

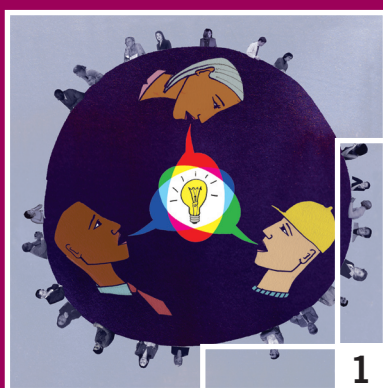
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Recovering from the crisis through social dialogue

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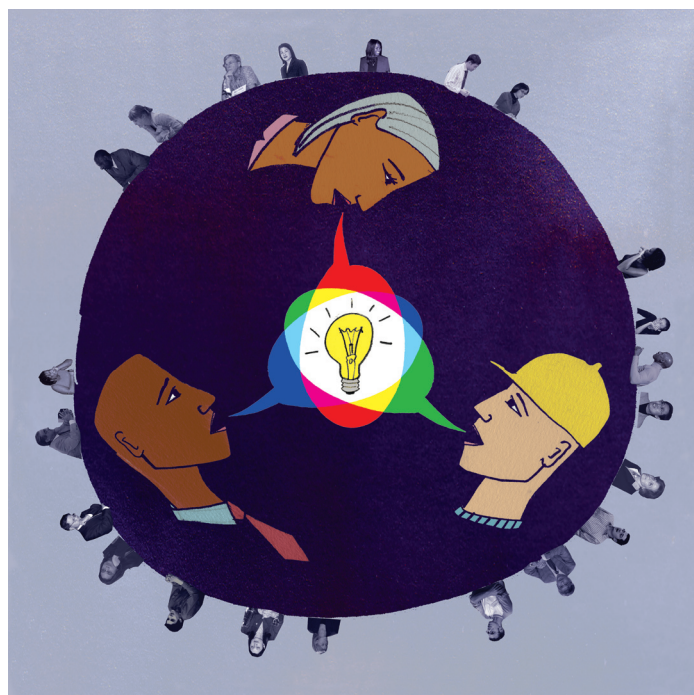
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Introduction

The global economic crisis has had devastating effects on the labour market in most countries, although the timing and degree of its impact varies from one country to another. Despite recent signs of stabilization, the outlook remains uncertain and unemployment is expected to rise in 2010 (IMF, 2009), while enterprise sustainability remains a major challenge for economic policy-makers. These challenges cannot be addressed by public authorities alone, engaged in unilateral decision-making. On the contrary, they call for tripartite co-operation between governments and the social partners in pursuit of sustainable and effective negotiated solutions (Rychly, 2009). As emphasized in the ILO Global Jobs Pact (ILO, 2009a), “Social dialogue is ... a strong basis for building the commitment of employers and workers to the joint action with governments needed to overcome the crisis and for a sustainable recovery.”

In past crises, social dialogue has proved irreplaceable as a tool of balanced crisis management and a key governance instrument with regard to change. However, social dialogue must not be taken for granted. Nor does it operate in a vacuum. Certain basic conditions must be met if it is to be effective and deliver good results. Challenging times offer the tripartite partners an opportunity to improve cooperation through social dialogue and to openly address all problems facing workers and employers, as well as society in general.

What is social dialogue and what conditions are required to ensure its effectiveness?



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Social dialogue is meant to include “all types of negotiations, consultations or simply the exchange of information between and amongst the representatives of governments, employers and workers on issues of common interest related to economic and social policy” (Ishikawa, 2003). This definition¹ suggests that social dialogue may take place at different levels and in various forms, depending on national circumstances. In this Brief, we will focus on national tripartite social dialogue only; bipartite social dialogue – including collective bargaining – will be addressed in subsequent DIALOGUE Department briefs.

The Consultation (Industrial and National Levels) Recommendation, 1960 (No. 113), asks member

¹ There is no universal or official definition of social dialogue. The ILO has formulated a working definition which reflects the wide range of practices across member States.

