAP) for employment was adopted by the Council of Ministers on 15 April 1998. The social partners reacted both to the way they were consulted and also to the content of the French plan. Unions and employers' associations alike complained about the lack of in-depth consultation on the plan. The content of the NAP seems to be a rationalisation of national legal texts that have either already been adopted or are in the process of being adopted. It is for this reason that the unions and employers repeated the same criticisms and suggestions that they had made previously, during debates on the bills corresponding to each of the NAP's chapters (Bilous, 1998b).

Evaluation

Since 1989, an Assessment Council, comprised of experts, has had the task of evaluating government policies and assessing the results of the various collective agreements on job creation and redundancy prevention, as well as the associated laws. The majority of the major laws contain a chapter providing for their own evaluation.



Five-Year Law

The mid-term assessment of the Five-Year Law by the Assessment Council has provided no figures for the number of jobs created under this legislation. The Council considered that ‘since a short-term reduction in unemployment is the primary objective, guessing numbers is a very sensitive issue, and the effects on employment subsequent to the law’s application cannot be reduced to figures alone’. All in all, the Council concluded that the law has strengthened the trend towards the introduction of flexibility in working relations (Bilous, 1997a).

October 1995 agreement

The agreement of 31 October 1995 was assessed, as provided for in a clause of the agreement, during an industrial relations summit held in July 1996. The purpose was to take stock of the advances of sector-level negotiations. During the summit, unions were unanimous in expressing their disappointment over the outcome of the negotiations.

In 1997, the National Collective Bargaining Commission reported that, of the 128 sectors with more than 10,000 workers, 25 came to an agreement in 1996 on one or several of the five issues proposed in the intersectoral agreement. The agreements covered over four million workers. If the number of agreements concluded appears to be a success, the results of the negotiations are disappointing in relation to the initial ambitions concerning employment (Bilous, 1997c; Freyssinet, 1997).

Loi Robien

An assessment of the loi Robien, passed in June 1996, was carried out by two consultancy companies. Their conclusion was favourable, as follows (Bilous, 1997a): ‘. . . it [loi Robien] is sufficiently flexible for each company to tailor it to its own needs; it works as an aid to the negotiated modernisation process; it goes further than merely following the logic of job-sharing in most companies investigated which “use the law from a dynamic modernising and restructuring perspective”; macroeconomic simulations enable projections according to which 75% of the jobs created are long-term. The balance sheet for all concerned turned out to be positive: more jobs, more growth, more investment, and limited costs in terms of government expenditure (FRF 50,000 per year per job created), inflation and foreign trade.’

Inspired by the loi Robien, many companies have initiated full-scale experiments in reducing the working week. By the end of March 1997, the Ministry of Employment had registered 344 agreements under the loi Robien, of which 207 were ‘positive’ (with jobs being created) and 137 ‘defensive’ (with no jobs being lost). The latter, used especially in large companies, covered more workers: 26,000, compared with 21,000 for the ‘positive’ or ‘hiring’ agreements (Freyssinet, 1997). By January 1998, the Ministry of Employment had registered 1,030 collective agreements, affecting 166,066 workers. By the end of 1998, the figure had risen to over 1,500 (Bilous, 1998a).

An assessment report commissioned by the National Assembly (1997) was generally positive, but stressed the contrast between two different types of agreement. The majority of agreements

used the available financial concessions to have a wide-ranging reorganisation of the working time adopted and/or a modification of the structure of qualifications, as new sources of productivity and flexibility in production emerged. However, other agreements simply sought to buy industrial relations harmony by avoiding redundancies and postponing the necessary restructuring (Freyssinet, 1997).

35-hour week legislation

According to a review by the Ministry of Employment and Solidarity of the first six months of the application of the law concerning the 35-hour week, the number of company-level agreements signed had reached 1,055 by mid-December 1998. A total of 107,560 employees were covered and there was a positive impact on employment levels of nearly 8% (8,178 jobs created or saved).

Agreements which are approved by the local offices of the Ministry of Employment can be divided into 'positive' agreements (in which companies create extra jobs) and 'defensive' ones (where companies avoid redundancies), as follows:

- 944 positive agreements (89.4% of the total), covering 83,074 employees, with 6,448 jobs created;
- 93 defensive agreements (8.8% of the total), covering 16,635 employees, with 1,544 jobs saved; and
- 18 mixed agreements, with no financial incentives involved, whose signatories have announced the creation of 186 jobs.

Sectoral agreements most often take the form of framework texts, with the social partners who sign them laying down a certain number of principles to which they invite companies within their sector to subscribe. Some of these agreements depart from ordinary employment law and from the 35-hour week law. These deal, in particular, with the amount of overtime allowed, the way in which hours are varied over a reference period, work schedules and public opening times. This is why, in order to become enforceable as 'sectoral legislation' and applicable to all the businesses in an industry that do not belong to the signatory employers' association, these agreements must be 'extended' to the whole sector by the ministry responsible for employment.

In 1998, the Ministry of Employment extended only two working time agreements – one for the building trade and one for dairy cooperatives. The Ministry has refused to extend the metalworking agreement signed in late July 1998 by the UIMM employers' association, CFE-CGC, CFTC and CGT-FO. This was because Minister Aubry detected an attempt to get round the law by increasing the amount of overtime allowed, modifying the system of payment by introducing inclusive timetables and making no commitment on job creation. At sector level, 22 agreements signed or in the process of being signed were counted by the Ministry, as of 18 December 1998, including the metalworking deal. These agreements cover approximately four million employees. The government has announced its willingness to take account of the practical experiments underway. However, the balance sheet of the negotiations, in terms of jobs created, is so far negligible (Bilous, 1999).

Context and overview

Historical development

Collective bargaining on employment became an issue in Germany in the second half of the 1980s when collective agreements on working time reductions and on protection against rationalisation were negotiated. In the 1990s, the rise of collective bargaining on employment has been closely connected to increasing international competition, the recession that hit Germany, the transformation problems in eastern Germany and the structural adjustment problems in western Germany. All these matters threatened to lead to mass redundancies in both the private and public sectors. Employment alliances and pacts at all levels have come up with new ways of avoiding redundancies and sometimes even of creating new jobs. These have ranged from national, regional or sectoral tripartite or bipartite employment alliances or pacts, to company-level agreements between management and works councils or trade unions. Some agreements take the form of declarations of intent, others of legally binding collective or works agreements. Exact figures on employee coverage and on the number of agreements are not available.

The main methods used for employment maintenance and creation include working time reduction, reorganisation and/or extension with or without full/partial wage compensation; increased working time flexibility; introduction or extension of part-time work; partial early retirement; wage freezes and reductions; opening and hardship clauses, as well as clauses for small and medium-sized companies; and introduction of 'entrance wages' for special target groups such as the long-term unemployed.

There are different aims for the solidarity and employment pacts or alliances, collective agreements and works agreements on employment. At national and regional level, they are

intended to stop the increase in unemployment, to reduce unemployment and/or to create new jobs. The sectoral agreements aim at avoiding redundancies and, in some cases, at creating jobs. Company-level alliances, whether they are collective or works agreements, are intended mostly to avoid redundancies.

Labour market background: Unemployment and employment policy

Since the mid-1970s, Germany has faced the problem of rising unemployment. After witnessing an average unemployment rate of 0.7% during the period 1961-70 and 2.2% in the following decade, unemployment soared to an average of 9.7% during 1981-90. Since 1997, when unemployment reached a peak of 10.0%, the situation has improved slightly – to an estimated average of 9.7% in 1998. However, there is a huge divergence between western and eastern Germany. According to figures provided by the Federal Employment Service, unemployment in western Germany stood at 9.7% of the labour force in January 1999, while the respective figure for eastern Germany was 18.9%.

Since 1996, there have been a number of initiatives (mainly supply-side oriented) by the-then conservative liberal government to reform the labour market in order to fight unemployment. These initiatives included:

1. The Partial Retirement Law (*Altersteilzeitgesetz*) came into effect on 1 August 1996. It supports the gradual transition of older employees to retirement under certain conditions. Since then, a number of collective and works agreements have been concluded on this issue (Zagelmeyer, 1997e).
2. The Labour Law Act on the Promotion of Employment (*Arbeitsrechtliches Beschäftigungsförderungsgesetz*) came into effect on 1 October 1996. It includes the easing of redundancy provisions, the reduction of the statutory level of continued payment of remuneration in the event of sickness and improved possibilities for fixed-term employment contracts.
3. The Employment Promotion Act (*Arbeitsförderungsgesetz*) came into effect on 1 April 1997. It includes measures for the promotion of employment among disadvantaged groups.
4. The Act on Temporary Employment Businesses (*Arbeitnehmerüberlassungsgesetz*) came into effect on 1 April 1997. It relaxes the legal regulation of work through temporary work agencies.

After the general elections of September 1998, the new ‘red-green’ government repealed the changes to the Labour Law Act on the Promotion of Employment (Schulten, 1998c; Schulten and Zagelmeyer, 1999).

Collective bargaining on employment

National level

Failure of the ‘Alliance for Employment’ (1996)

At the beginning of 1996, representatives of the trade unions, employers’ associations and the government came together to discuss a tripartite initiative known as the ‘Alliance for



Employment' (*Bündnis für Arbeit*). This initiative, aimed at improving the employment situation, was based on a proposal made by the president of the IG Metall metalworking union, Klaus Zwickel. In November 1995, he offered moderate wage increases in exchange for employment guarantees from the metal employers and a stop to the government's plans to cut welfare and unemployment benefits. In the joint statement 'Alliance for employment and the securing of production locations', issued in January 1996 by government, trade unions and employers' and trade associations, all parties supported the idea of a national employment alliance and agreed on the central aim of halving unemployment by the year 2000.

However, in March 1996, the Federal Government announced its 'Programme for Growth and Employment', which included cuts in social benefits and a deregulation of dismissals legislation. This led to the unions leaving the alliance and thus the overall initiative failed. Politically, the most controversial point of the government programme was the change in the law concerning continued payment of remuneration in the event of sickness (Schulten, 1997a; Zagelmeyer and Schulten, 1997a, 1997b).

Second attempt to forge an 'Alliance for Employment' (1998)

Following the election of a Social Democrat-led red-green government in September 1998, leading representatives of the government, trade unions and employers' associations met in December 1998 and agreed to establish a new tripartite national 'Alliance for Employment'. The results of the meeting were set out in a 'Joint declaration of the alliance for jobs, vocational training and competitiveness' (*Gemeinsame Erklärung des Bündnisses für Arbeit, Ausbildung und Wettbewerbsfähigkeit*). According to the declaration, the parties reached an agreement on the following aims:

- a permanent reduction of non-wage labour costs and a reform of the social security system;
- an employment-promoting distribution of work and flexible working time arrangements (such as reduction of overtime, use of working time accounts and promotion of part-time work);
- the creation of better possibilities to use early and partial retirement;
- a collective bargaining policy which supports the creation of employment;
- the establishment of tripartite talks on particular topics;
- the development of new fields of employment for low-skilled workers;
- the extension of labour market policy to fight youth and long-term unemployment;
- the improvement of wealth-creating and profit-sharing schemes;
- the introduction of a reform of company taxes, with particular tax reductions for small and medium-sized companies (SMEs) until 1 January 2000;
- better possibilities for SMEs to obtain risk capital; and
- the improvement of innovative capacities and the competitiveness of the companies.

Furthermore, eight expert working groups were established to deal with the following topics: vocational and continued training; tax policy; pension schemes; early and partial retirement; working time policy; health and care insurance; economic development in east Germany; and 'benchmarking'.

Participants in the first talks for an alliance for jobs in December 1998 were several members of the German Government, the Confederation of German Employers' Associations (BDA), the German Federation of Trade Unions (DGB), the Confederation of German Industries (BDI), the Metalworkers' Union (IG Metall), the German Association of Chambers of Commerce (DIHT), the Mining, Chemicals and Energy Union (IG BCE), the Central Association of German Crafts (ZHD), the Public Services, Transport and Traffic Union (ÖTV) and the German White-Collar Workers' Union (DAG).

Regional level

Since the 1995 initiative to conclude a national employment alliance, regional state (*Land*) governments discussed the issue of preserving and creating employment. Two notable initiatives were the 1997 'Joint initiative of the Federal Government, business and unions for more jobs in East Germany' and the 1996 regional 'Employment Pact Bavaria'. In 1998, talks started on establishing regional employment alliances in a number of federal states (*Bundesländer*), for example, in North Rhine-Westphalia. Furthermore, in 1997, under the EU structural funds scheme, territorial employment pacts were established in the following areas (Ziegler and Schulten, 1998): Amberg-Sulzbach (Bavaria), Berlin, Bremen, Hamburg, Güstrow (Mecklenburg-Vorpommern), Braunschweig-Peine (Lower Saxony), the Ruhr Region (North Rhine-Westphalia), Chemnitz (Saxony) and Zeitz (Saxony-Anhalt).

Employment Pact Bavaria

In January/February 1996, the Bavarian State Government, together with all Bavarian trade unions and employers' and trade associations, agreed on an 'Employment Pact Bavaria' (*Beschäftigungspakt Bayern*). Subsequently, on 11 June 1996, the partners agreed a formal employment pact 'treaty'. This included concrete measures to stop the increase in job losses and to halve the number of unemployed until 2000, basically through the creation of new jobs and the establishment of new companies. Among other points, measures relevant to labour relations included an increase in part-time jobs and working time flexibility, as well as the introduction of 'opening clauses' in collective agreements. The Bavarian employment pact, with the participation and guidance of the region's conservative Christian Social Government, is the only regional-level employment alliance to survive the failed national Employment Alliance of 1996.

On 1 July 1998, the Bavarian employment pact was reviewed by all partners involved and considered successful. The interim review, covering the period June 1996 to June 1998, stated that, with government support and due to the moderate wage behaviour of trade unions and employers, 153,000 jobs were saved and a further 52,000 jobs were created.

Joint initiative for more jobs in East Germany

In May 1997, an Employment Alliance for eastern Germany was concluded between the German Federal Government, the trade union federations DGB and DAG, the employer organisations

BDA and BDI, the industry and crafts chambers DIHT and ZDH, and the association of credit institutions. The primary objectives of this joint initiative were to speed up the transformation process of the eastern German economy; boost growth; reduce unit labour costs; stabilise employment in 1997 at the level of 1996; and create 100,000 new jobs in each of the following years.

Among other measures to be executed by the State and private sector – such as continuing Federal subsidies until 2004 and an increase in investment and purchase by western companies – the joint initiative of 1997 provided a number of guidelines on industrial relations in eastern Germany. In order to preserve and create jobs, the signatories agreed the following (Zagelmeyer, 1997d):

- Collective bargaining policy, especially wage bargaining, must pay due regard to employment and to the particular economic and commercial circumstances of individual companies.
- In collective bargaining, the bargaining partners would provide for special regulations regarding small and medium-sized enterprises (SMEs), employment pacts, employing vocational trainees, creating part-time jobs and long-term policies, such as profit-sharing plans, in order to stabilise labour costs.
- The social partners would (1) increasingly make use of more flexible working time arrangements, such as working time accounts, and (2) support the integration of the long-term unemployed and of new and re-entrants into the labour market through special regulations.
- The bargaining partners would establish ‘hardship clauses’ in cases where the employer faces genuine difficulty in meeting the terms and conditions of the current collective agreements.

During the first review of the Employment Alliance for eastern Germany in December 1997, the then Federal Minister of Economics stated that, contrary to expectations, it had not been possible to stabilise the labour market in eastern Germany. Instead, the average number of people in the eastern German labour force had decreased and the number of unemployed people had increased.

A few days before its first anniversary and the second review, the DGB trade union quit the Employment Alliance. In an interview with the German weekly news magazine *Der Spiegel*, Dieter Schulte, the chairperson of the DGB, declared that the Alliance was finished for his union. He argued that employers and Federal Government had not kept their promises and that private banks had not supported the new eastern Federal States. The unions, for their part, had contributed to the Alliance by pursuing a moderate wage policy.

During the year that the Employment Alliance existed and as it became increasingly apparent that its ambitious goals would not be met, there were ongoing discussions among trade unions on whether to continue with the pact or not, especially as regards wage moderation as a means of contributing to the creation of jobs (Zagelmeyer, 1997d, 1998d).

Employment Alliance in North Rhine-Westphalia

In December 1998, the regional peak associations of trade unions, industry and employers, together with the regional government of the federal state North Rhine-Westphalia, forged a regional alliance for jobs, training and competitiveness. It was agreed that the following topics should be discussed and dealt with at regional level:

- measures to fight youth unemployment, qualification, education and training;
- structural change in trade, banking and insurances; and
- working time, especially as regards part-time schemes.

Branch level

At branch level, there have been a number of agreements aimed directly or indirectly at increasing or maintaining employment. However, branch-level collective agreements on employment can only conclude a certain framework which might indirectly influence employers' attitudes towards creating new jobs or giving up plans for redundancies. Even when the collective bargaining parties at branch level define a certain target figure for employment (such as a joint declaration to create a certain number of new jobs in a certain period of time), there is no possibility of directly binding individual employers to certain employment activities.

Opening and hardship clauses

The social partners have concluded various 'agreements to safeguard employment' (*Beschäftigungs-sicherungstarifverträge*). These mostly include (1) opening clauses allowing companies to conclude a works agreement on a working time reduction with corresponding temporary reduction in monthly wage income and/or (2) provisions which increase working time flexibility. Some of the agreements foresee a partial wage compensation for low income groups. In return, the employer has to agree not to make redundancies (*betriebsbedingte Kündigungen*) during the term of reduced working time. Some agreements introduced working time corridors, the compensation of overtime through extra free time, and schemes on the reduction of lifetime working through partial retirement, including provisions which contain the replacement of older employees with the hiring of younger employees.

The metal industry has a particularly long tradition of including opening clauses in its agreements. When, in 1984, the IG Metall trade union achieved a breakthrough in reduction of working time towards the aim of a 35-hour week, it had to accept employers' demands for more flexible working hours. Therefore, IG Metall agreed to an opening clause which allowed the companies to extend working time up to 40 hours per week for a maximum of 18% of the company's workforce (Schulten, 1997g).

In other cases, the social partners decided to diverge from the collectively agreed payments in order to avoid possible bankruptcy and to prevent mass redundancies, either by the inclusion of 'hardship clauses' in collective agreements or simply by not applying valid agreements.



Table 6 Selected branch-level collective agreements on employment with opening clauses

Collective Agreement (Region)/Date*	Main outcomes
Metal industry (western Germany) 1994	Opening clause: Companies can conclude a works agreement on a short-term working time reduction from 35 hours down to 30/29 hours per week (regional differences) without wage compensation, but with a job guarantee during the term of working time reduction.
Chemical industry (western Germany) 1994	Opening clause: Companies can conclude a works agreement on working time reduction or extension of 2.5 hours above or below the collectively agreed 37.5-hour week. In the event of working time reduction, there is no wage compensation. In both events, there is no binding job guarantee.
Iron and steel (North Rhine-Westphalia) 1994	Opening clause: Companies can conclude a works agreement on a short-term working time reduction from 35 hours down to 32 hours per week, with partial wage compensation for low income groups and with a job guarantee during the term of working time reduction.
Public services (eastern Germany) 1994	At regional or local level, collective bargaining parties can conclude a short-term working time reduction from 40 hours down to 32 hours per week, with partial wage compensation and with a job guarantee during the term of working time reduction.
Wholesale Trade (various western German regions) 1994	Opening clause: Companies can conclude a works agreement on a short-term working time reduction from 38.5 hours down to 32 hours per week without wage compensation, but with a job guarantee during the term of working time reduction.
Insurance (western Germany) 1995	Opening clause: Companies can conclude a works agreement on working time reduction from 38 hours down to 30 hours per week or working time extension up to 42 hours for individual employees or groups of employees.
Banking (western Germany) 1996	Opening clause: Companies can conclude a works agreement on working time reduction from 39 hours down to 31 hours per week without wage compensation, but with a job guarantee during the term of working time reduction.

* Date of the original conclusion of the agreement. In the meantime, some of the agreements have been extended, sometimes with modifications.

Source: WSI Collective Agreement Archive at URL www.wsi.de

In 1993, the collective bargaining parties in the eastern Germany metal industry had already concluded the introduction of a hardship clause which allowed companies with economic problems to pay their employees wages and salaries below the minimum wage set by the collective agreement for a limited period of time. The use of hardship clauses must be integrated with a comprehensive reorganisation strategy of the company. During the term of a hardship agreement, employers have to renounce the making of redundancies (Schulten, 1997b).

The 1996/1997 collective agreements in the western German metal industry included a 'general clause' which allowed the bargaining parties to conclude diverging standards in order to avoid insolvencies.

In 1994, the social partners in the western German chemical industry concluded an agreement which allowed companies to pay newly hired employees, who had been long-term unemployed, only 90% of the collectively agreed rate during the first year of their employment. Furthermore, newly recruited employees could be paid 95% of the collectively agreed rate during the first year and job beginners could be paid 92.5%.

The opening clause in the national framework agreement of the western German chemical industry of June 1997 allowed companies to reduce the collectively agreed wage by up to 10% within a limited period of time to avoid redundancies or to improve competitiveness. The deal found its first imitator in the eastern German construction industry, where a similar opening clause was concluded in July 1997.

The collective agreement in the eastern German retail trade contained an opening clause which allowed only small companies, with up to 15 employees, to pay 6% below the collectively agreed rate in return for safeguarding jobs. In other sectors, such as textile and clothing, an opening clause allowed companies a limited postponement of the 1996 agreed wage increase or the payment of annual bonuses.

Partial retirement

Partial retirement has become an important new issue in German collective bargaining. Against the background of increasing mass unemployment, early or partial retirement has become an instrument for companies to avoid redundancies or even create new jobs for young job-seekers. In the first half of the 1990s, a continuously growing number of older employees used the option of early retirement on a State pension at the age of 60 after 12 months' unemployment. In practice, this meant that employees became voluntarily unemployed at the age of 58 or 59, and received unemployment benefits (mostly topped up by additional payments through their former companies) before retiring early at the age of 60. However, this early retirement practice created a growing financial burden on the social security system (both the unemployment insurance and the statutory pension schemes). In addition, companies were widely accused of reducing their workforce with the aid of State subsidies.

In 1996, the government replaced the existing early retirement practice with the adoption of new partial retirement legislation (*Altersteilzeitgesetz*). Since then, early retirement at 60 is now available to employees who have worked for at least 24 months under a special part-time scheme. Over the period up to 1999, the minimum age limit for early retirement will be further raised to 63. Under the new law, employees aged 55 or older are able to move to half-time work, or at least 18 hours a week, for up to five years. Employers have to raise the part-time income of the workers involved by at least 20% to a minimum of 70% of the former net full-time income. Employers also have to pay at least 90% of a full-time worker's pension contributions. Finally, the law contains a provision that employers who are using partial retirement for the creation of new jobs for trainees or unemployed people can receive compensation for their additional costs from the Federal Employment Service.



According to the partial retirement law, the concrete conditions for implementation of partial retirement should be determined either by collective agreements, works agreements or individual employment contracts. A study by the Institute for Economics and Social Science (Wirtschafts- und Sozialwissenschaftliches Institut, WSI) concluded that, by mid-1997, provisions on partial retirement had been reached in 11 branch-level collective agreements and several company agreements, covering nearly 2 million employees. The first collective agreement had already been concluded in the west German chemical industry in expectation of the forthcoming new law in February 1996. Since then, collective agreements on partial retirement had been reached in the glass, rubber, ceramic, plastic, paper and cement industries, as well as in banking and insurance, the energy and public sectors. In addition, a number of company agreements had been concluded, for example, at Volkswagen, PPS, Preussen Elektra, Deutsche Bahn, Lufthansa and Esso.

Most of the collective agreements foresee significant improvements for those employees who opt for partial retirement. For example:

- most collective agreements guarantee an income during partial retirement of at least 85% of net full-time income, instead of the 70% which had been prescribed by law;
- some company agreements (for example, at Volkswagen or Preussen Elektra) guarantee 100% of a full-time employee's contribution to the pension scheme, instead of the 90% prescribed by law; and
- some collective agreements foresee a compensation for the possible cut in pension entitlement (for example, at Volkswagen, the employers will compensate 50% of the possible cuts).

Concerning the implementation of a partial retirement scheme, most agreements prefer the 'block model'. This means that, over a period of five years from the age of 55, older employees continue to work full-time in the first two-and-a-half years and then stop working in the second two-and-a-half years. During the whole five-year period, the employee receives the reduced partial retirement income. Alternatively, many collective agreements also foresee the possibility that older employees will work part-time during their last working years (Schulten, 1997f).

Chemical industry

In March 1996, the chemical trade union IG Chemie and the Federation of Employers' Associations of the Chemical Industry (Bundesarbeitgeberverband Chemie, BAVC) signed a 'solidarity pact for the safeguarding of production sites and the improvement of employment' (*Solidarpakt für Standortsicherung und Beschäftigungsförderung*). The pact included the following provisions:

- the modified extension of the 1994 provision on 'entrance wages' (95% of the collectively agreed wages and 90% if they were long-term unemployed) for newly hired employees during the first year of employment;
- a new collective agreement on partial retirement;

- overtime work to be compensated with additional free time; and
- the social partners to continue the ‘round tables on employment issues’ established in 1995.

In addition, the solidarity pact agreement asked the social partners at company level to start consultations on how to use new collectively agreed instruments for the promotion of employment according to the particular circumstances of the company.

The BAVC declared its expectation that the solidarity pact would lead to a significant improvement in employment in the chemical industry:

- in 1996, the number of vocational trainees should increase by about 5% compared with 1995;
- the proportion of vocational trainees who would be taken on in regular employment (for at least 6 months) would be at least 90%;
- 15% of employees with a fixed-term contract would get a permanent contract;
- in 1996, the number of newly hired long-term unemployed should increase by about 10% compared with 1995;
- in 1996, there would be an increase of at least 25,000 new regular jobs; and
- the average number of employees on 1 July 1996 would not decrease until 28 February 1997.

According to surveys by the BAVC, the number of new vocational trainees in the chemical industry increased from 6,594 in 1995 to 7,141 in September 1996. Between July 1996 and February 1997, the number of employees (excluding vocational trainees and temporary workers) increased from 523,603 to 530,654 (Zagelmeyer, 1997b).

In June 1997, the IG Chemie union and BAVC agreed on the introduction of a new opening clause in the national pay framework agreement (*Bundesentgelttarifvertrag*). This clause provided for the introduction of a ‘wage corridor’ which, under certain circumstances, allowed companies to reduce the collectively agreed wage by up to 10% for a limited period of time (Schulten, 1997d).

Metalworking industry

In April 1997, the Saxon metalworking employers’ association (Arbeitgeberverband der Sächsischen Metall- und Elektroindustrie, VSME) and the metalworkers’ trade union, IG Metall, signed new collective agreements for the 87,000 employees in the Saxon metal industry. The agreements included a new agreement on wages and salaries, new framework agreements for white- and blue-collar workers, and a new agreement to secure employment (*Beschäftigungssicherungstarifvertrag*). The latter included a hardship clause which allowed companies with immense economic problems to pay their employees below the determined minimum wage of the collective agreement for a limited period of time. In every case, the final decision about a case of hardship had to be taken jointly by IG Metall and VSME. In September

1998, both the unions Gesamtmetall and IG Metall extended the hardship clause until the end of 2000.

In July 1998, the metalworking sectoral employers' association of Lower Saxony (Verband der Metallindustriellen Niedersachsens, VMN) and the Hannover region of the IG Metall trade union agreed a package deal covering 80,000 employees. It included provisions for partial retirement, employment conditions, a general agreement on pay grades and an increase in the number of places for first-year vocational trainees by 15% in 1998 as compared to 1996.

Furthermore, the bargaining parties agreed to initiate talks on the promotion of employment, for example, by the increased introduction of part-time jobs. Employers and employees could voluntarily agree to reducing working time in order to allow for the hiring of additional employees. The voluntary reduction of working time was to be supported by bonus payments, which would be financed by a 'joint society' to be founded by the social partners. The metalworking employers would pay DEM 10 million to provide the financial basis for the society. In return, IG Metall agreed to the abolition of the payment of employees' bank charges of DEM 2.5 per month by the employer.

Construction industry

In July 1997, the collective bargaining parties in the east German construction industry – the construction union IG BAU and the two employers' associations HDB and ZDB – signed an agreement which included an opening clause (*Öffnungsklausel*) on wages aimed at saving jobs which, under certain circumstances, allowed companies to reduce the collectively agreed wage by up to 10%. The opening clause could be used not only by companies in difficulty, but also by other companies in order to save jobs, take on vocational trainees and avoid outsourcing of activities. In order to apply the opening clause, the company's management and works council had to conclude a works agreement on wage reduction. For the works agreement to become effective, it had to be approved by the regional bargaining parties. In cases where there was no works council, individual contracts had to be concluded.

Allied Forces

In April 1997, the trade unions ÖTV, IG Metall, IG Medien, NGG and DAG, together with the German Ministry of Finance on behalf of the Allied Forces, struck a collective agreement on protection against rationalisation for civilian employees associated with the Allied Forces in Germany. Due to the end of the cold war and the resulting closure of bases and reduction of troops by the Allied Forces, civilian employment fell from 105,000 in 1985, to 75,000 in 1991, to 30,000 in 1997. The background to the 1997 collective bargaining process, and the later dispute, was the plan of the Allied Forces to restructure their operations in Germany. This included rationalisation, privatisation and outsourcing.

On 25 April 1997, a collective agreement was signed on (1) the protection of employees associated with the Allied Forces in the event of rationalisation and (2) additional payments in case of dismissal due to the withdrawal of troops (*Schutztarifvertrag*). It included the following (Zagelmeyer, 1997c):

- improved entitlements to, and an increase in, interim payments;
- a stronger obligation on the employer regarding the entitlement to housing of employees in case of job loss;
- an extension of the duration of additional income security payments in case of transfer; if a transfer is not possible, there would be redundancy with compensation for job loss;
- paid leave for training in case of rationalisation and privatisation; and
- continuation of the regulations regarding protection against dismissal for employees of many years' standing.

Mining

In March 1997, a 'coal compromise' was agreed upon by the Federal Government, the governments of the states of North Rhine-Westphalia and Saarland, the miners' union IG Bergbau und Energie (IGBE) and the two mining companies Ruhrkohle AG (RAG) and Saarbergwerke AG.

The agreement included a gradual winding-down by the year 2005 of the annual subsidies to about 50% of today's amount. Furthermore, RAG was obliged (1) to take over Saarbergwerke AG for a symbolic price of DEM 1; (2) to cross-subsidise its coal branch with an annual DEM 200 million from 2001 to 2005; and (3) to avoid redundancies. This meant that, until 2000, one pit would have to be closed each year. According to estimates by the IGBE and RAG, seven or eight of today's 18 pits would have to be shut down by 2005. Subsequently, employment in the mining industry would be reduced from 85,000 to about 37,000 (Zagelmeyer, 1997a).

