

The future of social dialogue?

ESCs working in a more diverse and polarised environment

*Annual meeting of secretaries-general of European ESCs
The Hague, May 12-13th 2011*

SHORT SUMMARY

During two days secretaries-general (and/or their deputies) from 13 different European ESCs and from EESC join in The Hague for their annual meeting. This year's central topic is the future of social dialogue and the changes in the environment of ESCs.

Welcome and introduction to the central theme

Welcome and introduction

Chairman **Alexander Rinnooy Kan** of the Dutch ESC welcomes the secretaries-general. He claims that these are turbulent times for ESCs and refers to the background paper (prepared and sent out before the meeting), in which different challenges were identified related to this turbulence: globalisation, the economic crisis, anti-political sentiments (populism, polarisation), dwindling confidence, and questions about representation in an age of individualisation. The central question for the meeting is twofold. Are these issues familiar to ESCs all over Europe? And, if so, how do ESCs react to them?

Alongside threats, Rinnooy Kan sees opportunities as well. In these turbulent times there may be possibilities for ESCs to be the voice of reason and rationality and play a constructive role. Such a role is possible, because - in the Netherlands at least - people tend to trust trade unions and large companies more than they trust politics and media. Times will certainly not be easy, because of tightening budgets, because of sharpened relations between social partners, because the political arena is inclined to bypass ESCs when they can. But secretaries-general of ESCs can benefit from sharing their experiences in these times. Rinnooy Kan utters the hope that: social dialogue will get the future it deserves, and the future the social dialogue it deserves.

Introductory lecture

In his introductory lecture (see Powerpoint slides attached) Professor **Jelle Visser** discusses 'the challenges for social dialogue anno 2011'. With a reference to the 2010 *European Industrial Relations* report Visser claims there is a large variation in the responses to the current crisis across countries. From considerable degree of bipartisan consensus in the early stage of the crisis to intense disagreement in the later stage. Visser offers two explanations: (1) the scale and stage of the crisis and (2) differences in institutional arrangements. Faced with a crisis of severe intensity, even robust institutional arrangements for social dialogue may not be able to withstand the centrifugal forces at play. Sweden is an example where it seems difficult to reach agreement in spite of the robustness its social dialogue. Poland, on the other hand, seems successful in spite of its short history.

Visser switches to explanations. The comparative study on *Social Pacts in Europe* (edited by Sabina Avdagic, Martin Rhodes and Jelle Visser, Oxford University Press) reveals that most social pacts are crafted in situations characterized by (1) high economic problem load, (2) weak governments, and (3) moderately-centralized unions. In particular cases the outcome can be driven by factors that affect the power balance between negotiating parties in the short

term, such as the proximity of elections, internal divisions within government, changes in government approval ratings, and specific dynamics of interaction between and within unions and employer's organizations. Concerning permanent institutions like ESCs, Visser explains that the status of such institutions is explained by the success of prior pacts. But that by itself is no guarantee that ESCs work again when the going gets tough, or that they will survive a deep crisis unscathed. Visser recommends to look at challenges that parties within ESCs face. He explicitly mentioned (a) issues of representation and legitimacy, (b) issues of will and capacity to reach and enforce binding agreements, and (c) issues of power. These issues are addressed by ESCs and their members in the following ways. The first group of issues is often addressed by broadening the membership base, and/or using ballots, referenda, and other voting methods to seek opinion/approval beyond the walls of membership. The second group of issues is addressed by reverting to bipartisan social dialogue, narrowing the agenda, investing in delivery and monitoring, etc. The third group of issues is addressed by thinking through the role and constituency of the third party; Visser recommends to set up ESCs like a fire brigade: ready when it needs to be.

Questions were asked about Visser's term 'shadow of hierarchy', about possible tensions in Visser's advice to revert to bipartisan social dialogue and narrowing of the agenda on the one hand and growing individualisation and discussion about representation on the other hand that could lead to a plea for multipartisan dialogue and broadening of the agenda, about the focus on social dialogue while many of the ESCs are closer to civil dialogue, and about the interdependency of different social and civil dialogue institutes.

National experiences (first session)

Organiser of the meeting Veronique Timmerhuis explains why the theme was chosen. She also goes into which countries are missing (Portugal, Hungary, Malta, Slovenia, Poland, Lithuania, Greece) and why. After this the separate countries share their national experiences.