States to take measures appropriate to national conditions to promote effective consultation and cooperation at the industrial and national levels between the public authorities and employers' and workers' organizations, as well as between these organizations. While the nature of consultation procedures is left to member States, Recommendation No. 113 states that such consultation and cooperation "should aim, in particular, at joint consideration of matters of mutual concern with a view to arriving, to the fullest possible extent, at agreed solutions", and that it must cover a broad range of issues including "... the preparation of laws and regulations ... and the elaboration and implementation of plans of economic and social development".²

The ILO resolution concerning tripartism and social dialogue (ILO, 2002) invites governments to ensure that the necessary preconditions are in place for social dialogue, including respect for the fundamental principles of freedom of association and collective bargaining, a sound industrial relations environment and respect for the role of the social partners. Strong and representative social partners, together with well functioning social dialogue institutions are also important conditions for an effective social dialogue (for further discussion of the conditions for effective social dialogue, see Auer, 2000; Fashoyin, 2004; Ghellab and Vylitova, 2005; ILO, 1996).

Why is social dialogue a key component of the crisis recovery strategy?

The role of social dialogue and tripartism in helping countries to overcome serious economic and labour market difficulties and accelerate recovery has been well documented (Auer, 2000; ILO, 1996; Fashoyin, 2004; and Rychly, 2009). Past experiences demonstrate that governments can neither tackle the causes and consequences of the crisis nor ensure social stability and recovery through unilateral action. Indeed, as the delegates at the Global Jobs Summit overwhelmingly concluded: "in order to find sustainable solutions to the current crisis and to accelerate recovery, tripartite consensus is needed both on the nature and the focus of measures required to tackle the roots of the crisis and its consequences" (ILO, 2009a).

The ILO's activities in this area have demonstrated the great potential of social dialogue mechanisms in helping member States to address difficult economic and social challenges, such as labour market imbalances and social security-related reforms, in a smoother and more constructive way (Auer, 2000; Vaughan-Whitehead, 1998; Fultz, 2002). There is evidence of growing recourse to mechanisms of social dialogue in response to major economic crises (Fashoyin, 2004). The experiences of Ireland (see Wallace and Clifford, 1998), the Netherlands (see Visser and Hemerijck, 1997), some Central and Eastern European countries (see Héthy, 2000 and 2008), Korea (Ki Choi, 2007) and a number of developing countries (see Fashoyin, 2000 and 2002) show the link between economic crisis and the increasing utilization of social dialogue by tripartite partners. They all demonstrate the added value of social dialogue in times of economic hardship and its enormous potential in helping tripartite partners to act in a concerted way to address the challenges facing them.

² Consultation (Industrial and National Levels) Recommendation, 1960 (No. 113).

However, it would be misleading to assume from the above considerations that social dialogue has added value only in times of economic difficulties (Fashoyin, 2004). Indeed, social dialogue is also a useful tool of governance in the context of prosperity (ILO, 1996). In times of economic growth, social dialogue and coordinated collective bargaining contribute to a fairer distribution of the wealth created between capital and labour, as shown by the Irish “Programme for Prosperity and Fairness 2000–02”, formulated and implemented in circumstances of economic success, on the basis of broad national consensus involving the Government, employers, trade unions, farmers and other interest groups (Mulvey, 2009).



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Social dialogue is an instrument of sound governance of change for at least three reasons. First, through information sharing, the quality of policy design and strategies for recovery can be improved; second, social dialogue is a way of building trust in and commitment to policies, easing the way for their rapid and more effective implementation; and third, the process of social dialogue helps to resolve inevitable differences and avoid conflicts of interest which could delay implementation of policies and, ultimately, recovery. It helps to bring about the bargains needed to restore macroeconomic balance (Rodrik, 1999).

This is not to say that social dialogue is a cure-all. Social dialogue provides a policy tool for addressing divergences and disagreements and seeking solu-

tions, but it is not able to eliminate them once and for all. Sound regulations and public decision-making in economic and social policy are also important instruments of sound governance.

Social dialogue in the present turbulent times: an increasing role

ILO assessments of crisis-related responses by member States show that numerous governments in developed, developing and emerging countries alike have reacted to the crisis by implementing economic stimulus packages and labour market measures. Crisis-related policies are increasingly on the agenda of national tripartite bodies or ad hoc tripartite forums, following the lacklustre state of social dialogue when the crisis began to unfold (Rychly, 2009). In some countries, there has been creative social dialogue between the authorities and the social partners, leading to concrete outcomes such as national tripartite agreements. The latter contain a wide range of measures, ranging from the promotion of work-sharing arrangements, training opportunities and enhanced social protection, to providing support for enterprises and creating jobs through public infrastruc-

ture programmes. In other countries, social dialogue has faced difficulties, sometimes leading to a temporary breakdown in cooperation between the Government and the social partners.