Company level

Since the first company-level agreements were reported at Volkswagen and Opel in 1993, bargaining on employment and competitiveness has increasingly been taking place at company level. In German industrial relations, there are two formal types of agreement which may be struck at this level:

- company agreements (*Haustarifverträge*), between management and the trade union; and
- works agreements (*Betriebsvereinbarungen*), between management and the works council.

There are numerous agreements in many sectors and companies of different size. As regards the bargaining issues, typical company-level agreements on employment and competitiveness include employment guarantees (plus, in some cases, the commitment to investment in the production location) by the company in exchange for 'concessions' by the employees with regard to the collectively agreed substantive regulation of the employment relationship. Such concessions include unpaid increases in working time, increased opening hours, working time flexibility, wage cuts or a reduction of 'payments above contract wages' (*übertarifliche Leistungen*).

EIRO has reported on a number of agreements. In 1996, a rescue package was agreed at Deutz; the deal was renewed in 1997. Further 1996 pacts were concluded at Viessmann and Audi.

Agreements in 1997 occurred at Mohn, Ravensburger, Preussen Elektra, SNI, Siemens, Continental, Ford and Mercedes Benz. In 1998, a number of deals were struck at, for example, Deutsche Bahn, Hoechst Marion Roussel, Pirelli, Dasa Airbus and Opel. Some of these company-level agreements are described below.

Volkswagen

In 1993, Volkswagen experienced a dramatic decline in automobile purchases, which threatened to lead to mass redundancies. In December 1993, Volkswagen and the IG Metall trade union struck a 'Collective Agreement to secure Production Locations and Employment' (*Tarifvertrag zur Sicherung der Standorte und der Beschäftigung der Arbeitnehmerinnen und Arbeitnehmer bei der Volkswagen AG*).

The most important provisions of this two-year agreement were a no-redundancy clause and the introduction of a four-day working week of 28.8 weekly working hours (reduction of 20%) instead of 36 hours. The corresponding initial reduction of monthly income was compensated by a whole package of measures, such as the increase of monthly wages, the redistribution of the 13th-month bonus (96% of gross monthly wage or salary) and of two-thirds of the holiday pay (70% of gross monthly wage or salary) to the monthly wage, and additional employer's contributions of roughly 2%. This allowed the employees to maintain their previous monthly gross wage. In total, weekly working hours were reduced by 20% and the average gross income by 16%.

As regards the impact of the agreement, the measures improved the cost situation of Volkswagen (VW). The shedding of 30,000 employees was avoided. However, in 1995, the average actual weekly working hours at western German VW plants varied from 30 to 32 hours. Turnover, early retirements and mutually agreed termination of contracts led to a reduction in the workforce from 112,000 employees in 1993 to 100,000 in 1995. The agreement was renewed, with minor modifications, in 1995 and 1997.

In the course of the 1997 collective bargaining round, Volkswagen aimed to cut costs and increase workforce flexibility. In March, the company established a share option programme for all employees. In April, VW management abandoned its plans to create a new company for some of its service activities (such as canteens, cleaning, driving and security services) and took this new 'internal temporary employment agency' (*Zeitarbeitsgesellschaft*) out of the coverage of the VW company agreement. After the VW works council and IG Metall had sharply rejected these plans, the bargaining parties finally found a compromise which foresaw that the newly-established Volkswagen Services Business Unit would continue to be covered by the VW company agreement. To avoid a further outsourcing of service activities, and at the same time to reintegrate already outsourced activities, two new low-level pay grades were inserted into the agreement. Furthermore, Volkswagen gave a guarantee to all service employees that the recent level of pay would be maintained.

In May 1997, a company agreement on partial retirement was concluded. Compared with the provisions of the Partial Retirement Law, the agreement contained a number of improvements for employees, including:

- Volkswagen would pay 85% of former full-time remuneration to all employees taking partial retirement, instead of the 70% prescribed by law;
- for each employee taking partial retirement, Volkswagen would pay 100% of the full-time employee's contribution to the national pension system, instead of the 90% prescribed by law; and
- Volkswagen would reduce the losses in pensions from 18% to 9% for all employees taking partial retirement.

The agreement on partial retirement provided that the 'block model' would usually be applied. This means that, over a period of five years from the age of 55, older employees would continue to work full-time in the first two-and-a-half years and then stop working in the second two-and-a-half years. During the whole five-year period, the employee would receive the reduced (85%) partial retirement income.

Also in May 1997, Volkswagen announced the creation of several hundred jobs at its regional subsidiary, Volkswagen Sachsen. The east German establishments of Volkswagen are not covered by the company agreement, but by the branch-level agreement for the Saxon metalworking industry.

In June 1997, Volkswagen management and IG Metall finally agreed to a 1.5% pay increase from 1 August 1997 to 31 July 1998, and another 2.5% pay increase from 1 August 1998 to 31 July 1999. These increases are comparable to the metalworking branch-level agreement of 1996. Volkswagen also guaranteed 100% continued payment in the event of sickness, but excluded overtime bonuses from the calculation of sick pay. The company agreement also provided for a profit-related bonus of DEM 500 in 1997. Finally, the collective bargaining parties agreed to continue with the 28.8-hour week. However, Saturday work may be extended with the permission of management, if this would have a positive effect on employment.

Also in 1997, Volkswagen announced the creation of several hundred new jobs. According to an agreement between management and IG Metall, the newly hired employees would be employed on a temporary basis. Although being hired on the terms of the current company agreements, the newly hired employees would not be eligible for the compensatory extra pay component which was agreed when Volkswagen established the four-day working week in 1994. Thus they would be paid 10% less than core employees. Details were to be fixed by the social partners at establishment level.

In 1999, Volkswagen announced that a part of the workforce covered by the agreement would return to the 'standard' five-day working week (Schulten, 1997e; Zagelmeyer and Schulten, 1997a).



Deutz

In 1996/1997, Deutz, the German machinery and tractor-maker group, was undergoing a radical restructuring after a crisis in 1996 caused by large losses on cement plants in Saudi Arabia. In the context of a company rescue package, an employment pact was struck in May/June 1996 between management and the group works council. It included the following:

- wage cuts of between 2.75% and 10% for all employees;
- all promises regarding occupational pension schemes were rescinded;
- 160 unpaid extra working hours per employee, for all employees covered by collective agreements; and
- measures to increase working time flexibility for all employees covered by collective agreements.

The agreement was valid for 1996-97. In 1997, it was renewed for the years 1998-2000.

Viessmann

Viessmann, a family-owned heating equipment business, employs roughly 6,500 employees. It is a member of the Hessen regional metalworking employers' association (Verband der Metall- und Elektro-Unternehmen Hessen). After 450 employees were made redundant in 1995, Viessmann did not plan further reductions in the workforce. However, management discussed the production of a new product line in the Czech Republic, mainly due to cost advantages in production.

After intense negotiations between management and the works council – the majority of Viessmann works councillors are not trade union members (according to information provided by IG Metall, roughly 10% of Viessmann employees are trade union members) – Viessmann and its employees agreed on an employment pact in April 1996. This pact took the form of individual employment contracts which included the provision that the regular weekly working time should be extended from 35 to 38 hours without compensation. In exchange, Viessmann promised that it would produce the new product line in its main German production location and would guarantee the jobs of its 3,700 employees, as well as their existing benefits, until 31 March 1999. More than 97% of employees agreed to the pact. The resulting savings in personnel costs offset the Czech cost advantage. According to Viessmann, the production of the new product line resulted in the hiring of an additional 167 employees in the period until March 1998.

After IG Metall took legal action against Viessmann in the labour courts of Marburg and Frankfurt, both sides agreed on an out-of-court deal in March 1998, which included a collective company agreement and a settlement. The collective agreement (signed by IG Metall and Verband der Metall- und Elektro-Unternehmen Hessen eV, on behalf of Viessmann) provided for an opening clause which allowed for regular weekly working time to be extended by two unpaid hours by voluntary individual agreement between Viessmann and its employees. In return, there would be a job guarantee for employees (Zagelmeyer, 1998c).

Audi

In December 1997, management of the car producers Audi and its company works council concluded a works agreement on the introduction of a new permanent profit-sharing system for all employees. Both sides also agreed the continuation of the 1996 agreement entitled 'Audi for work and maintenance of the production location' (*Audi für Arbeit und Standortsicherung*) until 31 December 2001. This accord was associated with the decision to produce a new model at the company's production location of Neckarsulm. The 1996 works agreement was valid until the end of 1998 and included a no-redundancies clause; the maintenance of the number of vocational trainees; the taking-on of all vocational trainees who successfully finish their apprenticeship; the provision of qualifications in order to keep jobs; and the further improvement of working time flexibility by new provisions on working time systems and shift systems (Zagelmeyer, 1998a).

Mohn printing

In 1997, a works agreement called 'Pact for Partnership' was concluded at Mohn printing. It included an unpaid extension of working time from the collectively agreed 35 hours a week to a 37-hour week and various measures to cut labour costs, such as a reduction in monthly payments of between 4% and 6% through a reduction of 'payments above contract wages', the flexible use of working time depending on orders, through the introduction of a 'working time account' of 70 hours per year; a reduction of Christmas and holiday bonuses to the collectively agreed level; and the introduction of Saturday work at least eight times per year. In return, the company declared that it intended not to make people redundant without the permission of the works council.

Ravensburger

In May 1997, the management at Ravensburger, a German producer of games with about 1,250 employees, presented its workforce with a document called the 'Pact for improving competitiveness and safeguarding production sites' (*Bündnis zur Stärkung der Wettbewerbsfähigkeit und Standortsicherung*). The core of this document was the company's plan to extend weekly working time from 36 hours to 38 hours without any wage compensation for the employees. In return, the company promised that no redundancies would be made until the end of 2000.

Preussen Elektra

In July 1997, a two-year company agreement was concluded for approximately 11,000 employees of the energy corporation Preussen Elektra, by the Public Services, Transport and Traffic Union ÖTV, the chemical workers' trade union IG Chemie and the employers' association for the energy sector. The agreement included a two-hour weekly working time reduction and the introduction of a 36-hour week from January 1998. The employees would receive full wage compensation, but had to accept that there would be no further wage increases for the next two years. As a partial compensation, the agreement provided that the company would make a yearly flat-rate payment to each employee for the years 1997-99. In return, Preussen Elektra promised to create at least 400 new full-time and open-ended jobs during the term of the agreement, in particular through taking on vocational trainees. In addition, the company agreed to create 55 new vocational training places in 1998 and would give those concerned at least a one-year fixed-term contract at the end of their training.



Siemens

On 3 October 1997, the industrial group Siemens announced that management and the works council at its medical technology unit in Erlangen had concluded a framework works agreement on flexible working time. As a consequence, Siemens would invest roughly DEM 200 million and build a new centre. Local government promised its support. The background to the agreement was an expected loss of about DEM 170 million at the Siemens medical technology unit for the business year ending 30 September 1997. The works agreement included:

- Flexible reaction depending on orders. Production is possible at least 12 hours per day for six days per week. Certain key services, such as spares stores, may be provided seven days per week.
- The abolition of the Saturday work premium.

Continental

In July 1997, Germany's largest car-tyre manufacturer, Continental, announced the conclusion of a new works agreement for its tyre production plant in Hannover-Stöcken, which was threatened with closure. The agreement foresaw a sharp reduction in labour costs, mainly through:

- the extension of working time from 37.5 hours to 38.75 hours per week without any wage compensation;
- a step-by-step abolition of Continental's recent 'payments above contract wages'; and
- the abolition of the special premium (60% of the normal payments) for shift work on Sunday.

The plant's management and works council were both hopeful that there was long-term security of jobs and production at Stöcken, although management gave no guarantee that it would avoid redundancies. On the contrary, Continental had already declared that, by the end of 1997, there would be a further workforce reduction at the Stöcken plant.

Bayer

In June 1997, the chemical company Bayer and its company works council (supported by the trade union IG Chemie) signed a works agreement to save production sites and employment in Germany.

In the works agreement, Bayer management committed itself to new investments in German plants at a minimum level of DEM 3.8 billion each year until the end of 2002 and also to avoid redundancies until the end of 2000. Nevertheless, Bayer also declared that it wanted to reduce its current workforce of about 45,000 employees by 10% during that period by natural turnover and partial retirement, as well as by offering 'contracts for dissolution' (*Auflösungsverträge*) to some of its employees.

Finally, management declared that it would offer at least 800 vocational training places each year until the end of 2002 and would guarantee every vocational trainee who finished training a full-

time permanent job. In return, the company works council agreed to further reductions in labour costs by cutting or removing several social benefits which had hitherto been paid voluntarily by the company above the collectively agreed rate. These included:

- removal of the individual bonus paid according to the length of service of an individual employee (*Treueprämie*);
- removal of the former special offer to employees to buy company shares;
- reduction of the company's annual bonus by DEM 126 million;
- removal of special holidays for employees who had reached a certain length of service;
- further flexibilisation of working time by using individual 'working time corridors';
- removal of former paid special breaks for shiftworkers; and
- a new provision which made it easier for the company to transfer employees within the company.

Ford Germany

In April 1997, the management board at Ford Germany and the company works council signed a works agreement to secure investment. In the agreement, management promised new investments at the five German plants. In return, the company works council agreed to a reduction of 'payments above contract wages' and a further flexibilisation of working time. In the works agreement, it had been determined that the wage increases of 1.5% in 1997 and 2.5% in 1998 (which were set at current branch-level collective agreement in the metal sector) would be compensated for by a reduction in 'payments above the contract wage'. Furthermore, the works agreement foresaw a reduction of the previously high bonuses for late and night work to the collectively agreed rate.

Regarding working time, Ford employees would still work a 37.5-hour week. The difference between this and the 35-hour week, which was collectively agreed at branch level, would be compensated by 15 free shifts (105 hours) per year. The agreement also introduced a 'working time corridor' of 70 hours, including Saturday work. This meant that only when an employee worked more than 70 hours would the company have to pay an overtime bonus, which would be reduced from 50% to 25%.

Ford Germany announced that the new works agreement would bring cost savings amounting to USD 120 million per year. The chairperson of the company works council declared that the new agreement would secure jobs at the company for the next 10 to 15 years.

Mercedes Benz

In February 1997, a company-wide employment pact (*Beschäftigungspakt*) was signed at the automobile manufacturer Mercedes Benz in Germany. A whole package of instruments was designed to boost competitiveness and save the jobs of the 134,000 employees working there. The background to the agreement was the increasing international competition between different potential production locations, with the resulting need to cut costs.

The first cornerstone of the package involved local establishment works agreements on investment, product lines, working time flexibility, sickness absence and the limitation of pay increases. The second cornerstone was represented by a company-wide works agreement between the management board and the company works council. According to this agreement, which is valid until 31 December 2000, pay increases would no longer be calculated on the basis of the actual effective wage level, but rather on the basis of the (lower) wages agreed upon in collective agreements. Furthermore, extra payments for shiftwork and Saturday working were abolished. In return, Mercedes Benz would avoid redundancies and offer jobs to all vocational trainees (about 2,000 each year). Both sides would negotiate a new pay system.

Thyssen Krupp

In March 1998, Germany's Thyssen and Krupp-Hoesch steel companies, their works councils and the IG Metall trade union concluded a package of agreements concerning industrial relations issues arising from the Thyssen Krupp merger.

One year earlier, in March 1997, Krupp-Hoesch, the second largest German steel producer, announced plans for a hostile takeover of its main competitor, Thyssen, aimed at creating substantial 'synergy' effects and improving the competitiveness of the German steel industry. After mediation by the State government of North Rhine-Westphalia, Krupp declared that it would shelve its takeover plans. Instead, both companies decided to merge their steel productions from 1 April 1997. On 27 March 1997, Krupp-Hoesch and Thyssen, on the one hand, and IG Metall, on the other, signed a joint agreement in which both companies declared that there would be no redundancies during the period of restructuring of the new steel company. The company declared that the reduction of its workforce would mainly be organised through early retirement, voluntary departures with compensation for job loss and transfers to other non-steel production parts of the two companies. In addition, both companies agreed to create 1,300 new jobs in the region of Dortmund, which would lose most jobs as a result of the merger. If, during the next few years, the company saw a need to revise its human resource planning, a joint committee would be set up to develop new strategies to avoid further dismissals. The joint committee would be comprised of managers from both companies, the works councils, IG Metall, the North Rhine-Westphalia Government and representatives of the affected cities (Schulten, 1997c).

In November 1997, Krupp-Hoesch and Thyssen resumed talks on a complete merger and the creation of a heavy-industry concern. In January 1998, the executive chairs of the two companies submitted a joint industrial plan for a merged Thyssen Krupp company. This included provisions on the group management structure; a guarantee of no merger-related redundancies (as agreed with workforce representatives of both companies and IG Metall); a split of Thyssen Krupp into five divisions (steel, trade, industry, automotive and plant construction); establishment of the new concern's name as 'Thyssen Krupp'; and an announcement of a large-scale rationalisation process with workforce reductions of about 6,500 by the year 2001. The plan was approved by the supervisory boards of the two companies. On 2 February 1998, a 'merger working group' of representatives of the workforces and management of Krupp and Thyssen, as well as IG Metall, discussed key questions relating to the merger. As a result, all sides agreed that there would be no redundancies by 2001.

In March 1998, the two companies, together with their work councils and IG Metall, concluded a package of agreements for the new Thyssen Krupp company. The basic agreement (*Grundlagenvertrag*) stipulated, as a matter of principle, that the works councils would be involved in the merger process. The agreement also included a status quo clause on employees' entitlements, which were not to be affected by the merger. The no-redundancy agreement (*Kündigungsschutzvereinbarung*) stipulated that there would be no merger-related redundancies before 31 December 2001. This provision was not valid for employees who rejected reasonable offers under the personnel plan (Zagelmeyer, 1998b).

Deutsche Bahn

In October 1998, the board of Deutsche Bahn (the German railway company), together with the company works council and the trade union for the railway sector GdED, concluded an employment pact for the 260,000 employees concerned. The new agreement succeeded the earlier 1996 employment pact, which was due to terminate at the end of 1998.

Under the new pact for jobs, there would be no redundancies at Deutsche Bahn until the end of 2002. To achieve this goal, both parties declared that it was still necessary to improve the competitiveness of the company. According to the employment pact, jobs would be secured by an extension of the company's internal labour market by various methods, including increasing employee mobility, more employee transfers within the company, more flexible working time arrangements and reintegration of formerly outsourced business units to Deutsche Bahn (such as security services, cleaning of trains and facility management).

Hoechst Marion Roussel

In May 1998, the pharmaceuticals producer, Hoechst Marion Roussel (HMR) Germany, concluded an 'agreement on the maintenance of the production location and employment' (*Standort- und Beschäftigungssicherungsvertrag*). The deal was signed by the company, its group works council, the mining, chemical and energy workers' trade union IG BCE, the salaried employees' trade union DAG, the association of salaried academics and managers in the chemical industries VAA, and the Hessen chemical employers' association.

The aim of the agreement was to provide production, research and development, marketing, distribution and administration at HMR Germany with an attractive and competitive environment, and thus with a future perspective. At the same time, the agreement aimed to secure jobs at the German production locations. Its main provisions included:

- a no-redundancy clause, valid until the end of 2002;
- a promise by HMR of investments of a minimum of DEM 110 million per year in Germany;
- the size of the workforce would be maintained at a level of 5,900; in the event that a particular subdivision (the *Fermentationsverbund*) was sold, the affected employees would be guaranteed long-term job security with the buyer;

- at least 100 vocational training places would be offered and filled per year; after the successful completion of their training, all vocational trainees would be offered a job at HMR;
- a special qualification and training programme would be established for employees who were to be transferred to other parts of the company due to job losses;
- the works council and employees would be informed frequently on major project decisions regarding research and development; and
- in the event that adjustment of this agreement became necessary, the parties agreed to start renegotiations as soon as possible.

Pirelli

In December 1998, management and the works council at the German subsidiary of the multinational tyre-producing group Pirelli concluded a works agreement, according to which the company would reintroduce the 40-hour working week from 1 January 1999 at its production location in Breuberg/Odenwald.

Pirelli is subject to the rubber industry umbrella agreement for the federal states of Hesse, Lower Saxony, Rhineland-Palatinate and Saarland. This agreement includes an opening clause which allows, by means of a works agreement, for an extension or reduction of working time by a maximum of +/- 2.5 hours around the regular 37.5-hour working week, with equivalent wage adjustment. If the opening clause should apply for larger parts of establishments or complete establishments, the sectoral bargaining parties have to approve the deal.

The Pirelli agreement included an additional incentive pay programme in the form of profit-sharing, which was to be agreed by 31 March 1999. Furthermore, all employees would receive a voucher for Pirelli tyres worth DEM 600 in 1999. Management promised not to make employees redundant until the end of 2001 and to reduce the outsourcing of services.

By means of this agreement, the German Pirelli subsidiary intended to close the cost gap between Breuberg and other Pirelli production sites in Italy, Spain and England. Competitors like Dunlop, Fulda and Continental had returned to the 40-hour working week at their German establishments some months before. After the agreement was concluded, Pirelli's group headquarters in Milan (Italy) promised further investments and the extension of annual production.

Dasa Airbus

In early December 1998, DaimlerChrysler Aerospace Airbus GmbH (Dasa Airbus) – a subsidiary of DaimlerChrysler Aerospace (Dasa) which develops and produces about one-third of the European Airbus programme – agreed with the north German coastal branch of the IG Metall metalworkers' union (IG Metall Küste) and the Dasa works councils on a supplementary collective agreement on the creation of an additional 520 jobs in 1999. At the time, the company was witnessing a boom in demand for its products and expected to have record turnover and

profits in 1998. The company had previously intended to meet the increased demand for labour by outsourcing, contracting out and introducing working time policy measures such as overtime, working time increases and fixed-term contracts.

Opel Germany

Adam Opel AG is the German subsidiary company of the General Motors Corporation (GM). Employment pacts were concluded at Adam Opel AG in 1993 and 1998. The first 1993-97 'site pact' (*Standortvertrag*) included the following provision: whenever a wage increase collectively agreed at branch level was more than 2%, the employees would receive only two-thirds of the additional wage increase while one-third would be compensated with a cut to other company payments. In exchange, management promised that there would be no relocation of jobs from Germany to other European GM plants.

Negotiations for a new pact started in March 1997. During the negotiations, Opel management announced that further job guarantees could be given only in exchange for more substantial cuts in labour costs and a further reduction of the current wage drift. In January 1998, after the chair of GM Europe had announced workforce reductions with a possible loss of 9,000-14,000 jobs in Germany alone, German Opel management and the company works council were ready to sign a second site pact. This contained management promises on new investments and job security, as well as measures to cut labour costs. The most important provisions included:

- new investments to secure the existing German production sites until the end of 2001;
- no redundancies on economic grounds (*betriebsbedingte Kündigungen*) until the end of 2002;
- further cuts in the company's 'payments above contract wages': until the end of 2002, wage increases collectively agreed at branch level would be reduced by 1.25 percentage points for Opel workers through a cut in additional company payments;
- the Christmas bonus would be linked to the rate of absence from work; and
- all vocational trainees who completed their apprenticeship would be taken on.

German Opel management also announced that the total workforce would be reduced by up to 4,000 employees by 2001, mainly through early and partial retirement measures. The pact included new company retirement schemes, which guaranteed employees 80% of their former net income in the case of early retirement and 85% in the case of partial retirement (Schulten, 1998a).

Public sector

Wuppertal local administration

In December 1998, the city of Wuppertal and the public sector and transport workers' trade union ÖTV signed a 'framework agreement for a municipal pact for jobs' (*Rahmenvertrag über eine kommunales Bündnis für Arbeit*). The central aim of this pact was the creation of new jobs in the local administration through the promotion of part-time work, the promotion of partial



retirement, the reduction of overtime and the introduction of new working time arrangements and more flexible working time.

In addition, the municipality agreed to create more vocational training places and to support combined private-public vocational training networks between itself and private enterprises. It also indicated its willingness to extend State-sponsored employment.

National Action Plan

In April 1998, the former German Government presented its National Action Plan (NAP) for employment. This contained a broad range of economic, financial, educational and labour market policy initiatives. When preparing the plan, the German Federal Government organised several rounds of joint talks with representatives from the trade unions and the employers' and business associations. However, none of the rounds of discussions were able to develop a joint statement or recommendation on how to implement the EU guidelines in the NAP. Although there was some consensus on certain measures for the promotion of vocational training and better support for the long-term unemployed, the social partners in most political fields held very different positions on the fight against unemployment. This led to there being no systematic contribution by the social partners to the German NAP (Schulten, 1998b; Schulten and Zagelmeyer, 1999).

Evaluation

In general, it is difficult to measure the employment effects of certain collective agreements in Germany because the decision to safeguard or create employment is influenced by various issues such as a company's overall economic performance or the market situation. Some evaluations have been described in the sections above. In addition, the metal sector agreements have been evaluated as follows:

- *Eastern German metal industry:* An evaluation made by the University of Bremen found that, between 1993 and 1996, about 100 companies made use of the 'hardship clause'. About half of these companies were able to stabilise their employment situation afterwards. All in all, the employment effects were limited (Schulten, 1997b).
- *Western German metal industry:* According to a 1994 survey conducted by the Munich-based Ifo-Institut on behalf of the metal employers' association Gesamtmetall, the metal 'agreement to safeguard employment' led to a positive employment effect of 50,000 jobs. However, an IG Metall survey found that this agreement only contributed to avoiding about 7,400 redundancies and to safeguarding 19,400 jobs (Zagelmeyer and Schulten, 1997a).

Empirical information

1998 WSI survey

In the 1990s, measures to secure employment have become an increasingly prominent topic for the works and staff councils which represent employee interests at establishment level in

Germany. A recent survey by the Wirtschafts- und Sozialwissenschaftliches Institut (WSI, 1998) documents this trend and shows that, in Winter 1997/98, agreements on employment security existed in 24% of private sector establishments covered by works councils and in 12% of public sector establishments covered by staff councils. As regards their sectoral distribution, they are most frequent in telecommunications, postal services, insurance, furniture and the metalworking industry. Most works agreements on securing employment include temporary guarantees on employment, such as the employer ruling out redundancies. Employment guarantees are more frequent in larger establishments and more likely to be found in western than in eastern Germany (Zagelmeyer, 1999).

The WSI 1998 survey reveals that the most pressing problems and developments that works and staff councils have had to deal with since 1994 are personnel reductions. Almost two-thirds of works councils and nearly one-third of staff councils report that their establishment is subject to measures aimed at maintaining employment. These measures include (in order of importance): leisure time in exchange for overtime; introduction of working time accounts; reduction of overtime; introduction of partial retirement; creation of part-time jobs; overtime without bonus; additional Saturday work; reduction of bonuses; reduction of wages above collective contracts; increase of working time; downgrading; short-time working; working time reductions to maintain employment; suspension of collectively agreed wage increases; extra holidays; additional Sunday work; and reduction of compensation for trainees.

1999 study on agreements on securing employment

A recent study by the Hans Böckler Foundation (1999) analysed the content of works agreements in securing employment. Based on an evaluation of 139 works agreements from 111 establishments, the study reveals that the content, scope and complexity of the employment pacts show a great variety, with agreements differing from company to company. The reasons why companies agree employment pacts are also varied and can range from an economically difficult situation (such as the threat of liquidation) to specific company aims (such as the introduction of organisational changes) to simply the improvement of competitiveness. Usually, the agreements are concluded between the company's management and works council; in a few cases (particularly in the public services), the agreements have also been signed by the relevant trade union. Apart from the detailed provisions, however, most employment pacts follow a similar basic pattern – a trade-off of employees' concessions on working conditions against employers' promises of limited job guarantees (Schulten, 1999).

As regards the contents of such agreements, the most frequent bargaining issue covered is working time, including greater flexibility of working time, reduction of working time (with no wage compensation), extension of working time, reduction of overtime and increased use of part-time work. The second most frequent bargaining issue covers a wide range of organisational changes, including the introduction of new forms of work organisation or the restructuring of business units. Furthermore, the employment pacts may contain measures on continued training, regulations on transfers between different divisions and cuts in company payments and social benefits.



In exchange for employees' concessions on working conditions, most works agreements also contain certain promises on the employers' side, covering various aspects of employment security. The most frequent promise is a renunciation by the employer of redundancies for economic reasons (*betriebsbedingte Kündigungen*). However, this kind of job guarantee is often limited to the core workforce and does not, therefore, necessarily mean that the number of employees will remain stable. On the contrary, some agreements explicitly mention reductions of the workforce, while at the same time guaranteeing a certain (reduced) employment level. Furthermore, a few agreements also have an 'emergency clause' (*Notstandsklausel*) which allows the employer to depart from its promise of no redundancies in the event of unforeseeable economic difficulties. The second most frequent employers' promise is the guarantee of giving vocational trainees a permanent job. Some employers also agree to maintain their vocational training capacities. Regarding organisational changes, some employers promise to maintain the existing grading system (particularly in the public services), while other agree to abandon outsourcing plans. Finally, some employers express their general intention to safeguard or even extend an establishment, while a very few agreements contain concrete promises for new investments.

Context and overview

Historical development

The rise in unemployment in the 1990s in Greece initiated intense dialogue between the social partners concerning the need to find effective solutions. Although there have been a number of initiatives at national level, there are few coordinated actions or measures on a practical level aimed at boosting employment at sector or company level. While a national tripartite 'Confidence Pact' was agreed in 1997, local initiatives have proved more difficult to reach (Soumeli, 1998a).

Measures to fight unemployment currently discussed include the reduction of non-wage labour costs, moderate wage policy, Local Employment Agreements and working time.

Labour market background: Unemployment and employment policy

Historically, Greece had an average unemployment rate of 5.1% in the period 1961-70 and 2.2% in the following decade. Then unemployment rose to an average of 6.4% during 1981-90. Since 1996, when unemployment reached a peak of 9.6%, the situation has slightly improved – to an estimated 9.4% in 1998.

Government unemployment policy is both palliative (with the payment of unemployment benefits) and preventive (with measures such as further training and occupational rehabilitation). Since 1969, these policies have been pursued mainly through the Labour Force Employment Organisation (OAED). The OAED's intervention in the labour market also includes funding for job creation for local authorities and the private sector (Greece, 1997). Historically, employment has been regulated by the law in Greece, without much participation of the social partners.