France

Philippe Bon welcomes the chosen topic (Exposé is attached). The French ESC has recently gone through important and deep changes. Bon refers to the rise of populism, the economic crisis, and legitimacy issues as reasons for changing the law. The ESC's name is changed to Economic, Social *and Environmental* Council. Members are now maximized in number (233), consecutive mandates (2x5 years) and more equal (45% women, age limit lowered from 25 to 18 years). Different parties can submit issues to the agenda of the ESC: government, citizens, and the council/chairman.

Government has set a strict time limit for opinions: 3 weeks to 1 month. There is a page limit of 13-14 pages (60.000 symbols). Consensus is not strived for, because decision makers are looking for the lines of division. They say: give us majority and minority views. Bon calls the council "a centre of resonance of public opinion".

Opinions that the council will be working on are: future agricultural policy, dependence of the elderly, reform of public service employment, G20 issues, social protection and inequality in schools.

Questions are asked about the yearly general report on the state of French society, about the members of the council and whether they speak on behalf of a specific constituency or

individually, about how opinions of so many different groups fit in 13 to 14 pages (by use of elaborate annexes?). Bon: we will have to see how things work out.

Ireland

Rory O'Donnell says that the background paper of the Dutch “hits the nail on the head”. He likes to share his experience. The impact of the economic crisis is very significant in Ireland. Between 2007 and 2010 GDP has fallen by 11 percent, GNP by 15 percent, consumption by 12 percent. Household income has fallen, domestic demand decreased by 20 percent, government revenue by 20 percent. Public debt increased from 30 to 100 percent. Employment went down by 13 percent, unemployment rose from 4 to 14 percent. Government had to act. Unfortunately for social dialogue, there was no time to reach consensus about the reduction in public salaries and other measures. Employers and public sector unions have uttered commitment to general flexibility and orderly conduct of labour relations. Social partners are fire fighting, but not within the council.

The Irish council was bypassed. Member have not been reappointed for 9 months, esp. the independent members. The Irish council is considering its future across four dimensions: (1) relation between the secretariat and the social partners, (2) focus on the core business of social partners, (3) closeness to government, (4) mandate, size and composition. The Irish no longer focus on what worked well in the first 24 years, but on how to remain effective and provide ‘value for money’.

Questions were raised about the difference between GDP and GNP, about how to enhance added value and who decides on the choices made along the four dimensions that O'Donnell distinguishes, and about the position of social partners on the current state of the council.

Czech Republic

David Kadecka states that the Czech Republic was seriously hit by the crisis, but compared to other countries things could clearly be worse. The Czech GDP decreased by 4 percent, unemployment is up to 7 percent. Politically there is a strong right wing majority. They have started policy reforms in the pension system, health care, social benefits and the tax system. Czech ESC-members have shown initiative in a number of anti-crisis reforms.

The new government increased tensions between social partners. Social dialogue has stagnated as a result. During the last plenary meeting of the council unions left, because they felt government did not keep its promises.

A *question* is raised about the council as a whole: is its existence called into question? Kadecka reassures that currently the institute is not at stake. Union statements are mainly made for the public. The unions care about the reforms, but they do have serious issues with the current government.

The Netherlands

Véronique Timmerhuis starts her presentation on ‘Social Dialogue in the Netherlands’ (see Powerpoint slides attached) with the effect of three ‘crises’.

The economic crisis (1) has led to a mixed response by social partners. Agreement was reached on actions to combat the crisis (part-time unemployment benefits, access to finance for SMEs), moderate wage development and advices by the ESC on various issues. Conflict arose over revised rules for dismissal (EPL) and a first attempt to advice on a higher pension age. Still in progress is an pension agreement, on revision of the 1st and 2nd pillar pensions.

The political 'crisis' (2) entails such trends as populism/polarisation, scattering of parties, unstable/volatile electorate. They have shaken up the political landscape. Modern conservatism is on the rise; the Dutch have a right wing minority cabinet supported by the anti-islam party. Employers have easy access to this cabinet, but they explicitly choose to continue social dialogue. The cabinet has requested the ESC for advice on different topics, such as: globalisation and the rise of China and India, higher and post-initial education, healthy and safe labour, the future of the health care system, policies for development aid and cooperation, and the European dimension of Europe 2020. In addition own initiative advices are also considered.