In what follows, we shall briefly review successful experiences of national social dialogue in some countries, and then describe the difficulties faced by social dialogue in other countries and the efforts made by tripartite partners to overcome them. Finally, we will draw some policy conclusions.



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Successful experiences of national social dialogue in some countries...

The Netherlands

The long established practice of regular national social dialogue allowed Dutch tripartite constituents to respond to the crisis in its early stages. The Government and the social partners discussed the impending consequences of the crisis as early as March 2008 and reached a consensus on the importance of increasing labour market participation, especially retaining older workers in employment. As the crisis unfolded, the Government convened a special tripartite crisis team in January 2009, seeing an opportunity to collaborate with the social partners on urgent matters such as preventing mass redundancies and maintaining the purchasing power of the working population, as well as offering training opportunities to those workers who had lost their jobs. Also, it offered an opening for a tripartite approach to modernizing the labour market. After weeks of negotiations, the Dutch social partners agreed in March 2009 to a government package which puts high priority on employment promotion through training, flexicurity and limiting enterprise costs.³ This tripartite agreement was possible only after the social partners had reached an important bipartite compromise, whereby the trade unions pledged to keep wage demands below the rate of inflation and employers agreed not to raise the retirement age from 65 to 67 years of age.

³ The Dutch Ministry of Labour's reply to the questionnaire in the survey on country social dialogue measures to address the crisis, prepared by the Industrial and Employment Relations Dept. (2009).

Japan

Japan (Japan Institute for Labour Policy and Training, 2009) has experienced a significant increase in the number of non-regular workers since the beginning of the new millennium. The current global economic crisis has resulted in significant job losses for this category of workers. Unemployment has also affected regular employees, however, and is perceived as a real threat to social stability.

In this context, in order to cushion both categories of employee against the risk of a further increase in unemployment, the social partners and the Government have engaged in tripartite consultation with a view to promoting employment stability. Work-sharing and support for small and medium-sized enterprises have been considered among the key means of achieving this objective. Following heated discussions – there was a divergence of views regarding the definition and scope of work-sharing arrangements between employers' and workers' organizations, and even among the latter – the tripartite partners reached an **Agreement on Job Stability and Employment Creation** in March 2009. This agreement contains various measures aimed at maintaining employment through work-sharing arrangements subsidized by the Government, to be implemented at the enterprise level based on consultation between labour and management. Such measures include: (a) temporary unemployment in lieu of layoffs, (b) reduction in working hours, (c) education and training, and (d) temporary transfer of workers between companies.

The Government has supported such work-sharing initiatives through a wide range of measures, including raising subsidies for employers who avoid layoffs, as well as financial support for small and medium-sized enterprises.

Other components of the tripartite agreement include: (a) enhancement of the employment safety net by a number of measures, such as vocational training and job placement services, (b) supporting job seekers through the provision of living and housing assistance and job counselling, and (c) creating jobs, particularly in medical care, nursing, day care, the environment, agriculture and forestry.

France⁴

On the proposal of the French Confederation of Labour (CFDT), in March 2009, the Government, in consultation with the social partners, created a Social Investment Fund (FISo), initially for two years. It is co-financed by the state (1.3 billion euros) and by the social funds (unemployment insurance fund and vocational training fund) managed by the social partners (200 million euros). FISo's main objective is to finance crisis-mitigating measures, such as the training and retraining of workers and the payment of part-time unemployment benefits, targeting workers whose jobs are under threat due to the economic downturn. FISo is managed by a tripartite body made up of representatives of the Government and employers' and workers' organizations. The latter's role is to define criteria for using the funds put at FISo's disposal and to evaluate the results of its interventions in favour of workers affected by the crisis. According to a French government Communiqué dated 25 August 2009,⁵ 183,000 workers have benefited from measures financed by FISo so far.

⁴ AEF Dépêche, No. 112 186, 7 August 2009.

⁵ AEF Dépêche, No. 118 551, 25 August 2009.

Chile⁶

In response to the global economic crisis, the Government (represented by the President of the Republic), the Confederation of Production and Trade, the Confederation of Small and Medium-Sized Enterprises and the Confederation of Workers (CUT) concluded a national tripartite agreement on decent work on 6 May 2009, which was enacted into law on 28 May 2009. This Law stipulates a number of measures on employment, training and social protection, valid for a period of 12 months, aimed at facilitating the retention of workers within enterprises, improving workers' skills, protecting unemployed persons and helping them to find new jobs in the labour market, boosting public spending on infrastructure and supporting enterprises – especially SMEs – through tax relief and access to credits and guarantees. The Law also provides for a programme of grants for women. The speed with which all of these measures have been adopted and started to be implemented has been attributed to the rapid consensus between the Chilean Government, workers and employers on ways and means of confronting the effects of the global economic crisis.

