

Foreword

Convergence and cohesion have a long tradition in the history of the European Union and its treaties. The latest success was the adoption of the fourth social pillar aiming at social convergence, not only the economic kind.

The ILO had the great privilege of hosting eleven ministers and state secretaries in a round table aimed at identifying national trends and best practices towards convergence. As a Foreword to this volume, we decided to reproduce some salient parts of the policy statements made during this round table by our honourable guests, extracted from their answers to two basic questions:

1. In what areas do you believe your country has improved its performance on upward convergence, and in what areas do you feel that your country is lagging behind or even diverging?
2. What kind of industrial relations have to be consolidated or developed in the future that could contribute to convergence in the EU?

We reproduce below excerpts from the answers provided by high-level government representatives that detail the roles that social dialogue and collective bargaining can play in fostering social and economic convergence in Europe.

Ms Muriel Pénicaud, Minister of Labour, France

To answer your first question, in the case of the European semester, the recommendations made to France by the Commission for the past two years have been to facilitate recruitment, secure career paths, review the training system and reduce unemployment. It is exactly at the heart of our government's programme in the areas of work and employment. The first reform concerned the Labour Code, to make it evolve towards a French-style flexicurity approach, in other words, with much more decentralization, much more agility for companies but also better protection for employees. We discussed these things with the social partners, and last September we published ordinances on the Labour Code that allow for stronger decentralization of social dialogue, with companies and trade unions having much more room at company level to discuss the organization of work, working time, training, recruitment and equality of women and men. This perhaps takes a more contractual approach that is similar to those of other European countries on several points.

The second aspect of this French-style flexicurity is a law-based approach to the freedom to choose one's professional future, complemented by a profound transformation of our education system, inspired by Germany and the Nordic countries, whose systems are all more advanced in this respect than ours. This is an ambitious reform of vocational training that will involve a reform of unemployment insurance, as well as measures to

finally achieve equal pay for women and men and to improve access to employment for disabled workers. There are also measures on posted workers.

With regard to the second question on European convergence, I think that our main challenge is to have a common social compass. The Posted Workers Directive, which will be definitively adopted soon, sheds particular light on this because ultimately it aims at both fair competition and the protection of posted workers. It is also important that we manage to come up with regulations on the future European Labour Authority that satisfies all parties.

In short, making a social Europe is everyone's responsibility and must be accompanied by financial solidarity. Major structural reforms must be complemented by adequate budgets. Many countries need skills especially for the 15 million young NEETs (Not in Education, Employment or Training), but also for different regions. We also need a monetary zone with budgetary transfers to rebuild social Europe and to provide the euro zone with a federal budget. So we resolutely call on our partners to share our ambition to build a Social Europe that will help every member state.

Mr José António Vieira da Silva, Minister of Labour, Solidarity and Social Security, Portugal

We have a new pillar of social rights that gives a new impulse and priority to the issues of social convergence and the reduction of inequalities. Now that growth is picking up in Europe, it is essential to ensure that it is inclusive and leads to the convergence of all regions towards better and higher standards. The work and efforts of governments to achieve these goals can be strongly supported by and benefit from fruitful interactions with employers' and workers' representatives. Because we are aware of the value of industrial relations for generating positive economic and social outcomes, in Portugal we have selected as a political priority the recovery of the dynamism in collective bargaining and social dialogue, which fell to very low levels during the austerity years.

Economic data from 2016–17 show improvements in all indicators of inequality and poverty, as well as of living conditions. We have recovered earlier growth and employment levels, and in 2017 we were near the historic peak in employment rates. Long-term and youth unemployment and the number of NEETs have dropped, and collective bargaining coverage is now more than three times higher than its historical low level in 2012–13.

We have also managed to reverse, in a phased and reasonable manner, the cuts made to minimum safety nets and public sector wages and increased the minimum wage by almost 15 per cent in the past three years, based on tripartite dialogue. At the same time, Portugal has resumed economic growth and rebalanced its public finances, thus ensuring financial sustainability. We have shown that it is possible to improve social standards without jeopardizing economic growth and convergence.

