



Overview of industrial relations in the EU and other global economies 2008–2009

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This year's annual review of industrial relations developments in the European Union, Japan and the US, as well as in the emerging economies of Brazil and China, is set against the background of the global financial and economic crisis that developed in the summer of 2008. As recession has hit countries worldwide, weakening labour markets and causing unemployment to rise, governments have issued stimulus packages to combat the crisis. This report explores the impact of the crisis on developments in industrial relations in the EU, Brazil, China, Japan and the US over the period 2008–2009. It charts the similarities and trends, as well as the differences in structure and developments between these five major economies, followed by an outline of priority issues for the social partners and a range of measures that could improve the global economic outlook.

Introduction

This is the eighth annual report of Eurofound's European Industrial Relations Observatory (EIRO) to examine industrial relations developments in Europe and other global and emerging economies. It is set against a background of unusual economic developments that have occurred since the autumn of 2008. Data considered in this analysis mainly cover the period from the beginning of 2008 to the spring of 2009, with 2007 figures mentioned for the purposes of comparison. Many countries had already been close to recession from the fourth quarter of 2007 and officially declared to be in recession by the end of 2008. The dramatic deterioration of the US economy in the previous two years and the subsequent recession in 2008 have had an enormous impact on other economies worldwide. Economic indicators such as employment data have continued to deteriorate in the US, as well as in the EU and other countries. The financial crisis, along with surging fuel and food prices, have eroded consumer confidence worldwide. Production and employment data in the second quarter of 2009 suggest that global activity continues to contract.

On the positive side, however, governments around the world seem to be determined to tackle the global financial crisis in a coordinated manner, ensuring that lending is restored and liquidity returns to the markets. While the state used to play a discreet role in financial markets, suddenly with the recession it has become a catalyst for the restoration of the economy and the proper regulation of the financial institutions.

In the context of its strategy for dealing with the economic and financial crisis, the EU has intensified efforts to promote employment and social inclusion. These efforts involve a stimulus package, announced in November 2008, with funds coming out of the EU Member State budgets and the European Investment Bank (EIB). Meanwhile, the European Commission proposed simplifying the criteria for obtaining support from the European Social Fund (ESF) as well as changes in the European Globalisation adjustment Fund (EGF), while also working on measures to promote employment.

The Tripartite Social Summit held in March 2009 showed a clear consensus on the urgent need for coordinated action at European level to complement and support actions for combating the economic crisis at Member State level, together with a rejection of protectionist measures. The Commission and the social partners agreed on the need to modernise the European social model. The economic crisis has revealed the value of that model. The social partners and governments are thus committed to preserving its values and principles and working together to ensure prosperity, social cohesion, environmental protection and the quality of life in Europe.

The two EU-level social partner organisations – BusinessEurope and the European Trade Union Confederation (ETUC) – wish to actively participate in the process. As ETUC General Secretary John Monks emphasised in his speech at the beginning of 2009: 'This is not business as usual and the European social partners should be part of the process. ETUC considers that, today, it is not the time for supply-side deregulation experiments. On the contrary, it is time to act on the demand side, and to act in a significant and convincing manner'. The then president of BusinessEurope, Ernest-Antoine Seillière, at the end of the G-20 meeting in London on 2 April 2009 stated: 'I am very satisfied that

G-20 leaders have shown such a level of responsibility, solidarity and common determination. The European Union and its Member States must now translate these commitments into concrete actions’.

Beyond the European level, there is also a need for global solutions. The London summit at the beginning of April 2009 gathered together the G-20 countries, which represent two thirds of the world population and 80% of world trade. The meeting was a hopeful sign that world leaders are committed to restoring growth and jobs, and taking decisive measures for lifting the global economy out of recession. The leaders promised that they will not hesitate to name and shame policies and practices that do not honour the London agreement. Among the measures announced, those providing for financial support were highly appreciated by the markets. It was also agreed to promote transparency and safeguard against system-wide threats and excessive risk-taking. A greater role was assigned to international financial institutions in monitoring economic risks.

While it is critical to develop a European framework for recovery and to put forward economic and financial measures, Europe should not lose sight of the overall EU objectives and policies that aim to ensure that economic and social progress go hand in hand. As the President of the European Commission, José-Manuel Barroso, pointed out: ‘Europeans, as well as our partners in the world, can be certain that our answers will live up to the challenge: we are going through a crisis, but we have the means of overcoming it’.

Economic and employment context

Economic outlook

Previous reports by the European Foundation for the Improvement of Living and Working Conditions (**Eurofound**) indicated that the global economic outlook became unfavourable in 2008; now, in 2009, it is clear that the developed world is in deep recession. The real gross domestic product (GDP) growth rate declined significantly in all countries examined in this report in 2009, with the US and Japan feeling the recession even harder. Europe is experiencing hard times as well: real GDP was projected to decrease to -4.0% in 2009 and move up to -0.1% in 2010. The eurozone was already in recession in January 2009 as the GDP declined for the second consecutive quarter. It was then forecast that the real GDP growth rate for the eurozone would remain at 0.1% for the year, down from 0.7% in 2008 (European Commission, 2009a). The following **Spring 2009–2010 forecasts** by the European Commission, however, suggested a dramatic drop of 4.0% for 2009, followed by a slight improvement to an annual growth rate of -0.1% in 2010, due to the fiscal and monetary stimulus measures kicking in (European Commission, 2009b).

Table 1: *Real GDP growth rate, 2008–2010* (%)*

Countries	2008	2009	2010
EU27	0.9	-4.0	-0.1
Eurozone	0.7	-4.0	-0.1
US	0.4	-2.9	0.9
Japan	-0.7	-5.3	0.1
Brazil	4.5**	-1.3	2.5
China	9.0	7.5	8.5

Notes: * Figures for 2009 and 2010 are forecast. ** Figure for Brazil based on research estimate covering the period August 2007–August 2008.

Source: Eurostat for the EU, US and Japan, 2009; International Monetary Fund (IMF) for Brazil and China, 2009.

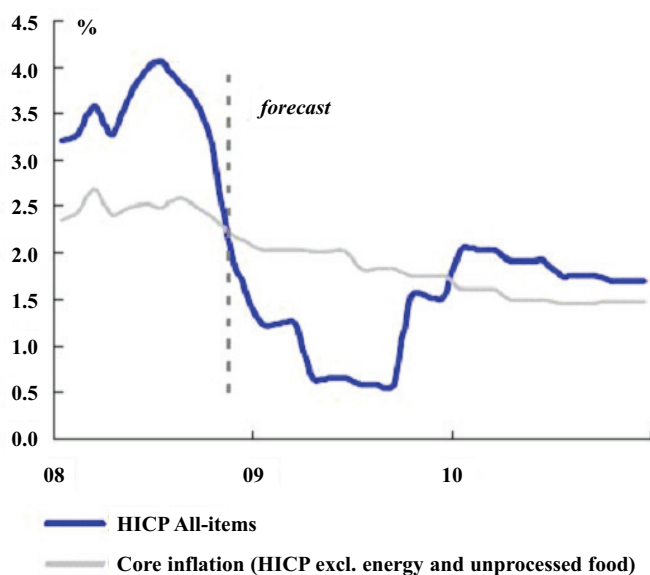
Inflation increased in early 2008, reaching a peak by mid 2008; however, it has been decreasing since. Low inflation has been the result of declining commodity prices and inflation will remain relatively low due to further deterioration of the

economic outlook in both the eurozone and global economy. This, in turn, will have an effect on wage growth across Europe.