South Africa

In December 2008 (ILO, 2009b), tripartite constituents in South Africa met to discuss the challenges brought about by the global economic crisis. After hearing the Government presenting the various scenarios of how the crisis was likely to impact on the country's economy, the tripartite partners agreed that overcoming these challenges would require a collective approach. The Presidency of the Republic and the National Economic Development and Labour Council (NEDLAC) co-managed the process of formulating the tripartite response.

The consultation process resulted in the unveiling of a "Framework for South Africa's response to the international economic crisis" on 19 February 2009. The Framework agreement identified six key platforms on which to base South Africa's response to the crisis, covering the following areas: investment in public infrastructure, macroeconomic policy, industrial and trade policy, employment and social measures, global coordination and social partnership. One of the Framework's underlying principles is a commitment to creating decent jobs, since the signatory parties agreed to "ensure full respect for and observance of fair labour standards and national legislation, in responding to the crisis".

⁶ Ministry of Labour: Law No. 20.351, 28 May 2009.

Similar tripartite agreements have been concluded in Armenia, the Dominican Republic and the Republic of Korea. A number of other countries have organized tripartite summits at which ways of addressing the crisis were discussed. For example, in Germany the Federal Chancellor convened a tripartite summit in December 2008, with a view to discussing the impact of the crisis on the national economy and outlining the Federal Government's second stimulus package. The summit offered the social partners an opportunity to examine the Government's proposals and to make counter-proposals. The results of this exchange of views between the tripartite partners were taken into consideration in the package of measures implemented by the Government in January 2009. A similar approach has been taken by Brazil, Czech Republic, India, Nigeria and Turkey.

Whereas it appears too early to assess the economic and social impact of these tripartite agreements and consultations on the ground, as their implementation is still under way, however their very existence is a clear demonstration of governments' and social partners' willingness to join efforts and act collectively to tackle the challenges generated by the global economic crisis, overcome threats of social unrest and instability and accelerate economic recovery.

... and difficulties engaging in social dialogue in other countries

Social dialogue faces challenges in some countries with regard to bridging the differences between the tripartite partners. For instance, in Bulgaria the two main trade union confederations of trade unions, the Confederation of Independent Trade Unions of Bulgaria (CITUB) and the Confederation of Trade Unions Podkrepa of Bulgaria (Podkrepa), withdrew from the National Council for Tripartite Cooperation (NCTC) in autumn 2008 on the grounds that the Government was acting unilaterally in such matters as a pay freeze in public services, in violation of the National Pact on Economic and Social Development in effect for the period 2007–09.



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However, the new Government, which took office in July 2009, established a tripartite working group within the NCTC to monitor the development of the economic situation and examine new measures to address the consequences of the crisis. It invited CITUB and Podkrepa to return to the social dialogue table. At the same time, it instructed line ministers to initiate dialogue with branch unions and employers' organizations on specific sectoral measures. These confidence-building moves prompted CITUB and Podkrepa to return to

the NCTC, and tripartite cooperation resumed. After a few weeks of consultation, consensus was reached on a set of measures to protect workers and improve the business environment for enterprises.

In Croatia, after several months of negotiations, the Government and the social partners failed to agree on a package of measures meant to help the country to overcome the economic crisis, in particular to reduce public expenditure and save jobs. As a result, the Government acted unilaterally and passed legislation increasing VAT (from 22 to 23 per cent), introducing a crisis tax on monthly wages and pensions (ranging from 2 to 4 per cent) and establishing rules on state subsidies for shorter working hours in industries hit by the crisis. In fact, the latter measure reflected an initial proposal made by the Croatian Employers' Association (HUP) and the Union of Autonomous Trade Unions of Croatia (SSSH). However, for the social partners, the fact that the Act was adopted hastily and too late did not allow genuine tripartite consultations over the crisis mitigating measures and hence failed to help Croatian industry (HUP, 2009; UATUC, 2009). The new Government, which took office in July 2009, has since been trying to rebuild its relations with the social partners and to relaunch the social dialogue. However, little progress has been made so far due, inter alia, to the blockage on labour law reform.