The societal 'crisis' (3) entails discussion about representation, anti-elite and anti-intellectual sentiments, rise of social media, growing aversion against consultation and compromise. These are the most difficult to deal with. This crisis reveals itself in the internal discussion within the confederation of unions, where the central board is challenged by influential decentral union leaders. The crisis also reveals itself in the tight deadlines that come with the most recent requests for advice from government. Government want to deliver and not waste too much time with consultation and compromise. These tight deadlines lead to questions about the room in ESC-advices for analysis and what role for the independent crown members.

The Dutch ESC is not facing existential questions; social partners want to continue. Some change in the constituency has been made (own account workers added). The main focus is on the agenda (new topics, return to core topics, fewer but weightier advices) and working methods (own initiative advice and informal explorations, high speed advice/consultation, shorter reports/less analysis). There is pressure on the staff and budget of the council (do more with less).

Questions are raised about the advices government has requested and about the variety between these. Timmerhuis stresses that the council is part and parcel of the developments in politics and society. A joint statement by employers and unions is worthwhile, especially in the current political situation (minority cabinet). At the same time representation is at stake when social partners makes the compromises politics cannot deliver.

Finland

Pekka Sinko asserts that the extend of the crisis in Finland is similar to the Czech Republic and the Netherlands. He focuses on the evaluation of the ESC that was carried out in 2010 and the measures that were taken as a result (see Powerpoint slides attached). There have been remarkable changes in the operational environment: collective incomes policy agreements were abandoned, a worsened atmosphere in labour market and vis-à-vis tripartite cooperation in general, and no result yet in social partners' discussion on reform of the earnings related pension system. The main conclusion of the evaluation was that, despite these changes, the ESC is still a relevant forum for cooperation and dialogue. It should continue with minor modifications in its methods: more focus on openness and dissemination of information to general public (notes from meetings on internet), opening up meetings (regularly) to a wider range of NGOs and the political opposition, updating the law to better reflect the actual working methods of the ESC.

The prospects for the future are mixed. The EC has been relatively important during past two election terms, but future role and importance depends on the attitude of the next PM. Sinko notices a tendency to discuss important labour market issues at separate tables outside the

ESC. The small resources of the ESC secretariat hamper more ambitious investments in communication and networking.

Questions are raised about the movement of some issues to “separate tables” and about the ambitions of the secretariat: consensus or consultation. Sinko explains that issues are more often moved to informal tables. The papers the secretariat makes are discussion papers; unanimity is not required.

Day one ends with an informal dinner at the sea shore in Scheveningen.

Before the programme starts on day two of the meeting, Martin Westlake asks for a short moment of silence in remembrance of János Tóth.

National experiences (second session)

Spain

Soledad Córdova Garrido explains how the ESC functions as a link between the autonomous regions and the central government. Currently there are a lot of problems in Spain. She starts her presentation with the yearly report on the social-economic situation. This most important report of the Spanish ESC – with its analysis of the labour market and related social-economic topics – is due before the end of the month. In addition the Spanish government consults the ESC about specific issues concerning the labour market and related social-economic topics. The ESC can also report on the basis of own initiative. This year reports were made concerning (a) social cohesion and competitiveness in health services, and (b) education and human resources. This month the council has discussed measures for labour market reform and reform of pensions. Improvements were suggested by the council. About collective agreed bargains, bipartite dialogue was started, but this dialogue was moved to the council.

Córdova Garrido reminds that social dialogue can take place at different levels. The crisis has shown gaps in social dialogue. Social unrest has intensified this. At the same time social unrest provides an urge for social dialogue.

A *question* is raised about whether social unrest makes dialogue more difficult. Córdova Garrido answers that the budgetary cuts make dialogue difficult. There is a loss of power of the trade unions and greater conflict between social partners. Trade unions are losing power; they do not seem able to represent the labour force correctly.

Austria

Thomas Delapina starts with what he believes is common wisdom: ways out of the crisis are more successful if citizens are concerned. He notes that the labour market in Austria, Germany and the Netherlands has been surprisingly stable during the crisis. In these countries deals have been made between government and social partners (in Germany without a ESC; deals were made at branch level) to keep labourers in the workplace (part-time unemployment).

The Austrian ESC has not witnessed major changes. Social partners have contributed and are still ranked high in polls. The Austrian ESC is not based on legislation, so government cannot

hinder its existence. Rising problems come from political parties: middle parties have lost ground, anti-European/islam movement is on the rise. This has a conservative impact on government, which is bad news for the council.