Employment and unemployment

Following worsening economic conditions in Europe and globally, the labour market in Europe has weakened. According to the European Commission's *Interim forecast*, in the last quarter of 2008, employment in the eurozone declined by 0.1% from the previous quarter and stagnated in the EU (European Commission, 2009a).

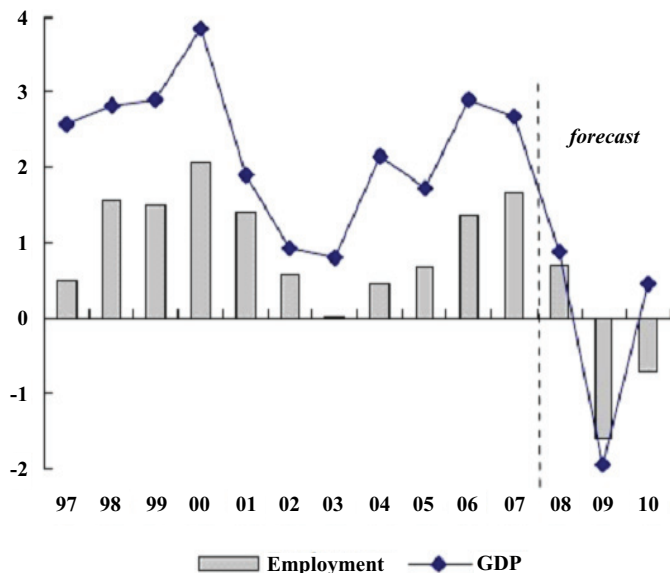
Figure 1: Eurozone headline and core inflation, 2008–2010 (%)



Note: HICP = Harmonised Index of Consumer Prices
 Source: European Commission, 2009a, p. 11.

Looking forward, the short-term outlook for labour markets is not improving. Given the lower demand for goods and services, along with the tightening of the financial situation, employment in both the eurozone and the EU is forecast to contract by 2.5% in 2009 and a further 1.5% in 2010.

Figure 2: Development of GDP and employment in eurozone, 1997–2010 (%)



Source: European Commission, 2009a, p. 10.

Unemployment is set to increase in Europe and other global economies. The downward trend in unemployment in Europe seems to have reversed since 2008: for the EU as a whole, the December 2008 figure stood at 7.6% and increased to 8.7% in the spring of 2009. In Japan and the US, unemployment has also increased, although to a greater extent in the US, where unemployment rose by 1.7 percentage points between December 2008 and April 2009, from 7.2% to 8.9%; forecasts for the rest of 2009 estimate that unemployment will rise to a level well above 9%. Japan recorded an increase in unemployment of 0.7 percentage points over the same period, from 4.3% in December 2008 to 5.0% in April 2009, according to the unemployment statistics issued by Eurostat in April 2009.

In April 2009, the International Monetary Fund (**IMF**) forecast that the global economy would shrink by 1.3% during the course of the year, with a slow recovery in 2010 (**IMF Survey Magazine, 22 April 2009**). Growth is expected to become positive again in 2010 but at a much slower pace. Emerging economies suffered already in 2008 as their manufacturing exports were declining. Overall, the advanced economies are forecast to contract by 3.8% in 2009, with the US economy shrinking by 2.8%, while emerging and developing economies will see a positive growth of 1.6%.

The US seems so far to have suffered to a greater extent from the financial crisis: therefore, other economies are predicted to be severely hit as well. Many governments have made an effort to deal with the financial crisis, which is at the core of the current economic recession; the results, however, have yet to be seen.

In the presentation of its annual report in April 2009, the European Central Bank (**ECB**) highlighted the ‘extraordinary and rapidly changing’ economic and financial environment. ECB estimated that inflation in Europe, while low at 0.6% in March, would rise in 2010, but remain below 2%.

Concerning jobs, with global growth steadily declining (see Table 1 on p.2), unemployment will rise further.

Many economists in the US argued from early on that the economy has been in recession since the fourth quarter of 2007. According to a September 2008 issue of the **Jobs picture** by the Economic Policy Institute, two indicators confirmed such signs: the increase in the unemployment rate and the pace of economic growth revealed trends similar to conditions during previous periods of recession.

In the summer of 2008, the **consumer price index** (CPI) indicators published by the **Bureau of Labor Statistics** of the US Department of Labor showed significant increases on a seasonally adjusted basis. The Bureau of Labor Statistics publishes CPIs for two population groups: the CPI for urban wage earners and clerical workers (CPI-W), which covers households of wage earners and clerical workers and comprises about 32% of the total population, and the CPI for all urban consumers (CPI-U), which includes, in addition to wage earners and clerical worker households, groups such as professional, managerial and technical workers, self-employed workers, temporary agency workers, unemployed people, retirees, as well as other population groups not in the labour force. The CPI-U comprises about 87% of the total population. In June 2008, the CPI-W jumped 1.2%, while the CPI-U advanced 1.1%. This is the fastest rate of increase in prices of goods and services purchased by households in 26 years. Inflation is rising with the prices of food, energy and raw materials, increasing by 5% from June 2007 to June 2008. High energy prices, with record oil company profits were a major topic for debate in the national elections in the US in 2008. For instance, retail gasoline prices increased by 37% in one year.

One clear and undeniable negative trend in the US economy for 2008 has been employment. After 52 months of steady job growth, payroll employment declined over the period January–June 2008, according to the US Department of Labor’s annual report on **America’s Dynamic Workforce** in August 2008. Employment data continued to worsen with over 605,000 jobs lost between January and August 2008. Job losses were severe in the automotive industry, which lost 39,000 jobs in August 2008 and a total of 128,000 jobs over the period August 2007–August 2008. To maintain a stable

employment environment, the US economy would have to add 100,000 new jobs a month. The loss of jobs has pushed unemployment from 4.9% in the first quarter of 2008 to a five-year high of 6.1% in August 2008. The economic recession is most likely to have a direct impact on industrial relations.

According to the Bank of Japan's April 2008 *Outlook for economic activity and prices*, the real growth rate in 2007 stood at +1.6% compared with the previous year. Although the Japanese economy decelerated in 2008, it was still able to realise its potential growth rate of 2007 due to factors such as increased energy and raw material prices, along with a fall in housing and capital investment, which were offset by a rise in exports. In the outlook for 2008 to 2009, it was already forecast and then confirmed that, despite a gradual move towards recovery in housing investment in early 2008, the business climate continued to decelerate due to the effects of increased energy and raw materials prices, and the recession overseas, particularly in the US.

At the beginning of 2008, Brazil had every reason to believe that the year would be one of the best to date in terms of economic development. The country's GDP had been growing steadily at rates never seen since the late 1970s. Almost all of the economic indicators were positive, with declining unemployment rates, rising job creation, and corporation profits and investments reaching their highest ever levels. The only exception to this rosy picture was the high public debt. The global economic crisis reversed this favourable economic development and consumer confidence plummeted in the summer of 2008. According to estimates, the annual GDP growth in 2008 would stand at 5.1% and the growth rate for 2009 was anticipated to be around 2.5%; however, it then dropped down to -1.3%. At such a rate of growth, unemployment was expected to rise from 7.5% to over 10% and annual inflation to above 6% in 2009.