In Kenya, where a new labour law regime was recently introduced, the parties are in disagreement over both the process and the substantive content of some laws, especially the Labour Institutions Act and the Work Injury Benefits Act, 2007. Interestingly, the tripartite partners are nevertheless actively engaged in dialogue, not only on these laws but also on ways of addressing the global economic crisis. This mature approach to social dialogue acknowledges that conflict and cooperation are both inherent features of social concertation.

These examples show that social dialogue is not to be taken for granted (Rychly, 2009). This is true even in countries with a tradition of successful social dialogue, such as Ireland. Indeed, after achieving seven national agreements and more than 20 years of remarkable economic growth, combined with record employment creation, social partnership in that country reached a stalemate following the collapse of discussions between the partners in February 2009 on the strategy required to tackle the crisis (European Foundation for the Improvement of Living and Working Conditions, 2009a). A very difficult economic context – GDP fell by 7.5 per cent between the second quarter of 2008 and the second quarter of 2009 (OECD, 2009), while the unemployment rate jumped from an average of 6.4 per cent in 2008 to 12.5 per cent in the period August–October 2009 (Central Statistical Office, Ireland, 2009) – has complicated the partnership process in place since 1987. However, the dialogue, though temporarily disrupted by the crisis, has not been interrupted totally. A period of further intensive talks between the Government and the social partners is currently under way, particularly in relation to public services and public sector pay costs before the vote on the budget on 9 December 2009.

One might draw two major lessons from the examples of temporarily unsuccessful social dialogue. First, discussions should not only focus on defensive measures, such as freezes in wages and cuts in jobs in the public sector, but also aim at establishing a win-win situation by virtue of a broader approach to the economic and social challenges facing the social dialogue partners. Second, in case of disagreement, the latter should not simply give up, but maintain contact and strive to restore confidence in order to bridge their differences and move the dialogue forward.



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Conclusions

Historically, social dialogue between governments and social partners has played a crucial role in times of economic crisis. Countries with experiences of social partnership and well-established social dialogue institutions are more likely to formulate rapid and effective tripartite answers to the challenges brought about by the economic downturn, as shown by the examples of Netherlands and South Africa.

However, when there is the political will and commitment, particularly on the part of the Government, even in countries with adversarial systems of industrial relations, tripartite partners can come together and achieve compromises on targeted measures to help workers particularly hard hit by the crisis, as illustrated by the French example.

Tripartite partners should anticipate changes and initiate cooperation on common strategies to manage them before problems get too complex and more difficult to solve, again as shown by the Dutch and South African examples. Also, the dialogue process must be open and transparent and address problems in the spirit of finding workable and balanced solutions. For example, decisions on wage moderation are better understood and accepted if they are negotiated with trade unions, temporary and included in a package which also contains measures aimed at saving jobs, upgrading workers' skills and enhancing the social protection of the most vulnerable workers.

Where the conclusion of a full-fledged tripartite agreement is not feasible, consultations and discussions at ad hoc tripartite summits, bringing together public authorities at the highest level (heads of state and governments) and the leaders of employers' and workers' organizations, can still deliver useful outcomes, as shown by the German example.

In countries in which social dialogue may not result in an agreement, tripartite actors must not interrupt their dialogue but rather make efforts to continue talking with each other in order to build trust and restore confidence, since *there is no credible and viable alternative to social dialogue*, as several examples have shown.

The crisis offers an opportunity to reinforce social dialogue channels and to improve cooperation between the tripartite partners in order to respond effectively to the challenges of the time and to create the conditions for the smooth management of national economies when recovery sets in. The resolve to address the consequences of the crisis should go hand in hand with the commitment to ensure full respect for and observation of labour standards and decent work, as emphasized by the Global Jobs Pact.

One of the most important lessons of the current crisis is the active role played by the social partners. In practically all cases, the social partners have tried to contribute to the formulation of anti-crisis programmes and packages and to find creative solutions to limit the impact of the crisis in terms of job losses and enterprise bankruptcies. They have examined government plans and tabled their own proposals. Sometimes, tripartite cooperation between the government and the social partners has been supplemented by bipartite initiatives taken by the social partners at industry and enterprise levels, aimed at reinforcing measures taken at the national level. Where governments have responded positively to the solicitations of the social partners and have involved them in national deliberations on anti-crisis stimulus packages, workers and employers have supported the implementation of those packages on the ground. Therefore, political will and engagement with the social partners are key to the success of national recovery strategies.

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