What should the ESC do? It should use its comparative advantage and stick with its focus on analysis and common interests, keep political differences and demagogy out of the discussion, and produce quicker and shorter opinions. Also: the ESC should think about marketing, because media do not always find its opinions sexy enough for coverage.

Recent topics the Austrian ESC dealt with are: competitive policy, energy policy, financial sector, integration/migration, macro-economic imbalances, investment, demographic changes in the labour market, pensions/health/care.

A *question* is raised about the scientific base of advices vs. the pressure to make shorter en quicker advices. Delapina explains that the Austrian ESC is not moving away from its scientific base. The director of WIFO remains a member of the ESC. Papers will be shorter and easier to access, but they will not be populist based.

Slovakia

Jan Lipiansky explains that Slovakia has problems as a result of the crisis too. All three groups of the Slovak ESC support solutions that help reduce negative impacts of the crisis. After the elections (2010) a new dialogue was needed.

The Slovak ESC (founded 2005) is close to EESC. It entails social and civil dialogue. One of the main goals is to decrease the high unemployment. The crisis has economic, political and societal aspects. Councils can be without connection to government.

A *question* is raised about the final point on connection with government. Lipiansky explains the difference between tripartite institutes such as the social-economic board and bipartite for social dialogue like the Slovakian ESC. At the same time the ESC tries to be a partner to government.

Belgium

Jean-Paul Delcroix explains that even though his country is without a government for over 300 days, the macro-economic situation could be worse. Still there is hard work ahead, structural measures concerning Europe 2020 - and the deficit/public debt - have to be decided on. Social partners have room during this vacuum, but no results have been made yet; negotiations have failed. Unemployment is an issue. Not generally, as 50.000 jobs are created every year. But specific groups need attention: older workers, low schooling, Brussels, young foreigners.

Like the Spanish ESC have its annual report, in Belgium we have the technical report on competitiveness from the council to the government. Delcroix explains that creating common ground takes time. It is more than adding up opinions of different social partners. The timetable of the European Commission on the 2020-strategy is (too) tight.

The existence of the Belgian ESCs is not in question. But pressure on tempo (by European Commission, but also by national government) can be too harsh. Government sometimes bypasses the ESC where traditionally it was consulted, for instance concerning temporary work.

The brochure of EESC on the European ESCs is very interesting. We will update information about Belgian ESCs. We have included non-profit employers (hospitals, education) to improve representativeness.

Bulgaria

Anton Lazarov sees economic crisis, but not crisis within the Bulgarian ESC. The ESC (founded in 2003) is a civil parliament and thus an institution of civil dialogue. Polarisation within the ESC is precluded by having representatives independent of executive and legislative branches. The ESC is made up of employers, employees and the 'third sector', 12 member each. Law requires 75% consensus, but 100% is reached in practice. The economic crisis is prominent on the agenda. For EU2020 national goals of Bulgaria have been set. The ESC has a role in implementation and the challenges on the labour market. 85% of the suggestions of the ESC are adopted. A round table is organized to discuss the labour market and demographic challenges.

The role of the ESC has increased. We are monitoring how the proposals of the council are implemented. 51 of the 400 have been incorporated. We are supplying more information to the public. Media coverage is extensive: 200 news items in the media.

After the presentation those present conclude that it is good to hear good news; to hear about an ESC where status and power are increasing instead of waning.

National experiences (third session)

Italy

Glauco Maglio states that in spite of Italy's stable banking sector the country was effected by the crisis. Especially youth and female unemployment have risen. According to the media, social dialogue has weakened, in its institutionalized form. But there is consensus on certain topics. Like Belgium the Italian ESC has timing problems with the EU2020 strategy. This harms the level of involvement. The ESC has considered own initiative. This was accepted.

Maglio questions whether social dialogue is seen as an obstacle or an opportunity. Is this interesting for the agenda in November? How to work with media who are only interested in spectacular headlines? About the network of ESCs: we should relaunch and go against the anti-European sentiments.

Like in Spain, Maglio recognizes the discussion about whether ESCs are a forum or a place that finds consensus. The added value of social dialogue should be made clear. And put against the accusation that ESCs mainly house procedures for slowing down. The Italian ESC holds hearings before bringing out opinions. Relevant topics for the ESC currently are the South of Italy and immigration.

After the presentation Maglio is praised for his positive story and his strong plea for social dialogue.