Economic reforms in China have achieved significant success with real GDP growth averaging over 9% a year since 1985. This strong economic performance has resulted in a strengthening of consumer confidence, notwithstanding sharp rises in living and accommodation costs in the country's major cities, the poor profitability of many of the state-owned enterprises (SEOs), an increase in the value of the Chinese currency (up 17.1% since 2005 against the US dollar as at 26 June 2008), as well as a number of environmental problems. The IMF *World Economic Outlook* projects a 7.5% GDP growth for 2009 but stronger growth is expected in 2010: the figure is likely to rise to 8.5% (IMF, 2009b). Nevertheless, this sustained period of economic growth has led to a growing inequality between urban and rural dwellers, while also increasing the gap between entrepreneurs and business owners on one side, and their employees and employees in state-owned enterprises on the other. In addition, rising food prices are emerging as an important political issue. While the Chinese government is aware of these problems and has implemented a number of policies, such as a shift from extensive to intensive growth in order to meet demands for improved economic returns, economic growth and its accompanying problems continue unabated.

Experience shows that developed industrial societies cannot cope with sustained high levels of unemployment without running a risk of major economic turbulence and social unrest. High levels of unemployment represent a major waste of productive potential. This is why the outcomes of the G-20 summit in April 2009 were crucially relevant to the prospects for employment. It is also important for another reason: it was evident in some countries that protectionist measures had been taken in the past. With the deepening recession however, it became increasingly obvious that such policy measures can have only damaging effects on the global and national economies. In the **introductory statement** to the presentation of the ECB's 2008 Annual Report to the European Parliament, ECB Vice-President Lucas Papademos confirmed the uncertainties regarding the future: 'Taking into account the effects of the substantial macroeconomic stimulus in progress and the measures taken to restore the functioning of the financial system, the risks to this outlook are assessed to be broadly balanced over the medium term, but uncertainty remains unusually high'. The economic outlook remains exceptionally uncertain; the ECB expects economic activity in the eurozone to remain weak in 2009 and to recover in 2010.

Legislative developments

Turning to the legislative developments, apart from stimulus packages, 2008 saw a large amount of new employment and industrial relations legislation in most EU Member States as well as in Japan. Legislative activity in the US focused mainly on revising the federal minimum wage rates, while a major issue for Brazilian legislators was to settle part of the structural industrial relations problems by attaining bargaining powers for industrial relations actors. China's newly introduced Labour Contract Law took effect in 2008. The main recent legislative developments are presented in greater detail in the following paragraphs.

In terms of employment and industrial relations legislation in the EU Member States, social security was the broad area that saw most legislative activity in 2008. A great number of EU Member States introduced or reformed pension system, health insurance and unemployment insurance legislation. The labour market was another area that kept legislators busy in many Member States – in issues such as labour market flexibility and amending regulations for the employment of young people as well as of non-EU migrants (for the latter, mainly relaxing and simplifying procedures).

At EU level, a major breakthrough was the approval of **Council Directive 2008/104/EC** on temporary agency work. For over 20 years, there had been attempts to find a way forward to give rights to equal treatment to temporary agency workers (EU0807049I). But these efforts had been blocked, either through the European Parliament or through the failure of the EU social partners to find common agreement. However, by the end of August 2008, the social partners had jointly accepted the Commission's proposals for recasting the Temporary Agency Worker Directive (EU0810019I). The amendment of the Working Time Directive (**2003/88/EC**) was another major legislative development at European level. The directive concerning certain aspects of the organisation of working time had originally been adopted in 1993. However, the European Commission proposed a revision in September 2004, which was partly motivated by a review clause contained in the original directive for two provisions regarding the extension of the four-month reference period for the maximum 48-hour working week and the individual 'opt-out' from the maximum weekly working time limit. The European social partners and governments engaged in intense discussions on the proposed changes which, however, were not regarded as being universally acceptable (for further information on the debate, see the EIRO review of **Working time developments in 2008**).

In October 2008, the Commission published its proposals to amend **Council Directive 92/85/EEC** on measures for improving health and safety at work for pregnant women (EU0810049I). In 2008, paid maternity leave amounted to a minimum of 14 weeks in the EU Member States; the proposed amendments extended the minimum leave period to 18 weeks and established that women's pay – while they are on maternity leave – should be improved, recommending that women earn 100% of their salary. The proposal represented recognition, on the part of the Commission, that better maternity provisions were central to the promotion of an agenda that reconciles work with private and family life. At the same time, the Commission also acknowledged that women continue to face disadvantages at work – in particular, that a 'glass ceiling' denies women's access to senior positions in the labour market. In a report published on the occasion of International Women's Day on 8 March, the Commission noted that women in Europe were still shut out of top positions in both politics and business. The report led to the establishment of an EU-level **Network of women in power** in June 2008.

Since disabled workers also continue to face disadvantage and discrimination at work, in December the Commission launched a debate on the future shape of European disability policy in December. The policy debate focused on the **European Disability Action Plan** and its impact in relation to employment.

Two important legislative developments have been noted in the US in 2008: first, legislation in relation to the federal minimum wage and, secondly, legislation dealing with the federal stimulus package, which is indirectly linked to

employment and labour law. Regarding the federal minimum wage, the Fair Minimum Wage Act of 2007 stipulated phased increases to the federal minimum wage following negotiations in both 2007 and 2008. In August 2008, the federal minimum wage stood at USD 6.55 (€4.20 as at 1 August 2008) an hour. However, for work performed on or after 24 July 2009, the federal minimum wage is USD 7.25 (€4.65) an hour. Many states in the US have minimum wage laws in force; usually, workers receive a minimum wage at the highest rate. However, various minimum wage exceptions apply under specific circumstances to different population groups, such as workers with disabilities, full-time students, young people aged under 20 years in their first 90 consecutive calendar days of employment, so-called ‘tipped employees’ who regularly receive a certain amount of tips at their work and high school students aged 16 years and over who are engaged in vocational training.

The second important legislative development was the passing of the first 2008 federal stimulus package worth USD 168 billion (about €132.42 billion), including cheques sent to those US citizens who filed tax returns. After the financial crisis that affected Wall Street and the sharp contraction of economic activity, a second stimulus package was passed in early 2009, following intense negotiations between the House of Representatives and the Senate. The final version of the bill produced an agreement on a package worth USD 789 billion (about €623 billion). In previous economic slowdowns and recessions, except for the time of the Great Depression in the 1930s, far lower amounts were agreed for stimulus packages.

Furthermore, pay inequity was meant to be addressed with a notable legislative act that was not passed in 2008 – the Pay-check Fairness Act. The act aimed to address wage disparities between women and men.

While the US was unsuccessful in addressing wage inequalities between women and men, Japan implemented a number of important legislative developments in this field between 2007 and 2008. The enactment of the Revised Equal Opportunity Act was one of the most significant legislative developments in this regard. The act’s main provisions are as follows:

- prohibiting employment discrimination between men and women;
- introducing legal principles for indirect discrimination;
- obliging companies to take the necessary steps against sexual harassment.

In the same vein as the US, Japan also passed legislation on the minimum wage through the enactment of the Revised Employment Measures Act in July 2008. The main legislative revisions introduced were:

- an encouragement to young people to apply for jobs;
- an obligation to abolish age limits related to job applications and hiring, thereby making application procedures and employment available to all age groups in the population;
- facilitating labour market access for migrant workers.

Further significant legislative developments in Japan included the adoption of the Labour Contract Act in March 2008 and the Revised Part-time Labour Act (April 2008). The former clarifies the rules relating to the conclusion, renewal and termination of employment contracts in order to respond to a diversification of work forms and an increasing number of individual labour disputes. The main revisions of the latter included the compulsory provision of documents setting out working conditions, ensuring fair and balanced treatment of workers and an obligation to help part-time workers obtain regular full-time employment.