The current government has chosen as a major structural priority to invest in lifelong learning and up-skilling, especially of young people and young adults. This ambitious programme is called 'Qualifica' and cannot be achieved without the strong support and involvement of the social partners and without more dynamic collective bargaining.

Another crucial topic, finally, are the acute demographic challenges that concern us all. The social partners should also be mobilized to discuss solutions to the problems of skill mismatch aggravated by migration flows, and by technological developments and should

help to design family-oriented policies and work–life balance mechanisms to support higher fertility rates. But these issues should also be discussed at the European level.

Finally, returning to social policy, I would like to emphasize – acknowledging the work that has been done in this volume – that to place social convergence at the same level as economic convergence we need more accurate and more up-to-date social data, especially in Europe, as a definitive tool for implementing and monitoring the social pillar.

Mr Petr Hůrka, Deputy Minister, Ministry of Labour and Social Affairs, Czech Republic

To reply to the first question, the Czech Republic currently has a favourable situation in the area of employment and the labour market. Our unemployment rate has fallen significantly and is now the lowest in the EU, at 2.2 per cent, with a long-term unemployment of 1.1 per cent. We have an employment rate of 79 per cent, which is 4 per cent higher than the EU average. Economic convergence is therefore going well for the Czech Republic, which has now achieved an estimated 90 per cent of the economic level in the EU28.

Social dialogue is also working well, thanks to the social partners' sense of responsibility and also the personal engagement of successive prime ministers, who traditionally lead the negotiations and tripartite meetings. This is very healthy for our labour relations and also for the economic and labour market.

On the other hand, there are a number of areas in which we still lag behind in terms of convergence. The employment rates of men and women diverge, with 81 per cent of men in employment compared with 71 per cent of women. Among women taking care of children of pre-school age, the employment rate is only 45 per cent, something that might require a legal shortening of working time, given that there is no tradition of part-time work in the Czech Republic (only 7.5 per cent of the working population). This is one reason why we welcome the EU strategy on work–life balance that could help women to get back into the labour market.

Another area in which we lack convergence is wages, which remain very low in the private sector, at approximately 45 per cent of the EU average. This would require labour law reforms and also an increase in the minimum wage. Notably we have prepared a draft of the Labour Code to implement some mechanisms to automatically increase the minimum wage every year, according to average earnings in the Czech Republic.

To sum up, economic convergence does not always lead to social convergence, and this is why we welcome the package of social rights and the EU programmes. I believe, for instance, that there should be universal access to social protection. We should also have more regulations on non-standard jobs because many have no access to sickness or unemployment insurance. Social and economic convergence should thus develop side by side in the future, with the social partners making significant inputs and social partnership and tripartite negotiations being expected to play a major role to ensure progress.

Mr Christos Malikkides, Permanent Secretary, Ministry of Labour, Welfare and Social Insurance, Cyprus

The Cyprus economy has experienced robust growth in the past four years because of a strong rebound in investment and private consumption. Upward convergence from 2013 onwards has been a noted success story. After successfully implementing and completing the macroeconomic adjustment programme, the Cyprus economy has largely managed to protect its citizens from the negative consequences of the financial crisis.

The gradual reduction of the unemployment rate is having positive downward effects on other critical socioeconomic indicators, such as the risk of poverty for certain income groups. We have facilitated the creation of new jobs mainly through subsidized employment schemes, and the acquisition of work experience to improve the employability of the unemployed and address skills mismatches.

There has also been an overall improvement in the main social indicators in Cyprus, in particular income inequality. Legislation providing for a guaranteed minimum income has helped to strengthen the protection of vulnerable households while ensuring an appropriate balance between worker benefits and work incentives. The aim of the guaranteed minimum income is to ensure a minimum standard of living for persons and families whose financial resources are insufficient to meet their basic needs despite their efforts.

