

# **Social dialogue in times of crisis: what can we learn from the past?**

## **(Part 1: Introduction)**

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### **Introduction**

The current financial and economic crisis is the first in the fully globalized world. However, in the relatively recent past, governments and social partners in different regions have had to deal with many national emergencies. What were the impacts of these crises on labour-management relations? How did the actors behave? What role did social dialogue play during these crisis periods? Are there any lessons to be learned?

### **All regions suffered**

No region was exempt from various types of serious economic difficulties during the period after the Second World War. Europe and Japan faced the huge task of rebuilding their economies after the devastation wrought by the war. In the 1970s and the 1980s many industrialized countries in Europe and North America suffered high inflation and unemployment, after nearly three decades of uninterrupted economic growth marked by rising standards of living. Central and Eastern Europe had to fight severe transition-related economic and social problems in the early 1990s. The Asian financial crisis of 1997 hit some of the "Asian tigers" heavily and rather unexpectedly. Many developing countries in Africa, Asia or Latin America suffered from repeated downturns, often related to political instability and liberalization policies.

### **Impact on industrial relations**

All these national emergencies severely affected the business environment, job security, standards of living and relations between employers and workers. National industrial relations systems were therefore significantly affected by these developments. On the other hand, industrial relations also played an active role, both at the national and enterprise level, helping to overcome the consequences of economic downturn and to share fairly its social costs.

Two major developments impacted on industrial relations during these periods. First, crises often accelerated the structural transformation of national economies, which influenced the structure of the workforce and work organization, by reducing the part of highly unionized manufacturing in favour of the service sector and by bringing more flexible production methods. Second, economic difficulties led governments to increase

their involvement in labour market governance, and sometimes resorted to direct intervention, such as changing the legal and institutional framework of industrial relations.

Then again, many governments sought social partners' collaboration in the design and implementation of recovery measures. The classic and well-known example is Ireland, where state-supported social dialogue clearly contributed to strong economic growth and social progress during the two decades after the signing in 1987 of the first in a series of social pacts.

### **Challenge and opportunity**

Crises represented a serious challenge even for old and well established industrial relations systems, such as in Belgium. In some countries, notably Sweden, it took several years to adapt industrial relations to new circumstances. Dramatically different economic conditions significantly changed the agenda for consultations and negotiations as well as the objectives and expectations of all parties.

At the enterprise level, most significantly in the United States and in Europe, a specific type of collective negotiation evolved, sometimes called "concession bargaining", the objective of which was not to achieve a fair distribution of benefits but rather to safeguard jobs or simply save the enterprises by cutting costs, including wage costs. At the national level, the need for public support for many unpopular measures related to budgetary restrictions and other forms of fiscal austerity led politicians to more cooperative arrangements with representatives of organized employers and workers, sometimes opening new perspectives for freedom of association and the right to bargain collectively, as in Korea during the Asian financial crisis. Periods of economic crisis can therefore be seen as a challenge to established practices, but also a unique opportunity to build on the urgent need for solidarity and cooperation.

Coming soon in this series: Recession of 1970s-80 in industrialized countries