In Brazil, the country's National Congress (Congresso Nacional) passed a long-awaited law granting bargaining powers to the national peak trade union organisations. However, such powers are not recognised for trade union representations at company level. The same law also regulates the financing of trade unions; more specifically, it maintains the principle of compulsory dues and the system of collection whereby the government collects the dues from workers at source. In addition, the law changes the distribution of dues among the various organisations. According to the previous law, the dues were collected on a check-off basis and deposited by employers in favour of the Department of Labour at the state-owned bank. Revenues were then distributed in predetermined shares as follows:

- 60% to the municipal trade union;
- 15% to the state federation;
- 5% to the national trade union confederation;
- 20% to the Department of Labour.

With the introduction of the new law, the share of the Department of Labour was reduced to 10%, and the remaining 10% is now appropriated for the national peak trade union organisations.

The regulation of labour outsourcing has still not been settled: it has proved to be a thorny issue, with the trade unions not agreeing what position to take and the employers trying to preserve their own rights. The national report provides a complete account of the debate.

Trade unions have been campaigning for a reduction of the weekly working time from 44 to 40 hours. The change would require an amendment of Constitutional provisions, but so far no progress has been made.

Finally, the new Labour Contract Law was enacted in January 2008. According to the law, employers are required to provide written employment contracts to all of their employees and dismissing employees becomes more difficult. The new law also aims to restrict the use of temporary workers.

In China, the Regulations on Collective Contracts, which were issued by the Ministry of Labour and Social Security (**MOLSS**) in 1994 and updated in 2004, specified the legal aspects underpinning the negotiation of collective agreements. Collective bargaining is specified as a legitimate activity of trade unions in both the 1992 and 2001 Trade Union Law. The 1995 Labour Law incorporated the minimum wage regulations of 1993, as well as formalising earlier regulations that had permitted collective bargaining. It applies to all companies irrespective of their structure or ownership. The law aims to protect employees' rights while promoting economic development and social progress. It encourages the formation of and participation in trade unions, widens the system of labour agreements, and lists a variety of wage and working conditions. The 1995 Labour Law specifies five issues that may be included in collective agreements between companies and their employees – wages, working hours, rest periods and leave, occupational health and safety, and insurance and welfare. Any such agreement will come into effect immediately if no objections are raised by the local labour department. The legal provisions on collective bargaining were updated in 2004 to allow for collective negotiations on employment conditions above the statutory minimum requirements. Under these provisions, employers cannot refuse to enter collective negotiations without 'proper reason'.

Developments of social partner organisations

No major developments in the social partner organisations have been reported for the 2007–2008 period in the EU Member States or in the other four countries examined in this report. A characteristic feature of almost all the industrial relations systems of the countries under consideration is a decline in trade union density. While the Japanese and American industrial relations systems have remained relatively stable over the course of the past two years, those of Brazil and China have experienced gradual structural changes. For instance, Brazil has only recently passed regulation on granting collective bargaining rights to the national peak trade union organisations – though still not to those at company level – and China has set up committees dealing with issues such as labour disputes and labour law compliance with the participation of trade union and employer organisations.

Trade union consolidation and membership

In many EU Member States, following a decade of mergers and reforms, there seems to be greater consolidation of trade union organisations. Moving beyond the national borders, the UK general trade union **Unite** signed an agreement in 2008 with the North American-based United Steelworkers (**USW**) union to create a transatlantic ‘super union’. The new entity will be called ‘Workers Uniting’ and will represent more than three million workers in Canada, the Caribbean, Ireland, the UK and US.

In some European countries, new legislation was adopted on the representativeness of trade union organisations. This is the case in France, where a new law will come into force in 2012. The new law stipulates that in order to take part in collective bargaining at sectoral or intersectoral level, trade union organisations must obtain 8% of the votes in workplace elections across the sector or nationally, while participation in company-level bargaining will require 10% of the votes in workplace elections in that company. Similarly, in Poland a tripartite commission has been reviewing the threshold for trade union representativeness. At present, trade unions need to have 10% of employees as members in order to be considered representative in a particular company; however, proposals have emerged for increasing that threshold.

There are signs of declining trade union membership levels in a number of European countries. For instance, it has been reported that the Czech Republic’s main trade union organisation, the Czech-Moravian Confederation of Trade Unions (Ceskomoravská konfederace odborových svazu, **CMKOS**), saw its membership rate declining by over 3%. Similarly, total membership of the Confederation of German Trade Unions (Deutscher Gewerkschaftsbund, **DGB**) fell by 1.1%. Small decreases in union membership are also reported in the UK’s annual report on trade union density, while higher losses are reported by trade unions in Estonia and Slovakia.

In Japan, the country’s largest national labour organisation, the Trade Union Confederation **Rengo**, recorded a membership level of 6.62 million workers in 2008. The estimated trade union density – that is, the proportion of trade union members among workers in Japan – stood at 18.1% at the end of June 2007, as against the previous year’s density of 18.2%, according to a Ministry of Health, Labour and Welfare survey.

In China, trade unions are traditionally structured along company union lines, with strong hierarchical control and close links to the ruling communist party. The All-China Federation of Trade Unions (**ACFTU**) has a matrix organisational structure with its organisation extended vertically and horizontally into provinces, cities, counties, districts, streets, communes, industries and enterprises. In total, 10 national industry trade unions and 31 trade union federations in provinces, autonomous regions and municipalities operate under the umbrella of ACFTU. Trade unions are primarily present in urban cities or towns, and do not cover the country’s rural areas. According to China’s 2007 *China Labor Statistical Yearbook*, at the beginning of 2007, some 1,323,965 primary trade unions had 169,942,111 union members (MOLSS, 2007, pp. 553–556). Statistics show that, over the two-year period 2005–2007, trade union membership increased by 24.1% in China and the number of primary trade unions by 29.8%.

Statistics on trade union density in China are difficult to obtain. Nevertheless, according to some estimates, trade union density could be 57.1%, while more conservative estimates estimate a union density of 21.7%. According to ACFTU, 63% of workers are trade union members. However, this proportion would appear to be too high, with about 50% being a more realistic figure for urban employees.

In the US, the number of workers belonging to a trade union rose by 311,000 people to 15.7 million in 2007, according to a [press release](#) issued by the US Department of Labor on 25 January 2008. Trade union density stands at 12.1% of employed wage and salary earners; it is almost five times higher among public sector workers (35.9%) than among private sector workers (7.5%). In terms of gender, the trade union membership rate was higher for men (13.0%) than for women (11.1%) in 2007.

Over a 25-year period, trade union density in the US decreased from 20.1% in 1983 to 12.1% in 2008. The decline in trade union density has accelerated with the restructuring and downsizing of the US manufacturing sector in a shift towards a services and knowledge-intensive economy. Meanwhile, the pressure on trade unions has continued to increase since 2000. The labour movement saw a major split in the AFL-CIO – the principal trade union confederation since the merger of the previously separate American Federation of Labor and the Congress of Industrial Organizations in 1955. Seven major trade unions left AFL-CIO to form the ‘Change to Win’ coalition. The split was seen as a difference of opinions over strategies for the unions to combat a hostile political environment.

In some unionised companies, labour has formed partnerships or established committees with management to achieve specific goals, such as training, quality, or health and safety at work. These employee–management partnerships are vulnerable to internal political and social pressures and suffer during economic downturns or restructurings. Since economic pressures on companies often result in lay-offs or downsizing, the resolve of employee–management partnerships is put to the test.

US trade unions also cooperate with many non-profit organisations, community action groups and political organisations to assist their members and the local community. Organised labour has strong community ties and contributes significantly to the United Way of America’s assisting of low-income families in the community. Trade unions also have members on Workforce Investment Boards, which are responsible for distributing training grants and tax breaks for companies.