Labour relations in Cyprus are based on a system strongly dependent on good will with few legal provisions. A high level of responsibility on the part of the trade unions and employer organizations makes it possible for our voluntary system of industrial relations to be flexible and highly responsive in times of crisis. Recently, for example, it made it possible to introduce flexible arrangements to restore competitiveness, such as the reduction of benefits for a certain period to help enterprises to survive and minimize layoffs.

Even though union density and collective bargaining coverage, as noted in the present volume, have been following a negative trend and continue to be in decline, social dialogue has remained strong. This situation may occur in smaller economies where the terms and conditions of employment in collective agreements signed in some companies lead to their informal extension to other companies that want to consolidate human resources, a situation that is particularly pertinent to highly skilled jobs.

Common initiatives such as the European Pillar of Social Rights, which was designed as a compass for renewed upward convergence towards better working and living conditions in Europe, are certainly steps in the right direction. A healthy, well-established labour relations system can also contribute to holding together our proactive approach towards upward convergence. Social dialogue at all levels, and in this case more importantly at the European level, can greatly assist in pinpointing good practices across Europe and mainstreaming them through various policy approaches. This can be an important driver in achieving greater convergence in Europe and mitigating the effects of possible divergence in times of crisis, especially if we learn from past experience and mistakes.

Ms Jovana Trenchevska, State Secretary, Ministry of Labour and Social Policy, Republic of North Macedonia

For our government, convergence of wealth and living standards with those of the European Union is the most important goal. The country is a candidate country for joining the EU and we are putting all our efforts into starting the EU accession negotiations.

One in five Macedonians is at risk of poverty and like many other countries we see rising income inequality. Therefore, the government's main goals are economic growth and raising living standards through measures for economic development and job creation, with the focus on the social security and tax systems as two key mechanisms for sharing economic gains. Tackling these challenges requires enhanced social dialogue.

The unemployment rate is on the decline, but in 2017, at 22.4 per cent, it was still far above the EU average. Youth unemployment is a particular concern: in 2017 almost one-third of young people were not in employment, education or training. We introduced a Youth Guarantee to provide young people between 15 and 29 years of age with an offer of employment, continued education and training or training within four months of becoming unemployed or leaving school. We are also focusing on formalizing the informal economy and supporting the growth of small and medium-sized enterprises in the hope that this will create formal and decent jobs.

In September 2017, the minimum wage law was also amended with an increase to 200 euros a month, and a policy objective of raising the minimum wage to 260 euros a month by 2020. The government is committed to reforming the social protection system, aiming to separate financial assistance from social services. This measure will make it possible to establish a case management model and more efficient linking of social work with employment measures and access to education of people at social risk.

We believe in social dialogue and have revived the Economic and Social Council, which now meets more than once a month, on average. No law, no policy or plan is adopted without prior and meaningful consultation with the social partners.

To conclude, the biggest obstacle to convergence might be the absence of solidarity between the member states, and in our case also the EU candidate countries. In times of crisis, solidarity may be the answer to creating a more cohesive Europe in which all citizens in all countries can feel the benefits of the union.

Mr Nicolas Schmit, Minister of Labour, Employment and the Social and Solidarity Economy, Luxembourg

The Luxembourg social model has long been based on tripartite dialogue. The first forms of tripartite dialogue began even before the Second World War. This model has worked well, especially during times of crisis, such as the period of major structural change in the 1970s and 1980s, when Luxembourg's heavy industry faced a crisis and had to be restructured despite its dominance in the economy in terms of both GDP and employment. We successfully managed this restructuring thanks in particular to tripartite dialogue.

I would like to mention two aspects of the social system, which is of course very efficient and with regard to which Luxembourg's upward convergence is not an issue. The first is that we are still one of the few countries with an automatic wage indexation system, which ensures some sharing of value added between wages, on one hand, and capital income, on the other.

Secondly, in Luxembourg the minimum wage is adjusted twice a year, calculated in accordance with the overall evolution of wages and complemented by collective agreements that are present in 50 per cent of companies. However, there has been a decline in collective agreements due to changes in the economy. There are fewer large companies, especially in industry, more small companies and new companies, which of course have no tradition of collective agreements.