Bill on the regulation of labour relations (1998)

In August 1998, the Greek Parliament passed the much-debated bill on the regulation of industrial relations. This aimed primarily at the preservation of existing jobs and the creation of new ones, as well as giving a boost to the competitiveness of the Greek economy. The legislation contained provisions on important issues in labour law and industrial relations, including measures to improve working time flexibility and the use of part-time work, as well as provisions on 'atypical' forms of employment and the distinction between dependent and independent labour.

In order to fight unemployment, Article 4 stipulated that in certain areas of high unemployment 'local employment agreements' may set wages lower than those provided for in branch-level agreements, but not lower than the National General Collective Agreement minimum. In addition, an employer who becomes active in one of the areas considered as pockets of unemployment would be allowed to pay new recruits wages lower than those stipulated in branch agreements, but not lower than the National Collective Agreement minimum, for a period of one year, up to 31 December 2001. In cases where pay was reduced, the agreement of the competent labour centre would be required (Kouzis and Soumeli, 1998; Soumeli, 1998b).

Collective bargaining on employment

In recent years, pressure has mounted on all parties involved to rethink and revise the traditional policies and practices of Greek industrial relations, as well as to promote social dialogue between employers and employees. The 1990 National General Collective Agreement constituted a breakthrough in the Greek collective bargaining system. It gave employers and unions the opportunity to negotiate over a greater range of issues than pay and working hours. Subsequently, legislative backing was enacted for the national agreement as Law 1876/1990 on free collective bargaining; this new law replaced the old Law 3239/1955, a basic feature of which had been State intervention. The new legislation defined the concept of collective bargaining and introduced new elements into the processes involved (Soumeli, 1997a).

The problem of unemployment was one of the first new issues to be tabled on the collective bargaining agenda and, as such, has formed the focus of Greece's National General Collective Agreements (EGSSEs) over the years. These agreements cover the private as well as the public sector (though not public administration). However, employment as a bargaining issue is limited to national level only, with hardly any action taken at the levels of sector, company or workplace.

National level

National General Collective Agreements (1991-92, 1993 and 1994-95)

The first measures on employment appeared in the National General Collective Agreement for 1991-92. Its Article 4 provided for a special contribution from employers for vocational training. Next, Article 3 of the 1993 National Agreement provided for an extra contribution from both employers and employees, to finance programmes designed to help the unemployed. Finally, in the 1994-95 National Agreement, the social partners declared their willingness to complete and apply Articles 3 and 4 of the 1993 agreement. Law 2224/1994 established two special funds to finance specific actions in the area of employment and vocational training, as follows:



- *The Special Fund for Programmes for Vocational Training and Education (ELPEKE)*, which is funded by an employer's contribution of 0.45% of basic pay (as agreed in the 1991-92 National General Collective Agreement). ELPEKE finances vocational training and educational programmes, as well as programmes and activities covering health and safety at work.
- *The Special Common Fund for Unemployment (EKLA)*, which is funded by a further employer's contribution of 0.26% of basic pay, along with an additional employee's contribution of 0.10% of basic pay. EKLA finances programmes designed to aid unemployed people.

Both funds are managed by a nine-member committee (Soumeli, 1997a). This consists of the director of the Labour Force Employment Organisation (OAED), a body supervised by the Ministry of Labour, together with four representatives from the Greek General Confederation of Labour (GSEE), two from the Federation of Greek Industries (SEV), one from the General Confederation of Greek Small Businesses and Trades (GSEVEE), and one from the Federation of Greek Commercial Associations (ESEE).

National General Collective Agreement (1996)

As a product of the National General Collective Agreement of 1996, Law 2434/1996 on 'Policy Measures for Employment and Vocational Education and Training' merged the two funds ELPEKE and EKLA into one fund called the *Fund for Employment and Vocational Training (LAEK)*. The principal aim of this merger was to finance combined programmes in the area of employment creation and training on the labour market, as well as to develop a more rounded and global approach to the various forms of activity. Contributions from employer and employee remained the same. The management of the LAEK fund was placed in the hands of an integrated management committee, consisting of four representatives from GSEE and four designated by the employer organisations SEV, GSEVEE and ESEE. The committee is chaired by the director of OAED and advised by consultants (Soumeli, 1997a).

Tripartite 'Confidence Pact' (1997)

In November 1997, the Greek Government, trade unions and employers' organisations signed an agreement covering development, competitiveness and employment. It was called the 'Agreement of Trust between the Government and the Social Partners on the Road to 2000', also known as the 'Confidence Pact'. It was signed by the Greek General Confederation of Labour (GSEE), the Confederation of Public Servants (ADEDY), the Federation of Greek Industries (SEV) and the National Confederation of Greek Commerce (ESEE). The General Confederation of Greek Small Businesses and Trades (GSEVEE) refused to sign. The most important provisions of the Confidence Pact included:

- *Public policy guidelines*: Public investments had to be aimed at creating the greatest number of jobs possible. To achieve this goal, tripartite committees could be formed in each region.
- *Employment and competitiveness*: It was accepted by all sides that to deal with unemployment a long period of economic growth was needed, but that this alone was not enough. It

was also necessary to adapt to new forms of labour – to ensure structural changes in the labour market. Furthermore, the need to support active employment policies was noted.

- *Pay policy*: Nominal wages in 1998 and 1999 should rise along with inflation and should also reflect part of the increase in average productivity of the Greek economy.
- *Changes in labour relations and social protection*: Measures should be taken to protect young people under the age of 29 through an ‘integrated national entry into the labour market’ which, by 2000, would cover all the country’s unemployed youth. In addition, the reduction of non-wage labour costs should be examined as an incentive for hiring unemployed youth.

Furthermore, the pact included provisions on part-time employment, ‘unofficial’ forms of work, social protection and participation of the social partners in ‘local employment agreements’.

During the process of this tripartite social dialogue, there was strong disagreement, between the Greek Government and the employers’ associations on the one side and the unions on the other, regarding the impact of increases in real wages over the coming years. The government and employers claimed that labour costs in Greece must be reduced in order to increase profitability, investment and competitiveness. Thus, the government announced that wage increases during 1998 should not exceed inflation, while the Greek General Confederation of Labour (GSEE) hinted at a lack in purchasing power and demanded the introduction of the 35-hour-week (Ioakimoglou, 1997; Soumeli, 1997b and 1997c; Soumeli and Kouzis, 1997).

National General Collective Agreement (1998)

The National General Collective Agreement of 1998 sought to take into account the need to achieve the government’s objectives for 1998-99 in view of EU Economic and Monetary Union (EMU), in the belief that a similar spirit would prevail in agreements at branch level and/or at other levels. Except for provisions on relatively moderate wage increases which are linked to different inflation rate developments, it included no employment-related issues.

Regional level

Territorial employment pacts

In March 1997, the tripartite National Institute of Labour (EIE) announced a framework for setting up and implementing territorial employment pacts (TEPs). Financially supported by EU structural funds, these TEPs aim to boost employment in particular geographical areas. The first phase, begun in Autumn 1997, was a pilot project operating in seven territories with high rates of unemployment.

Local level

Local employment agreements

Since September 1998, a legislative framework (Law 2639/1998) has been in place for the conclusion of local employment agreements (TSAs). These are local development and employment initiatives, which may include labour clauses, governing minimum pay and



conditions for the staff employed to carry out the work or activities which the agreements create. TSAs are part of a wider endeavour to deal with unemployment and develop depressed areas of Greece. They aim at the improvement of vulnerable areas, especially regions or prefectures which show severe problems of unemployment and/or a drop in the level of the active population.

TSAs involve programmes aimed at promoting employment in viable competitive activities, at combating unemployment and at creating new jobs. They may concern:

- measures to secure and develop employment in general and for specific groups in particular;
- measures to develop the education and training sector, with the basic objective of linking it to the needs of local production; and
- actions to boost employment in the framework of national and European Community support for small and medium-sized enterprises and other investment activities.

TSAs can be financed with either national resources or with Community funds, particularly by making use of available Regional Operational Programme resources, but also with private capital.

According to the law, the contracting parties for TSAs are bodies at all levels of the public sector and local government, or local associations of municipalities and communes, and social partner organisations as defined in the law regarding the composition of the Economic and Social Committee (OKE). However, participation of trade union organisations is not a prerogative for concluding a TSA. Only when a TSA contains labour clauses must the most representative labour centre in the area affected by the TSA take part in concluding it, so as to ensure its effectiveness.

Among other issues, TSAs may regulate minimum wages and salaries, as well as general conditions of employment of the staff to be employed in carrying out the work or the activities to which they refer. In any case, inclusion of clauses regarding labour matters is not obligatory. Labour clauses in the TSAs may co-exist with collective agreements. To avoid conflicts between different types of regulation, the law makes a distinction between (1) cases where labour clauses in a TSA co-exist with the terms of a National General Collective Agreement, where it specifies that the principle of optimality applies (the more advantageous provision), and (2) cases where TSA labour clauses co-exist with the terms of other categories of collective agreements, where it states that the labour regulations contained in TSAs override all others.

The necessary preconditions for the validity of labour conditions included in TSAs are as follows (Lixouriotis, 1999):

- the most representative labour centre in the relevant geographical area must have taken part in concluding the TSA;
- the TSA must have been ratified by decision of the Minister of the National Economy and

the Minister of Labour and Social Security; and

- the TSA's labour clauses must have been included in the individual employment contracts of people to be engaged by its implementing bodies.

National Action Plan

In its National Action Plan (NAP) for employment, the Greek Government acknowledged that fighting unemployment could not be efficiently achieved by government policies alone. Instead, all the necessary supplementary actions must be developed by the local authority agents at various operational levels, by the business community and by the employed or unemployed themselves (Ministry of Labour and Social Security, 1998).

Context and overview

Historical development

Employment and employment creation have played an important role in Ireland's four recent national agreements. In each case, the imperative has been to manage the economy according to particular fiscal and monetary guidelines. These tripartite agreements are widely considered to have significantly contributed to improving the country's economic performance and to creating additional employment.

In contrast to the national agreements, agreements at local level have rarely contained explicit references to employment creation and expansion in recent years. However, there is evidence that some companies are seeking to establish 'new partnership agreements', with trade unions being pressed by employee representatives to make some provision for employment security (Thomas and Geary, 1997).

The transformation in the fortunes of the Irish economy has meant that the context in which national agreements have been negotiated has changed from one of 'crisis management' to one of 'growth management' at a time of rising expectations. But the context of strong economic growth has also generated a number of pressures, such as disputes over public sector pay, a degree of wage drift, skill and labour shortages, and disagreements over trade union recognition (Dobbins and Sheehan, 1999).

Labour market background: Unemployment and employment policy

Within the last decade, the Irish economy has performed exceptionally well, with low inflation, relatively high average growth rates, the restoration of order to its once precarious national

finances and resulting improvements in prosperity and living standards. The strong performance of the economy has resulted in significant employment growth (Dobbins and Sheehan, 1999).

While all this represents a considerable achievement, labour market performance in terms of unemployment rates is ambiguous. After witnessing an average unemployment rate of 5.4% in the period 1961-70 and 7.7% in the following decade, unemployment soared to an average of 14.7% during 1981-90. Although unemployment has decreased markedly from 15.6% in 1993, it still stands at an estimated 8.7% in 1998.

In the 1990s, measures to tackle unemployment involved considerable input from the social partners. For example, under the current national agreement called 'Partnership 2000 for Inclusion, Employment and Competitiveness', the social partners have had an influence on issues such as personal taxation policy, measures to promote employment, anti-poverty measures, public service provision and equality issues. This reflects the attempts to secure a national consensus by providing the social partners with a role in the management of social, economic and labour market policy in return for wage moderation (Dobbins *et al*, 1998a).

As regards labour law and the labour regulatory environment, the government consults extensively with the social partners and other relevant interests to identify the means of achieving a balanced body of labour legislation, together with measures designed to stimulate employment. This approach provides an appropriate framework for the purpose of achieving an efficient and competitive business environment.

A number of measures have been introduced to create employment in Ireland, many of which have involved great input from the social partners. Passive labour market policy measures have increasingly been superseded by a range of active labour market policies which attempt to tackle unemployment directly. These have included general and skills training, employment subsidies, direct employment schemes and area-based partnerships (Dobbins *et al*, 1998a; Dobbins and Sheehan, 1999).

In its 1998 National Action Plan (NAP), the Irish Government laid down its economic and employment strategy. This provided for the strengthening of the economy's capacity for sustainable growth and for the resources to tackle outstanding problems, including further reducing the numbers unemployed. This would be achieved by keeping inflation low, maintaining sound public finances, on-going reduction in the national debt, facilitating continuing tax reform, expanding the country's economic infrastructure and improving competitiveness. This strategy would be continued and developed in the framework of the current national programme agreed between government and the social partners, 'Partnership 2000'.

With the clear goal of full employment, progress is being achieved against a strategic framework of:

- stable macroeconomic policies;



- the consensus approach in successive agreements with the social partners, which has provided a framework for social and economic development and for moderation in pay increases, leading to significant employment growth;
- significant productivity improvements in the economy;
- investment in infrastructure, including education, with support from EU structural and cohesion funds;
- targeted taxation and welfare reforms, designed to make it more attractive for employers to offer jobs and for potential recruits to seek and accept jobs; and
- targeted interventions for priority categories most at risk of becoming long-term unemployed and the large stock of current long-term unemployed who have been unable to share in the current economic growth.

Ireland's current government, in particular, places great hopes on the success of the social partnership approach at company level to facilitate modernisation of work organisation, to recognise the mutual benefits from a partnership arrangement and to accommodate the flexibilities needed to ensure ongoing competitiveness, including a balanced labour market regulatory framework.

Collective bargaining on employment

National level

In 1987, Ireland saw a return to centralised bargaining with the conclusion of a three-year national agreement by the government and social partners. The Programme for National Recovery (PNR) covered pay and a broad range of economic and social policy areas. It was to set a pattern for subsequent national agreements in that any commitment to maintaining or creating employment had to be made within the parameters set for the national economy's management and fiscal framework. The PNR has been succeeded by three subsequent three-year national agreements – the Programme for Economic and Social Progress (PESP), the Programme for Competitiveness and Work (PCW) and Partnership 2000 – thereby heralding ten years of social partnership arrangements in Ireland. Within all of these national agreements, increasing or maintaining employment and reducing unemployment have been cited as the primary objectives (Thomas and Geary, 1997).

Programme for National Recovery, PNR (1987-90)

The 1987 PNR agreement, covering pay and a broad range of economic and social policy areas, was forged as a response to deep fiscal crisis and economic recession, combined with high – and rising – levels of unemployment (17.6% in 1987). The idea behind the PNR was that the employment crisis could be addressed by (1) restoring macroeconomic stability and (2) introducing specific employment-orientated initiatives. The PNR sought to establish a fiscal, exchange rate and monetary climate favourable to economic growth. It also identified the need for the intensification of practical measures to generate jobs. Given the scale of the national debt

in 1987, restoring order to the nation's finances took precedence over other issues. When the PNR came to an end in 1990, significant advances had been achieved in reducing the debt/GNP ratio (Thomas and Geary, 1997).

Programme for Economic and Social Progress, PESP (1991-93)

The 1991 PESP established 12 'area-based partnerships', designed to address long-term unemployment through the integration and localised delivery of health, training, education and enterprise measures (Thomas and Geary, 1997).

Programme for Competitiveness and Work, PCW (1994-96)

The third national agreement, the 1994 PCW, also committed the government to the provision of 40,000 places on a new Community Employment initiative. This target was quickly met by the end of 1995. The government then proposed a cutback in the budget allocation that would have resulted in the number of supported placements falling from 40,300 to 35,000. The Irish Congress of Trade Unions (ICTU) perceived this as a challenge to the national agreement's stated commitment to an effective and active labour market policy. Thus it strongly voiced its disagreement within the Central Review Committee (CRC), the monitoring body of the National Agreements. As a consequence of the ICTU's intervention, the CRC put pressure on the government, resulting in the restoration of the agreed number of community employment places (Thomas and Geary, 1997).

Partnership 2000, P2000 (1997-2000)

In early 1997, the three-year national programme – Partnership 2000 for Inclusion, Employment and Competitiveness (P2000) – was concluded between the Irish Government and social partners. The agreement allowed for pay increases totalling 9.25% over 39 months and included tax relief measures worth IEP 1 billion. It also promised to promote enterprise-level partnership and employee share-ownership, and to tackle social exclusion. The key objectives of P2000 were stated as: 'The continued development of an efficient modern economy capable of high and sustainable economic and employment growth and operating within the constraints of international competitiveness, ensuring that Irish society becomes more inclusive, that long-term unemployment is substantially reduced, and that the benefits of growth are more equally distributed.'

In framing this policy, the participants in P2000 accepted that the maintenance of low inflation, reduction of public sector deficits and debt, and transition to EU Economic and Monetary Union (EMU) all required agreement on public finances. This included a slowing down of the rate of increase in current public spending, agreement on the maintenance of a firm exchange rate policy, coordinated wage setting with a strong focus on competitiveness and a commitment to economic and social solidarity.

Among other things, the P2000 agreement provided for the following:

- Moderate pay increases over four stages with a 'local bargaining' element. The private sector agreement also stipulated that in paying any wage increases, due regard must be had to the

economic and commercial circumstances of the particular company, employment or industry. Employers who faced genuine difficulty in meeting the agreed pay increases could plead 'inability to pay'.

- The preclusion of strikes or other forms of industrial action in respect of any matter covered by the agreement.
- No new cost-increasing claims were permitted other than those which related to pensions and sick pay schemes.

In a separate chapter of P2000, entitled 'Partnership for competitive enterprises', the Irish Congress of Trade Unions (ICTU) and the Irish Business and Employers Confederation (IBEC) stated their commitment to the development of appropriate partnership initiatives at enterprise level. Topics appropriate for discussion at this level included employee involvement for competitiveness; training, personal development and support; equality of opportunities; representational arrangements; forms of financial involvement; composition of the workforce; cooperation with change, including new forms of work organisation; problem-solving and conflict avoidance; and adaptability and innovation. Thus, the P2000 agreement set out a national framework for extending partnership to the level of the workplace. It did not, however, impose any one model of partnership – a recognition of the fact that there are different competitive pressures facing individual companies (Dobbins *et al*, 1998a).

Furthermore, as agreed in P2000, a National Centre for Partnership was established in July 1997. The Centre would help to promote and monitor partnership, provide technical assistance, disseminate best practice and provide training for management, union and workplace representatives (Sheehan and Geary, 1997).

A direct result of the government's commitment in P2000 to an effective and independent competitiveness review mechanism was the initiative to establish the National Competitiveness Council (NCC) with representatives of the social partners. The NCC was set up in May 1997 and has made recommendations on a range of key competitiveness areas.

Local level

Area-based partnerships

As a consequence of the 1991-93 PESP agreement, 38 urban and rural local area-based partnerships were created, charged with tackling issues relating to social exclusion in a decentralised and participative manner. Local area-based partnerships are tripartite bodies with the primary role of assisting unemployed workers to secure employment and generally to encourage local employment initiatives. Their boards are comprised of representatives from local community groups, employer organisations and trade unions, as well as local or regional representatives of the national social welfare, training or economic development administrations. The partnerships have enjoyed an increasing influence over the activities and expenditures of government agencies in their particular area (Dobbins *et al*, 1998a; Dobbins and Sheehan, 1999).

Company level

In contrast to national agreements, collective agreements at local level have rarely contained explicit references to employment creation and expansion in recent years in Ireland. However, there have been some joint initiatives between employers and trade unions at local level to preserve employment, particularly in the commercial semi-State sector. Examples include the State-owned gas company Bord Gáis and the State-owned airline Aer Lingus (Thomas and Geary, 1997). Furthermore, there is some evidence that companies seeking to establish 'new partnership agreements' with trade unions are being pressed by employee representatives to make some provision for employment security.

There are a number of different trends regarding company-level industrial relations which deserve attention. These include:

- In both private and public sector organisations, and particularly where trade unions exert some considerable influence, employers have often preferred to avoid imposing compulsory redundancies and have instead sought voluntary redundancies. Other methods used to maintain employment by adjusting working time and the organisation of work (such as job-sharing and early retirement schemes) were found to be rare in Ireland (Thomas and Geary, 1997).
- In recent negotiations, foreign-owned companies proved to be moderate and to comply to the terms of a national wage agreement. This is in stark contrast to the behaviour which characterised this sector in the 1970s and early 1980s. This may reflect, among other things, the severity of inter-subsidiary competition within multinationals. Furthermore, the need to be 'good citizens' and to adhere to the national agreement has allowed management to concede to moderate wage increases (Geary, 1997).
- Features of the negotiations conducted under the 1994-96 PCW at local level have been the implementation of wage freezes, wage cuts, the recruitment of new employees on lower entry pay scales and new working practices. These 'concession agreements' do not necessarily make provision for catch-up wage increases once the fortunes of the organisation are reversed. Examples in the private sector include Waterford Crystal, De Beers, Krups, Bayer Diagnostics and Apple Computers, and in the semi-State sector Irish Steel and TEAM Aer Lingus (Geary, 1997).
- Although they are relatively few in number, company/trade union agreements which come under the broad definition of 'partnership', as used in Ireland's three-year Partnership 2000 national agreement, are seen as significant signposts to a new set of workplace relationships. However, assessing the quality of the partnership in the agreements is difficult at such an early stage (Geary, 1998).

Bord Gáis

At Bord Gáis, the State-owned gas company, an agreement was concluded in the early 1990s to retain employment in the context of a restructuring programme. The company agreed to redeploy and retrain skilled manual employees for clerical and administrative positions. As part of a



deliberate attempt to avoid redundancies and maintain employment amongst existing employees, this initiative in the Eastern region resulted in the redeployment of 40 fitters to clerical positions (Thomas and Geary, 1997).

TEAM Aer Lingus

In Summer 1998, a compensation deal for 1,500 employees at the aircraft maintenance company TEAM Aer Lingus (which is the wholly owned subsidiary of the Irish State airline, Aer Lingus) paved the way for the sale of the company to the Danish conglomerate, FLS Industries. In return for average payments of IEP 36,000, the majority of employees agreed, on an individual basis, to waive personal employment guarantees with the parent company (otherwise known as 'letters of comfort').

The employees received legal guarantees in 1990 when they transferred from the former maintenance and engineering division of Aer Lingus to work for the newly created subsidiary, TEAM. The guarantees included the provisions that (1) each of the 1,200 workers involved was given a personal guarantee regarding their employment status with Aer Lingus, as if TEAM did not exist, and (2) the unions were given a collective guarantee that the Aer Lingus Group would retain a 51% share in TEAM in the event of an investor taking a stake in TEAM.

When FLS became interested in acquiring TEAM in late 1997, it was agreed by both parties that the individual guarantees would have to be overcome if workers were to transfer to the new company. FLS was interested in the purchase of TEAM only if a sufficient number of TEAM workers would agree to transfer over to FLS. Aer Lingus acknowledged that the guarantees entitled those who held them to re-employment with the parent company. Since a transfer back to Aer Lingus was an option for only 30-40 employees, the Aer Lingus Group needed first to negotiate an agreement with the trade unions to compensate a majority of TEAM's 1,500 employees for agreeing to forego their legal right to remain as group employees. The monetary compensation package offered to waive the 'letters of comfort' ranged from IEP 7,000 to IEP 65,000, with the average payment estimated at IEP 36,000. Some 400 workers who had joined the company since 1990 and who, therefore, did not possess guarantees, were offered up to IEP 7,000 per person. It was agreed that an independent facilitator should oversee the process.

Each worker was given the chance to return an acceptance form, indicating his or her personal assent to waive the guarantee. When the first deadline for the acceptance of assent forms passed at the end of May 1998, only 41% had been returned, indicating a disapproval rate of 59% of the workers concerned. However, after FLS gave assurances that it would honour certain pay commitments contained in Ireland's P2000, as well as issuing reassurances that it wanted to invest in and expand the business, a second deadline date was set for 6 July. The number of new acceptance forms received by that date saw the total saying 'Yes' rise to 72%. Thereafter, the company effectively kept the deal open and, by 17 August, an estimated 93% of employees had accepted the terms (Sheehan and Geary, 1998).

National Action Plan

Many of the measures contained in the Irish National Action Plan (NAP) for employment of April 1998 are also commitments contained in P2000. The section on 'encouraging adaptability' placed a significant emphasis on promoting partnership at company level. It also contained measures to support adaptability in enterprises, particularly in terms of increasing investment in skills and training.

Within the context of P2000, the government was committed to considering the views of the social partners during the drafting of the NAP. A number of amendments were agreed to. However, the general reaction of the social partners to the finished plan was that it was primarily a repackaging of existing policies, with little significantly new being added (Dobbins *et al*, 1998b; Dobbins and Sheehan, 1999).

Evaluation

Reports from the National Economic and Social Council, OECD, IMF and European Commission have all highlighted the central role of tripartite bargaining in Ireland's economic recovery. In particular, these institutions have stressed that the emergence of stable macroeconomic policies geared towards low inflation and interest rates, combined with the reduction in national debt and moderate pay developments, have all created a climate for economic growth and generation of employment.

According to a joint report by Ireland's Economic and Social Research Institute (ESRI) and the Graduate School of Business, University College Dublin, the outstanding performance of the Irish economy in recent years is due, in no small measure, to the role played by the negotiation of a series of nationalised wage agreements in moderating wage demands, in creating a peaceful industrial relations environment and in achieving a considerable improvement in unit wage costs (Geary, 1997).

According to a survey by the independent Dublin-based journal *Industrial Relations News* (IRN), published in October 1998, most companies are maintaining their pay increases in line with the level agreed in the current P2000 pay agreement. The overall level of adherence to P2000 stood at around 89%, compared with levels of up to 95% for the earlier agreements.

What was repeatedly considered a problem in association with PCW and P2000, however, is that the government has been facing increasing demands from public sector workers (Sheehan and Geary, 1997). Yet a recent report found that, between 1987 and 1993, annual average earnings rose faster for public sector employees than for private sector employees (Geary, 1997).

Context and overview

Historical development

Italy has a long tradition of incomes policy, as well as bipartite and tripartite collective bargaining on employment preservation and job creation. As early as 1977, there was a tripartite social pact aimed at moderate labour cost increases, although it proved ineffective. In 1983, a comprehensive social contract (*contratto sociale*) included provisions in a number of policy fields, such as collective bargaining and wage policy, working rules, tax and social policy, and administered prices.

In the 1990s, employment has gradually acquired top priority in tripartite bargaining at all levels, particularly at company level. The July 1993 tripartite agreement specifically concerned employment creation. The relevant difficulties that hindered its actual implementation up to 1996 led the social partners to sign a new tripartite agreement completely devoted to the topic – the September 1996 Pact for Employment. In 1997 and 1998, employment creation was one of the major topics of both government intervention as well as collective bargaining, with the latter mainly at tripartite level (Pedersini and Trentini, 1997).

The new tripartite framework is clearly influenced by the financial problems of the Italian State and its efforts to join the European Economic and Monetary Union (EMU). The agreements provided for wage restraint and greater labour market flexibility, leading to internal divisions between the trade unions (Carpo and Pedersini, 1997).

Labour market background: Unemployment and employment policy

The Italian labour market is characterised by high rates of unemployment, low participation rates among the working age population, employment rates well below the EU average, low labour mobility, reduced spread of part-time and temporary work, high levels of self-employment and irregular workers, and high levels of female and youth unemployment. In addition, there is a considerable difference in regional unemployment rates, currently below 5% in north-eastern Italy and almost 30% in some southern regions (Pedersini and Trentini, 1997).

Historically, the average rate of unemployment in Italy was 6.1% in the period 1971-80 and 8.8% during the following decade. In the 1990s, unemployment has been rising, from 9.1% in 1990 to an estimated 12.0% in 1998.

The Italian labour market is highly regulated compared with those of other industrialised countries. An important characteristic of the Italian system of industrial relations and employment policy is the strong relation that exists between interconfederal bargaining, tripartite bargaining and the definition of legislative instruments for preserving and creating employment. Policy guidelines are usually defined through bargaining between the government and social partners. The actual utilisation of the specific tools introduced by law must, then, involve the social partners at decentralised level (company- or territorial level), through preliminary consultations or agreements between trade unions and employers' organisations (Pedersini and Trentini, 1997).

The pursuit of financial restructuring and employment creation are the economic policy priorities set by the Italian Government for the three-year period 1999-2001 (Trentini, 1998d). The main points of the government's employment strategy were agreed in the Employment Pact of September 1996 and subsequently confirmed in a deal signed in December 1997. Most of the agreed measures had to be implemented under the direct responsibility of the regions and the local authorities. The government would promote a sustainable development of the economy based on sound macroeconomic policies in order to create more job opportunities and the expansion of employment.

The main instruments used for preserving and creating employment in Italy are described in the following section, with reference to the agreements between the social partners that shaped them.

Youth employment

In order to promote youth employment, work/training contracts (*contratti di formazione e lavoro*) play an important role. They were introduced in the early 1980s (Law 863/84) and their regulation has been amended several times, both by law and interconfederal agreements. At present, work/training contracts allow companies to hire young people up to 32 years of age with a fixed-term contract (of a maximum of 24 months), taking advantage of reductions in wage levels set by industry-wide agreements and of fiscal and social contribution incentives.

The main feature of work/training contracts is the participation of young workers in training programmes, usually jointly defined by trade unions and employers' organisations, which should

enable them to acquire specific professional skills. For this reason, hiring with work/training contracts is forbidden for the lowest job classification levels. At the end of the work/training period, the contract may be 'confirmed' or converted into an indefinite duration. Only companies that have confirmed at least 60% of the expired work/training contracts can continue hiring people with this kind of contract (Pedersini and Trentini, 1997).

Preserving employment during restructuring

The law defines a number of instruments that can be used during company restructuring processes:

- *The Wages Guarantee Fund (Cassa integrazione guadagni)* grants an income lower than ordinary pay to workers of companies or sectors that are either facing economic difficulties due to transient market conditions or are in a restructuring process. In the past, the wages guarantee fund has often been utilised for collective lay-offs, as a functional equivalent of unemployment benefits, even if its use does not discontinue the labour contract. The procedure for claiming support from the fund requires a consultation between the employer and trade unions.
- *The Mobility procedure (mobilità)* was introduced in 1991 by Law 223/91 in application of the European Directive on collective dismissals of 1975 (Council Directive 75/129/EEC). It stipulates that when workers are made redundant following a company restructuring process, they can enter 'mobility'. Workers in mobility receive a benefit and enter a regional 'mobility list' that has the purpose of helping them find a new job. Companies that hire workers put on these mobility lists receive a set of benefits in terms of social contribution reductions, economic incentives and tax reductions. The mobility procedure also requires a consultation between the employer and trade unions.
- *The Job Security Agreements (Contratti di solidarietà)* make it possible to avoid or reduce dismissals in case of company reorganisation. Law 863/84 of 1984 grants, to companies that sign an agreement with trade unions for reducing working hours for a certain number of workers in order to avoid redundancies, a contribution of 50% of the pay loss due to the working time reduction for a maximum of 24 months. Job security agreements were very common in 1994-95, when a specific norm included in the Law 236/93 had raised the State contribution to 75% of the pay loss and had introduced economic incentives for companies for all agreements signed within December 1995. After that, the use of job security agreements declined considerably.
- *Early retirements* have been widely used due to a pension system that was not strictly formalised and which, therefore, made early retirements possible on a piecemeal basis by ad hoc norms. Under certain conditions, the mobility procedure allows for so-called 'long mobility', which can last longer than three years and takes employees to retirement age, de facto introducing a formalised early retirement scheme (Pedersini and Trentini, 1997; Trentini 1998a).