In Brazil, trade union density is about 20%. It should be noted, however, that trade unions represent all workers in a particular occupational group or sector, even non-affiliated workers. As a consequence, all of the workers are automatically covered when a collective agreement is negotiated. Therefore, the coverage rate is 100% for the formal sector, which constitutes about 40% of the labour market.

Employer organisations

Unlike trade unions, employer organisations carried out a number of high-profile mergers during the course of 2008 in several EU Member States, either at the cross-sectoral or sectoral level. At the peak employer organisation level, the Malta Chamber of Commerce and Enterprise (COC) and the Malta Federation of Industry (FOI) announced that they would merge to form the Malta **Chamber of Commerce, Enterprise and Industry**. Eight of Romania’s 12 nationally representative employer organisations created a new Alliance of the Confederations of Industrialists, Entrepreneurs and Employers from the Public Services Sector Business Romania (Alianța Confederațiilor Industriașilor, Întreprinzătorilor și Angajatorilor din Servicii de Interes Public Business România, Business România) (RO0812029I).¹ In May,

¹ There are several references (e.g. RO0812029I) throughout the text to articles on the EIROOnline website, which provide more detailed information on the issue in question. They can be accessed at <http://www.eurofound.europa.eu/eiro> by simply entering the reference into the ‘Search’ field.

Lithuania's largest employer organisation, the Confederation of Lithuanian Industrialists (Lietuvos Pramonininkų konfederacija, **LPK**) signed a cooperation agreement with the Association of Lithuanian Chambers of Commerce, Industry and Crafts (Lietuvos prakybos, pramonės ir amatų rūmų asociacija, **LPPARA**).

At sectoral level, the most significant recent development was the merger of the Confederation of Danish Industries (Dansk Industri, **DI**) and the Confederation of Danish Commercial Transportation and Service Industries (Handel, Transport og Service, **HTS**) to create a new DI from May 2008 (DK0802029I). The enlarged DI is by far the largest and most influential employer association affiliated to the Danish Employers' Confederation (Dansk Arbejdsgiverforening, **DA**), with its member companies' combined payroll accounting for 62% of the DA total. A number of Italian employer associations in closely related industries decided to merge and also to unify collective bargaining for these branches. This involved organisations in garments, textiles, footwear and fashion, and in tourism and hotels. Several existing employer associations created a new Alliance of Employer Organisations from Industry and Energy (Alianța Patronatelor din Industrie și Energie, **APIE**) in Romania (RO0811029I), while a Chamber of Catering Suppliers (Zbornica ponudnikov gostinskih storitev Slovenije, **ZPGSS**) was established in Slovenia.

In terms of membership, some employer organisations lost members in 2008, as was the case in Slovakia for one of the two main employer confederations, the National Union of Employers (Republiková únia zamestnávateľov Slovenskej republiky, **RUZ SR**).

Japan's largest employer organisation, the Japan Business Federation (**Nippon Keidanren**), had 1,658 members, including 1,337 representative Japanese companies, 130 national sectoral organisations – representing sectors such as manufacturing and services – and 47 regional organisations in 2008.

In China, the key organisation on the employer side is the China Enterprise Confederation–China Enterprise Directors' Association (**CEC–CEDA**). CEC was established in 1979 as the Chinese Employers' Management Association (CEMA) and was subsequently renamed the China Enterprise Confederation. CEC was the first major representative body of Chinese employers. Another employer group, the China Enterprise Directors' Association (CEDA) was established in 1983 and merged with CEC in 1988 to become a major non-governmental employer organisation. Membership of CEC–CEDA is voluntary. In 2007, CEC–CEDA had 545,000 members from a wide variety of employers, including individual enterprises and companies, entrepreneurs, provincial and municipal associations, as well as industry and trade associations. Both CEC–CEDA and the trade union federation ACFTU participate in the legislative process concerning industrial relations and promote cooperation between managers and workers. In recent years, they have been major participants in tripartite consultation and in implementing the collective bargaining system. Tripartite consultation committees have different functions at different levels in China. At the peak national and regional levels, the key functions revolve around labour policy and advice, while, at the company level, the tripartite consultation committee mediates in labour disputes, supervises the parties' compliance with labour law, and advises and educates workers about their labour rights and statutory labour regulations.

In the US, employer organisations are frequently structured at the regional or community level. Many employer associations are non-profit organisations that lobby or advocate for company specific benefits with other non-profit and quasi-governmental industrial development bodies to acquire tax incentives, training grants and undertake marketing initiatives. They provide management in a specific region or community with networking opportunities, research, training and consulting expertise (see the website of the **Employers' Association**). In addition, there are various employer or management interest groups in the US that are established around specific political, social or environmental causes. Examples in this regard include the **Apollo Alliance**, the **Partnership for working families** and **Stand up Georgia**. These non-profit organisations rally community support for economic and social justice and often cooperate with organised labour, such as the strong connection between USW and the Apollo Alliance.

In Brazil, no official membership figures are available for employer organisations. All of the companies operating in a sector have to pay the employer ‘union’ dues, because the rule of compulsory contribution applies to the employers in the same way as to the trade unions. Labour law in Brazil gives employer organisations and trade unions the same status and treatment. Nevertheless, paying dues does not make a company become a member of an employer organisation. The membership rate is estimated to be extremely low; it could be close to a one-digit figure.

The most significant development regarding social partner organisations in Brazil relates to the law introduced in 2008 granting collective bargaining power to the national peak trade union organisations. Social partners have also participated in a number of tripartite bodies set up by the government, such as the National Labour Forum to discuss labour reform, as well as the National Development Forum and a special tripartite forum to discuss social security issues. However, none of the workings of these bodies have seemingly contributed to institutional reform in Brazil.

Collective bargaining

With the economic downturn, collective bargaining in the countries examined in this report has had mixed fortunes. The main topics that featured on the bargaining agenda of all countries were primarily pay and, to varying degrees, working time, regulation of part-time work, benefits, pensions and work–life balance.

In Europe, some countries negotiated national intersectoral-level agreements on pay and working conditions; however, some trade unions found themselves under pressure due to the deteriorating economic climate. For instance, the national pay agreement in Ireland was under pressure at the end of the year, with employers calling for pay increases in all economic sectors to be deferred (IE0901039I).

The sector is the key bargaining level in most western European countries and several central and eastern European countries (CEEC), while in some countries with general intersectoral agreements – such as Belgium, Greece and Spain – subsequent sectoral bargaining plays a significant role in implementing and/or building on the national accords. Countries such as Austria, France, Germany, Italy, the Netherlands, Portugal, Slovakia and Slovenia have an essentially annual or uncoordinated sectoral bargaining cycle; this proceeded as normal in 2008. In the Nordic countries, there is a clearer multi-year bargaining cycle, and 2008 was a relatively quiet bargaining year in most cases, since agreements signed in previous years were still in force in many sectors of the economy.

Trends towards decentralising collective bargaining and an even greater emphasis on individual negotiations have become more noticeable, even in countries with a long tradition of centralised negotiations. Employers in Finland confirmed last year that the era of centralised bargaining is over and they will be pursuing bargaining at sectoral, company and even individual levels in future. In Italy, negotiations currently under way to reform the collective bargaining system will allow for deviations from the terms of the sectoral agreements and for extending the coverage of second-level bargaining. Pressures for greater decentralisation or increases in the coverage of company-level bargaining have been noted in the Czech Republic, Greece, Poland and Slovakia.

Overall, in Europe, collective bargaining coverage remained the same in 2008.