Luxemburg

Marianne Nati-Stoffel believes that the analysis in the background paper of the Dutch is worthwhile. In Luxemburg the ESC is on hold for 1 year now, because of the crisis. Luxemburg has many tripartite organisations. Dialogue has come to a full stop in all, because agreement was not reached in Spring 2010 on crisis measures in the special crisis body (in

existence since the oil crisis). As a result government has taken steps without proper social dialogue. Employers and unions have protested against this. The abolishment of the automatic indexation of the minimum wage was the most contentious issue.

Employers have suspended ESC-work. As a result no opinions have been issued on EU2020, on the consumer index, on vocational and industrial agreements. Unions and employers blame each other for taking the ESC hostage. Objective analysis is extremely difficult, for there is a lack of trust. Currently, there is a group looking for ways to get things moving again, by focussing on the mission of the ESC and a long term vision. But agreement seems not possible, yet.

Listening to colleagues from other countries is very encouraging. Maybe we can continue dialogue at a lower level or a lower pace. But some are really questioning the added value of social dialogue. Nati-Stoffel hopes to have better news in November.

Questions are raised about the mild economic situation in Luxemburg and the contents of the proposal for mission update of the ESC. Nati-Stoffel explains that it is not so much the economic situation but the lack of trust that troubles social dialogue. All this calls for a reform of the tripartite, a redefinition of the tasks of each body. But this is difficult. This week the Luxembourgian ESC holds an information seminar on the last half year.

Romania

Monica Banarescu introduces herself as director of international and public relations. In Romania the labour law is being changed. The new Social Dialogue Code includes a change in the third party of the ESC: government will be out, new 3rd party members will be appointed. The code also entails new regulations on what defines trade unions and employer organisations and how collective bargaining can take place.

Social partners don't agree with the new code. A transition will be necessary for between the old and the new. Hopefully, the next meeting in November there will be positive change.

Questions were raised about a specific reform discussed during dinner and why parties are hesitant about the new 3rd party. Banarescu explains that there is no formal view of the ESC on the reform.

Wrap up and other issues to be discussed

Wrap up

Alexander Rinnooy Kan calls it a pleasure to rejoin the meeting. He hopes the meeting can be seen as a joint analysis of where we find ourselves in Europe and that best practices (or inspiring initiatives taken elsewhere) have been exchanged. Clearly the context is changing, we face uncertainty in economics, politics and society. Hopefully ESCs will be involved in answering the right questions and in return be relevant to the policy debate. Jelle Visser has sketched some of the choices we are facing: to broaden or to narrow the number of parties, to perform consultation or to achieve consensus, to widen the agenda or to stick with the social-economic core of labour market issues? All of us have to work quicker and provide shorter reports. Own initiatives are considered more often than before.

In the *reactions* ESCs focus on the shorter time horizon: both social and civil dialogue have been speeded up considerably. The time scheme of the EU2020 strategy is seen as a European

example of this phenomenon. The question is whether meaningful consensus can be achieved in such short period, especially if unanimity is also sought. Consultation is sometimes replacing consensus. Some proclaim that summing up different opinions is not dialogue. Consensus is what provides added value, but it takes time. But governments think about bypassing social dialogue if it takes too much time. Rinnooy Kan asks whether bringing the results of social dialogue in a later phase (e.g. directly to parliament) is a way to get out of the time lock. Also discussion takes place on the declining membership of trade unions. Citizens still like to be member of organisations. Rinnooy Kan: How can we reach these organisations? Is social media an apt way of reaching members of new organisations?

Countries without ESCs but with social dialogue

Martin Westlake, secretary-general of EESC ponders about the empty chairs in the room. He refers to the EESC-report handed out: 'EU national economic and social councils and similar institutions'. How can we find representatives of Germany, the UK, Estonia, Latvia, Denmark, Sweden, and Cyprus? All these countries have interesting but greatly varying forms of social dialogue. Should we involve scientists like Jelle Visser from these countries? He mentions Mannheim University and Dublin University as places to look for these scientific experts.

Meeting in November

Véronique Timmerhuis discloses that the November meeting with the chairmen will take place in The Hague on Wednesday 9th and Thursday 10th of November. A theme is not decided yet. The criteria the Dutch will use are: high relevancy to all ESCs (also: in light of the discussions of yesterday and today), not too political, relate to the role of ESCs in society. One example would be to focus on labour market issues and/or employment policies. After all, EU2020 has a 75% labour participation target. All countries draw up NRP's answering the question how do we get to 75% labour participation. But other themes are possible. If you have any suggestions, please let us know.