In 1998, the Italian Government undertook a number of measures to combat unemployment and create jobs. Its Economic and Financial Planning Document (*Documento di programmazione*

economica e finanziaria, Dpef) included important employment creation policies to be implemented over the period 1999-2001, targeted at development of the high-unemployment areas of southern Italy, the regularisation of 'irregular work', the reform of income support schemes to encourage re-entry into employment, and training. Another important government measure has been the creation of AGENSUD, a governmental agency devoted to development promotion and employment creation in the south of Italy. In November 1998, a legislative decree was issued for establishing a national vocational training system which would entail a structural involvement of the social partners (Pedersini and Trentini, 1999).

Working time reductions

In March 1998, the government drafted a bill to be presented to parliament to reduce the working week to 35 hours, based upon contractual decisions, providing some incentives to reduce the working week and some sanctions on the use of overtime. A transition phase until the year 2001 was forecast, based on experimental contractual arrangements. Small companies with less than 15 employees were excluded. The bill was widely debated and criticised by both employers' organisations and trade unions, albeit for different reasons. In particular, both parties opposed the use of legislation since they considered that any working time reduction should be negotiated (Pedersini and Trentini, 1998).

Collective bargaining on employment

National level

During the 1990s, Italy has seen a revival of concertation between the government and social partners. While previous agreements have mainly concerned reform of the welfare state (in 1992, 1993, 1995 and 1997) and incomes policy (in 1993), since 1993 concertation has been shifting to employment creation. This is currently a top policy priority in Italy in view of the country's high unemployment rate (Trentini, 1998c, 1999).

Tripartite agreement (1990)

In 1990, the government assumed the role of third actor in the Italian industrial relations system, which hitherto had been substantially bilateral. On the occasion of the first Tripartite Agreement in 1990, the government took on the task of proposing budget and incomes policies to the social partners, with the aim of achieving 'high and stable growth of the economy' and reducing 'the inflation rate to the levels of the leading industrialised countries'. In view of these shared goals, the social partners agreed to begin negotiations 'on restructuring the wage and bargaining system and on introducing a new wage-indexation system' (Biagioli, 1998).

Tripartite agreement (1993)

Negotiations continued for more than three years and concluded with the drafting of the July 1993 Protocol, which covered policies on incomes and employment, bargaining arrangements, labour and support for the production system. The government promised to implement these policies so that the income and employment policies agreed upon would enable achievement of 'an inflation rate in line with the average of the economically more virtuous countries of the



EEC'; as well as 'a reduction in the state deficit' and 'monetary stability'. As regards labour costs, the Protocol altered the pay determination system by eliminating the cost-of-living allowance; by assigning the task of maintaining 'economic effects coherent with the planned inflation rate assumed as a common objective' to national-level sectoral bargaining; and by encouraging the introduction of company-level pay incentives 'correlated with the achievement of targets jointly set by the parties and geared to improvements in productivity, quality and other elements of international competitiveness . . . as well as to the company's economic performance' (Biagioli, 1998).

The July 1993 Tripartite Agreement between the government and social partners represented a far-reaching reform of the whole industrial relations system. The accord was concluded about one year after the final abolition of the sliding-scale mechanism (*scala mobile*) for pay indexation covering all Italian employees and the exit of the Italian lira from the European Monetary System (EMU). The main contents of the agreement are summarised below.

The chapter on 'Incomes and employment policies' defined a set of principles and rules to make collective bargaining processes and industrial relations compatible with the objectives of controlling inflation, improving public finances and achieving exchange rate stability, in the framework of European integration. For this purpose, two annual meetings of the government and social partners were established in order to discuss incomes policy, but leaving intact the decision-making powers of the government.

The chapter on 'Collective bargaining structure and representation' stipulated that the collective bargaining structure be made up of two levels (national and decentralised), either at company or territorial level. At national level, an industry-wide agreement (*Contratto collettivo nazionale di lavoro*, Ccnl) is negotiated. Its normative contents are valid for four years, while the wage and economic part is valid for only two years. (Previously, sectoral agreements were for three years.) The agreement is to consider planned inflation rates, protection of employees' purchasing power, general economic trends and the evolution of productivity and competitiveness in each industrial sector involved. At decentralised bargaining level, agreements have a four-year validity and must conform to the procedures, contents and timing set in the relevant industry-wide agreement. They cover subjects and elements that are different from the wage elements defined by the industry-wide agreement. In particular, the agreement stated that wage increases at decentralised level should be linked to programmes, agreed upon by employers and unions, for the improvement of company productivity, quality and competitiveness, as well as to the company's economic performance. The reform of the bargaining structure has been accompanied by the reform of union representation at company level. This is entrusted to a single body, the *Rappresentanze sindacali unitarie* (Rsu), with a double function (bargaining and consultation/participation) and a double composition (two-thirds of members are elected by all workers and one-third are appointed by the trade unions that signed the Ccnl in force in the company). The definition of rules on wage bargaining was meant to reduce labour cost increases. The agreement also established a restraint on industrial conflict lasting four months on the occasion of the agreement's renewal.

Furthermore, the agreement included provisions on labour market policies and policies to support industry. The former met several delays and difficulties in implementation and was eventually the object of a new agreement in September 1996, the 'Pact for Employment', and finally of Law No. 196, passed in June 1997, which included a number of measures on labour market flexibility. The implementation of the latter has been even more uncertain (Bordogna, 1997; Pedersini and Trentini 1997).

The July 1993 Tripartite Agreement followed a long period of confrontation and conflict between the unions and employers' associations, the central issue being the high cost of labour resulting from the combined economic effects of national-level sectoral bargaining, 'supplementary' company-level bargaining and the 'sliding scale' wage indexation system. The situation was aggravated by the growing weight of the tax burden on workers' incomes and of the social security contributions paid by employers. This combination of factors gave rise to an inflation rate higher than that of Italy's main trading partners. Since the late 1970s, the macroeconomic solution to this problem was the abandonment of any attempt to defend the exchange rate and devaluation of the lira – remedies which periodically and temporarily restored Italy's competitiveness. However, the prospect of joining EMU meant that currency depreciation was no longer a practicable solution (Biagioli, 1998).

Pact for Employment (1996)

The 1996 Pact for Employment (*Patto per il Lavoro*) represented the most important result of bargaining between government and social partners on measures for employment promotion in the 1990s.

The pact stipulated that the reform of education and training systems would involve a particular emphasis on training paths and continuing education programmes. As regards employment promotion, apprenticeship contracts were to be extended to cover all sectors, including agriculture, and to be open to people aged 16-24 (26 in the case of southern Italy). Temporary work agencies would be permitted in Italian law. A number of subsidies and fiscal incentives were introduced for reductions in working time. Furthermore, infrastructural public investment was planned in order to boost national competitiveness and reduce the gap between northern and southern Italy.

In addition, area pacts and agreements (*patti territoriali* and *contratti d'area*) should promote new productive investment in areas with low rates of development and high unemployment. They may be concluded at any level (especially provinces, cities or large neighbourhoods) within broad regional framework agreements. Area agreements would be signed by the local administrations, trade unions and employers' organisations, banks and any other interested parties. The area pacts were developed as the outcome of an autonomous initiative from the social partners and local authorities under the auspices of the National Council for Economic Affairs and Labour (Consiglio Nazionale dell'Economia e del Lavoro, CNEL), made up of representatives of all the social partners (Pedersini and Trentini, 1997).



When it came to the implementation of the 1996 Pact for Employment, the most controversial issue was the definition of policies to increase labour market flexibility. On wage flexibility, a division emerged among trade unions in January 1997 when Cisl, one of the three confederations that signed the pact, openly advocated the possibility of agreeing wage levels below the national minimum rates, in order to sustain development in some disadvantaged areas. This new attitude was welcomed by Confindustria, while the two other major trade union confederations (Cgil and Uil) opposed it.

Law No. 196 of 24 June implemented the 1996 Pact for Employment in terms of its chapter on 'Employment creation'. Together with the introduction of temporary agency work, it addressed fixed-term employment and included a set of incentives for part-time work and for the redefinition of working time schedules. This law also introduced new rules to relaunch the apprenticeship system and to sustain work/training contracts, training and continuing training (Pedersini and Trentini, 1998).

'Social pact' for development and employment (1998)

In December 1998, the Italian Government and 32 employers' associations and trade union organisations signed a 'social pact' for development and employment. This pact had the aim of creating employment by reducing labour costs and the tax burden, and reforming the training system. The pact addressed, in particular, concertation and the bargaining structure.

As regards concertation, the pact recognised the importance of involving the social partners in economic and social policy decisions. Government promised to extend discussion with the social partners to cover not only traditional matters such as social policy, but also the transposition of EU directives and, in particular, those issued as a result of social dialogue at EU level. Concertation would also be extended to the territorial level (regions, provinces and communes), given that increasingly broad powers have been transferred to local bodies on matters concerning the labour market and social policy.

The 1998 pact confirmed the bargaining structure defined by the 1993 agreement. As regards incomes policy, when the government fixes the planned inflation rate, which serves as the benchmark for defining pay rises at the national level, it would also consider the European average inflation rate. The main measures envisaged to favour employment creation were relaunching public investment under the provisions of the budget law for 1999, as well as reducing labour costs by providing further tax relief (in addition to the reductions already provided by the budget law for 1999). In future, social security contributions for family allowances and maternity benefits would be paid out of tax revenue, no longer by companies. Furthermore, the tax burden on companies and employees would be reduced (Trentini, 1999).

Regional level

Employment creation has become a central concern in regional collective bargaining, particularly in the southern regions of Italy. Regional activities include bargaining between local authorities and interest organisations on employment policies, particularly on training since regions are responsible for training programmes (Pedersini and Trentini, 1997). However, the main tools

utilised at local level have been territorial pacts and area agreements (Pedersini and Trentini, 1999).

Territorial pacts (*patti territoriali*) were developed in the mid-1990s within CNEL in order to sustain and coordinate different economic development projects in a particular area and to put them into an integrated framework. Pacts are signed by employers' organisations, trade unions and local authorities. The pacts identify the financial resources; define the simplifications of administrative procedures and the dispensations from legal provisions aimed at helping to speed up the implementation of the development projects; and set particular industrial relations rules to be applied within the areas covered by the pact, in order to lower labour costs and/or improve flexibility.

Territorial pacts were officially recognised by the government through legislation in 1995. The Interministerial Economic Planning Committee (CIPE) then endorsed the territorial pacts and also granted them a degree of financial support. This allowed the pacts to become operational. It also produced a sudden increase in the number of applications, which threatened to change the initial distinctive trait of territorial pacts as being self-sustaining development projects. This forced CNEL to establish a formalised procedure in order to be able to cope with a high level of demand for assistance. In 1997, CIPE introduced a degree of coordination and differentiation between territorial pacts and area agreements (*contratti d'area*). The latter were developed by the 1996 national pact as an instrument for social concertation on local development programmes. In fact, the definition of area agreements was so influenced by the experience of territorial pacts that it became difficult to identify the differences between them. Thus there was a need to clarify the two types of accord.

This latest decision sanctioned the possibility of signing territorial pacts for any area in the country, confirming their autonomous character in pulling together local resources. At the same time, however, CIPE limited the possibility of funding to areas marked by unemployment and de-industrialisation. The pacts can be promoted by local authorities, other public bodies operating at local level, local organisations of employers and trade unions, and even private companies and associations. Further provisions established that private enterprise must contribute at least 30% of the investment required for economic activities included in the projects; infrastructural investment must not exceed 30% of total investment; and the maximum contribution by CIPE to any pact is ITL 100 billion.

The main differences between territorial pacts and area agreements are as follows:

- area agreements can cover only crisis-hit areas;
- only trade unions and employers' organisations can conclude area agreements; and
- area agreements must specifically mention the goals and contents set out in the 1996 Pact.

Once all the necessary operational specifications are met, this CIPE decision should eventually speed up the process of evaluation and approval of applications for territorial pacts. These already numbered more than 100 in 1997 (Pedersini, 1997a; Pedersini and Trentini, 1997).



As regards area agreements, the newspaper *Il Sole 24 Ore* reported that there had been 102 agreements submitted to CNEL for approval by mid-February 1997. The government was also trying to involve the European Commission in the realisation of the pacts, by using part of the financial resources assigned to Italy as EU funding (Carpo and Pedersini, 1997).

Area agreements for Manfredonia and Crotone

In March 1998, the local organisations of trade unions and the Confindustria employers' confederation signed area agreements in Crotone and Manfredonia (Foggia). The two agreements were very similar, providing for the use of special contracts for hiring new workers, the reduction of labour costs, flexibility in working hours, investment and employment growth.

Specifically, the agreements provided for the following:

- Work/training contracts lasting 12 months, with a lower job classification than laid down in national regulations.
- By exception to the national legislation, companies would be able to hire a number of workers, equivalent to 20% of their personnel, on fixed-term employment contracts. Companies with fewer than 20 employees would be able to hire no more than four workers on such contracts.
- By exception to collectively agreed provisions, the pay of apprentices would be equal to 60% of the contractual minimum for skilled blue-collar workers for the first year of their apprenticeship, rising to 75% for the second year, 85% for the third year and 90% for the fourth year.
- A bargaining moratorium would mean that company-level negotiations on pay would not be able to start until four years after production began in new plants.
- On working time flexibility, working hours would be annualised, new shifts would be introduced in order to guarantee the full exploitation of plants, part-time contracts would be possible and companies would be able to resort to weekend overtime working to a greater extent than foreseen by national collective agreements.
- Long-term unemployed workers hired by a company on work-entry contracts (*contratti di inserimento*) would be paid according to the same criteria used for young workers employed on a work/training contract.
- The parties committed themselves to fostering training placements, apprenticeship courses and study grants.

Inter-union agreement on supporting job creation in southern Italy

In December 1997, the trade unions Cgil, Cisl and Uil agreed on the 'Guidelines to follow in negotiations between the social partners to support the growth of investment and job creation in the Mezzogiorno'. This document identified the means to be used at local level to sustain employment – 'work-entry' policies, training, bargaining on working time and wage levels (Pedersini and Trentini, 1998). Among the measures included in the agreement were the following:

- The definition of ‘work-entry’ policies based on traineeships, apprenticeships and ‘work grants’.
- Training schemes financed out of EU, State and regional funds.
- The drawing-up of a framework agreement on working time which would enable the use of reduced working hours with an equivalent reduction in wages. This framework agreement should be tried out in the South, as part of territorial pacts and area agreements, using public financial support and relief on social security contributions to promote reductions in working time.
- In the case of innovative investments requiring the use of new technologies, the fixing of a pay scale which takes account of the time to acquire the necessary skills. In such cases, working time could contain a certain number of training hours paid on a one-off basis, also with the support of public financing.
- While new employment-creation investments were in the start-up phase, a temporary moratorium on company-level bargaining to keep wages at the minimum set by industry-wide agreements.
- The definition of flexible working hours schedules (including the annualisation of working time) to allow the maximum utilisation of production plants. These working hours schedules could be used to absorb seasonal oscillations in production, restricting the use of overtime (in peak periods) and the use of the ordinary wages guarantee fund for laid-off workers (in periods of crisis).

A significant example of an agreement of this kind is the one signed at the Praia a Mare plant of the Marzotto textiles group, where weekly working time was fixed at 48 hours for 28 weeks and at 30 hours for 20 weeks (Pedersini, 1998a).

‘Twinning’ agreement for Manfredonia and Crotona

In March 1998, the Italian Government and the Confindustria employers’ confederation signed a ‘twinning’ (*gemellaggio*) agreement between Northern and Southern enterprises. The agreement foresaw an investment of ITL 400 billion and the creation of 2,500 jobs in the area of Manfredonia (Foggia). Some 30 enterprises from Treviso and Vicenza in the North would invest in the Manfredonia area, due to the special conditions created by a new ‘area agreement’ signed by the trade unions, Confindustria and government. The arrangement involved some of the most important companies in the two Northern provinces concerned – including the Benetton clothing company, which would invest ITL 30 billion and hire 150 workers. This ‘twinning’ agreement provided for simplified and shorter administrative procedures for making investments; law enforcement and public order; bargaining flexibility; availability of incentives for enterprises; and allocation of funds for the training of workers.

In May 1998, the employers’ associations for Lombardy (Assolombarda) and Crotona (Assindustria), both affiliated to Confindustria, signed an agreement on transferring 30 enterprises located in Lombardy to Crotona (in Calabria), two months after the area agreement had been signed for the Crotona area.



Sectoral level

Until recently, industry-wide bargaining in Italy had never systematically covered the issues of either preserving or creating employment. Usually industry-wide agreements included procedural norms that forced parties to a preliminary consultation in the case of company reorganisation and to consider the use of instruments other than dismissals, such as job security agreements or working time reductions.

Gradual alignment and discount agreements

Two new kinds of agreement – ‘gradual alignment’ and ‘discount’ – have recently been formed in order to introduce wage flexibility to protect the competitiveness of particular sectors or areas, both providing for wages lower than those set by industry-wide agreements.

- Gradual alignment agreements (*contratti di riallineamento contributivo*) were conceived to provide incentives for the emergence into the legitimate economy of activity formerly developed within the ‘irregular’ or clandestine sector. The origin of such agreements can be traced back to collective bargaining in the textile and shoe sector in the late 1980s. In 1990, an experiment was carried out in order to promote the gradual alignment of wages and social contributions for workers in small companies in southern Italy. The aim of the agreement was to provide incentives for them to enter the regular economy, recognise unions and the relevant industry-wide agreement, and to pay social contributions. Law 608 of November 1996 introduced the possibility for companies working in any sectors in southern Italy to bring wages gradually into line with those set by industry-wide agreements over a period of 36 months (starting at around 70%); at the same time, the law granted reductions in social security contributions, together with other contribution and economic incentives.

Gradual alignment agreements are signed at provincial level between territorial trade unions and employers’ organisations. Companies can then join them by signing a company-level agreement for the acceptance of the relevant provincial gradual alignment agreement. There is a deadline for this process: agreements at provincial and company level must be signed within 12 months of the date when the law came into force.

- Discount agreements (*contratti al ribasso*) refer to the acceptance by individual companies of an industry-wide agreement signed by minor interest organisations. Such agreements cover small businesses in the textile industry and set wage rates significantly lower (on average by 30%) than the agreement signed by confederal unions (Pedersini, 1997b).

Chemicals

The 1998 industry-wide agreement for the chemical sector fixed the working week at 37 hours and 45 minutes, and increased working time flexibility. In addition, an ‘hours bank’ was introduced in which workers accumulate their overtime. Finally, the contract introduced ‘work-entry hours’, which refers to a weekly work schedule, in economically depressed areas, of 28-32 hours which can be used for newly hired workers, with an equivalent reduction in pay (Pedersini and Trentini, 1998, 1999).

Banking

In February 1998, the ABI employers' association and trade unions signed an agreement that laid the basis for a profound restructuring of the Italian banking sector. The innovative aspects of the agreement concerned the reduction of labour costs, the creation of a redundancy fund, the reform of pay scales and the bargaining system, and the introduction of greater flexibility in employment relations.

The agreement defined parameters and rules that must be respected when the sector's national collective agreement is renewed. The agreement provided for a reduction of between 8% and 9% in labour costs by the year 2001. It introduced a change in pay scales which reduces the automatic increments, while increasing the forms of pay flexibility tied to company performance. Moreover, the agreement simplified the contractual structure based on the level of qualifications: instead of three contracts (for executives, officers and clerks), there would only be two – one for senior executives and one for middle management and clerical staff.

Another important feature of the agreement was the establishment of two redundancy funds – one for all banks and one for the cooperative banks. They would be financed not by the State but by a contribution of 0.5% of the total payroll, to be paid partly by the employers and partly by the employees. The creation of these funds would introduce a sort of wages guarantee fund in the banking sector, since it would be possible to finance income-support measures for those employees who, in the event of a crisis situation in a bank, have to attend retraining programmes; whose working hours have been reduced; who have been laid off; or who have been declared redundant.

Finally, the agreement envisaged an increase in continuing training, with a view to human resources development, and the introduction of greater flexibility by means of the increased use of part-time labour, fixed-term contracts and temporary agency workers (Trentini, 1998b).

Company level

Company-level bargaining in Italy has mostly dealt with the issue of employment in the form of preservation or maintenance of jobs (rather than creation) in association with company restructuring processes. Such agreements often concern the utilisation of the traditional instrument of the wages guarantee fund or more recent tools such as job security agreements and mobility procedures. In the area of employment creation, company-level agreements for the localisation of new plants are particularly important. The main tools used in such agreements usually refer to wage and working time flexibility, or more generally to the flexibility of the employment relationship.

Fiat Arese

In 1994, a collective agreement at Fiat Arese (former Alfa-Romeo) included a combination of early retirements, job security agreements and outplacement. The aim was to reduce staff from 9,000 to 4,000 by June 1998. The outplacement was intended to take place through the sale of the areas left by Fiat: companies were given the possibility of acquiring premises on very



advantageous terms if they committed themselves to hiring workers dismissed by Fiat, with the number hired being proportional to the area they bought (Pedersini and Trentini, 1997).

Fiat Melfi

At Fiat Melfi, two agreements in 1990 and 1993 led to the creation of a company that employed some 7,000 workers. The agreements granted great work flexibility in terms of job rules, working time and performance-related pay, as well as the provision of relevant training programmes. Furthermore, they stipulated the creation of various joint commissions (Pedersini and Trentini, 1997).

Fiat-Auto

In 1997/98, the motor manufacturer Fiat-Auto group (in agreement with the sectoral trade unions Fim-Cisl, Fiom-Cgil and Uilm-Uil, and the enterprise union Fismic-Sida) was carrying out a large-scale 'outplacement' of excess Fiat-Auto workers within the Fiat group and transfers to companies outside the group. This process had begun in 1993 and involved a total of 9,000 workers by the end of 1997. According to Fiat, the transfers did not involve a reduction in personnel, but rather an increase in employment in those companies where the workers had been transferred. In October 1997, Fiat-Auto announced to trade unions the transfer of another 2,700 workers to different activities by June 1998.

Falck Sesto San Giovanni

The Falck Sesto San Giovanni collective agreements dealt with the progressive closing down of the Falck steel plants in Sesto San Giovanni (Milan). The process started in 1991 and ended with a final agreement in 1996. The workforce was reduced, without dismissals, by early retirements, 'long mobility', 'incentives for resignations', the use of the wages guarantee fund and outplacements. The agreement also provided for a re-industrialisation project for the areas left by the steel plants. Most workers covered by the final agreement have been re-employed (Pedersini and Trentini, 1997).

Galbani

In 1997, a collective agreement was signed at Galbani, part of the French-based Danone food sector group. It provided for the redeployment or outplacement of many excess staff through the reorganisation of production and distribution. The reorganisation (which also involved the closure of two plants in the Lombardy region) affected about 1,200 of the group's 5,300 workers in Italy. Of these, some 600 were employed in production and 600 in distribution. About half of these workers were approaching retirement age and traditional support and benefits were made available through the wages guarantee fund and a 'mobility' list. The other workers were covered by the creation of a special Danone body, the Organisational Outplacement Centre (Centro Organizzativo Ricollocamento, Cor). Cor was responsible for redeploying the workers within the group or 'outplacing' them in other companies, as well as organising special training activities to help develop their skills and qualifications. Within a three-year period (1997-99), Cor was to make at least one job offer within the Danone group to every redundant worker or, alternatively, two proposals of work in other companies. If this was not done, a sum of ITL 60 million would have to be paid to every worker left without work as an 'incentive to resign'.

Marzotto

The 1996 Marzotto agreement for its Praia a Mare plant is an example of restructuring combined with employment creation. This agreement provided for Marzotto's reorganisation and for the creation of a new production unit. Trade unions and the company agreed on a new shift scheme for the new production unit that would follow the seasonal trend in demand: 28 weeks at 48 hours per week and 20 weeks at 30 hours per week. All new hirings could be made using work/training contracts. For staff made redundant (60 workers), the intervention of the extraordinary wages guarantee fund was requested (Pedersini and Trentini, 1997).

Postalmarket

Postalmarket, owned by the German multinational Otto Versand, sells products by mail order. In November 1998, the company decided to make redundant the employees at three of its production units (at Peschiera Borromeo and Bollate in Milan, and Casaletto Vaprio in Cremona). Negotiations among the social partners had been going on at the Ministry of Labour for months in order to try to resolve the situation positively.

In December 1998, the company was bought by Cx and Fifth Capital Corporation. The effectiveness of the agreement then depended on a clause in the contract which provided that, before 23 December 1998, the company had to reach an agreement with the trade unions on the number of workers to retain at the company. The 'mobility' procedures for the 758 workers involved (350 of whom were at risk of redundancy) were suspended.

Cirio

In June 1998, the food-processing group Cirio presented to trade union organisations a restructuring plan that provided for the transfer of all fresh milk production and packaging activities, as well as all executive activities, to the Centrale del latte di Roma in Rome, which was to become Cirio's registered office. An agreement signed in September 1998 by management and the sectoral trade unions provided for a reorganisation, involving plants located throughout Italy, for different possibilities other than a transfer to Rome for the 100 workers concerned:

- inter-company mobility (mobility among other group plants located in the same area) was provided for workers close to retirement age;
- external mobility was foreseen for those workers (close to retirement but not eligible for inter-company mobility) who would not accept a transfer to Rome and who would become redundant; and
- a one-off payment of ITL 37 million net to be made to encourage workers to accept voluntary severance.

Infostrada

In September 1998, an agreement was signed between the management of Infostrada (a telephone company in the Olivetti group which is jointly owned by the German Mannesmann) as part of a strategic agreement between the two multinationals, and the trade unions Fiom-Cgil, Fim-Cisl and Uilm-Uil. The plan was to recruit 1,300 workers to staff the customer-care service

of the fixed-network telephone company. An earlier agreement of May 1998 set a target of 600 new jobs.

The main points of the agreement for employment were (Pedersini, 1998c):

- recruitment and training of 1,300 people;
- about half of the workers to be hired on fixed-term part-time contracts, with the rest on work/training contracts;
- the company envisaged converting at least 60% of the fixed-term and work/training contracts into indefinite-duration contracts, depending on the verification of actual business volumes;
- at the end of the experimental phase, it was envisaged for customer-care service to use part-time contracts of 20-25 hours per week, including 'vertical' part-time work arrangements (whereby employees work only on certain days, weeks or months); and
- due to requirements arising from the launch of a new service, the company would take on 110 workers on two-month temporary work contracts.

Ferrero

In October 1998, an agreement was signed at the Ferrero group, Italy's largest food sector multinational, which introduced new forms of participation, increased pay and fostered employment. The deal was signed by management, the national, regional and territorial bodies of the sectoral trade unions (Fat-Cisl, Flai-Cgil and Uila-Uil) and the company's Rsu. The agreement provided for the recruitment of 150 workers on open-ended contracts. It also clarified that the number of fixed-term workers must not exceed an average of 20% of the total number of the company's workforce.

Italian State Railways

For years, the Italian State Railways (Ferrovie dello Stato Italiano, FS) have been in a state of crisis owing to a number of factors including high costs (labour, in particular), limited innovation and poor management. In September 1997, the management of FS presented the government with a railway restructuring plan to cover the period 1997-2000. The main points of this plan were to reduce the deficit by cutting costs; increase fares and improve productivity; undertake investment to modernise the railway network and enhance the quality of the service; and overhaul the organisation by creating four divisions responsible for the management of infrastructures and services. One of the main aims of management was to reduce labour costs, which were considerably higher than those of other European railway companies. Although there had been 63,000 early retirements in FS between 1990 and 1996, further staffing cuts were considered.

In December 1997, an agreement was signed by FS and all sectoral unions (the five which signed the May agreement, plus Comu, the autonomous union for engine drivers) on the management of redundant staff, mainly through early retirement. Mediation by the government was crucial in reaching understanding in the negotiations. The agreement introduced equal pension eligibility conditions for public and private sector employees, ending the formers' more generous treatment.

It was considered that at least some of the costs of these early retirements should be borne by a fund financed by FS and its employees.

On account of various criticisms, an amendment to the Financial Law of 1998 finally presented by the government provided that the FS redundancies would be managed mainly by 'social shock-absorbers' (such as mobility procedures, the wages guarantee fund and job security agreements) and only to a lesser extent by early retirement. In contrast to the general pension eligibility conditions introduced by the new pensions reform (54 years of age and 35 years of contributions) between 1998 and 2001, redundant FS employees would be able to retire at 53 years of age and with 24 years of contributions, or with 30 years of contributions regardless of age. In order to manage the FS redundancies, a special fund was to be created by the company and its employees (Trentini, 1997).

Electrolux-Zanussi

In 1997, two agreements on employment were signed at the Italian plants of the Electrolux-Zanussi 'white goods' group. The deals were reached by management representatives and the sectoral trade unions, Fim-Cisl, Fiom-Cgil and Uilm-Uil.

The first agreement, of September 1997, was negotiated following the announcement by the Swedish-based Electrolux group of a world-wide reorganisation plan, which was discussed in the group's European Works Council. The group presented figures showing a serious competitive deficit in some of its Italian plants and thus proposed the transfer of these activities to other countries as a means of regaining competitiveness. Instead, the trade unions proposed joint restructuring measures in the companies concerned, with the aim of avoiding the transfer of production abroad and thus safeguarding employment levels in Italy.

An initial agreement provided for the closure of two electrical-goods production lines at the Italian Comina plant. The 70 employees concerned were to be moved to other production lines, where the social partners decided on a reorganisation of working hours in order to guarantee maximum use of equipment and a reduction of costs. For the dishwasher sector of the Valleloncello plant, with 110 workers, the social partners agreed to increase the average productivity per capita by at least 10% in order to avoid the closure of the plant and to guarantee flexibility on hours when production needs required it. Similar initiatives were to be adopted for the tumble-dryer production line in the Porcia plant, employing 35 workers.