At EU level, the peak social partner organisations signed a code of conduct on ethical cross-border recruitment and retention in the healthcare sector (EU0805039I). This code aims to ensure that third-country nationals are informed regarding terms and conditions of employment in the host country and that they are aware of their employment rights. With this agreement, which has the potential to be extended to other economic sectors, the social partners moved beyond the workplace level to the broader employment policy area. A number of international framework agreements were signed in 2008, including those on health and safety at **ArcelorMittal** (EU0807029I) and on labour rights at

Danske Bank (EU0810029I), which set minimum standards to be respected by all sites of the companies. Additionally, sectoral agreements or resolutions have been concluded by the relevant EU-level social partners, as outlined in the EIRO annual review **Industrial relations developments in Europe 2008**.

In Japan, ‘wage improvement’ was at the heart of the 2008 spring wage negotiations, along with an increase in overtime wage rates to reduce long working hours. The main outcomes of the negotiations were as follows. At the beginning, a momentum had built up for wage increases, with the Prime Minister’s unprecedented call on employer organisations for wage rises. Nonetheless, when negotiations neared closure, and due to the sudden appreciation of the Japanese yen (JPY), major companies raised employees’ wages only by a small amount of about 2% or much less than in the previous year. Meanwhile, small and medium-sized enterprises (SMEs), unaffected by the wage policy of major companies, have formed unique market rates and this new order has become much more common in present times. Correction of the wage disparity between smaller and larger companies has advanced, with some SMEs reporting rates of pay increases exceeding those of larger companies. In the public sector, the diversity of responses was striking, reflecting the effects of requests for wage improvement being waived by the negotiation leaders in the sector – the Nippon Telegraph and Telephone Corporation (**NTT**) and Tokyo Electric Power trade unions. Japan Post Group (**JP Post**), in turn, for which this was the first episode of annual wage bargaining since its privatisation in October 2007, agreed to a pay increase in basic hourly wages of JPY 600 (€3.83 as at 31 March 2008); this represented the highest pay increase in seven years, both as the Postal Services Agency and JP Post. Efforts to improve the treatment of part-time and similar workers were intensified and the hourly pay rise in 2008 increased by JPY 2.58 (€0.02) over the 2007 hourly rate, to JPY 17.94 (€0.11) an hour.

In terms of social demands, trade unions and management agreed on the importance of making greater efforts towards facilitating work–life balance, which constituted another pillar of the spring 2008 negotiations. However, most companies remained in ‘continued discussions’ regarding an ‘increase in overtime wage rates to cut long working hours’ advocated for that purpose, except for the five steel and iron companies that agreed on an increase in leave of 40%.

In the US, collective bargaining covers the employees represented by a trade union. In the 23 states that have currently enforced ‘**right-to-work laws**’, workers who are represented by a trade union and therefore have collective bargaining coverage cannot be obliged to join a trade union nor to pay union dues. This means that workers in a unionised company in states with right-to-work laws are not necessarily trade union members; trade unions, however, must also represent these workers even if they pay no union dues. This makes organising a trade union and gaining collective bargaining rights much more difficult in right-to-work states.

According to the *Daily Labor Report* issued by the Bureau of National Affairs (**BNA**) on 31 July 2008, the average wage increase in the year up to July stood at 3.6% – the same increase as that reported in the comparable period in 2007. The median agreed pay increase for the first year of settlements in 2008 amounted to 3.3% compared with 3.1% in 2007, while the weighted average pay increase amounted to 3.4% in 2008 compared with 2.8% in 2007. In manufacturing, the average pay increase was 2.2% in 2008 compared with 3.2% in 2007, while the median stood at 3% – the same increase as reported a year previously. Excluding construction, the average pay increase in non-manufacturing sectors was 4% compared with 3.8% in 2007, while the median pay increase stood at 3.4% in 2008 compared with 3.2% in 2007. Collective agreements in construction posted average and median pay increases of 4.8% and 4.4%, respectively – the same increases as those reported in 2007. When lump-sum payments were factored into the calculations, the all-settlements average first-year pay increases up to July 2008 amounted to 3.8%, compared with 4.1% over the same period in 2007.

Collective bargaining in the US has seen an increase in the intensity of negotiations. The primary issues at the bargaining table are health insurance, pensions and outsourcing. US law does not require employers to provide for any paid leave, including holidays, health insurance or retirement plans. Most Americans get their health insurance coverage through

their employer; however, more than 46 million citizens in the US are without health insurance coverage (see information on the [National Coalition on Health Care](#) website). In recent years, the increasing costs of health insurance and prescription drugs have been particularly difficult to resolve. Pressure is increasing on Congress to pass some type of national healthcare insurance; this has become a key point of debate. For the 12.1% of workers who have collective bargaining rights, negotiations on this issue are increasingly volatile.

The lack of any minimum legal requirements for employers to provide for paid leave combined with a low trade union density has led many working families to increase their wages by working longer hours. Workers have increased their number of hours worked either by working overtime or by taking on a second job. The economic downturn in the US has led many companies to reduce the number of overtime hours worked and/or to downsize their workforce, according to a *Daily Labor Report* on 1 May 2008. For the 87.9% of US workers without a collective bargaining agreement, many of these decisions have an adverse impact on equality.

In Brazil, collective bargaining is decentralised and extending collective agreements has not been a pursued practice. With the favourable economic situation for the country prior to the global economic crisis, trade unions enjoyed increasing bargaining power. This, in turn, has been translated into real wage gains through collective bargaining. According to the trade union-led Inter-Union Department of Statistics and Socioeconomic Studies (Departamento Intersindical de Estatística e Estudos Socioeconômicos, **DIEESE**), about 95% of negotiations have produced real wage gains as the main outcome in 2008.

Besides wage issues, trade unions have brought to the bargaining table topics relating to working conditions, benefits and collective rights such as worker representation at company level. Trade unions have emphasised the issue of working hours in Brazil. The country's Constitution has established a working week of 44 hours. In light of this, trade unions have mobilised workers to fight for a 40-hour working week. In 2008, all political trends in the labour movement united to achieve this goal, based on the argument that reduced weekly working hours would increase the number of jobs. Up until now, the trade unions' mobilisation has not achieved its objective, except in one important segment of the economy, notably the chemicals industry in the state of São Paulo. In this case, employers and trade unions have reached an agreement on progressively reducing the number of weekly working hours, which, once completed, will bring the weekly working time to 40 hours.

In China, the 1995 Labour Law stipulates five issues that may be included in collective agreements between companies and their employees: wages, working hours, rest periods and holidays, occupational health and safety, and insurance and welfare. However, as already mentioned, collective agreements remain largely formal documents, which tend to reflect statutory minimum requirements. The agreements are normally signed at company level or small regional level, such as for companies in a particular industrial zone or street, covering all enterprises in that area. The official collective bargaining coverage rate is stated to be about 15%.

The process of collective bargaining is often compromised due to an overlap of personnel in the trade unions at company level and company management, as well as an overlap of personnel in higher trade union bodies and the Chinese Communist Party (**CCP**). Nevertheless, the recent legislative and regulatory changes have moved the collective bargaining system away from being a political instrument towards an industrial process. Today, no representative can represent both sides of the negotiations and trade union officials are prevented from representing both employees' and employers' interests. In addition, professional staff are now permitted to provide negotiating parties with assistance. These changes represent a step forward towards collective bargaining, although further progress will be limited due to the restrictions on the topics in which Chinese trade unions may engage.

Industrial action

Evidence available from the majority of national reports indicates that the past two years have been relatively quiet regarding industrial action. Overall, levels of industrial action remained low in historic terms in nearly all of the EU Member States, albeit with a number of exceptions.