Another priority is to investigate how social dialogue can help to manage technological change. For this to succeed, we need agreements at company level between trade unions and employees, because you do not train anyone against their will and technological change is doomed to fail without employees' support. With this objective, we launched a project called 'Skills Bridge' which is specifically designed to encourage companies,

especially those engaged in technological transformation, to develop a strategy to help employees to respond to basic challenges such as the skills they need and how skills can be improved so that the technological transformation succeeds. Luxembourg's law on corporate social dialogue also gives employees in companies of 150 people or above a right of co-decision – at the level of what we call the delegation – on everything related to continuous training, requalification and so on, precisely to involve employees in technological transformation.

Now, a few words on Europe and the issue of convergence: clearly we have economic convergence but so far without social convergence, as confirmed here by representatives from the new member states and candidate countries. I was in Slovakia a few months ago, where the Minister of Labour told me that 'the wage gap at Volkswagen was one to four between Slovakia and Germany', while the productivity difference between Volkswagen in Slovakia and Volkswagen in Germany is much lower, so there is a need to accelerate the reduction of the wage gap.

A number of countries are fairly close to full employment, as reported by our Czech representative, so there is every reason to improve this convergence.

The final point I would like to highlight is the fragmentation and polarization of the labour market because this is not simply an economic but a social issue, because young people no longer have any hope of building their lives with even a minimum of stability. This threatens social cohesion. This has also become a political problem, with emerging populism.

Ms Helena Dalli, Minister for European Affairs and Equality, Malta

Investment in human capital is of the essence, especially at this point of the digital revolution. All revolutions leave casualties by the wayside, so we must see that there are the least casualties possible and I think this is where the social partners can come in, with the government, the employers and the unions together trying to ensure that we push ahead, embracing the digital revolution but without leaving anybody behind.

In Malta, we have a very strong social dialogue, notably through the Malta Council for Economic and Social Development, where all the social partners, including civil society, meet to discuss the current realities in terms of employment, the economy and social issues.

We have strong union membership and collective bargaining and we have had some very good results lately. We have just increased the minimum wage after 27 years during which it was not revised, and have also set up a low wage commission to monitor it and analyse the situation of the families living on it to determine whether it is sufficient.

We have also concluded an agreement with the social partners on a maternity leave fund, which will be very helpful when it comes to discrimination against women at the point of entry to a job. Now the employer does not carry the whole burden of maternity leave, but it is shared by all employers who contribute to this fund.

As regards work–life balance, we have introduced free universal childcare from birth to university, which has helped to bring more women into the labour market.

We have many positive outcomes for convergence from a strong social dialogue. We have brought poverty down from 10 per cent to 3 per cent; we also have a very low unemployment rate and a very low rate of industrial action. This has also helped us to develop our approach of rights-based convergence that embraces diversity (also for migrants)

and treats everybody as citizens, with no second-tier people in terms of rights. After all, convergence is equality of opportunity.

We want to look to Europe as a Europe of solidarity. In this respect, cohesion funding obviously is of the essence because it is important for citizens who are at the margins, and the EU must also continue to enhance skills and education. We must pay more attention to lifelong learning, especially in the digital revolution. Malta launched its digital strategy in 2014, and we know also that digital literacy will become a poverty indicator, depending on how many people are catching up or being left behind.

Ms Eglė Radišauskienė, Deputy Minister, Ministry of Social Security and Labour, Lithuania

Balancing different views and interests is possible mainly through dialogue, and this is why in 2017 we signed a national agreement between the government, represented by the Prime Minister, and trade unions and employers' organizations, with the main objectives of raising the standard of living and increasing the attractiveness of our labour market and of Lithuania in general.

Along this road, and because Lithuania remains a low-pay country, an important step forward was the setting up of a minimum wage with the strong support of the tripartite council, something that will help us to solve problems of inequality.