The second agreement, of December 1997, was signed after further negotiations over the position of all the Italian companies in the group. This agreement was an effort to foster a significant improvement in productivity and was reached with the help of the Labour Minister's mediation. It averted the closure of any of the group's Italian plants and greatly increased overall productivity levels. The bargaining process was initiated in Italy, following a meeting between Electrolux group management and its European Works Council on 24 November 1997; management announced that it would be necessary to close down some of its Italian plants and production lines, due to a stagnation of markets, excess productive capacity and a competitive deficit.



The December 1997 agreement provided for:

- An increase of 12% in labour productivity, to be achieved through improving flexibility and reducing labour costs.
- The setting-up of ‘time saving accounts’ in which workers would be able to collect time off in lieu of overtime hours worked (rather than being paid for them), in order to use them at their leisure either as time off or to bring forward their retirement date.
- Newly recruited workers would receive a lower wage than the minimum level set by company-level bargaining, for the first 24 months of employment.
- For newly recruited workers in plants where the working week is less than 36 hours, an ‘entry working hours’ scheme would be adopted, with payment for the hours actually worked instead of the 40-hours a week outlined in the contract.
- All newly recruited workers would participate in vocational training activities, both in the classroom and on the job, for at least 40 hours a year, outside working hours.
- 40 experiments with teleworking would be launched throughout the group’s companies.
- Crèches would be set up in all of the group’s plants for workers’ children.
- A surplus of 374 workers had been identified as being able to carry out other activities.

The company issued a statement that there would be no plant closures in Italy, while the consequences for plants outside Italy could result in a share of their production being shifted to the Italian plants. The *Il Sole 24 Ore* newspaper reported that this could lead to the creation of 2,000 new jobs.

Ansaldo

In July 1998, an agreement was signed by management and trade unions on a company restructuring plan for the State-owned electrical engineering company, Ansaldo. The unions made the agreement conditional on the creation of a consortium between Ansaldo and Enel, the State-owned company for the production and distribution of electric power.

The Ansaldo Energia restructuring plan provided for a greater specialisation of the company’s plants, resulting in a surplus of 1,695 workers. Of these, 800 were defined as ‘structurally redundant workers’ who needed to be placed outside the company, while the other 895 workers were defined as ‘cyclically redundant workers’, to be reabsorbed later by the company. Of the 800 ‘structurally redundant workers’, 370 would be registered in ‘mobility lists’ and 430 would be eligible for the ‘special’ wages guarantee fund. Of the 895 ‘cyclically redundant workers’, 620 would be eligible for the wages guarantee fund on a rotation basis, while the remaining 275 would be on a redundancy scheme for two years. A number of local-level meetings were foreseen for the management of the problems linked to redundant workers at Ansaldo. Local authorities would also take part in these meetings.

Fiat-Hitachi

In May 1998, workers at the Fiat-Hitachi plant in Turin voted 'No' in a referendum on overturning an agreement on working time flexibility, signed by the company's 'unitary union representative body' (Rsu) on 15 April. The agreement provided for:

- the hiring of 30 workers, because workers on the first shift would work on nine Saturdays a year, rather than the four laid down in the national agreement for the sector;
- a switch from work/training contracts to open-ended employment contracts for 25 workers; and
- the organisation of summer holidays over three consecutive weeks.

Barilla

In December 1997, management and the food sector trade union organisations signed an agreement on the reorganisation of Barilla, Italy's largest food group. The agreement also covered investments and new jobs. A reorganisation plan was set out for the factories, their productive specialisation, investments in equipment and technology, and initiatives for human resources management.

The agreement included the following provisions:

- ITL 165 billion to be invested at the Pedrignano plant, which would specialise in egg-based pasta and tortellini. Those workers who previously worked in the production of cakes and snacks would be retrained. A total of 90 workers would be employed in the plant at the end of the reorganisation process.
- At the Novara plant, production to be limited to cakes and snacks. Investments would be accompanied by actions aimed at improving the efficiency and flexibility of work, both by adopting new forms of work organisation and by retraining personnel currently employed in cleaning and production activities.
- The production of biscuits to be concentrated at the Castiglione delle Stiviere plant. Investments would be made and it was foreseen that 60 workers would be employed. Increased levels of productivity and labour flexibility would be negotiated at local level.

The agreement also contained the announcement that two new plants would open in southern Italy (Foggia and Melfi) and one new plant in the USA.

National Action Plan

The Italian 1998 National Action Plan (NAP) for employment stated that concertation is considered an important element in promoting new employment opportunities. Collective bargaining is explicitly referred to as 'a job creation tool'. For 1998, the government intended to give priority to the area contracts and territorial pacts which had already been agreed, with the aim of 'vitalising' 40 further special zones.

Measures cited in the Italian NAP were presented in April 1998 in the government's 'Economic and Financial Planning Document' (*Documento di programmazione economica e finanziaria*, Dpef). In the process of developing this document, measures in the employment area were discussed with the social partners to varying extents. The Dpef included important employment creation policies to be implemented over the period 1999-2001, such as development initiatives in the high-unemployment areas of southern Italy, the regularisation of 'irregular work', the reform of income support schemes to encourage re-entry into employment, and training (Trentini, 1998d).

Evaluation

The impact of the 1993 national agreement was assessed as follows. Wage increases after this agreement were initially lower than the inflation rate and dependent workers' share of the national income diminished. However, this trend gradually stopped in 1996, prior to Italy joining the EMU, which was a precondition for membership. According to Biagioli (1998), the anti-inflationary policy pursued by the Italian government – of which tripartite concertation has been the central component – has undoubtedly achieved the objectives set out in the 1993 Protocol. The temporary curbing of pay increases had been decisive in achieving this end, both directly, through the reduction of the cost of labour per unit of output, and indirectly, by reducing inflationary expectations.

In December 1997, a study committee, set up to assess the 1993 agreement (as stipulated by the agreement itself), concluded that the agreement had enabled the achievement of important results in line with the objectives initially set. These outcomes were curbing inflation and, at the same time, protecting the real incomes of households; improving public finances so that the criteria for EMU were satisfied; reviving competitiveness of companies; setting up the basis for an increase in investments; and the improvement of employment levels. Moreover, the new bargaining structure introduced by the 1993 agreement had helped attain a low level of social conflict.

The committee proposed a number of changes to the 1993 agreement, including:

- The greater decentralisation of bargaining and more specific functional specialisation of the two levels of bargaining. These changes would provide for more scope regarding organisational flexibility, working hours and performance-related pay at decentralised level, and reducing the role of industry-wide agreements to define minimum levels.
- The introduction of 'opening clauses', allowing for temporary company- and/or territorial-level exceptions to be made to the rules fixed at the national level, in order to protect and/or create jobs. These exceptions would be subject to the consent and supervision of the signatories of the sectoral agreements from which exemptions are sought (Pedersini, 1998b; Pedersini and Trentini, 1998).

Context and overview

Historical development

Traditionally, Luxembourg has had the lowest unemployment rates in the European Union and has experienced sustained job creation for more than a decade. Against this background, it is not surprising that collective agreements in Luxembourg do not see the creation or maintenance of employment as their main aim. However, there are a number of examples of employment agreements within the 'Luxembourg model' of industrial relations which may be characterised by institutionalised negotiation and social dialogue at all levels (Feyereisen, 1997a, 1997b).

Labour market background: Unemployment and employment policy

Luxembourg's labour market situation is unique in the European Union. Traditionally, it has the lowest unemployment rates in the EU. After having an average unemployment rate of 0.0% in the period 1961-70 and 0.6% in the following decade, unemployment increased to an average of 2.1% during 1981-90. Since 1996, when unemployment reached a peak of 3.0%, the situation has improved slightly – to an estimated 2.4% in 1998.

Although the number of jobs has increased uninterruptedly since the 1980s, unemployment is rising slowly in Luxembourg. A further speciality of the Luxembourg labour market is the importance of a large cross-border workforce that is highly motivated and often better trained and strongly attracted by Luxembourg's high wages (Feyereisen, 1998a).

As regards employment policy, there are three measures which play a decisive role in keeping unemployment low: opportunities for early retirement; broad entitlements to disability pension; and the fact that the Minister of Labour and Employment is able to grant subsidies to employers

who, instead of dismissing employees, undertake to keep staff on and give them a payment to compensate for loss of pay triggered by reduced working hours (Feyereisen, 1997a).

A currently debated issue is working time policy. In November 1997, an orientation debate on employment policy in Luxembourg's Chamber of Deputies prompted several motions. The most important of these urged the government to work towards an agreement between the social partners that contained both the outlines of a framework law on working time and ways of gradually reducing working hours, to be negotiated through collective or company-level agreements.

Whereas trade unions wish to see the introduction of the 35-hour working week by 2002, employers are strongly opposed to shorter working hours on the grounds that the Luxembourg labour market is beset by 'over-employment'. The president of a parliamentary commission appealed to the social partners to use a future tripartite meeting to agree on new ways of adjusting working time; if they were unable to reach a solution by consensus, new guidelines will have to be introduced by law. In the course of the discussions, the Minister of Labour and Employment stated that he could think of no reason why Luxembourg should go down the road of reducing the working week from 40 hours to 35. The government would, however, agree to draft a 'framework law on the reorganisation of working time' and to reduce working time only if the labour market situation improved. For a transition period, then, the government would be prepared to cover social charges in respect of jobs created by reductions in working hours fixed by the social partners in a collective agreement.

In its seventh and final motion, the Chamber of Deputies argued for the introduction of a framework law providing for the following (Feyereisen, 1997c):

- a 40-hour working week across the board;
- a positive flexibility in working time, together with a reduction in working hours to be negotiated by the social partners in a collective agreement, providing that this reduction leads to the recruitment either of registered unemployed people or of job-seekers registered with Employment Administration (Administration de l'Emploi, ADEM);
- new ways of adjusting and organising working time;
- State aid in the event of the social partners reaching an agreement whereby working hours are reduced and either new workers are taken on or staffing levels are maintained at their current level; and
- instruments for monitoring and evaluating the impact that negotiations involving the social partners have on employment and payroll costs.

Collective bargaining on employment

National level

Tripartite Coordination Committee 1994: Pay restraint policy

In its report of March 1994 on unemployment and inflation and the promotion of business



competitiveness, the Tripartite Coordination Committee included in the chapter on the social partners' responsibility to adapt their contracts policy to promote business competitiveness in order to sustain and create jobs. The trade unions pledged to bear in mind the need for a policy based on pay restraint in ailing companies. The employers undertook to take into account the need to preserve and create jobs. Parallel to this, the State agreed to place a strong brake on growth in public current expenditure on goods and services, including the wages and salaries bill. This collective commitment was renewed in the Committee's opinion of 3 May 1995 on employment policy. The partners agreed that pay policy should encourage investment which created jobs; this would require pay agreements based on restraint and involving increases below the growth in productivity.

In the Luxembourg 1998 National Action Plan (NAP) for employment, the government and social partners reiterated their commitment to continue this policy of pay restraint in order to safeguard and create jobs, and to increase their efforts to fight unemployment.

Sectoral level

1980s « steel industry » model

In the early 1980s, when the steel industry was undergoing a major crisis, the social partners introduced a system of 12 « unemployed » days per year in order to maintain employment levels. These « unemployed » days, for which the employer made no payment, were gradually turned into additional « free », and therefore paid, days; as a result, steel workers have been entitled to an additional 12 free days since 1987. Also in 1987, a collective agreement introduced an alternative to partial unemployment in the steel industry; in exchange, the Ministry of Labour and Employment undertook to deploy unemployment funds to compensate for pay that employees lost as a result of a reduction in hours. This agreement was concluded on a tripartite basis, involving employers, trade unions and the State. At the same time, 115 employees qualified for a vocational retraining package, the cost of which was largely met by the State, and 56 workers were allocated to exceptional public service jobs. The reduction of the workforce in the steel industry during the 1990s has been achieved mainly through early retirement (Feyereisen, 1997a).

Company level

Electrolux

In 1994, the Electrolux group threatened to dismiss 145 employees following loss of market share. The OGBL and LCGB trade unions suggested that the employer should reduce working time from 40 to 38 hours from 1 January 1995, and to 37 hours from 1 January 1996. Subsequently, working time was divided into 40 hours for 39 weeks and 32 hours for 13 weeks in 1995, and into 40 hours for 32 weeks, 32 hours for 19 weeks and 36 hours for 1 week for 1996. In exchange for this reduction in working hours with partial wage compensation, the employer did not carry out the planned dismissals. In September 1996, a social plan was drawn up to enable 20 employees to take voluntary severance and qualify for special redundancy payments. In early 1997, the company planned to dismiss 35 workers, but this figure was cut to 30 by a reduction under the social plan in weekly working time from 37 to 35 hours (Feyereisen, 1997a).

Sommer Industrie

In 1997, Sommer Industrie Luxembourg, part of the Sommer group, signed an amendment to its collective agreement for manual workers in its maintenance department with the Luxembourg Confederation of Christian Trade Unions (LCGB). This agreement introduced a 36-hour working week and created new jobs, preferably to be filled by unemployed workers registered with the Employment Administration. The new four-shift scheme provided for an eight-hour working day, but with weekly hours not exceeding an average of 36 hours. Monthly pay was also increased through higher night-shift supplements.

Hypobank Luxembourg and Vereinsbank International

In April 1998, two banks, Hypobank Luxembourg and Vereinsbank International, pending a merger in the near future, issued two social plans containing measures to accompany and mitigate redundancies. The 'social plans' were counter-signed by the Luxembourg Association of Bank Staffs (Association luxembourgeoise des employés de banque, ALEBA) and sent to the Employment Administration. This is a precondition for the validity of collective redundancies.

However, as only nationally representative trade unions are authorised to sign collective agreements in Luxembourg and since ALEBA does not enjoy this representative status, the three nationally representative trade unions (OGB-L, LCGB and FEP) immediately registered a dispute with the National Conciliation Office (Office national de la conciliation, ONC) on the grounds that the employers had illegally halted negotiations without concluding a properly negotiated social plan. The Minister of Labour and Employment decided that only those unions which had signed a collective agreement, and which enjoyed nationally representative status, could sign a social plan. The announced redundancies were, therefore, null and void, and negotiations over the social plans had to start again.

National Action Plan

Luxembourg's National Action Plan (NAP) for employment, approved in April 1998, provided for various new employment and training measures to help unemployed workers to start, or return to, work. The social partners agreed to do everything within their power over the following 18 months to achieve EU objectives. The task of drawing up the NAP was entrusted to the National Committee for Tripartite Coordination (Comité de Coordination Tripartite), a government-employer-worker body set up by the Law of 24 December 1977. This standing body is chaired by the Prime Minister and consists of the ministers concerned, the heads of the nationally representative employer organisations and trade unions, and the elected trade chambers.

A contentious issue during the NAP negotiations was that of working time. All parties in the Committee have acknowledged the need for substantial modernisation to working hours legislation and the introduction of the key ingredients of 'positive flexibility'. This flexibility 'will enable the enterprise to adjust its operation to the constraints of the modern global economy, while at the same time serving the interests of employees increasingly keen to organise their time more flexibly'.



The most important provisions with regard to collective bargaining and employment in the NAP were:

- Working time legislation would be amended to provide for greater flexibility and the possibility of annualised working hours. The social partners undertook to ensure, notably through collective bargaining, that overtime should increasingly be compensated with 50% additional time off, rather than pay. The government would introduce a ‘time savings account’ and a career breaks scheme, with the aim of boosting employment, with the accent being on leave for training purposes.
- Working time and work organisation fall in the first instance within the purview of the social partners. At the same time, however, proposed legislation on collective agreements would also state that the social partners must examine all issues contained in the employment plan during their bargaining and, through their agreements, find solutions that will have a positive impact on jobs.
- Government would provide financial incentives in the case of collective agreements that seek to reduce working hours and recruit registered unemployed workers. If registered unemployed workers were taken on, the Employment Fund would pay their social security contributions for five years.
- Reform of the Luxembourg collective bargaining law would contain a provision according to which it would be obligatory for collective agreements to lay down the number of places to be provided on the new employment and training schemes, and other similar integration packages available to companies.
- Government would examine the possibility of providing financial support for moves from full-time to part-time working, particularly part-time work which could help certain categories of unemployed workers.
- In order to promote the modernisation of work organisation and forms of work, the social partners were invited to negotiate, at appropriate levels (in particular, sectoral and enterprise levels), agreements to modernise the organisation of work, including flexible working arrangements, with the aim of making undertakings productive and competitive, and achieving the required balance between flexibility and security.

Although draft legislation to implement the NAP was submitted by the government in August 1998 and examined by a special Chamber of Deputies commission, there have been problems in its adoption by the Chamber of Deputies. Among the problems involved are the divergent positions on the issues of employee security and employer flexibility regarding working time and working time organisation (Feyereisen, 1998b-1998e; Feyereisen, 1999).

Context and overview

Historical development

The exceptional growth in jobs in the Netherlands, along with relatively low unemployment figures, have attracted the attention of policy-makers and industrial relations actors in other countries. In the ‘Polder Model’, the leading roles are played by the social partners and the outcome is seen as an ‘employment miracle’ (van Velzen, 1997).

In 1982, the Pact of Wassenaar was concluded in the Labour Foundation (Stichting van de Arbeid, STAR), a bipartite consultation body in which the trade union federations and the employers’ federations cooperate. Since then, the social partners in the Netherlands have followed a wage moderation policy and have reduced structural unemployment. Part-time work and a reduction of working hours have been realised, as well as flexibility in labour patterns (Lamers, 1997a). However, moderate pay policy is not undisputed. Recently, trade unions affiliated to the Dutch Trade Union Federation (Federatie Nederlandse Vakbeweging, FNV) stated that the policy of pay moderation should be ended (van Velzen, 1997).

Agreements at sectoral and company level include employment-oriented provisions, such as the introduction of new and lower pay scales, options for dispensing with contract pay levels, measures to reduce working time and increase its flexibility. There are also a number of provisions for specific target groups. Activities by the social partners also include ‘job pools’, which aim at enhancing the employability of employees.

Labour market background: Unemployment and employment policy

Over the last decade, and particularly during the last few years, the Dutch economy has performed exceptionally well in terms of unemployment rates and job growth. OECD figures reveal that employment growth in the Netherlands was only 1.8% between 1983-93 (van Velzen, 1997). For 1998, the unemployment rate was estimated to reach 3.7%, a rate that has precedents only in the 'golden' '60s and early '70s, when average unemployment stood at 0.9% and 4.4%, respectively. Between 1981 and 1990, unemployment soared to an average of 8.5%. Recently, imminent shortages in some parts of the labour market have been reported. Despite the supply-side surplus, the non-take-up rate of vacancies is steadily increasing. The number of vacancies categorised as difficult to fill is also on the increase, particularly amongst the higher qualified groups.

Nevertheless, as a large number of workers (mainly at the lower end of the labour market) have effectively been excluded for a long time, the Dutch government set itself a five-year objective in 1998, the aim of which is to create a situation where the unemployed are assessed in terms of training needs and work experience, and subsequently offered job opportunities or the sound prospect of future employment. The implementation of social security and job creation programmes will also be adapted to this end (van het Kaar, 1998).

Dutch policy on job creation follows a double strategy. The first concerns direct job creation for target groups and includes the following measures (Wilthagen, 1998):

- Guaranteed Youth Employment Act (*Jeugdwerkgarantieplan*);
- National Labour Pool (*Rijksbijdrageregeling Banenpool*);
- Additional Employment Measure for Long-term Unemployed People (*Additionele werkgelegenheidsmaatregel voor langdurig werklozen*), known as the 'Melkert 1' measure; and
- 'Melkert 3' measure, which aims for the social reintegration of disadvantaged long-term unemployed people through volunteer work.

The second strategy for job creation concerns wage subsidies. As of January 1998, two measures in this area (the National Labour Pool and the Guaranteed Youth Employment Act) have been included in the Job-seekers Deployment Act (WIW). This obliges local councils to help benefit recipients, youth and the long-term unemployed to find paid employment (van het Kaar, 1998).

Flexibility of the labour market is a key issue in the Netherlands. In 1996, the government launched proposals for a new law on flexibility and security in the labour market. The new law was to be based on an agreement involving a unanimous recommendation by the social partners on the future of labour relations and a significant reassessment of labour law. It strengthened the legal status of flexi-workers in the employment relationship, increased the maximum term for temporary employment in flexi-work, introduced minimum pay for on-call workers each time they are called in to work, and shortened dismissal procedures. In addition, the proposed



regulations governed written agreements between employers and employees that stated that no wages would be paid if no work was available. The period that employers could still claim 'No work, no pay' would be reduced to six months; this could only be extended through a collective agreement. Furthermore, the legal maximum probationary period would be restricted for short-term contracts which specified a term of employment. More latitude was therefore created for extending fixed-term contracts (flexibility); on the other hand, the repeated use of such contracts had been restricted (security) (de Vries, 1997; Wilthagen, 1998).

The 1998 agreement laid the foundation for a new executive body, the Centre for Work and Income (Centrum voor Werk en Inkomen, CWI). The CWI is responsible for providing access to the labour market and guaranteeing benefits. The execution of the tasks themselves, such as the reintegration of job-seekers in the labour market and the provision of benefits, is handled by private organisations. The government aims to severely limit the role of the social partners in the respective CWIs. However, both social partners and local authorities will be involved in central monitoring of CWI activities (van het Kaar, 1998).

Collective bargaining on employment

In the Netherlands, collective labour agreements are concluded by the social partners at sector and company level. However, the role of collective bargaining is closely associated with the Dutch 'concertation economy' or consultation system. This concept refers to an almost continuous process of consensus-oriented consultation between employers' associations and trade unions, and between these social partners and the government. Representatives of employers' associations and trade unions frequently meet on many different consultative bodies, the most important of which is the Labour Foundation (Stichting van de Arbeid, STAR). Negotiations take place and major agreements are concluded within STAR. Every spring and autumn, STAR meets government representatives in order to discuss the national budget and the forthcoming round of collective bargaining. The tripartite Social and Economic Council (Sociaal-Economische Raad, SER) is an advisory body to the government and is considered to be an important part of the concertation model (Lamers, 1997a; van Velzen, 1997).

National level

Wassenaar Agreement (1982)

In 1982, the social partners reached the historic Wassenaar Agreement (*Akkoord van Wassenaar*) on pay moderation in the Labour Foundation. Employers' associations and trade unions were forced to conclude this agreement as a result of the economic crisis. Both parties were convinced of the need to combat unemployment and create employment growth. Moreover, trade unions were aware that their low level of organisation had placed them in a poor bargaining position. In exchange for pay moderation, a start was made on reducing the working week. This allowed an agreement to be concluded on the redistribution of employment. The agreement on pay moderation in the private sector provided the opportunity for government to cut spending in the public sector. Salary increases for civil servants, the minimum wage and social benefits were curbed in order to reduce the financial deficit. The Dutch guilder was linked to the German mark

in order to limit inflation. This mixture – of wage moderation, deficit reduction and measures to fight inflation – is considered to be the main formula for the growth in employment in the Netherlands (Lamers, 1997a; van Velzen, 1997).

‘More work for Minorities’ central agreement (1990)

In 1990, the Labour Foundation (STAR) concluded a central agreement called ‘More work for Minorities’, with the aim of the social partners to create 60,000 jobs for ethnic minorities within a five-year period. This agreement resulted in arrangements in collective labour agreements and led to the creation of some 40,000 jobs. Because the task of job creation had not been fully achieved, with ethnic minorities still having a disproportionate share in employment, STAR concluded a new central agreement in late 1996 to cover the next four years (Lamers, 1997a).

‘A New Course’ pact (1993)

In 1993, a pact called ‘A New Course’ (*Een Nieuwe Koers*) was agreed, in which STAR formulated a number of themes for the collective bargaining agenda in the mid-term perspective. These included wage moderation, decentralisation and differentiation of working time arrangements, training, part-time work, participation of workers, and improvement of health and safety conditions, with special emphasis on older workers and job creation for long-term, unskilled, unemployed people. Reaffirming these themes in a Declaration at the end of 1995, STAR asked contracting parties to fix the lowest pay scales in contracts at the level of the minimum wage to facilitate the entrance of lower skilled unemployed people into the labour market (Lamers, 1997a).

‘Working on your job’ report (1996)

In 1996, STAR published its recommendations on the importance of training and education to workers, companies and sectors in a report entitled ‘Working on your job’ (*Werken aan je werkring*). STAR sought from the social partners a strategy to invest in the quality of the workforce and to improve the employability of workers. It recommended that agreements be reached at sectoral and company level concerning educational policy and facilities. Structural investments in the quality of the workforce were needed to meet the fast-changing demands of the market in an increasingly knowledge-based economy and to maintain employment (Lamers, 1997a, 1997b).

Agreement on future agenda of collective bargaining (1997)

In November 1997, the national social partners reached a new STAR agreement on the future agenda for collective bargaining. The social partners agreed to introduce flexible payment schemes and conclude agreements on training and leave. The agreement further reaffirmed the importance of continued wage moderation. Despite protests from the trade unions, the social partners decided on a pay increase barely above the level of inflation. Pay may also be adjusted to match employee performance in sectors and companies. By introducing a ‘flexible incentive scheme’, the social partners hoped to create a pay policy that corresponded to the degree of employability, skills, qualifications and experience of individual employees. Another essential part of the agreement was that both employers and employees share responsibility for the occupational qualifications of the employee (van Velzen, 1998).



Sectoral level

In recent years, sectoral collective agreements have increasingly included provisions on employment. The annual reports produced by the Labour Inspectorate of the Ministry of Social Affairs and Employment provide valuable information on measures taken, such as:

- *Low pay:* The government rewards employers hiring low-paid workers (up to 115% of the statutory minimum wage) with a reduction in their taxes and in national insurance contributions, as well as deductions of labour costs. A majority of the collective labour agreements concluded in 1996 and in the first half of 1997 introduced a new pay scale up to the level of 105% of the statutory minimum wage. Another way to pay lower wages is to ask for dispensation of the contract pay level. In 1997, 66 out of the 93 collective labour agreements for the largest sectors contained a general dispensation section.
- *Working time reduction and part-time work:* In many collective agreements, working time reduction has been combined with or traded off with the employers' demand for flexibility in labour patterns and working time. Early retirement schemes for older employees have facilitated the replacement of older workers (aged 55+) by younger ones, in particular during reorganisations.
- *Training and education:* On the basis of a 1996 sample of 124 collective labour agreements covering the private sector, the Labour Inspectorate reported that 108 collective labour agreements contained arrangements on training and education. These contracts applied to 3 million workers (90% of the workforce), which was an increase of 15% compared to 1994.
- *Employment terms:* More than half (74) of the 1996 contracts contained employment arrangements for job creation within specific target groups, such as the long-term unemployed, lower skilled workers, ethnic minorities, handicapped people and, to a lesser degree, younger people and women. These jobs were primarily temporary jobs for a period of two years, to be followed by regular jobs. Of the 74 contracts involved, 34 of these set targets for jobs to be created, with a total of 5,500 jobs anticipated. This was an increase of 10% compared to 1995. Subsidised jobs for the long-term unemployed formed a special category, called the 'Melkert' jobs, and eight contracts dealt with these arrangements (Lamers, 1997a).

Job pools

Currently, employers and trade unions are discussing new forms of work, including a shift from the concept of 'job security' towards 'employment security'. 'Job pools' are an example of such arrangements. A job pool is an organisation that allocates workers within the 'pool' to a company, or a cooperative structure of several companies, within a certain region or sector, depending on the actual demand for labour. Job pools aim at enhancing the employability of workers, while at the same time promoting organisational flexibility and protecting employment. The number of job pools is increasing rapidly in the industry and service sectors. There are, for example, job pools organised for the Amsterdam and Rotterdam docks; these, unfortunately, faced serious difficulties in 1997, partly as a result of technological advances (Wilthagen, 1998).

Investment contracts

Job security for workers within a company and on the labour market based on 'investment contracts' is a key bargaining issue for the industrial union FNV over the period 1998-2001. These investment contracts include training and education arrangements, and address medium-term organisational changes within a company. Three types of contract may be distinguished: collective contracts for all workers within a sector or company; contracts for specific groups of workers; and individual contracts. The contracts may take the form of a comprehensive collective agreement or be restricted to an educational clause in a collective agreement. At company level, such contracts are to be implemented in conjunction with the works councils and trade union representatives (Lamers, 1997b).

Company level

During the 1990s, a number of agreements on employment were concluded at company level. This trend seems to have gained momentum in 1997-98, when a number of multinationals announced the reorganisation of their activities. In most cases, this involved reductions in the workforce.

Baan

In October 1998, the software manufacturer Baan announced short-term plans to cut its 6,000-strong workforce by 20%. As many as 120 jobs were to be cut in the Netherlands. Subsequently, management and unions forged a no-compulsory redundancies agreement (van het Kaar, 1998).

KPN Telecom

In October 1998, KPN Telecom announced that 3,000 of its 32,000 full-time jobs would disappear over the next three years. Two-thirds of the redundancies will be amongst technicians. In addition, 1,300 part-time jobs will be cut. However, an estimated 1,000 new jobs are to be created in mobile telecommunications and Internet services sectors. The company has allocated NLG 800 million for the reorganisation process (van het Kaar, 1998).

In November 1998, KPN Telecom and trade unions agreed on a redundancy plan. For temporary staff, 700 of the 800 positions currently filled at the telephone information service would disappear before 2001. For permanent staff, the number of jobs would be cut back from 1,100 to 850, and measures would be taken to compensate for most of the associated social consequences. The unions did not expect compulsory redundancies among permanent staff in view of the fact that the company had stopped recruiting external staff. Permanent staff would also receive help in finding new jobs. However, compulsory redundancies had not been ruled out. The agreement was rejected at two regional meetings, but subsequently, on 18 December 1998, the majority of members of the relevant unions, affiliated to the FNV and CNV confederations, accepted an amended plan.

Philips

In November 1998, the Philips group announced the closure of at least 70 of its 244 production sites world-wide within the next four years. The company said this was due to excess production capacity and it had plans to outsource a range of activities. The Federation of Dutch Trade

Unions (FNV) called for the government to intervene in the Philips' reorganisation plans (van het Kaar, 1998).

Following consultations with the trade unions concerning its world-wide reorganisation plans, Philips announced in mid-November that approximately 150 of the 700 jobs at Philips Components in Roermond would be eliminated. While compulsory redundancies were not ruled out, the company expected that 50 production workers would be employed in Philips plants elsewhere and a further 50 employees would gradually leave and not be replaced. Shortly after this, Philips reached an agreement with the unions over a settlement for 192 people about to lose their jobs in Hoogeveen.

On 23 November, it was announced that 210 of the 1,100 jobs at the Philips establishment in Stadskanaal would be cut because of the relocation of the diodes department to the Philippines. Management expected to avoid compulsory redundancies.

Kodak

In August 1998, Kodak Polychrome Graphics Manufacturing in Soest announced its intention to close its production lines for film, photographic paper and chemicals, resulting in 200 job losses. The plant was to retain only its function as a distribution centre, offering employment to no more than 25 people.