Sectoral and country overview

The main focus of industrial action in 2008 in many countries was the public sector and traditional public services – although, in some cases, these services have now become privatised. Such action often took place in a context of reform, restructuring and budgetary restraint. Several general strikes took place in 2008 over ‘political’ issues – largely in relation to government policy, including economic policy and social security reform, public finance reforms, retirement and working time reforms. As well as the pay issue, other issues generating these disputes included cutbacks, job losses, recruitment freezes, service reforms, changes to employment status, privatisation, workload and safety.

In the private sector, which generally saw relatively few strikes in 2008, industrial action was usually related to the renewal of sectoral collective agreements – for example, the bargaining rounds in the German steel industry (DE0803029I), the public sector (DE0804029I) and metalworking industry (DE0812049I) were accompanied by warning strikes.

Major disputes included those in the following sectors: the retail trade sector in Germany (DE0808019I) and France (FR0803049I); the construction, metalworking and machinery industries in Romania; the machinery, mining and food industries in Poland; the dairy industry in Norway.

In 2007, a number of coordinated strikes took place across two or more EU Member States. Action by thousands of Portuguese and Spanish truck drivers in June affected food supplies, aviation and industry, in a protest against diesel costs. This had followed protests by commercial fishing workers in Portugal and Spain who went on strike in late May over the same issue of rising fuel costs and who had joined workers in France, Italy and the UK, where such protests had gained momentum. In November, thousands of rail workers from a dozen European countries demonstrated in Paris at the invitation of the European Transport Workers’ Federation (**ETF**) against the railway privatisation policies being pursued both by the European Commission and by railway companies. Strike and protest action also occurred in relation to restructuring.

In the US, according to the 2007 annual report from the Federal Mediation and Conciliation Service (**FMCS**), only 173 work stoppages were recorded in 2007; this constituted the lowest record in the history of FMCS.

Collective bargaining in the automotive sector has been much more adversarial, with strikes taking place at General Motors, Chrysler, International Truck and American Axle and Manufacturing (**AAM**). The primary issue in the strikes was significant reductions in the hourly wages and the setting up of two-tier wage scales. The lower skilled or non-core employees would receive nearly 50% less pay and benefits for the same work previously done at full pay and benefits. The increased pressure on the traditional US automotive manufacturers has forced trade unions to accept concessions and reductions in benefits or face the offshoring or outsourcing of manufacturing jobs.

The policies of some companies have become more adversarial in the drive to reduce costs. Workers have been threatened with loss of employment through moving facilities to Mexico or China; this is not just an idle threat. The strike at AAM resulted in the large-scale reduction of workers represented by the United Auto Workers (**UAW**) union and the transfer of equipment and jobs to Mexico, even with the reduction in wages and benefits. According to media

reports, the wages of many workers at AAM were slashed by USD 10 (€6.34 as at 2 July 2008) an hour, and both pay and benefits were dramatically reduced (Taylor, 2008).

Strikes in the entertainment industry also increased significantly in the past 10 years. The International Association of Theatrical Stage Employees ‘Local One’ (**IATSE Local One**) went on strike in protest against the League of American Theatres and Producers (now known as the **Broadway League**) closing down numerous Broadway shows in New York City. The strikes taking place in November led to the closure of many theatres during the busy shopping season and Thanksgiving holiday. The main issues concerned work rules and the proposed pay and benefit cuts being sought by theatre owners. In addition, a strike by the Writers’ Guild of America (**WGA**) led to the shutting down of production in many television shows, resulting in lost revenue and the disruption of scheduled television programming. The screen writers’ strike and subsequent actors’ collective bargaining actions received much attention and proved costly to the California economy. The major issues hinged on wages and remuneration for work done in electronic media, along with the sharing of revenue for downloaded material. The strike lasted 14 weeks and had a significant impact on the entertainment industry (Writers’ Guild of America, 2008).

The impact of the arts and entertainment strikes is noteworthy, given that 37.2% of the total days lost due to work stoppages are accounted for by the Screen Actors’ Guild (**SAG**) and the American Federation of Television and Radio Artists (**AFTRA**) over the past 10 years.

Industrial action in Japan, Brazil and China

According to a ‘survey on labour dispute statistics’ by the Japanese **Ministry of Health, Labour and Welfare**, there has been a long-term decreasing trend in the number of dispute cases since it peaked in 1974 at 5,200 cases. The same survey found that a total of 636 disputes took place in 2007, involving 613,000 individuals. Of these, 54 strikes lasted more than half a day, which involved 20,825 workers and resulted in a loss of 33,236 work days. Looking at the sectoral breakdown for ‘disputes accompanied by industrial action’, the highest number occurred in Japan’s telecommunications industry, followed by health and welfare, and then manufacturing. The main points of contention concerned wages and allowances, which comprised the majority of the total cases at 53.5%.

According to Brazil’s DIEESE, the annual average number of strikes in the last 10 years has been about 300, which is low compared with the average of 2,000 that took place annually in the late 1980s to mid-1990s. However, it should be mentioned that, at that time, the monthly inflation rate was running in double digits. After that, the country underwent a complete restructuring process, with an impressive opening to international business and investment. The country has also privatised many important industries such as banking, communications, utilities, steel and mining. Manufacturing employment has decreased as a proportion of total employment. All of these factors have led to weakened trade union power, while reducing workers’ ability to engage in industrial action.

The recent recovery of economic activity has enhanced the strength of some trade unions in Brazil to call strikes. A recent example is the strike called by workers in the banking sector, which is the only case of national-level bargaining. After reaching an impasse, a strike was called, finally being settled after about one week of action. Another strike was called by the trade union representing security workers, which engaged in industrial action for the first time. In general, strikes in the private sector are less frequent, and most of the industrial action has taken place in the public sector – for instance, involving groups such as postal service workers, social security workers, public school teachers, public university professors, and public health workers.

In China, while workers constitutionally have a great deal of freedom to protect their employment rights, in practice the state neither gives workers the right to strike nor does it prohibit strike action. Requests for strikes have not been approved, although such requests have normally resulted in negotiations and government intervention. As employment

relations have become more diversified and complicated, the number of labour disputes – encompassing both individual and collective strikes – has risen sharply since the beginning of the country's economic reform. For example, in the 10-year period 1996–2006, the number of disputes rose from 48,121 to 313,773 – representing a more than six-fold increase. The majority of these disputes were individual ones, nevertheless.

In 2006, the number of industrial disputes (individual and collective) notified to the various labour departments and government agencies in China amounted to 317,162. Of these, 4.4% (13,977 cases) were classified as collective labour disputes, a figure that has remained about the same since 1996.

Compared with 2005, the total number of disputes in China increased by 1.1% in 2006 (MOLSS, 2007, pp. 515–518). The major causes of these disputes were remuneration (103,887 cases), social insurance (100,342 cases), changes to the employment contract (3,456 cases), suspending the employment contract (55,502 cases) and job termination (12,366 cases). With the exception of changes to the employment contract, all other causes of labour disputes have risen since 2001, with remuneration and social insurance issues increasing significantly – at 230% and 322% respectively.

In 2006, some 310,780 industrial disputes were settled in China, including those carried over from the previous year. Arbitration was the most common method of dispute resolution, with 141,465 cases (45.5%) being resolved through this method. This represents a slight drop compared with the 2001 figure (49.8%). The next most common method of resolution was some form of mediation, which occurred in 104,435 cases or in 33.6% of all cases. This represents an increase of 27.6% compared with the 2001 figure. The remaining cases – 64,880 cases or 20% of all cases – were resolved through a variety of other methods. In 47% of all disputes (146,028 cases), the final outcome was assessed as being favourable to workers. This is similar to the 2001 figure, which stood at 47.7% of disputes. A small proportion of disputes settled in 2006 – that is 39,251 disputes or 12.6% of cases – have been assessed as being favourable to employers. Nevertheless, this figure is well below the 2001 figure of 21%. A large number of disputes – a total of 125,501 disputes or 40.4% of cases – have been assessed as being favourable to both employers and workers. This represents an increase of 31.3% compared with the 2001 figure (MOLSS, 2007, p. 516).