Compared with other European countries, Lithuania has a shorter tradition of collective agreements: we are just learning how to conduct social dialogue, how to participate and how to balance our interests. Ten years ago, we had one or two branch collective agreements, while we now have 40 of them, so I believe we are on the right road to strengthening social dialogue.

Another key aspect of convergence for Lithuania is to include our diaspora, because at the moment we are dealing with a major emigration problem.

To boost convergence, social partners' capacity building and industrial relations should also be able to operate across borders. This is why European works councils and international frameworks could really help here, while the scope of industrial relations could also be expanded to other important areas, such as migration and foreign direct investment, to better achieve a balance between the economic policy and social context.

Ms Anette Kramme, Parliamentary State Secretary, Federal Ministry of Labour and Social Affairs, Germany

It is crucial to address the subject of convergence and divergence in Europe, because the continent, like the USA and other industrialized countries, is currently experiencing a fundamental implosion.

Traditionally, Germany's upward convergence has worked very well via three mechanisms. First, strong trade unions and collective agreements. IG Metall, for example, continues to negotiate excellent and innovative collective agreements on work-life balance, mental health and safety and other working conditions, as reported in this volume. Second, the Works Constitution Act, on the basis of which works councils can regulate important conditions within a company, such as working hours and overtime, but also short-time working, while social plans can be negotiated in the event of collective redundancies. The third element is parity-based codetermination in companies with 2000 employees or more.

Nevertheless, over the years the number of collective agreements has diminished. Wages in the lowest five deciles have fallen in the past 20 years, which of course is related to declining collective bargaining.

What do we intend to do? In the most recent legislative period we introduced the minimum wage law, which was a great achievement in Germany, despite certain weaknesses in its implementation. A number of companies, for example, are circumventing the minimum wage by imposing on employees new contracts of employment with lower hours. Second, we also encouraged a return to collective bargaining by offering companies bound by collective agreements more flexibility when it comes to legislation. Third, we help employers to implement collective agreements by bringing them together to form an employers' association with which trade unions can then conclude collective agreements, as achieved in the meat industry and soon also in the care industry. Finally, we have made it easier to make collective agreements more generally binding.

To tackle women's working time problems we are introducing a law in the Bundestag that will make two things possible: while women should have the opportunity to temporarily work part-time, no reduction in their working hours should be imposed on them in the long term. Another requirement in this law is that women working part-time – with the required qualifications – should be given priority when the employer advertises new jobs. We hope that this law will bring some positive changes for women in the world of work.

And we must continue to tackle precarious employment: we have done something with temporary work or temporary agency work, and we are now tackling the issue of time limits for fixed-term employment to enable people to shift to indefinite contracts. These are the priorities we have set ourselves to continue generating upward convergence in the world of work.

Mr Peter Pogačar, State Secretary, Ministry of Labour, Family, Social Affairs and Equal Opportunities, Slovenia

Slovenia has a tradition of social dialogue. Over the past 25 years, all reforms, all laws have gone through the Economic Social Council. The only time the government decided not to seek the consensus of the Economic Social Council a referendum ended up being called and people voted against the proposed law.

Slovenia managed to adopt a new labour law with the total consensus of all the social partners, aimed at reducing labour market segmentation.

We also agreed that some elements of labour law could be arranged differently through sectoral collective agreements, not just higher than the legal minimum but also different. We gave that autonomy to the social partners only at sectoral level because we know that unions are less strong at company level. An analysis of the first nine sectoral collective agreements shows that that they were able to negotiate everything.

Slovenia has now had five consecutive years of GDP growth (a cumulative net GDP growth over 12 per cent and productivity growth over 6 per cent) and low unemployment, but people are already talking about a lack of skilled workers.

But there is an area in which social dialogue has failed so far. While Slovenia was able to reduce unemployment through activation policies and also diminish poverty by social transfers, over the same five-year period average wage growth was very limited, at only 2.3 per cent, which means that wages are not following GDP growth. This raises the

spectre of the working poor. In this respect the only tool that Slovenia has is the statutory minimum wage, which was fixed at a high level to meet European Commission standards; it was almost 54 per cent of the average wage after its 23 per cent increase in 2010. Collective bargaining should also be boosted because wage growth is entirely a matter for bilateral agreements. In the end, it is a question of how will we share the fruits of growth. But for this to happen, we need strong social partners and to face the challenge of their decreasing membership in a context of changing jobs and the evolving nature of work.