The CNV Bedrijvenbond trade union accused Kodak of wanting to relocate production to the USA, where labour costs are cheaper. The works council had been called in for advice regarding the intended closure. According to the Dutch Works Council Act, management must request advice within a specified period of time for such far-reaching decisions. If the works council's advice does not support closure, management have to postpone implementation of its decision for at least a month, during which time the works council can approach the courts.

After difficult negotiations and industrial action, Kodak and the union reached an agreement in principle in September 1998. Employees older than 57.5 years were to receive 85% of their present pay until they reached pensionable age. Employees older than 40 were to be paid one-and-a-half or two months' pay for each year of service. Furthermore, Kodak would assist employees in finding new jobs and top up their pay to the present level.

ABN Amro

In August 1998, ABN Amro and the four trade unions of the banking sector reached agreement on a 'social statute', which included the following provisions: the 33,000 people employed on an open-ended basis at the ABN Amro bank would receive an employment guarantee until 1 August 2001 if they agreed to a work and training plan during negotiations with their departmental heads. Employees would improve their employability by following training courses. Course fees and time spent on training and education would be fully compensated.

The statute replaced the company's eight-year-old redundancy programme. Compared to this former arrangement, the new statute increased the leeway for downward mobility. From now on,

the bank would offer employees jobs of up to two grades below their present positions. Employees would maintain their present pay levels and, for a period of three years, continue to enjoy any accompanying pay increases.

The background to this agreement was that the number of employees at ABN Amro had continued to grow, while the number of less-skilled jobs had decreased. The statute should help to solve this qualitative imbalance to some extent. Other ways to solve the problem include the establishment of group mobility centres, which would serve as a kind of internal employment office. In addition to such centres, ABN Amro has set up mobility units, which can be compared with internal employment agencies, and these now employ some 500 workers.

Heineken

In 1996, the Dutch branch of Heineken Beer Brewery initiated negotiations with trade unions on restructuring and its consequences for production workers. Heineken's aim was to speed up investments in the application of new technologies and to reshape its organisation through the introduction of teamwork. An agreement on the deployment of employees was signed in June 1997 by Heineken Nederlands Beheer NV and several unions – the Industriebond FNV, the Industrial and Food Union affiliated to the Christian Trade Union Federation (Industriënen Voedingsbond, CNV), the Federation of Managerial and Professional Staff Unions (VMHP) and De Unie, which represents mainly senior staff. At Heineken, between 70% and 80% of the workers belong to a trade union.

The 1997 agreement includes a five-year guarantee of employment and education for 2,000 production workers, which will be tested by an external agency regarding their potential to be retrained and redeployed. If it is thought an individual may not be able to achieve the necessary qualifications, Heineken management will ensure that suitable work is found. The agreement carefully describes the path to be followed, as well as the respective responsibilities and consultative procedures for the different actors involved. A proactive committee, consisting of two members representing the works councils and two members representing management, will discuss the results and offer arbitration regarding possible disputes. Every three months, a consultative meeting will be held at group level between the trade union officials involved and the management of Heineken Nederland Beheer NV. Every two months, there will be a consultative meeting with the trade unions at plant level (Lamers, 1997b).

Transport companies: VSN, GADO, VEONN and GVB

In September 1997, the VSN regional transport company, which then enjoyed a monopoly, announced the loss of 2,500 jobs (from a total of 17,730). This was associated with a reorganisation process which resulted from the Dutch Government's policy to increase competition in the public transport sector.

According to government plans, public transport was to be put out to tender for each region for limited periods of three to five years. If, after such a period, the concession was granted to another company, the basic rule was that the new concessionaire would take over the personnel involved, whereby the existing employment conditions would remain valid until the collective



agreement had expired. An exception could be made if a new concessionaire provided less transport than its predecessor. Then the concessionaire was not obliged to take over all personnel, but was not free to make its own selection of staff. These rules were drawn up by the Laan Commission, a committee of employers and trade unions.

Both management and the supervisory board of VSN argued that the jobs of 1,300 office staff and 1,200 bus drivers would have to be cut because labour costs were too high. Calculations revealed that total costs needed to be cut by 20% for VSN to be able to compete for new public tenders. However, the valid collective agreement did not permit compulsory redundancies until the end of 1997. This was the result of a 1995 strike against the introduction of flexible duty rosters in regional transport.

When the use of public tender was recently initiated in the north-eastern part of the Netherlands, the unions noticed that the conditions of tender did not include any guarantees for personnel. Therefore, the 1,200 regional bus drivers went on strike, demanding that the Minister of Transport, Public Works and Water Management uphold the promise that the number of jobs at the northern bus companies (GADO and VEONN) would not be endangered when they lost their monopoly on regional transport. After the strike, the Queen's Commissioner in Groningen was prepared to include the conditions of the concession in the rules drawn up by the Laan Commission.

In December 1997, The Hague court ruled that the Minister should uphold the promises made in 1995 and ordered a ban on putting out tenders without the rules of the Laan Commission being implemented. For this reason, the Minister announced on 12 December that putting out tenders for regional transport would be postponed until 1 January 1999.

As of 1 January 1998, Vancom Nederland, a subsidiary of the American Vancom, acquired full ownership of the Groningen Transport Company (Groninger Vervoerbedrijf, GVB), thus making GVB the first fully privatised municipal transport company in the Netherlands. The municipal authorities and Vancom have agreed that an employment guarantee will be included in the public tender of urban transport in 2004. The company acquiring the concession will be obliged to take over the current personnel according to the terms of employment applicable at that time (van het Kaar, 1997).

KBB

In the last week of August 1997, the retail trade company KBB (Koninklijke Bijenkorf Beheer) announced that 3,000 of its 24,000 jobs would be cut. Of these, 1,600 would come from the M&S chain in Germany and 1,400 from various KBB subsidiaries in the Netherlands. A redundancy agreement included the establishment of a 'KBB transfer foundation' to assist employees threatened by redundancy.

National Action Plan

At the end of March 1998, the Dutch Government submitted its National Action Plan (NAP) for employment to the European Commission. The social partners were consulted in the drawing up of the plan.

The Dutch Government wishes to stimulate participation in the labour market by creating, within the next five years, a situation where an unemployed person who requires extra training or work experience is quickly offered a plan to provide him or her with these skills. Such a plan must either lead to a job or significantly improve the person's chances on the labour market. The success of this strategy depends largely on a fundamental change in the way social security and employment services are organised. Among other measures, the social partners are urged, at their various levels of responsibility and action, to conclude as soon as possible agreements which increase the possibilities for training, work experience, traineeships or other measures likely to promote employability.

Context and overview

Historical development

In Norway, the employment issue has been a central feature of collective bargaining during the 1990s. However, specific employment targets are seldom included in collective agreements and measures such as job-sharing/reduced working hours and/or wage cuts are rarely used. Different measures to 'downsize' without dismissing workers may be found, such as early retirement schemes. The centralised model for wage determination in Norway is based on a model where collective agreements and moderate wage increases shall (along with other measures) contribute to low inflation, economic growth, increased employment and, hence, to reduced unemployment (Norway, 1997).

Labour market background: Unemployment and employment policy

Following an economic boom period during the first half of the 1980s, Norway experienced a serious economic crisis during the latter part of the '80s. The number of registered unemployed, which was at a record low in 1987, reached a peak in 1993 when 6.0% of the labour force were either unemployed or on job creation schemes. Since then, unemployment has decreased to 4.1% in 1997.

In Norway, the reduction in the retirement age and/or in working hours has not been on the political agenda. Instead, there is broad political acceptance for encouraging elderly employees to continue working as long as possible, as well as assisting groups with special needs at work so that they choose work instead of welfare payments (Nergaard, 1999).

Collective bargaining on employment

National level

National incomes policy agreements

The fight against unemployment in Norway has been a central feature of incomes policy since mid-1988. This was reiterated in the recommendation from the Employment Commission in 1992, entitled 'The Solidarity Alternative'. In Norway's centralised model for wage determination, collective bargaining – together with fiscal policies, foreign exchange policies and investments in job creation schemes and the educational system —should contribute to economic growth, increased employment and, thus, to reduced unemployment (Norway, 1997). In the period 1993-98, the government and labour market parties have cooperated over issues of incomes policy. This has contributed to ensuring moderate wage settlements and to enhancing job creation.

Unemployment has been an issue throughout the 1990s in the central negotiations between the Norwegian Confederation of Trade Unions (LO) and the Confederation of Norwegian Business and Industry (NHO). Specific targets, however, have never been an issue. In the various agreements of the LO and NHO during the 1990s, issues which touch on the question of job creation include (Norway, 1997):

- *Overtime*: The central LO-NHO agreements have repeatedly called for a reduction in the use of overtime.
- *Early retirement pension*: The voluntary early retirement scheme, which encompasses the LO-NHO area and the public sector, will from 1998 make it possible for employees to retire from the age of 62 years. However, this is primarily perceived as a welfare benefit, not as a measure to reduce unemployment.
- *Apprentices' wages*: The 1994 reform of the further education system stipulates the right of every person within the age group of 16-18 years to further education or training. One-third of each age cohort is to be offered an apprenticeship. The social partners have committed themselves to joint efforts to achieve this goal. The employees' side was willing to accept a cut in the wage levels of apprentices if the employers' side took on the responsibility of providing more apprenticeships.

At a meeting of the government's Contact Committee on incomes policy in December 1998, the government and social partners agreed to revive cooperation over incomes policy. This was prompted by increased concern for the state of the Norwegian economy – with instability of the Norwegian krona, a rise in interest rates and falling oil prices. Furthermore, the government appointed three committees to secure moderate pay settlements and measures to preserve high employment. Their duties include (1) preparation of the 1999 wage settlement with a view to including continuing and further education reform; (2) evaluation of measures to ensure full employment; and (3) examination of the institutional framework for wage negotiations and incomes policy cooperation (Nergaard, 1999).



Sectoral level

Nation-wide agreements at branch or sectoral level contain few clauses which directly regulate employment issues. Most of the agreements are implemented within the same framework as provided for within the LO-NHO area, both with regard to wages and welfare benefits, such as voluntary early retirement pension schemes (Norway, 1997).

Directly related to employment are measures which aim at avoiding redundancies in downsizing processes. These measures are often introduced in an enterprise or within a concern. However, when downsizing affects a whole branch, there are cases reported of guidelines which are included in the central agreements.

Banking sector

The banking sector experienced a crisis during the early 1990s, followed by threatened job losses. The collective agreement was amended, introducing procedures that involved the shop stewards at early stages of restructuring and that assured a period of notice. In addition, severance pay was recommended (Norway, 1997).

State sector

In the State sector, it is common procedure to introduce package deals in order to prevent redundancies when major reorganisations take place. The legal basis for this was provided by a government declaration of 26 May 1992, which advocated close cooperation between State sector enterprises/institutions and trade unions on concrete measures to reduce problems arising for employees affected by reorganisation.

Different types of package deals covering reorganisation have been introduced in several State-owned companies, such as Telenor (formerly Norwegian Telecom) and Norwegian Railways, as well as in the armed forces. Previously, it was common to establish 'reorganisation units' to which redundant employees were transferred. Today, measures are channelled through the ordinary State sector units themselves (Nergaard, 1997; Norway, 1997).

Company level

At company level, there are a number of personnel management tools used to avoid redundancies, such as voluntary turnover and voluntary early retirement programmes. Both means may also be collectively agreed. Until recently, offers on early retirement combined national insurance provisions (unemployment benefits) with a financial contribution from the company. Due to legal restrictions, national insurance can no longer be included in such packages. If employees are to retire before the age of 62, this must be financed by the company itself.

There are also some examples of collective agreements which seek to reduce working hours and/or cut wages in order to keep employment up and save companies in financial difficulties. At the workplace level, another measure is the reduction of overtime (Norway, 1997).

Norway Post

In October 1997, an agreement was concluded between Norway Post and the Joint Federation of Postal Employees. This aimed at creating a new infrastructure for postal operations and involved a reduction in the number of sorting offices in operation. Also included were measures to safeguard the jobs of 1,500 employees affected by this reorganisation. As early as 1996, when Norway Post decided to reduce the number of post offices from 2,400 to 900, with a calculated loss of 4,000 jobs, the parties had agreed to a number of measures in order to prevent too many workers being displaced from their jobs. By Autumn 1997, almost 80% of the redundant workers had been transferred to other jobs, either internally or externally. Both package deals included the following core measures:

- *Education*: Employees are allowed paid study leave of up to three years, during which time they receive pay for 10 months a year. Employees for whom the service is unable to find jobs may receive paid study leave if they agree to resign their jobs; this is a one-year leave with 87.5% of pay.
- *Mobility*: Employees who are forced to move will receive compensation for removal expenses and are entitled to an additional mobility allowance. Employees who are forced to commute will have their travel expenses partly paid for and may also receive compensation for expenses involved in keeping two households.
- *Early retirement*: Employees made redundant at the age of 60 or above are given the option of early retirement, which normally only applies to people over 62.
- *Severance pay*: Employees who are not given a replacement position within the company or in another company may receive severance payments equivalent to 10 months' pay if they agree to resign their jobs.

Companies such as the Norwegian Railways and Norway Post, although subject to special legal regulations, are covered by similar arrangements. Furthermore, State employees who are made redundant have priority in applying for other positions within the State sector and also have the right to severance pay while applying for new jobs (Nergaard, 1997).

Context and overview

Historical development

Employment creation is regarded as a crucial issue by the social partners in Portugal and receives high priority nationally. There are also regional activities in the form of Regional Networks for Qualification and Employment. Negotiations at sectoral level are limited, apart from the implementation of the centrally agreed moderate wage policy. At company level, a number of agreements deal with threatened dismissals.

Labour market background: Unemployment and employment policy

Historically, unemployment rates in Portugal have increased from an average of 2.5% in the period 1961-70 to 5.1% during 1971-80 and 7.0% in 1981-90. Increasing from 4.6% in 1990 to 7.3% in 1996, the unemployment rate has since decreased – to an estimated 5.7% in 1998.

The Portuguese Government pursues a global approach in employment policy, which includes macroeconomic, sectoral and regional policies, as well as active policies in relation to employment, vocational training and social security. The social partners play an important role in employment policy, especially in the context of tripartite agreements.

Trade unions have the constitutional right to participate in drafting labour legislation. In Autumn 1998, the Portuguese social partners discussed a draft bill on employers' participation in the development of labour legislation, similar to the participation already enjoyed by workers' organisations.

In April 1998, preliminary draft legislation was presented to revise the lay-offs and short-time working scheme, known as 'suspension or reduction of workers' services' (*suspensão ou*

redução da prestação de trabalho), which aimed at increasing protection for employment and workers. This reform was one of the points set out in the tripartite 1996 Strategic Concertation Pact. The proposed legislation would alter Decree Law No. 398/83, which currently governs this issue and permits an enterprise temporarily to reduce its workforce. Under the new scheme, the employer would continue to pay part of the workers' wages, with the remaining portion paid out of social security funds. The new draft bill would make the following amendments:

- the employer's share of the wage compensation to be paid would be 30% (or 15% when the workers concerned are retrained) and the remaining 70% (or 85%) would come out of the social security budget;
- during the period of lay-off or short-time working, workers would attend vocational training courses geared to improving the viability of the enterprise;
- the employer would be free to choose either lay-off or short-time working, eliminating any legal preference for one or the other of the two measures; and
- information and consultation would be provided to workers regarding the training provided and the reasons behind the lay-off or short-time working, so as to increase workers' participation in the process.

Collective bargaining on employment

National level

Strategic Concertation Pact (1996-99)

In 1996, the government and social partners signed the tripartite 1996-99 Strategic Concertation Pact (*Acordo de Concertação Estratégica, ACE*). It contained more than 300 measures relating to policies on tax, incomes, industry, social security, wages, education, training, labour and employment. The pact was signed by the government, General Workers' Union (União Geral dos Trabalhadores, UGT), Confederation of Portuguese Industry (Confederação da Indústria Portuguesa, CIP), Confederation of Portuguese Commerce (Confederação do Comércio Português, CCP) and Confederation of Portuguese Farmers (Confederação dos Agricultores Portugueses, CAP). It was not signed, however, by the General Confederation of Portuguese Workers (Confederação Geral dos Trabalhadores Portugueses, CGTP).

This 1996-99 pact set out the employment strategy to be implemented by the government and social partners. The strategy was based on the following pillars:

- modernisation, with the creation of more jobs;
- management of restructuring operations, with vocational retraining and social protection;
- greater exploitation of employment-intensive sectors;
- incentives for development, innovation and employment at a local level;
- reorganisation of the way in which the labour market operates; and
- development of new skills and combating social exclusion through education and training.

As regards labour relations, the pact included provisions on social dialogue and participation; wages guarantee funds; flexible retirement ages; revision of the system of penalties for infringing labour regulations; incentives encouraging part-time work; promotion of sectoral and regional talks on modernisation, qualification and employment; revision of the law governing holidays and temporary work; equal opportunities in the area of health and safety; and the implementation of the participation of employers in drawing up labour legislation. Furthermore, based on forecasts for 1996 of an average rate of inflation of 3.5% and a 2% rise in productivity, the pact recommended pay increases of 4.5%, to be negotiated in collective agreements (Abecassis, 1997; Cristovam, 1998b; Rodrigues 1997c).

The pact also included ambitious target figures for employment growth and established the need to define more specific objectives and measures for each sector (programmes for modernisation, skills and employment) and region (regional networks for skills and employment).

Government proposes social dialogue on strategy for Euro

In early 1998, the government proposed a relaunch of the national 'strategic concertation' process to those social partners represented on the tripartite Strategic Concertation Standing Committee (Comissão Permanente de Concertação Social, CPCS), which is part of the Economic and Social Council (Conselho Económico e Social, CES). The objective of relaunching the process was to create a strategy for the forthcoming single European currency, or Euro, with the possible outcome of a 'Europact'. The government initiative can best be seen as a means to restart tripartite social concertation and dialogue within the CPCS (Cristovam, 1998b; Rodrigues, 1997c).

Sectoral level

Agreed pay policy recommendations exert a strong influence on negotiations. Increases in collectively agreed pay rates rarely stray far from the average increases set out in the Strategic Social Pact, signed in December 1996. The same is true for agreements signed by independent unions and those unions within the CGTP (Rodrigues, 1997b).

For the wage bargaining round of 1999, the unions wanted workers to share in recent increases in productivity. They were also demanding compensation for the wage moderation policies of recent years and for losses resulting from inflation above the predicted level for 1998. An approximation of Portuguese pay to European averages was also an issue (Cristovam, 1998c).

Regional level

As a consequence of the 1996 Strategic Concertation Pact, it was decided to set up Regional Networks for Qualification and Employment (*Redes Regionais para a Qualificação e o Emprego*) throughout the country. These networks are designed to give a greater impetus to development, innovation and employment at regional level, by strengthening coordination between the various local agencies in identifying and solving skills problems in human resources and promotion of employment. They aim to bring together companies, local authorities, social partners, teaching institutions, training institutions, research and development institutions, and

other important local agencies. Up to Autumn 1997, three networks had been established, each with clearly differentiated geographical areas and specific areas of intervention, namely, (1) school attendance and the integration of young people; (2) retraining and diversification of the economic fabric; and (3) the fixing of populations in certain regions through the development of training activities connected with services to the community, traditional crafts and tourism (Abecassis, 1997).

Company level

There is little collective bargaining on employment in Portugal. However, some negotiating activity on threatened dismissals has been reported in a number of companies.

Grundig

Since 1996, there has been an almost continuous struggle for jobs and company restructuring at the Portuguese operations of Grundig, the German-based electrical group. In November 1996, the Grundig Blaupunkt group, comprising six companies employing about 4,000 people in Braga, decided to sell its business premises to Blaupunkt Electrónica, a subsidiary of Robert Bosch GmbH, to set up a motor components company. Grundig proposed a number of measures to deal with the resulting redundancies: guaranteed employment throughout 1997; mutually agreed terminations of contract; retraining; and transfers to other companies in the group. Works councils and trade unions called for close supervision of the futures of the 700 employees of the company facing closure and for all employees to be taken on by the new company, with the same guarantees, conditions and types of contract as they had previously enjoyed.

In Spring 1997, the company dismissed 440 employees on the grounds that the refusal to negotiate and accept that employees in the new company are to have fixed-term contracts would make the Bosch project inviable. It would have created 1,000 jobs between 1998 and 1999, with a gap of one year during which employees were to have left the company and be compensated.

Negotiations over the redundancy plans with the group's board of directors involved the government's local representative, together with the Ministry of the Economy and the Ministry of Training and Employment. The Ministry of Social Security tried to break the deadlock in the Bosch project, while a supervisory committee working with the local authority undertook to find employment initially for about 30 employees and, subsequently, for a further 70. As an alternative to dismissal and job insecurity, the government proposed a retraining and social security plan, the creation of opportunities for self-employment and guarantees to workers over 50 years old. However, it was announced that the company was moving operations to Hungary.

OEM

In October 1998, workers at the Norwegian-owned OEM in Braga went on indefinite strike; they were seeking reintegration into Grundig, the company from which they had been transferred in January. OEM had promised to retain 145 workers who had been permanent employees of Grundig. According to the Union of Northern Electric and Electronics Industry Workers (STIEN), the OEM project obtained assistance from the Portuguese Government, along with a



guarantee of subsidies for investment in job training. The company stopped production in August 1998, due to non-payment of its suppliers, and employees did not receive their August salaries. Doubts have been raised about the legal requirements involved in completely transferring activity from one company to another. The unions insisted that Grundig cancel the contract with OEM and assume responsibility by reintegrating the employees into the company. The unions have asked the local government of Braga to join in working toward a negotiated solution that would permit the workers to be integrated into another company in the Grundig group.

Somincor

In 1997, the mining company Somincor wished to introduce continuous working in the mines through a restructuring of working time in order to ensure competitiveness in international markets. The miners were opposed to this change and, following a strike, a compromise 'preliminary agreement' was reached between government, miners and management, in which the creation of 100 new jobs is envisaged and the revision of working hours.

Renault Portuguesa

In 1996, the French motor manufacturer Renault had three facilities in Portugal: the assembly plant in Setúbal, the engine manufacturing plant in Cacia and the administrative/sales facility in Lisbon. Since Renault had for a long time been demonstrating a lack of interest in the Setúbal plant, it signed an agreement with the Portuguese Government to allow its purchase by the State, thereby saving 600 jobs.

In 1997, the Cacia plant, which then employed about 700 workers, had changed its manufacturing line and no longer produced engines. The change resulted in the temporary loss of 220 jobs. In a further agreement signed by the Portuguese Government and Renault, the company formally agreed in 1996 to reinstate the previous level of employment. The company claimed that the Cacia plant, which switched to manufacturing gearboxes, was now competitive. However, the works council was concerned about Cacia's future plant operations and negotiations were carried out with management. Even though Renault had stated that it would keep its promises, concrete steps were not being taken, according to the works council, nor was the structure of the factory being readjusted to create the jobs lost in 1996 (Cristovam, 1997).

National Action Plan

Portugal's 1998 National Action Plan (NAP) for employment was drawn up with a substantial input from the social partners. However, in an overall evaluation of the NAP, carried out by the Standing Committee for Social Concertation, the social partners claimed that there was a lack of specific information regarding the financing of the NAP. Furthermore, the NAP did not, in the partners' opinion, contain a schedule for implementation (Cristovam, 1998a).

Evaluation

Many of Portugal's social partners are dissatisfied with the progress of implementation of the 1996 Strategic Concertation Pact. Implementation of measures agreed upon is far behind

schedule and, indeed, many of the measures have not been implemented at all, for example, in the areas of social security, labour legislation and education. Both the unions CAP and the CCP have already declined to take part in the agreement's monitoring committee and have demanded that the government put into action, quickly and in full, the measures they believe are not being carried out. The CGTP, which did not sign the pact, disagreed with the workings of the CPCS and has alleged that it has been deliberately left out of the decision-making process.

On the employers' side, the CCP and CAP have withdrawn from participation in the concertation process, while a number of important measures agreed in the pact have not achieved sufficient consensus to be put into practice through legislation. Nevertheless, the government's assessment is positive, stating that many measures have already been implemented and that a substantial number of those remaining are ready for discussion and approval by parliament (Cristovam, 1998b; Rodrigues, 1997a, 1997c).

In 1997, the CGTP trade union confederation amplified its criticisms of the tripartite social concertation system, pointing out a number of anomalies in its institutional mechanisms and claiming that it was government-centred and an object of manipulation. The CGTP also raised the issue of representativeness with regard to the social partners (Rodrigues, 1997c).

Context and overview

Historical development

During the last 20 years, the issue of employment has gradually increased in importance in collective bargaining in Spain. During the period 1979-84, the treatment of employment in collective bargaining was defensive, aimed at conserving jobs and avoiding the harmful effects of industrial restructuring. Many of these agreements were never laid down legally in the form of collective agreements. At the same time, there were also general agreements on employment outside the scope of collective bargaining, such as the National Employment Agreement of 1982, the Interconfederal Agreement of 1983 and the National Employment Agreement of 1984. The main feature of these agreements was the gradual introduction of temporary employment contracts. The result was a very high rate of temporary employment (34% in 1997), which eroded the status of permanent employment (Martin Artiles, 1997a).

Between 1994-97, the emphasis of Spain's employment policy shifted from macro to micro policy at a company, local and regional level. The 1994 labour market reform favoured increasing the freedom of employers and unions, and reducing the role of government. Since the modification of Articles 51 and 52 of the Workers' Statute in 1994, employment became an important issue in collective bargaining, particularly through the possibility of negotiating redundancies due to 'economic circumstances of the company'. A number of agreements on employment were made since the mid-1980s, linked to economic development at regional and local level. These agreements have acquired greater dynamism recently and are associated with public investment plans; incentives and fiscal benefits for private investment; promotion of local initiatives; commercial development and export promotion; and vocational and occupational

training. At national level, the April 1997 Agreement for the Reform of the Labour Market reflected previous trends in company-level collective bargaining. This agreement aimed to reduce unstable employment, to encourage stable employment and to articulate collective bargaining (Martin Artiles, 1997a).

A report by the Economic and Social Council of 1996 showed that, as regards the clauses registered in the agreements, the order of priority associated with employment were such measures as functional mobility (21%), geographical mobility (20%), job creation through early retirement (13%), job conservation (4.9%) and net job creation. In 1996, the clauses on 'job creation' that appeared in the agreements only came to 2.96% of the total (65 agreements), clauses on 'conserving jobs' totalled 4.9% (237 agreements) and clauses on 'converting temporary jobs into permanent jobs' totalled 8.62% (221 agreements). Nevertheless, from a qualitative point of view, the central concern has been the conversion of temporary jobs into permanent jobs, particularly since 1994 (Martin Artiles, 1997a).

Methods included in agreements on employment are early retirement; part-time work; wage freezes for newly recruited staff; reduction in seniority supplements for newly recruited staff; conversion of temporary and fixed discontinuous jobs into stable jobs; conversion of work experience contracts (associated with vocational training) into determined temporary contracts (generally lasting a year); and the establishment of new subgroups of professional categories with lower wages in exchange for preference in contracting relatives of permanent employees.

As the unemployment statistics show, employment policies and collective bargaining on employment have led to limited results in promoting job creation and reducing unemployment. According to Martin Artiles (1997a), the results of regional and local agreements are also poor.

Labour market background: Unemployment and employment policy

Compared to other EU countries, Spain's labour market performance in terms of unemployment is poor. After witnessing an average unemployment rate of 2.5% in the period 1961-70 and 5.4% in the following decade, unemployment soared to an average of 18.5% during 1981-90. Since 1994, when unemployment reached a peak of 24.1%, the situation has improved – to an estimated 18.9% in 1998.

Since the mid-1980s, employment policy has focused on achieving greater labour market flexibility in the areas of recruitment, employment and dismissal. The labour market reform of 1994 increased the flexibility of employment within companies, while that of 1997 made dismissal procedures more flexible and aimed to reduce the rate of temporary employment.

For over a decade, employment policies have focused on fostering an integrated policy designed to establish a positive relationship between employment and social protection. Active policies are coordinated with passive policies, and emphasis is placed on linking regional action with local economic development. The regional and local activities enjoy the participation of unions, employers' associations and regional/local institutions.



Since 1986, local development policies and the promotion of active employment policies have consisted of combining a series of interrelated measures, such as the promotion of local initiatives, the improvement of information systems between supply and demand in the labour market by regional governments to stimulate investment in their respective territories, commercial development and export promotion, the search for new forms of employment and the improvement of vocational and occupational training.

Unfortunately, the results of these efforts are reported to be poor. According to Martin Artiles and Miguélez (1997), the effectiveness of regional and local measures has mainly been limited by (1) the lack of representational structures of the social partners in the regions, especially in the organisation of small local businesses and trade unions; (2) the shortage of financial and public resources to stimulate local investment; and (3) the lack of power, resources and policy tools in the regional authorities to stimulate local development.

Collective bargaining on employment

National level – Multisectoral

Labour market reform: April agreements (1997)

In April 1997, the Spanish employers' associations (represented by the Spanish Confederation of Employers' Organisations/CEOE and the Spanish Confederation of Small and Medium-Sized Enterprises/CEPYME), together with the most representative trade unions (the Confederation of Workers' Commissions/CC.OO and the General Workers' Confederation/UGT), signed three important intersectoral agreements under the label 'Labour Agreement for Employment' (*Pacto Laboral por el Empleo*). The three accords are entitled 'For employment stability', 'On collective bargaining' and 'On filling the gaps in regulation'. Unlike the previous labour market reform of 1994, which was approved amid great protest from the unions, the 1997 reform was supported from the outset by the social partners. The main aims of the bipartite agreement were to reduce the cost of dismissal and to promote secure employment (Martin Artiles, 1997b, 1998c; Ramón Alarcón, 1997).

As requested by the social partners in the 'For employment stability' agreement (Accord I), the government passed legislation on 16 May 1997 on measures 'for the improvement of the labour market and the promotion of permanent employment contracts' (Royal Decree, Law 8/1997) and on 'regulating social security and tax incentives for the promotion of permanent contracts and secure employment' (Royal Decree, Law 9/1997).

The primary objective of the 1997 reform was to solve the problem of job insecurity. Preference is now given to the encouragement of the use of permanent contracts instead of restricting or outlawing the opportunities for temporary contracts. To achieve this goal, a new type of contract, called a 'permanent employment promotion contract' (*contrato para el fomento de la contratación indefinida*), was introduced and will be available over the next four years, after which time its impact on the labour market will be evaluated and a decision taken on its future. The legal framework for this new type of contract differs from that of 'normal' permanent

contracts on only one point: the reduction in the compensation payable in cases where an individual dismissal or multiple individual dismissals for objective reasons (i.e. not a collective dismissal for objective reasons or a disciplinary dismissal) are ruled to be unfair. Compensation is reduced from 45 days' pay per year worked up to a maximum of 42 months' pay (which will remain applicable for the permanent contracts signed up to now) down to 33 days' pay per year worked up to a maximum of 24 months' pay. The trade unions accepted the reduction in exchange for future negotiations on the reduction of working hours.