As stated in previous reports, there are considerable regional variations in the occurrence of labour disputes in China, and it has become evident that regional differences are closely associated with the scale of the regional economy, the restructuring of state-owned enterprises and the development of non state-owned enterprises. The regions of Guangdong, Jiangsu, Zhejiang, Shandong, Shanghai, Beijing, Sichuan and Liaoning have been the most heavily affected. In 2006, some 67.2% of labour disputes (213,276 cases) occurred in these regions. This represented a slight increase compared with the 2005 figure of 65.8% of disputes (206,700 cases). Overall, only a relatively small number of workers were involved: a total of 203,899 workers took part in the disputes in 2006, which represents a slight drop on the 206,700 workers in 2005. Most of these disputes are unorganised, largely localised, isolated and sporadic in nature due to a lack of collective power. This meant that the majority of the disputes have remained isolated and short-lived.

Industrial relations outlook

Impact of global economic crisis

The big challenge for the global economy is to get through the global economic crisis. A number of measures have been agreed on in this context, although it remains to be seen how successful these initiatives will be.

The economic crisis will obviously have an impact on industrial relations in all countries, depending on their national structures and traditions. Unemployment affects older workers, young people, men and women differently, with the former being the worst affected group. Of course, as the labour market deteriorates, one cannot exclude the risk of social and political unrest – in Europe, in advanced economies and, even more so, in emerging market economies and low income countries.

Priority issues

In Europe, given the downturn in labour markets, issues such as pay and working time will feature prominently on the social partners' agenda, with amendments being introduced to pay agreements and working time arrangements. The high pay agreements concluded in 2008 due to tight labour markets and the indexation of wages to previously elevated inflation rates in some Member States are not likely to be sustained in the 2009 negotiation rounds. Changes in this respect were already becoming visible at the beginning of 2009, with pay agreements being renegotiated. Minimum wages are expected to be seriously debated in some countries. In the same vein, working time schemes such as short-time working, flexible working hours, and temporary redundancies, are likely to become increasingly common among Member States. As a result, trade unions across Europe are expressing their concerns about the deteriorating job situation.

As public budgets come under increasing strain, issues such as social security, pensions, redundancies and redundancy measures, the labour market situation and training are expected to gain priority in bargaining agendas. In addition, since specific economic sectors of activity are being particularly hard hit by the crisis – notably, the construction, financial intermediation and automotive sectors – topics specific to these sectors are likely to be addressed by both the social partners and governments.

In the US, the issue that is most likely to have a direct impact on industrial relations is the rapidly deteriorating economic situation. At the time of writing, 12 bank failures had already occurred in 2008. The federal bail-out of many large financial institutions and potentially USD 700 billion (about €4.65 billion) in additional funds being dedicated to stabilising the financial sector will have a negative impact on pensions and workers' benefits. Moreover, the staggering national debt and unstable financial sector are likely to put additional pressure on working families and threaten social security and other pension securities.

Energy costs have risen dramatically in the past two years. Thus, energy policy has been a major theme in the presidential election. At the same time, higher gas prices have impacted on food and transport costs. Incomes have been unable to keep up with the rising rate of inflation. In the longer term, a carbon tax or offsets for greenhouse gas emissions could impact on wages and decisions regarding manufacturing and transport employment.

Different challenges lie ahead for Japan for the coming years. The economy has been hit hard by the slump in global demand for advanced manufacturing products such as cars, information technology and machinery, which account for a larger share of production than in the other G7 economies (seven leading industrialised economies – Canada, France, Germany, Italy, Japan, the UK and the US). The short-term outlook remains clouded. In recent years, a number of 'disparities' relating to wages, employment and similar issues have come to the fore, as have social problems, which are widely reported in the press. In a report by the Japanese Business Federation Nippon Keidanren, it was shown that individual companies will need to take the initiative in providing employment opportunities for young people and to build systems for their appropriate treatment (Nippon Keidanren, 2007). Elsewhere, a report by Rengo states that: 'We should bear in mind the fact that trade unions are preoccupied with company management conditions and ensuring employment for union members, and are therefore reluctant to join hands with unorganised, small-to-medium sized company workers' (Rengo, 2008). The report adds: 'From here on, the trade unions will work towards overall improvement, with consideration of benefits for non-union members and small-to-medium sized company workers, and non-regular workers above all, to redress disparity.' Against this background, the topic of 'disparity correction' is expected to gain particular priority in future labour management relations.

In Brazil, an overall appraisal of the country's industrial relations in 2008 would conclude that it was a year of institutional and economic change. The institutional changes were timid and mostly directed at preserving the status quo, while the economic changes are likely to have a stronger reverse impact. Regarding the year ahead, the prospects for

workers do not seem good, as they still lack a proper trade union structure that can defend their interests, particularly in the difficult times anticipated for the future.

In China, social instability appears to be a major concern for the government, and labour unrest is considered by the CCP leadership as being the ‘biggest threat to social stability’ and its own position. Although much of the government’s plans and policies are aimed at a harmonious society, other signs suggest that large numbers of Chinese workers are not gaining the full benefits of economic reform. For instance, the level of inequality is rising (the Gini coefficient standing at 0.45). The cost of housing and food is rising: the inflation rate for 2007 was 4.8% and this is expected to rise to 5.9% in 2008 (IMF, 2008, p. 253). In addition, the number of industrial disputes over remuneration and social security is rising. These issues are likely to impact significantly on industrial relations over the coming years.

Two other issues stand out at present with regard to China. Firstly, the increasing number of environmental problems is a major concern to many workers who have to live and work in an unhealthy environment. This may well have been part of the reason why China signed the Occupational Health and Safety Convention of the International Labour Organization (ILO) in 2007. Secondly, while the holding of the 2008 Olympic Games in Beijing gave China a chance to showcase its rapid development and success, it also gave opponents of the Chinese system an opportunity to publicise their grievances in the international arena. This was illustrated by the protests over China’s treatment of Tibet during the Olympic Games’ touch relay in May 2008. Whether this event will prompt worker unrest and action cannot be predicted at this stage.

Lessons to be learnt

One of the lessons emerging from the economic crisis is that there are flaws in the global architecture, given the size of international transactions. Such transactions require international coordination and the setting of ground rules regarding cross-border financial arrangements. These ground rules cannot be agreed and implemented without the input and support of both capital and labour. Multi-level coordination is required – at global level, regional level (that is, in Europe, Asia, through the signatories to the North American Free Trade Agreement and in Africa), and national and local level. Moreover, such coordination should be well articulated. Although many challenges lie ahead, the global community can improve its outlook through a range of measures, such as:

- planning reforms with people in mind and preparing for the future;
- protecting vulnerable groups of people during the global economic crisis;
- creating a safety net, by strengthening social protection measures such as unemployment benefits, adopting measures to support displaced workers and maintaining employment;
- offering increased training possibilities for workers whose skills would be otherwise obsolete and who would not be able to keep up with technological advances or to progress when growth returns;
- striving for innovation;
- investing in the green economy;
- introducing institutional reforms that would ease the transition.

In addition to these measures, engaging in social dialogue as a tool for a more inclusive and fair society will be a crucial factor in order to secure the acceptance, support and commitment of all parties. This and the aforementioned types of intervention will be more relevant now than ever in these uncertain times of crisis.

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