Ms Irene Wennemo, State Secretary, Ministry of Employment, Sweden

Social dialogue is very important in all countries, but Sweden does it differently.

In Sweden, we have a very long tradition of social dialogue. A particular important instance of this was the so-called Saltsjöbaden Agreement in the 1930s, which led to a fall in industrial disputes and represents some sort of division of labour between the social partners and the state: social partners are responsible for wage setting through collective bargaining while the welfare system, the social insurance system and the education system remain questions for the state.

One very important result of this agreement was trade union acceptance of the employers' right to organize work and to introduce fast technological changes. Security for employees was not connected to their skills in a certain technology, which could lead to low mobility, but was rather connected to strong collective agreements and good welfare and social insurance systems.

Trade unions, together with the employers, also take strong responsibility when there are redundancies; they have their own boards that help people to get another job and to accept changes.

When it comes to the future, the Swedish government holds discussions with the social partners all the time, and there are three major areas they are discussing a lot at the moment.

One is the fact that there is a very low level of industrial disputes in Sweden thanks to collective agreements and we see it as a real advantage compared with the situation in other countries. But trade union density among blue-collar workers has decreased in recent years, although it remains strong among white-collar workers.

The second major question is the integration of migrants in Sweden. A lot of refugees came to Sweden during 2015. While there is an extremely high employment rate and low unemployment rate among people born in Sweden, the opposite applies to migrants who take a long time to integrate successfully in the labour market: they have to learn the language, which is hard, and they also have to acquire the skills that are required on the Swedish labour market. So we reached an agreement with the social partners to promote entry jobs for the long-term unemployed and newly arrived migrants, for which wages would be fairly low (less than half the normal wage), but supplemented by a sum received from the state.

The third area under discussion is the future of work. Given rapid developments in digitalization and robotization – which admittedly have not yet developed in all sectors, for instance, not yet in services – how much should we adapt collective agreements, to what extent should we change legislation?

My last point concerns convergence. We should all target both economic and social convergence, but at the same time respect national models of the labour market that

work. For instance, other countries cannot be expected to do things exactly as in Sweden because the model has to be adapted to the national context, and national actors given the possibility to influence how this is done.

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The answers outlined here bear witness to the richness of the contributions, while also confirming the potential role of industrial relations and social dialogue with regard to both economic and social convergence.

Context and framework are crucial and the participating representatives shared a number of good practices. Top priorities should be upskilling, lifelong learning and enhanced training to tackle skills mismatches and then to win what was called the ‘fight for competence and competitiveness’. It is also important to improve the integration of women, including those with small children, and also young people (to reduce long-term youth unemployment) in the labour market. Crucial in this respect are the social partners’ innovative agreements on new forms of employment, time, skills and training. The social partners have also shown that they are able to play a role in integrating migrants in the labour market.

Collective bargaining is important for the above purposes and there have been some good experiences of collective agreements at sectoral and also enterprise level.

Another message that emerged is that although of course industrial relations can play a fundamental role in terms of improving social and economic outcomes, and also in contributing to upward convergence, an enabling environment is essential and nobody can expect industrial relations alone to be able to deliver social and economic convergence. Support from government was found to be essential in promoting collective bargaining and social dialogue, but likewise capacity building for the social partners and support from national authorities and also European institutions. Another very important point was that the regulatory and policy environment needs to be enabling and to not impose undue constraints on the exercise of social dialogue, freedom of association, collective bargaining and so forth. At the same time, participants gave good examples of tripartite consultations in areas essential for driving upward convergence. We hope that the present volume can help all the actors concerned to address these challenges and make innovative contributions to contribute to shared growth and economic and social convergence.

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