Since it is always cheaper to dissolve a temporary contract than a permanent one (the cost of compensation is zero and the waiting period is usually short, until the end of the contract), the 1997 reformers, undoubtedly aware of this, decided to accompany the measure with a series of economic incentives. These consisted basically of a substantial reduction in an employer's social security contributions (a cut by 40%-80% in contributions for common contingencies) when the new permanent employment promotion contract was used. This reduction in labour costs will, in principle, last two years (unless unemployed people over the age of 45 are contracted, in which case the incentive will last for the duration of the contract) and may prove to be a powerful inducement to use the permanent contract.

The new type of permanent contract is applicable only to certain categories of worker – mainly young unemployed people (under 30 years of age), long-term unemployed people (for over one year) and unemployed people aged over 45. However, this new type of contract may also be used, under certain conditions, to transform a temporary contract into a permanent one.

Accord II of the agreement, 'On collective bargaining', aimed to give a more important role to collective bargaining and to modify its structure. Accord III, 'On filling the gaps in regulation', dealt with regulation of working conditions in 22 sub-sectors of activity, which, until 1994, were regulated by the labour ordinances.

Social dialogue on furthering labour market reform (1998)

In 1998, the Spanish employers' associations CEOE and CEPYME, together with the two main union confederations UGT and CC.OO, started talks on furthering the labour market reform. However, at the first meeting in June, there was fundamental disagreement between the parties on the basic questions of reducing working hours, increasing unemployment cover and increasing social expenditure. There was also a rapprochement on the relatively minor issues of overtime, temporary employment agencies and development of collective bargaining.

The institutionalised process of social dialogue in Spain currently consists of three negotiating commissions (Martin Artiles, 1998c).

- The first commission, *on protection of unemployed people*, is deadlocked. The unions are demanding guaranteed subsidies for about 200,000 long-term unemployed people with family responsibilities. However, both government and the employers' associations feel that these funds should be devoted to active employment policies.



- The second commission, *on increasing secure employment*, has also encountered serious difficulties. The unions want to link assistance to companies explicitly with job creation through the reduction of working time. The government wants to stimulate secure job creation without reference to working time. The CEOE refused to negotiate on the unions' demand for a 35-hour working week, especially if introduced by means of a general law, since it would involve an increase in labour costs and reduce the competitiveness of companies. The employers maintain that this topic should be dealt with through collective bargaining in line with the specific situation of individual companies and their productivity.
- The third commission, *on part-time employment*, has already made an agreement on social protection. This will apply a corrective coefficient so that five hours worked are equivalent to a whole day's social security contributions. This will improve the unemployment benefit and pensions of part-time workers. However, there is still no agreement on the regulation of employment contracts. Here, the key topic is how short working time has to be in order to be considered 'part time'.

Regional level

Recently, a number of regional pacts on employment were signed in Spanish communities.

Andalucia

In April 1997, the trade unions UGT and CC.OO, the Andalusian employers' association CEA and the Andalusian regional government signed an agreement for the years 1997-98 on employment policy and economic development for Andalusia (*Pacto por el Empleo y por el Desarrollo Económico de Andalucía*). This is the third tripartite agreement to be reached in this region.

Among other measures, the agreement provided for an investment of about ESP 200 billion, which is a 35% increase in funding over the 1995-96 agreement. Much of this investment was to be targeted at active employment policies, which include occupational training, programmes to support job creation and labour mediation. The general aim was to stimulate the creation of secure employment. To achieve this, the agreement provided for subsidies for the conclusion of permanent contracts.

Castilla-La Mancha

In March 1998, a regional agreement for employment in the autonomous community of Castilla-La Mancha was signed by the regional government, trade unions and regional employers' confederation. It included a programme aimed at removing the obstacles preventing the development of social services, care services, the information society, environmental improvement and the protection of nature. The programme was aimed at non-profit local organisations with projects designed to create permanent jobs, providing initial subsidies of 100%, which progressively decrease to 25%, for the wage costs of these jobs (Jiménez, 1998).

Catalonia

In May 1998, the 1998-2000 Pact for Employment was signed by the Catalan regional government (Generalitat), employers' organisations and representative trade unions. It placed promotion of new sources of employment as the top priority for job creation. It provided for the drawing up of a white paper on new sources of employment in Catalonia and committed resources for recruitment subsidies, Local Employment Initiatives, training and public employment services, as well as for social economy initiatives in these areas. On the reorganisation and reduction of working time, the pact gave the social partners a period of one month to reach a formal agreement on job creation and working time; otherwise, the Generalitat would prepare a decree on this topic. The social partners did not reach an agreement within the timeframe and the Generalitat's decree came into force in October 1998. The decree follows the criteria laid down by the pact and is designed to:

- promote the net creation of jobs based on agreements in companies to reorganise and/or reduce working time, including overtime;
- promote secure employment through assistance aimed at new permanent contracts, both full-time and part-time;
- ensure that participation by companies is voluntary; and
- ensure the participation of workers' representatives in the implementation and monitoring of the agreements.

The decree established that financial assistance for new permanent contracts would amount to up to 40% of the monthly employers' social security contributions. The maximum duration of assistance would be two years from the date of signing contracts during the period of validity of the pact. This assistance was payable only if there was an agreement between the company management and workers' representatives on reducing and/or reorganising working time, including overtime (Caprile, 1998a, 1998b; Jiménez, 1998).

Galicia

In July 1998, Galicia's regional administration, trade unions and employers' associations signed the 'Agreements on measures for growth and employment in Galicia, 1998-2001' (*Los Acuerdos sobre medidas para el crecimiento y el empleo en Galicia 1998-2001*), also known as the Galician Employment Plan (*Plan de Empleo en Galicia*). The goal of this first tripartite pact for Galicia was to fight unemployment and increase the quality of employment.

The background to this agreement was constituted by the outcomes of the European Council Employment Summit in Luxembourg in 1997, Luxembourg agreements in 1997 and the Spanish intersectoral agreement of April 1997. Many of the measures adopted in the Galician agreement complement these agreements. Provisions are included on active employment policies, working time regulation, training and policies to stimulate business. On working time, the government told the trade unions and employers' organisation to start negotiations and reach an agreement within two months on the incentives for stimulating recruitment of new workers through the



reduction in working time and overtime. Since no agreement was reached within the timeframe, the government established a system of incentives to ensure the voluntary participation of the social partners (Herranz, 1998; Jiménez, 1998).

Basque country

In October 1995, the Basque Government drew up a proposal for reducing working hours and job-sharing. It contained a number of measures, including the reduction and gradual elimination of overtime, with mechanisms for replacing it with free time; flexibility of working hours and calendars; promotion of part-time work; promotion of 'relief contracts' (*contratos de relevo*) which replace workers taking retirement with young people aged under 25; 'reactive' work-sharing, involving reductions in pay and adjustments in employment levels; 'proactive' work-sharing, involving technical support for the reduction and reorganisation of working time; tax incentives and public subsidies; and support for continuing training (Martin Artiles, 1997a).

Negotiations between the Basque Ministry of Labour and various companies yielded a number of agreements. For example, an agreement with the Mondragón Cooperative Group was signed, promoting employment and work-sharing until 2000. This agreement aimed at the creation of 4,000 temporary jobs and would cost the regional government ESP 800 million. The following Basque companies were reported to have signed similar agreements: Mecaner, Condria, CAF, Alfa, Tubacex, Otsein, Iraun, Eulen, ITT, Mercedes Benz, Michelin, Firestone, Guardian Llodio and Pepsico-KAS. A further 150 applications were presented to the regional government by mid-1997. Under such agreements, companies may save up to 50% on social contributions (Borja, 1997).

Aragon and Cantabria

Two pacts for employment were signed at the end of 1998 for the autonomous communities of Aragon and Cantabria. Both agreements cover 1999. The signatories were the respective regional governments, the trade union confederations UGT and CC.OO, and the respective employers' associations (CREA and CEPYME in Aragon and CEOE-CEPYME in Cantabria).

Although these agreements were more limited in duration and resources than other regional pacts reached in 1998, they contain some new elements:

- support for in-company bargaining for secure job creation through the reorganisation and reduction of working time (resources have been allocated for this purpose);
- support for measures governing occupational risk prevention and training;
- social policy: in Cantabria, the pact includes a minimum incomes programme and other initiatives such as subsidised rents for people on low incomes or the creation of safe houses for victims of domestic violence; and
- greater participation of the social partners in public agencies.

Five EU territorial employment pacts

In December 1996, the Dublin European Council approved a list of 60 territories in which 'territorial employment pacts' were to be developed by the social partners and public institutions of the territory. The five territories finally selected for Spain were: the Bay of Cádiz (Andalusia); Western Vallès (Catalonia); the mining basins of Asturias (Asturias); the mining basins of Palencia and León (Castille-León); and Ceuta and Melilla (Jiménez, 1997).

Regional and local schemes in the Spanish National Action Plan

The Spanish National Action Plan (NAP) for employment of April 1998 included several regional and local schemes. To cover new sources of employment, the NAP promoted the existing Local Employment Initiatives programme and the extension of the areas of activity of the 'workshop schools' (*escuelas taller*), the main Spanish work/training programme (Jiménez, 1998).

Sectoral level

Since 1994, employment has been the main concern on bargaining agendas at sectoral and company level, with the major themes being job creation, employment security and increasing the quality of employment. Measures to achieve these were wage moderation and increased flexibility, and longer office and opening hours in some sectors.

Three other related points were also of great importance: (1) control over types of employment contract, which often fail to comply with regulations; (2) intervention in the organisation of work; and (3) limiting the expansion of temporary employment agencies by making medium and large-sized enterprises agree not to use their services. Furthermore, unions were prepared to accept the 'opting out' of collectively agreed minimum wages by companies which were able to demonstrate serious economic difficulties. Another widespread line of action was the negotiation in large companies of 'dual pay-scales' or lower wages for newly recruited employees; in some cases, such agreements were linked to the future incorporation of these employees into the permanent workforce (Caprile, 1997b; Miguélez, 1997b). Also important was the demand to reduce and reorganise working hours, above all through the reduction of overtime (Miguélez, 1997a). Recently, 'special clauses' in collective agreements are of growing importance. Such clauses deal with geographical and functional mobility, controlling overtime, converting temporary jobs into permanent ones, and social benefit supplements (Martin Artiles, 1997c).

One of the commitments that trade unions and employers adopted in the 1997 intersectoral agreement on collective bargaining was to begin a process of negotiation on the management, duration and redistribution of working hours in order to foster job creation and improvements in the functioning of companies. The trade unions UGT and CC.OO proposed the establishment of the 35-hour working week through the combination of European recommendations and directives, laws of the Community countries and agreements between employers and unions. Furthermore, reducing overtime is a priority of the trade unions. The proposal was to establish a maximum daily ceiling of two hours' overtime, to compensate overtime with time off and to provide incentives for replacing overtime with permanent part-time contracts. However, employers strongly rejected a general reduction in working hours by law without a reduction in



wages; they believe that attention should be focused instead on making working hours more flexible rather than reducing them. In the employers' opinion, this should be achieved by collective bargaining, not through State intervention (Caprile, 1997a).

Chemicals

In April 1997, the general agreement signed in the chemical sector, based on the recently signed national agreement, dealt with two areas: types of employment contract and temporary employment agencies. The chemicals agreement defined the types of non-permanent contracts that can be signed. With respect to fixed-term employees, it was agreed that they would have 'the same rights and equal treatment in industrial relations as the other workers in the company'. The maximum duration was the one laid down by the interconfederal agreement. With respect to 'contracts for jobs or services', it was agreed that they must be restricted to tasks that are limited in time and duration, and that the worker representatives would be informed of the reason for using these contracts, the working conditions and the number of workers affected.

Extraction, glass and ceramic industries

In May 1998, trade unions and employers' associations signed an agreement on the 'promotion of permanent employment'. This stipulated that all fixed-term contracts or temporary contracts (including training contracts) signed may be transformed into permanent jobs under the conditions established in the 1997 intersectoral agreement.

Sub-sectoral and local collective agreement (wine-making industry)

In December 1997, employers, representatives of the trade unions CC.OO and UGT, and the Independent Union of Workers of the Winemaking Industry (SITIV) signed a sub-sectoral and local collective agreement for the wine-making industry of Vilafranca del Penedès in Catalonia.

The agreement stated that the economic reason that would justify dismissals would be a 15% decrease in the turnover of a company in comparison with the previous year. In addition, the agreement defined the technical, organisational and production reasons which would justify dismissals as: automation to replace manual or semi-manual processes; subcontracting of any activity for a minimum duration of one year; redefinition of markets involving the restructuring of the sales staff; and the redefinition of processes that involve an objectively proven need to reduce the workforce. Furthermore, the agreement provided for the creation of a 'job pool' (*bolsa de trabajo*). There was also a general commitment by the companies involved to convert temporary jobs into permanent ones, although this should not rule out the use of temporary employment in times of need. Finally, the agreement referred to carrying out studies on possible redeployment, but there is no obligation to do so (Llorens Serrano, 1998).

Coal mining

In July 1997, the Industry Ministry and the trade unions UGT and CC.OO signed the 'Plan for the future of coal mining in Spain'. The plan defined the volume of aid for the mining sector, as well as production targets and labour restructuring, for the period 1998-2005. It also stipulated the progressive reduction in public aid, a 30% reduction in production, a 30% reduction in employment (mainly through voluntary and early retirement) and support for various measures to

boost the prospects for the regions affected. Companies had to decide whether to sign the plan by 31 December 1997. It was not signed by the employers' association for the sector, Carbuni3n, or by any private companies, because they were unable to reach a unanimous position. The companies that did not sign had their public aid cut by 10%.

A dispute arose at the Hunosa and Minas de Figaredo companies, where it was agreed between government and unions that the workforce should be reduced by about 4,000 through early retirement over the period 1998-2005 and by the redeployment of a further 1,060 workers. It was also agreed that, over this period, coal production would be cut from 2.5 to 2.1 million tonnes and no further mines would be closed. Nonetheless, the European Commission rejected this agreement and proposed reducing the workforce by 4,000 without redeployment and reducing production to 1.5 million tonnes by 2001. The Spanish Ministry of Industry and the State Society of Industrial Shareholdings (SEPI) announced their acceptance of the Commission's proposals during the course of negotiations for the collective agreement for the next four years, claiming that negotiations over the July agreements had not completely finished.

After strikes and negotiations between CC.OO and UGT in Asturias, the Ministry of Industry and SEPI, agreement was finally reached on 27 January 1998. The public mining companies would take on only 736 workers and offer early retirement to 3,397 workers. A further 325 workers would be placed in economic diversification projects in the mining areas by Hunosa. The remainder of the previously proposed early retirements would be replaced by a programme of voluntary redundancies among the administrative staff of the company. In any event, by the end of 2001, the workforce would not be less than 6,500 (500 more than the figure proposed by the European Commission). Those taking early retirement would receive 100% of their wages with a monthly net income ceiling. Production levels for 2001 would be as laid down in the July 1997 agreements, although revisions would be made in some pits in order to reduce production if possible. Furthermore, there was also a pact on wage increases effective up to the year 2001, stipulating wage increases below the rate of inflation in 1998, 1999 and 2000, and equal to inflation in 2001 (Migu3lez, 1998b).

Company level

In most cases, company agreements in Spain contain similar provisions to sectoral agreements. In addition, some companies conclude 'pacts' which lie outside the protection reserved for other agreements in the 1980 Workers' Statute and are, therefore, less binding (Migu3lez, 1997a).

Collectively agreed measures include adaptations of working time, including longer opening hours of banks; the introduction of a new shift (generally the 'fifth shift'); early retirement in exchange for the contracting of a certain number of young people with lower wages; phased retirement; voluntary redundancy; reduction in the wages of newly recruited workers over a period of time (new workers tend to receive 75%-90% of the agreed wages); and conversion of temporary contracts into permanent contracts (Martin Artiles, 1997a, 1998c). Furthermore, dual pay scales, involving the exchange of employment security for wage reductions (generally only affecting new employees or temporary workers who have obtained a permanent contract), have

been agreed at the companies of Cotyastor, Roberto Bosch, España Fábrica Castellet, Valeo climatización, Lemmerz Española, Gates Vulca, Unidad Hermética, Damm and Pirelli Manresa.

According to recently published figures, clauses on employment feature in only 7% of agreements, but affect 18% of workers subject to company-level collective agreements (Martin Artiles, 1998c).

Repsol

In 1997, a framework agreement in the Repsol group (a major public oil and gas concern) with the sectoral trade unions FITECA-CC.OO and FIA-UGT stipulated mandatory early retirement for 390 workers aged 58-60 in exchange for 250 new permanent contracts. In addition, 100 casual work contracts were converted into permanent ones, conditional upon the workers' geographical mobility (they may be relocated in different companies within the Repsol group). Access to the company pension fund would be restricted for new recruits. Furthermore, the company would limit the use of subcontracting through temporary employment agencies and use less overtime in order to fill vacancies (Martin Artiles, 1998c).

Stockauto

Stockauto, a company that stores and distributes vehicles manufactured by the SEAT automobile company, signed a collective agreement with CC.OO on the creation of secure employment, the definition of the objective reasons for dismissal and the search for procedures to make working time more flexible. In exchange for a series of measures allowing the company to adapt better to variations in SEAT's rate of production, the company would give 28 casual workers (about 40% of the workforce) a permanent contract. The agreement provided for fair dismissal of a worker if the number of vehicles handled per employee fell below a certain number. Then that employee was entitled to compensation of 20 days' pay per year worked up to a maximum of 12 months' pay. Before resorting to dismissal, the company must first ensure that it has used all the means at its disposal.

Caja Madrid

In May 1997, the Caja Madrid savings bank and trade unions agreed new working hours, involving the extension of opening hours of 20 branches, in exchange for 60 jobs in the branches that will open in the afternoons. It was also agreed to convert 28 temporary contracts into permanent ones, to increase fixed and variable salaries of the managers and assistant managers of these branches, and to reduce interest rates on loans to employees.

La Caixa

In November 1997, an agreement was concluded at La Caixa savings bank, providing, among other things, permanent contracts to 800 workers who had an apprenticeship contract for over 18 months. The remaining apprentices would obtain permanent contracts when they reached the threshold of 18 months' service, so that 95% of them would have permanent contracts by 1 June 1998. Once they obtained permanent contracts, these workers would be governed by the sector's collective agreement and labour regulations of La Caixa. In addition, the time that they have worked as apprentices would be included for the purposes of calculating their length of service.

The agreement also established the employment contract conditions that would be applied to deal with the planned expansion of the bank over the next three years. The new contracts would be of the type stipulating 'contract of a duration determined by circumstances of production', for which the maximum duration of a temporary contract would be one year. After one year, La Caixa agreed to grant permanent contracts to at least 80% of the workers contracted for a specific period. Over 700 workers were expected to be given contracts of this type in 1998.

Banco Exterior

In September 1997, the trade unions accepted the plan of the Banco Exterior de España (BEX) bank, which involved workforce reductions of 2,100 employees. Measures included early retirement for workers over 53 years of age on 85% of pay until the age of 60, when they would receive 90%; voluntary redundancy at 51 years of age on 70% of pay until the age of 53; the establishment of new pay scales; and geographical mobility within a radius of 25 kilometres.

BBK savings bank

In October 1997, the trade unions CC.OO, UGT and ELA, with the management of the savings bank Bilbao Bizkaia Kutxa (BBK) signed a collective agreement for a period of three years (1997-99). In addition to a 2% pay increase, better conditions for staff loans and the setting up of commissions to study the application of legislation on equal opportunities and the prevention of industrial accidents, the agreement contained notable provisions on the regulation of working time and job creation.

The agreement reduced the number of branches that would have extended opening hours. On working days, these new opening hours would be covered as before by staff from the same office using their normal working hours; on Saturdays, the branches would be staffed by voluntary employees, who would also use their normal working hours and receive a monthly bonus in compensation. Furthermore, the agreement included the bank's commitment to create 100 jobs over two years through part-time temporary contracts and by converting 30 temporary contracts into permanent ones. Another point was the setting up of a joint commission to develop work-sharing policies. The workers' representatives proposed that some workers should voluntarily relinquish part of their working hours (currently 1,530 hours per year), which would then be covered by part-time workers with fixed-term contracts. The possibility of extending opening hours in more branches in exchange for the creation of permanent jobs was also being considered, as was voluntary early retirement. Finally, staff should be dissuaded from working voluntarily on Saturdays and from working overtime.

Telefónica

In 1998, Telefónica approved a restructuring plan to cut 9,979 jobs, involving 14.4% of its workforce, through early retirement at the age of 55, 'special leave of absence' at the age of 53 and the possibility of transfer to another company within the Telefónica group. Those who chose the last option would receive compensation amounting to 35 days' pay per year worked and could also request leave of absence of between three and five years, at the end of which they could ask to be readmitted to the company. Before Telefónica's plan was accepted by the joint central committee, there were demonstrations called for by the trade unions UGT, CGT and

SATT. The company's proposal was supported by four votes from CC.OO and three votes from UTS, but was rejected by four votes from UGT, one vote from CGT and one from SATT.

Mercedes Benz

In 1997, management and trade unions at Mercedes Benz's Spanish operations agreed to create a pool of working hours, aimed at achieving greater flexibility in the use of labour and avoiding redundancies. It was also agreed to convert temporary contracts into permanent ones and to introduce a retirement procedure. A 'structural pool of working hours' was created through which the company management would be able to allocate +/- 5 days per worker per year on the basis of the individual number of working days set out in the agreement. This option would be exercised if demand increased or lost production must be made up (+5 days) or if there was a recession in the market and in cases of *force majeure* (-5 days). In exchange, management offered commitments to relieve the negative effects of any redundancy procedures or reductions in the workforce. It was also agreed to convert, by the end of 1997, to permanent contracts a minimum of 500 employees with temporary contracts who had worked in the company for more than six months during the two last years; however, the management reserved the right to select the workers to be given the new contracts, even if they did not meet the established requirements. The agreement also included a retirement procedure, affecting workers who would be aged 60 or over in 1998.

Citroën Hispania

A collective agreement was signed in March 1998 at Citroën Hispania between management and the company union, which holds the majority on the workers' committee. The agreement established a voluntary increase of 74 working hours a year. The trade unions CC.OO, UGT and CIGA refused to sign. Unlike previous agreements, which laid down the number of working hours, the 1998 agreement simply referred to current legislation in force. In practice, this involved an increase in annual working hours, from the 1,752 hours laid down in the previous agreement to the legal maximum of 1,826 hours. Furthermore, Citroën Hispania also planned to use overtime (up to the annual legal maximum of 80 hours) for special production schedules.

Ford Almussafes

In 1998, for the first time in the factory's 22-year history, a new works agreement had not been signed at Ford's Almussafes plant in Valencia by October. Owing to a possible increase in production because of demand for a new model, management had required, as a starting point for the negotiations, the unconditional acceptance of an obligatory increase in working hours for all workers (through working in collective breaks and on 10 Saturdays per year). The workers' committee believed that, since unemployment is the most important political and social problem, the increase in production should be covered by job creation and employment stabilisation. The key demands were shorter working hours (a 35-hour week), the conversion of temporary contracts into permanent ones and the early retirement of workers with compulsory replacement; in addition, pay increases and promotion for certain groups of workers were sought.

After industrial disputes, inter-union disagreements and rivalries, mediation by the government, as well as threats of dismissals, plant closure and transfer of production to plants in other countries by Ford, the parties reached a draft agreement on 31 October 1998. This was later

ratified by the workers at an assembly, with 70% of votes in favour. The agreement contained pay increases of 2.6% in 1998, of the estimated RPI-inflation (1.8%) plus 0.5% in 1999, and of the estimated RPI-inflation plus 0.5% in 2000. There was no agreement on the change in occupational classification, from level five to six, for production workers. The production bonus was backdated to 1 January 1998. In exchange, the unions accepted the programming of six working Saturdays over the rest of the year, in addition to six working Sundays on a voluntary basis. A special bonus was also agreed – of ESP 54,000 for 1998, ESP 55,000 for 1999 and ESP 56,000 for 2000. The company has not yielded to the demand to pay wages lost as a result of workers' demonstrations at the beginning of 1998. Furthermore, the apprentices' school (*escuela de aprendices*) would take on 50 children of employees every year. The company agreed to integrate the temporary workers, currently on fixed-term contracts, into the core workforce as the situation returned to normal and production increased. The unions abandoned the introduction of the 35-hour working week, raised at the start of negotiations in January, because of the increasing complexity of the negotiations. Finally, an agreement was reached to include a reduction to 36.5 hours a week in the collective agreement for 2001. The agreement also specified that voluntary early retirement would cover all workers over the age of 58, including both administrative and production personnel.

As a result of the dispute, the production of Focus units was transferred to Saarlouis in Germany. However, the company agreed to join the unions in asking Ford headquarters to locate the production of the new engines in the existing engine plant in Valencia (Martin Artiles, 1998d).

SEAT

In November 1998, an agreement was signed between the trade unions CC.OO and UGT, and the management of SEAT car factory in Martorell. It involved increasing production and introducing more flexible working hours in exchange for employment stability and job creation. Management agreed to convert 600 temporary workers recruited two years ago into permanent workers; recruit 350 new workers; recruit another 100 temporary workers (students) on a part-time basis to cover weekends and holidays; and set up two commissions to analyse the feasibility of an early retirement plan and an occupational regrading plan. In return, the unions agreed to increase the holiday period by one month (from July to September), with the company paying ESP 6,000 more per day to workers who take their holidays outside the normal holiday period; increase shifts on Saturdays; work more days per year, by not compensating accumulated hours worked the previous year and continuing to work 80 hours of overtime per worker; and reduce by 15% the wages of new recruits graded as 'specialists' in exchange for a reduction in the period of service necessary to enter a higher grade (from three to two years).

The management of SEAT Martorell wanted to propose the plant as the best location for the production of a new SEAT model. In order to obtain the approval of Volkswagen (VW), SEAT's parent company, management claimed that it was 'vital' to reach a pact with the trade unions to guarantee the necessary increase in production. Since the factory was working at full capacity, the solution proposed by the company was to increase the use of the plant by greater flexibility in working hours.



Public Sector

Catalan Regional Government

In July 1997, a two-year agreement on employment security was forged between the Catalan Regional Government (Generalitat) and the trade unions.

In Catalonia, the public sector employed about 256,000 people in 1996, of whom 110,000 work in its regional government (100,000 as civil servants and 10,000 as non-civil service administrative staff). Though job security is far greater in the public sector than in the private sector, the proportion of temporary employment in the public sector had increased from 8% to 18% between 1987 and 1996. To halt this trend, the signatories agreed expressly to increase the percentage of permanent staff and proposed to reduce temporary employment by 1999 (to 10% amongst administrative, technical and health workers, and to 5% among non-university educational staff).

The agreement included the following measures (Vallvé, 1997):

- A 'job shop' would be created for temporary staff to channel all offers of temporary posts generated in the public administration.
- The use of temporary employment agencies would be restricted. The administration has agreed to use temporary employment agencies only when necessary to carry out support tasks complementary to normal activities which cannot be performed by contracting temporary staff from the job shop.
- Based on the introduction to the agreement, which stresses the importance of 'having motivated and staff trained for their job', a number of measures agreed would provide for the improvement of human resource management in the public administration. Such measures include encouraging internal promotion and horizontal and inter-administrative mobility; limiting overtime; reducing part-time working hours; a small reduction in working hours (12.3 hours fewer per year); the introduction of a certain flexibility in the distribution of working hours; and increasing maternity leave to five years.
- Since the agreement is based on the heterogeneity of public services, several sectoral commissions were established to draw up medium-term staffing policies and to monitor the agreements reached. These commissions, formed by the organisations signing the agreement and by the administration, would deal with the following topics: offers of employment and the selection process (posts to be advertised, transfers, internal promotion); monitoring the job shops; control and monitoring of overtime; and monitoring the introduction of part-time employment.
- A joint monitoring commission, comprising the signatory unions and the administration, to be established to evaluate the fulfillment of the agreement.

National Action Plan

The Spanish 1998 National Action Plan (NAP) for employment gave priority to active employment policies, supported by training and local activity. The NAP was widely discussed at meetings in consultation with regional governments, city councils, employers' associations, trade unions and non-governmental organisations. Although the Spanish Government felt that, in

recent history, no such plan has been submitted to so much consultation, the trade unions felt that the NAP contained no proposals for public investment to create jobs, while city councils claimed that insufficient funds were provided for generating employment in the local environment. Consequently, the NAP was approved without the support of the trade unions or the city councils.

Since the government blamed high labour costs as being a disincentive to job creation, the NAP proposed maintaining subsidies for the creation of permanent jobs and the conversion of temporary contracts into permanent ones. Subsidies would be devoted to reducing non-wage costs of companies. Three additional types of contract would now be eligible for reductions in social security contributions, with allowances payable to employers for (Martin Artiles, 1998b):

- secure and reduced part-time contracts (less than 12 hours a week or 48 hours a month), for which only half the normal social security contributions will be payable for two years;
- secure contracts entered into by workers who are self-employed; and
- contracts to replace women on maternity leave.

Evaluation

COEO report

According to a COEO report on Spanish collective bargaining in 1997, clauses transforming temporary jobs into secure jobs have had little effect despite the April 1997 intersectoral agreement. The report states that a feature of today's collective agreement is that it is no longer just a 'systematic agreement on wage increases', but that it is becoming a 'management instrument at the service of companies and competitiveness' and a means for creating jobs.

Only 2.5% of company agreements include commitments to transform temporary jobs into permanent ones. Also, pacts on maintaining workforce levels appear in only 8% of company agreements and refer especially to the prohibition of entering into or negotiating redundancy procedures during the validity of the agreement. On the other hand, 45% of company agreements include clauses that modify the duration of temporary contracts according to the peculiarities of the activity or sector. The number of companies encouraging early retirement is increasing. Some 35% of company agreements prevent workers from continuing after retirement age (Martin Artiles, 1998a).

Evaluation of the 1997 April agreements

In January 1998, the signatories of the 1997 April agreements published a review of their results, based on figures covering the period June - November 1997. The number of employment contracts entered into until November 1997 was 6,108,926 (almost 800,000 more than in 1996). Of these, 8.5% were permanent and 91.5% temporary. In 1996, the percentages were 3.9% permanent and 96.1% temporary. The gulf between these two types of contract is still enormous. Of those workers who obtained permanent contracts, 73% had previously been on temporary contracts, while the remaining 27% had been unemployed. The government and social partners have repeatedly stated that the increase in permanent contracts is due to the grants that these



contracts have received from government. At the end of 1997, the temporary employment rate was 33% of the labour force, practically the same as in 1996 (Miguélez, 1998a).

One year after the signing of the 1997 April agreements, the social partners drew up a balance sheet of their results and new negotiations opened to complete the reform process. The government's assessment of employment stability is optimistic. It feels that the important feature of the April pacts is the medium- and long-term trend towards a change in attitude about recruitment. Permanent contracts, as a proportion of all employment contracts signed, have risen from 3.8% in April 1997 to 8.9% in 1998. Of the total number of new permanent contracts, 75% were signed under the auspices of the labour reform (Martin Artiles, 1998c).

Context and overview

Historical development

In Sweden, collective agreements aimed directly and explicitly at the creation or maintenance of jobs hardly exist. The approach of the Swedish trade unions and employers' organisations is to conclude agreements on procedures or on wages and other terms of employment that further productivity, competitiveness and growth of companies, to the *indirect* benefit of employment and job security.

Given the tradition of cooperative industrial relations in Sweden and the relatively high unemployment rates experienced in the 1990s, it is noteworthy that there are so few collective agreements on employment. One explanation for this is that the government has always pursued an active labour market policy, so that, traditionally, unemployment has been a matter for the State. Another explanation might be that, since high unemployment rates are a new experience in Sweden, trade unions have, as a consequence, modified several of their traditional standpoints (Ahlberg, 1997a).

Labour market background: Unemployment and employment policy

The labour market background in Sweden shows an average rate of unemployment of 2.1% in the period 1971-80 and 2.6% during 1981-90. In the 1990s, unemployment rose from 1.6% in 1990 to a peak of 9.9% in 1997. The forecast for 1998 is 8.3%.

Sweden has a long tradition of good relations between government and the social partners. Government also shares the view that the social partners have a significant responsibility for

employment policy. Government representatives and the social partners meet regularly to exchange views and discuss labour market issues.

Changes in the Employment Security Act (1996)

In 1996, legislation changed provisions on the ‘Last in, first out’ rule in the Employment Security Act, which regulates the order of priority of workers in cases of collective redundancies. Formerly, Section 22 of the Act stipulated that if the employer wants to reduce the workforce, those employees who were most recently hired must be the first to be made redundant. However, according to Section 2 of the Act, the employer could obtain exemptions through a collective agreement concluded with a ‘central’ trade union, or with a union branch at a lower level, provided that the central union gives its permission. Most employers want the whole of Section 22 to be repealed.

The changes introduced in Section 2 now authorise trade unions at any level to agree on exemptions, not only from the selection criteria in redundancy situations in Section 22, but also from the provisions that restrict the use of different kinds of temporary employment, and the rules setting out the rights for those employees who have been made redundant to be re-employed if the company needs to rehire people within nine months. These changes were highly controversial and led to a severe crisis in the relations between the Social Democrat Government and the Swedish Trade Union Confederation (Landsorganisationen i Sverige, LO). As a reaction, some unions embarked on discussions to change their internal regulations in order to forbid local union branches from entering into agreements that derogate from the Employment Security Act (Ahlberg, 1997b).

Government proposes economic measures to reduce unemployment

In April 1997, the government presented a bill to parliament on the principles for its economic policy. It stated that the austerity policy of the last years had been so successful that it was now possible to focus more on its most important goal – to halve the rate of unemployment to 4% before the year 2000.

Measures proposed to achieve this included:

- SEK 8 billion to be invested in jobs in municipalities and county councils.
- The ‘Kalmar model’, according to which public employers recruit unemployed people to ‘raise the quality’ of their services without paying them more than a fraction of a normal wage, should be adopted on a nation-wide basis. The employees covered by the scheme retain their unemployment benefits. Furthermore, employers have to offer any short-term temporary vacancies (where, for example, full-time employees are away from work because of holidays, general absences or sick leave) to the ‘quality raisers’ and during these periods they must be paid at the full rate specified in the relevant collective agreement.
- Long-term unemployed people over 60 should be able to keep their benefits without having to look for a job until the end of 1997.



Collective bargaining on employment

National level

‘Stabilisation pact’ proposed in 1997

In March 1997, leading representatives of workers and employers in the commercial sector declared that they were ready to usher in a new period of cooperation, based on mutual trust, so that the uncertainty concerning future pay levels should be resolved. They urged all trade unions and employers’ organisations to join them in a three-year ‘Stabilisation pact’. This would give the politicians an opportunity to pursue a policy to reduce unemployment. It was further suggested that all labour market organisations should enter into new agreements which would provide for ‘moderate’ increases in wages and salaries.

The seven authors of this declaration claimed that such a pact would create a unique period of stability and predictability. This would enable companies to embark on long-term planning and permit a degree of certainty in political decision-making. It would also give the labour market organisations enough time to reach the necessary long-term agreements on procedural rules for future wage negotiations. In return, the authors expected the government and parliament to promote measures to stimulate demand.

Talks on a ‘Pact for growth’ (1998)

In October 1998, it emerged that several organisations had been having ‘explorative talks’ for some time on a ‘pact for growth’ (*allians för tillväxt*), with the aim of setting up lasting and stable preconditions for growth and employment. The organisations involved were the Swedish Employers’ Association (SAF), the Swedish Trade Union Confederation (LO), the Swedish Confederation of Professional Employees (TCO) and the Swedish Confederation of Professional Associations (SACO). In order to give the talks the best chance of succeeding, the parties had agreed not to make any comments on the content of their discussions. Topics covered in the talks were the procedural rules for negotiations and voluntary restrictions on the right to take industrial action; the EU social dialogue; Sweden’s relation to the EMU; fiscal policy; labour legislation; and competence issues. It is reported that both employers and trade unions were anxious to avoid threatened State intervention in wage negotiations and labour legislation. By December, the talks had broken down, primarily due to disagreements between the SAF and LO. In early 1999, the government placed two mediators at the disposal of the social partners to encourage them to reopen the talks (Ahlberg, 1999).

Multisectoral level

Discussion and agreement on new rules for pay determination

The legal and contractual framework for pay negotiations has been under debate in Sweden for the last few years. In May 1996, the government asked the social partners if they were ready to initiate talks in order to find new forms for a ‘sound and stable’ pay determination process, and, furthermore, to allow the ‘Edin Group’, consisting of the labour market organisations’ own economists, to evaluate the outcome of the 1995 bargaining round.

The Edin Group introduced a new benchmark – ‘the European norm’. This means that, in the medium term, the average hourly cost of labour for all Swedish employees (including wage-drift and indirect labour costs) may increase at the same rate as the labour costs in the rest of western Europe. This would lead to a ‘virtuous circle’ in the Swedish economy: lower rates of interest, appreciation of the Swedish crown, lower rates of inflation, smaller increases in nominal pay but at the same time increases in real pay levels. However, the Edin Group’s evaluation showed that the increase in wage costs for 1995 and 1996 exceeded the European norm. The conclusion was that, with a strong restriction on inflation, it would be impossible to fulfil the ambition to halve the rate of unemployment unless wages were kept at a ‘European’ level. This could hardly be done unless the whole process of pay determination were changed in one way or another. The group did not, however, take any position on what actual changes were necessary.

The Edin Group’s report formed a basis for the talks within and between the employers’ organisations and trade unions. At the end of March 1997, they reported their results to the Minister. All the organisations pointed out that several factors influence the outcome of a bargaining round, many of which are beyond the control of the labour market organisations, for example, the government’s policy on labour market issues, taxes or economy. Consequently, they expected the government and the Bank of Sweden to play their part in the process. The one factor that employers and unions themselves *can* control is the bargaining procedure. The central idea of most of the proposals was to promote effective and peaceful negotiations by giving the mediators (or an impartial chair) a more important role than at present.

In March 1997, 8 trade unions and 12 employers’ organisations from the industrial sector presented their own solution. This was an agreement on industrial development and wage formation, called ‘The procedural agreement for the industry’. Its object was to promote industrial development, profitability and competitiveness, in order to ‘provide the necessary conditions for reducing unemployment as well as the foundation for a healthy wage development’. The agreement consisted of two parts:

- In the first part, the parties described the conditions under which Swedish industry was working and what they saw as vital interests for the industry. From these mutual starting points, leading representatives of the parties would meet in a special ‘industry committee’ and discuss matters of importance for the companies and their workers. Its first act would be to appoint a council of four independent economists, who would give their opinions and recommendations on economic matters when needed.
- In the second part, procedural rules were established for the actual wage negotiations which would take place at sectoral level, as before, though supervised by the industry committee. The rules obliged the unions and employers’ organisations to start negotiations earlier than previously, with the aim of reaching a new agreement before the old one ran out. (They had thereby indirectly committed themselves to avoiding industrial action, since such action is illegal as long as an agreement is running.) If they had not completed the negotiations one month before the old agreement ran out, an impartial chair would intervene to help them conclude an agreement. The chair would not, however, have the power to forbid industrial

action, only to postpone it for 14 days or to force the parties to accept a settlement (Ahlberg, 1997a, 1997c, 1998).

Council for Redundancy Support and Advice (Restart)

An interesting and unique feature of Swedish industrial relations on the issue of 'bargaining on employment' is 'Restart', the Council for Redundancy Support and Advice.

In 1974, the employers' association SAF and the organisation PTK (a negotiating cartel of currently 27 salaried employees' unions) concluded a collective agreement with the objective of helping members of the PTK's trade unions in the event of redundancies. It was agreed that employers should pay a certain percentage of the total payroll for its white-collar workers to a foundation called Restart – the Council for Redundancy Support and Advice (*Trygghetsrådet*), from which individual workers could receive financial, as well as moral, support in their efforts to obtain new employment.

In 1994, the existing agreement was replaced by a new 'adjustment agreement' or 'agreement on transition' (*omställningsavtalet*). In this, the trade unions promised to agree on derogations from the order of priority for redundancies ('Last in, first out') when this is needed in order to improve the company's productivity, profitability and competitiveness. The support given directly from Restart to the companies was limited to advice and information. In a situation where a company had more employees than its operation required, Restart would consult the employer and the local trade union representatives. If, however, the employer decided to dismiss some employees, strong efforts would be made to help them find new jobs, to start their own businesses or to begin studying. If the employees' employer was affiliated to the additional services provisions of the adjustment agreement, Restart could even pay for a period of practice, education or acclimatisation at a new workplace. It could also give subsidies to workers who had set up their own businesses for covering small expenses at the beginning of the venture. Furthermore, employees aged 40 years or more who had not been able to find new jobs would be entitled to a redundancy payment which supplemented unemployment benefits, provided that they had been employed by the same employer continuously for the previous five years.

In 1996, about 30,000 companies with 650,000 employees were covered by Restart – not only salaried employees as before, but also certain blue-collar workers, mainly in State-owned companies. Some 39,500 people received practical and economic assistance, while another 12,000 got redundancy pay and 1,100 started their own businesses. The State sector has a similar foundation to Restart.

In June 1997, SAF gave notice of termination of the adjustment agreement, stating that it was time to revise the tasks of Restart again and claiming that the additional services provisions, which were meant to be optional, had in practice become compulsory. SAF stated that Restart should be reorganised into a private company from which employers and workers, who want more than the basic service, can buy additional services. PTK admitted that most employers had undertaken to pay for the additional services, but pointed out that this was a result of free collective bargaining.

In December 1997, the organisations affiliated to SAF and PTK signed a new 'adjustment agreement' on support to companies and their workers in the event of redundancies. The agreement came into force on 1 January 1998. Restart had remained a foundation, but the employers' contributions would be reduced from (in most cases) 0.55% of payroll to 0.30%. As before, support afforded by the Council to the workers would be of two kinds: direct financial aid (redundancy pay) and measures to help people find new jobs. A new feature was that the employer and its company trade union branch may conclude local agreements where they decide not to make use of the latter service, but to take other measures instead in the event of redundancies. If they reach such an agreement, the employer's contributions would be reduced by at least an additional 0.12 percentage points. If, on the other hand, the company had paid for both kinds of support, it may have its contributions refunded in order to use them for other purposes, provided that the local trade union branch agreed (Ahlberg, 1997d).

Sectoral level

In contrast to other European countries, demands for working time reductions in Sweden are not motivated by a wish to reduce unemployment, but are seen primarily as a means of furthering the well-being of workers. Measures generally promoting the productivity, growth and competitiveness of companies are seen as the main instruments for employment creation (Ahlberg, 1998). However, a number of recent sectoral collective agreements include provisions for lower pay for younger workers.

Timber industry

In April 1997, a collective agreement was made in the Swedish timber industry. Among others, it was agreed that employers can recruit workers on a temporary basis for six months instead of three, without recourse to the union. Subject to the approval of the local union, this period can be extended to 12 months in individual cases. Furthermore, the hourly wage rate for holiday workers under 18 years of age was lowered, from SEK 40 to SEK 30. The parties hoped that both these modifications would result in the creation of more jobs.

Engineering industry

The March 1998 collective agreement for the Swedish engineering industry included, for the first time, Metall's recommendation to accept a reduced introductory wage for workers under the age of 21 during the first year of employment, provided they were given some kind of training or induction programme during that period.

Company level

Vattenfall energy group

In September 1998, the Swedish energy group Vattenfall announced that 1,000 of its 8,000 employees would have to be made redundant before the year 2000. The oldest employees would be offered early retirement, while others were to take part in training to prepare them for new tasks in the group. Some 500 workers would be dismissed. The trade unions involved were taken by surprise and questioned the need for 1,000 workers to be made redundant since, in 1997, the State-owned Vattenfall group had made a profit of SEK 4 billion. Vattenfall, on the other hand, claimed that profits were declining due to the 1996 deregulation of the energy market. Customers



were not ready to pay for the high technical standards and reliability that Vattenfall has traditionally maintained and, thus, the company had to rationalise its activities.

In October, the representatives of the Union for Service and Communication, Energy Branch (SEKO Energi) resigned their seats on the company's boards and consultative bodies. During the negotiations that Vattenfall had to initiate before it could decide on the redundancies, further antagonism developed between the union and the company. Nevertheless, on 24 November 1998, SEKO Energi and Vattenfall reached an agreement that none of the group's blue-collar workers would be dismissed before 2001. Until then, the employer would try to find voluntary solutions for the 235 workers who had been selected for redundancy. The company also agreed to invest an extra SEK 100 million in 1999, which would guarantee employment for about 70 workers. In concluding this agreement, SEKO Energi thus accepted that there was a need for cutbacks, although the redundancy programme would be slowed down. However, the agreement created conflict with the other trade union involved. Although the SEKO representatives took back their seats on the company boards and consultative bodies, the Swedish Union of Clerical and Technical Employees in Industry (SIF) broke off negotiations entirely. SIF refused to accept the need for redundancies in the group and criticised SEKO for negotiating over the redundancies with the employer.

National Action Plan

In its 1998 National Action Plan (NAP) for employment, the Swedish Government set out its objective as the reduction of unemployment to 4% by the year 2000. This should be done partly by the traditional labour market measures of training and education to increase the employability of people who are, or risk becoming, unemployed. After years of cutbacks, the government would also provide extra money to local authorities to enable them to create new jobs in schools, healthcare and social services.

In order to further growth and employment in the long term, the NAP stated that it was necessary to improve the wage formation process. This issue had been on the agenda for some years already. On several occasions, the government has stressed that this should preferably be achieved by means of procedural agreements between trade unions and employers' associations. Simultaneously, however, an official committee has been working on a proposal for legislation. The Swedish NAP was the subject of discussions with the social partners (Ahlberg, 1999).

Context and overview

Historical development

In contrast to most other EU countries, bargaining on employment rarely exists in the United Kingdom. There are no reported cases relating to job creation. Nevertheless, against the background of rising job insecurity, job security agreements with the intention of preserving jobs have been forged in a number of companies, within or without the new ‘partnership’ approach.

Partnership is the current ‘buzzword’ in UK industrial relations. However, while all sides to the debate, including the government, embrace the rhetoric of partnership, agreement on its meaning and practical application is more difficult. There is no single model of partnership. While the unions want partnership through collective bargaining, the employers prefer ‘leadership partnership’ between the leaders of organisations and ‘people lower down’, which does not involve a centralisation of industrial relations. The government itself makes the picture no easier to interpret by arguing that partnership is possible in union and non-union settings (Gilman, 1998b). Partnership arrangements often involve Job Security Agreements (JSAs), which in most cases involve modest pay rises and working time flexibility measures in return for job security. These agreements are likely to be introduced in very specific circumstances, usually when companies have been wrestling for a protracted period of time with the problems of implementing various quality and flexible working measures against a backdrop of successive crises and redundancies (Gilman, 1999). However, these agreements can differ widely, as can the circumstances which give rise to them (Gilman, 1997a).

Labour market background: Unemployment and employment policy

Historically, unemployment rates in the UK increased from an average of 1.7% in the period 1961-70 to 3.8% in the period 1971-80 to 9.8% in the period 1981-90. Since reaching a peak of 10.4% in 1993, unemployment has steadily decreased – to 6.3% in 1998.

The current Labour Government has made solving the problem of unemployment one of its top priorities. It has committed itself to getting 250,000 young and long-term unemployed people back to work through the 'Welfare to work' scheme (Gilman, 1998a). Emphasis is placed, first, on employability through education and training, and, secondly, through the promotion of labour market flexibility (Gilman, 1999).

Collective bargaining on employment

Collective bargaining in the UK has always left considerable scope for further negotiation and/or adaptation to take place at the organisation, workplace and even departmental level. The rapid decline of national level collective bargaining and the disappearance of any sectoral bargaining since the abolition of the wages councils means that collective bargaining at company and even establishment level is increasingly important.

As such, the job security agreements (JSAs) that exist are typically negotiated at company level, although the full significance of their effects is likely to be worked out at local levels. However, it is also reported that there is nothing new about job security and the social partnership which accompanies it. More recently, though, it is argued that the form of these agreements has changed in that they are looking less at a form of corporatism and more at a form of mutual interest in the success of the company. Although there were a few tentative agreements in the early 1980s, it was not until the early 1990s that these deals began to meet with success, mainly as a means of managing restructuring during the economic recession. They have continued to grow as employers have found them to be a valuable means of managing the process of change, reassuring the workforce of its purpose and harnessing the employees' support and commitment (Arrowsmith, 1998; Gilman, 1997a).

The main aim of JSAs is 'a mutual bargain' – one in which greater commitment on the part of the employee can lead to enhanced performance, while the employer in turn must meet, as far as possible, the employee's demand for maximum sense of security at work. However, some commentators maintain that employment/job security agreements, rather than being mutual bargains, are more to do with managing the process of change, with the aim of reassuring employees and committing them to the process of change (Gilman, 1997a).

There are three main concepts used with these types of agreements:

- *Job security*: Encompasses the idea that the employee might expect to stay in their current post indefinitely.
- *Employment security*: Encompasses the idea that people will work flexibly and may change jobs or be deployed as business requirements dictate.
- *Employability*: Recognises that employees at some or several points in their lives will have to look for employment elsewhere, so investments in training and development have to be driven by the needs of the individual.



Policies tend to fall into four broad, sometimes overlapping, groups (Gilman, 1997a):

- guarantees given by the employer to the remaining employees after a major exercise in staff reduction;
- commitments given before an employer embarks on large-scale job losses;
- undertakings given by an employer in the context of a programme of organisational change; and
- responses to immediate crises or trade-offs for low pay rises or pay cuts.

Company level

Rover

The motor manufacturer Rover has a relatively long tradition of job security agreements. The government's 'New Deal' of 1992 represented the culmination of a series of productivity-enhancing initiatives, such as the introduction of 'total quality management' (TQM) in the late 1980s. When, at the beginning of the 1990s, the recession began to hit the company, Rover experienced a period of sustained job losses. Further cutting of jobs was considered to be self-defeating and so a commitment was sought from employees on 'full flexibility' and 'continuous improvement'. This could only be achieved in an atmosphere where employment was not threatened.

With the take-over of Rover by BMW in 1994, suspicion appeared to be increasing as the multinational began to link investment commitments between its plants (and ultimately the Rover employment guarantee) to employee concessions (Arrowsmith, 1998).

An example is the Longbridge production plant in Birmingham which, in 1998, employed about 14,000 people. In 1997, the future of the plant and investments were linked to collectively agreed changes in working practices in the direction of more flexibility in order to increase productivity.

In December 1998, Rover employees voted to accept a package of 2,500 job losses and more flexible working hours as the price for new investment and keeping the Longbridge plant open. BMW management had maintained that a 30% productivity gap existed between the Longbridge plant and the German BMW plants, which had to be narrowed by means of more flexible working practices. According to company estimates, the agreement would lead to cost savings of approximately GBP 150 million a year. Workforce reduction would be achieved through 'natural wastage' and voluntary, rather than compulsory, redundancies. Furthermore, German-style working patterns to extend plant operating hours at basic pay rates would be introduced. Workers' basic hours would be reduced from 37 to 35 hours a week. In return, management would be able to schedule these hours more flexibly, including Saturday mornings if necessary; annualised working time accounts would be introduced in all Rover plants and premium payments for overtime and Saturday working would be eliminated.

Jaguar

In 1989, Jaguar was taken over by Ford which provided the investment to make changes in the organisation of work and to offer large pay increases in order to facilitate acceptance of the

change. However, the take-over also raised the threat of sourcing production elsewhere in the Ford group.

After both redundancies and various quality improvement initiatives, a job security agreement was concluded at the Jaguar car company in 1994. The agreement introduced wide-ranging flexibility in terms of: reducing demarcations between jobs; increasing craft multiskilling; introducing greater team-working; use of temporary workers; and working time, including flexitime and efforts to introduce compulsory overtime (Arrowsmith, 1998).

Ford Halewood

In January 1997, the Ford Motor Company announced that it was to cut 1,300 jobs at its Halewood plant. This was after some speculation, following a report in the *Observer* newspaper that Ford wanted to install new efficient working practices and that it would threaten to build a new-generation Escort model elsewhere or close the plant altogether if trade unions did not agree to concessions. The company then confirmed that production of the new model would not include Halewood, but would instead be located at Saarlouis (Germany) and Valencia (Spain); furthermore, the company stated that Halewood would immediately reduce its shift pattern to one shift per day. Because production of the old-model Escort was due to be phased out by the year 2000, there appeared to be a real threat of the plant closing down altogether.

Fearing further cuts at other plants in the UK, as Ford continued its plans to stem European losses, the unions responded by calling a ballot for industrial action, even though the company said that it would be looking at locating a new Multi-Activity Vehicle (MAV) project at Halewood. The unions argued that the MAV was still on the drawing board and unlikely to be ready by 2000. Furthermore, the new investment in the plant would be contingent on the company receiving government aid and the unions calling a halt to the strike ballot.

Ford was asking the UK government for about GBP 75 million, having already receiving GBP 72 million the previous year towards the production of a new Jaguar car. In early February, it was reported that the government was likely to offer about GBP 60 million in aid to secure the future of Halewood. This fulfilled one of the requirements laid down by Ford for investment in the MAV project. The second condition was met by the unions a few days earlier, when they agreed to halt the ballot for industrial action, pending further talks, after the company gave assurances of continued production at Halewood and also reduction of the job losses to 980, on condition that the unions would agree to further productivity-enhancing measures (Gilman, 1997b).

In April 1997, a GBP 15 million package of government support was announced for the Halewood plant, thereby saving 1,850 jobs. The aid was towards the production of the new MAV. Under the revised plan, Ford was seeking 980 voluntary redundancies, leaving the total workforce at around 3,000. The future of the plant had been secured on the precondition of changes in working practices. Flexibility agreements were concluded earlier.

Peugeot Ryton

At Peugeot's Ryton plant in Coventry, a strike was avoided when employees voted in favour of a



revised offer over pay and shift patterns in 1997. In April, the company announced that it intended to build a new model at Ryton, the associated investments implying the securing of 3,000 jobs. The future of the plant was made conditional upon changes in working practices.

Vauxhall

In April 1998, workers at the Luton and Ellesmere Port plants of motor manufacturer Vauxhall, which is part of the General Motors group, voted to accept a three-year pay deal. The settlement provided for a 3.5% wage rise in 1998 (below the industry average of 4.5%), a 3% increase in 1999 and a rise in line with inflation in 2000. If the exchange rate of the pound stood below DM 2.70 in three years' time, workers would enjoy an extra 0.5% rise. This deal, believed to be the first of its kind in UK industry, also included some productivity-enhancing changes. Vauxhall, which said that its exports were suffering from the current strong pound, had warned that the future of its operations in Britain depended on acceptance of the package. General Motors had promised to manufacture the new Vectra model in Luton and invest more than GBP 200 million in the plant, but only if the deal was accepted.

Massey Ferguson – Agco

The 1990 job security agreement at the Massey Ferguson tractor company followed crisis conditions in the company and the implementation of other efficiency-improvement initiatives including cellular manufacturing. It was meant to reassure the workforce that the associated introduction of cellular manufacturing and multiskilling would not put jobs at risk. The company also decided that all future recruits to the manual workforce would be taken for the first time on a fixed-term contract basis (usually 13 weeks) in order to protect the 'core' workforce. According to an agreement with the unions, who were concerned that the temporary workforce could be used to replace permanent staff, the fixed-term contracts may not cover more than 15% of the total workforce and, after two years' employment, must be made permanent or the workers released. In 1994, the company was taken over by Agco, which offered greater potential investment but also more internal competition between plants (Arrowsmith, 1998; Gilman, 1997a).

Blue Circle

In January 1997, a deal was agreed between Blue Circle (BCC), Britain's largest cement manufacturer (employing about 2,000 workers in 10 plants) and two trade unions, the Transport and General Workers Union (TGWU) and General Municipal and Boilermakers Union (GMB). The deal gave a guarantee of job security, in return for pay restraint and more flexible working arrangements.

The background to the deal was a series of attempts by BCC to restructure its business, including extensive capital investment and the restructuring of employee relations in the face of falling demand and increased competition from overseas producers. Earlier changes in working practices had introduced annual hours working, regrading and multiskilling, and consolidated annual salaries. However, recession and increased competition in the 1990s led to large-scale redundancies and a willingness by both management and unions to consider alternative

approaches. A 'company-wide action team' was established in 1996 as a formal partnership body, with a remit to develop alternative ways of managing change and improving productivity, backed up by 'local action teams' in the plants. There is some evidence that these are already beginning to have real results in terms of improving productivity and employee involvement (Arrowsmith, 1998).

The job security deal was, in fact, two agreements. The first agreement, which covered 124 lorry drivers at the company, was a five-year deal in which the company agreed not to contract out any more haulage work, and not to carry out any compulsory redundancies. In return, the unions agreed to a five-year pay deal which gave the lorry drivers a 3% increase in the first year and a pay freeze in the second year, with the increases in the final three years to be decided by a pay review committee. The unions also agreed to additional flexible working arrangements, which would entail drivers taking on such tasks as fork-lift truck driving. The second deal, which covered most BCC employees, involved job security for three years, in return for a pay offer of inflation plus 0.25 percentage points for each of the next three years. Alan Black, the GMB national secretary, stated that the union would also be looking at possible further deals to secure jobs after the year 2000, since there is a commitment to continuing job security on a rolling year-to-year basis. Workers would be expected to agree to additional flexible working practices, in return for better training, job enrichment and an 'empowerment' clause, under which teams of workers would be responsible for making decisions on how work was carried out. Also employees must be prepared to be redeployed and trained for suitable jobs anywhere within the business unit and/or volunteer to relocate to other units. These agreements were the culmination of almost 20 years of negotiations (Gilman, 1997a, 1997c).

British Airways

British Airways cargo staff voted for a two-year pay freeze and the loss of 400 jobs in return for the airline agreeing not to put work out to contract. British Airways hoped to achieve the redundancies on a voluntary basis.

Sheffield City Council

In contrast to the experience of other job security agreements, which have been introduced in growth conditions and as part of a process of work reorganisation, Sheffield's agreement was about to be abandoned in 1993 owing to a budget crisis which threatened 1,400 jobs. In order to safeguard jobs, the workforce agreed instead to a salary cut of 3.25%. A revised 1996 document on organisational change made no reference to the previous policy commitment to no compulsory redundancies (Gilman, 1997a).

National Action Plan

The UK Government consulted both the Confederation of British Industry (CBI) and the Trades Union Congress (TUC) about the contents of the 1998 National Action Plan (NAP) for employment. Both organisations made a direct contribution in the form of two joint statements (concerning the 'employability' and 'adaptability' guidelines) which are incorporated in the NAP



in their entirety. The NAP stressed that the social partners have a valuable role to play in taking forward the UK's employment agenda. In the area of adaptability, the CBI and TUC stated that they 'fully support proposals to encourage workplace partnerships to promote new forms of work organisation. Employers are increasingly seeking more highly trained and adaptable workers who can acquire new skills throughout their working lives. Employees, on the other hand, are seeking a guarantee of employment security and work that is stimulating and fulfilling. These objectives can only be achieved if workers are employed by dynamic and competitive organisations. It is clear that both employers and employees have a shared interest in business success' (Gilman, 1999; Hall, 1998).




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Note: The 1998 National Action Plans (NAPs) for employment of all 15 Member States mentioned in this report, as well as the 1999 and 2000 NAPs, are published by the European Commission and are available on the Europa website (located on the page hosted by the Employment and Social Affairs Directorate-General) at the following location: http://europa.eu.int/comm/employment_social/empl&esf/ees_en.htm

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Innovative Agreements on Employment and Competitiveness in the European Union and Norway

Employment is currently the 'big issue' in the European Union. Against a background of consistently high unemployment rates, governments and social partners have undertaken numerous efforts to create jobs and get the unemployed onto the labour market. Since the early 1990s, collective bargaining in many European countries has adopted a partnership approach to improve employment and competitiveness.

This report describes the recent initiatives known as 'pacts for employment and competitiveness' (PECs) which are a combination of three main elements: competitiveness, employment and partnership. PECs aim to influence the level and structure of employment through a mix of market regulation, collective bargaining at the various levels, public policy intervention on tax, social security contributions, training, education and innovation.

Examining social partner activity at company and sectoral level, this report is based on a recent study on collective bargaining and employment carried out by the EIRO (European Industrial Relations Observatory) network. The subject is viewed in the context of national labour market developments, employment policies and collective bargaining. The report includes a European-level overview as well as a description of the employment situation, recent collective agreements, and National Action Plans for Employment for the 15 EU Member States and Norway.

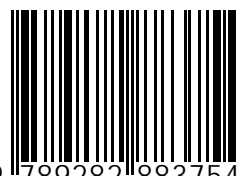
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