

# 3 Results from the application of the conceptual framework

## Mapping national industrial relations systems

The final dashboard includes 45 indicators that were selected at the end of the process described in Chapters 1 and 2, using a combination of different methods and approaches. The complete list of indicators, including definitions and sources, is provided in the Annex. This chapter aims to map the national industrial relations systems based on the findings obtained with this final list of indicators. It also draws from the analysis of the national contributions, which compared the results of most of the indicators finally selected with the national correspondents' expert assessment, alongside findings from relevant research and literature on industrial relations.

In mapping national industrial relations systems, this chapter follows the classification of industrial relations regimes prepared by Visser for the European Commission in 2009, which was also used in the previous Eurofound report (2016a) that mapped and tested the four key dimensions (see Table 4). Although the homogeneity of these ideal typologies has been seriously challenged due to the impact of the Great Recession in some of the countries (Eurofound, 2014), and although its simplification of national contexts can be problematic, it allows national industrial relations

systems to be mapped within the framework of a cluster of industrial relations systems, which, despite recent changes, remains relevant. This typology identifies five different models of industrial relations, each with a clear geographic concentration:

- 'organised corporatism' in the Nordic cluster (Denmark, Finland and Sweden);
- 'social partnership' in the Centre-west cluster (Austria, Belgium, Germany, Luxembourg, the Netherlands and Slovenia);
- 'state-centred' in the South cluster (Greece, France, Italy, Portugal and Spain);
- 'liberal pluralism' in the West cluster (Cyprus, Ireland, Malta and the UK)
- 'transition economies' ('mixed model') in the Centre-east cluster (Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania and Slovakia).

### Nordic cluster

The Nordic countries (Denmark, Finland and Sweden) show a high degree of internal homogeneity in relation to the four dimensions. This is even more pronounced in terms of industrial competitiveness and quality of work and employment. Overall, they record higher values than the EU averages in all the dimensions.

**Table 4: Industrial relations clusters**

	Nordic	Centre-west	South	West	Centre-east
<b>Industrial relations regime</b>	Organised corporatism	Social partnership	State-centred	Liberal pluralism	Transition economies
<b>Role of social partners in public policy</b>	Institutionalised		Irregular/politicised	Rare/event-driven	Irregular/politicised
<b>Role of state</b>	Limited	'Shadow' of hierarchy	Frequent intervention	Non-intervention	Organiser of transition
<b>Balance of power</b>	Labour-oriented	Balanced	Alternating	Employer-oriented	State
<b>Bargaining style</b>	Integrative		Distributive/conflict-oriented		Acquiescent
<b>Employee representation</b>	Union-based/high coverage	Dual-channel/high coverage	Variable/mixed	Union-based/small coverage	
<b>Predominant level of collective bargaining</b>	Sector		Sector/company	Company	

Sources: Visser (2009), Eurofound (2016a)

Regarding industrial democracy, the Nordic countries, especially Finland and Sweden, record values much higher than the EU average. In all three countries, indicators such as collective bargaining coverage (83% for Denmark, 87.3% for Finland and 88.5% for Sweden) and trade union density (66.9% for Denmark, 69.3% for Finland and 68.6% for Sweden) reflect the strength of this dimension. The same applies when analysing indicators measuring employee participation and influence at company level. In Denmark, 80% of workplaces have some form of official employee representation body, compared to 70% in Finland and 54% in Sweden (against the EU average of 32%). Moreover, in all three, employee participation provides mechanisms for consultation rather than mere provision of information.

Regarding social justice, values for the Nordic countries reflect a better situation than the EU averages in most of the indicators (such as the at-risk-of-poverty rate, in-work poverty rate, ratio of women to men in employment and Gini coefficient). This situation is confirmed by the EU Social Justice Index developed by Bertelsmann Stiftung (2016): Sweden, Finland and Denmark occupy the three first positions. These countries are embedded in a traditional social-democratic welfare state, with universal rights and welfare provisions in several fields, favouring a high rate of social mobility in comparative terms. A common feature of these countries is therefore related to the active and principal role that the government plays in striving for social justice. The Swedish contribution

notes how affordable childcare and an extensive parental leave scheme have been effective in decreasing the gender pay gap (from 17% in 2008 to 14% in 2014). However, the gender pay gap in Sweden (mean 2008–2015), as well as in Denmark and Finland, remains above the EU average as a result of the high female employment rates, combined with intense and marked gender segregation in the labour market. The Swedish contribution also notes that, as reflected in the indicators, the system has been less successful when it comes to fostering the labour market integration of young people (the youth unemployment rate is 12.2%, compared to an EU average of 8%).

Sweden records lower scores than Denmark and Finland in some of the quality of work and employment indicators. Indeed, this is the dimension where many of the indicators for Sweden record values that are very close to the EU averages (examples include involuntary temporary employment and excessive working time), findings that are assessed to be accurate. The Finnish contribution stresses the high rates of involuntary temporary employment there (66.9%, as compared to 59% in the EU). According to the national correspondent, the figure in Finland is higher than that in France, the Netherlands and Sweden, all of which have a higher share of temporary contracts, according to Eurostat. This disparity is probably explained by permanent full-time employment being the standard in the Finnish labour market, and social security being to some extent tied to this standard (Hiilamo et al, 2012). As far as Denmark is concerned, the indicators reflect

### Box 1: Eurofound dashboard versus EU Social Justice Index

The EU Social Justice Index developed by Bertelsmann Stiftung (2016) understands social justice to be a guiding principle for a participatory society. This definition presupposes that the state must take an active role, with a view to promoting a sustainable social market economy, able to combine the principles of market efficiency with those of social justice. Bearing this in mind, the index addresses those areas of policy that are particularly important for developing individual capabilities and opportunities for participation in society: poverty prevention; access to education; labour market inclusion; social cohesion and non-discrimination; health; and intergenerational justice. It comprises 28 quantitative and 8 qualitative indicators. The quantitative indicators are based on data collected primarily by Eurostat and the European Union Statistics on Income and Living Conditions (EU-SILC). The qualitative indicators reflect the evaluations provided by more than 100 experts responding to the Social Justice Index survey of the state of affairs in various policy areas throughout the OECD and the EU. Indicators are aggregated for use in the index following different statistical and technical methods. The index enables EU Member States to be ranked.

The Social Justice Index cannot be compared directly with the Eurofound dashboard; this is due to obvious methodological differences and the fact that the Social Justice Index takes into consideration dimensions and indicators that are not covered by the Eurofound dashboard (such as intergenerational justice). Nonetheless, it can be useful to assess the reliability of outcomes obtained by the Eurofound dashboard by looking at how Member States generally fare on the Social Justice Index. A comparison between index values and the standardised and aggregated values of the social justice indicators included in the Eurofound dashboard reveals that scores compare well in most of the Member States. Indeed, in only seven Member States are relatively strong deviations between the Eurofound dashboard and the Social Justice Index found. These are Cyprus (highest deviation), the Czech Republic, Germany, Estonia, Ireland, Slovenia and Slovakia.

good overall quality of work and employment, with most of the indicators recording values above the EU averages (for example, in relation to low pay incidence, involuntary temporary employment, job security and lifelong learning); this is in line with comparative research findings (Muñoz de Bustillo et al, 2011).

Regarding industrial competitiveness, the high performance of the Nordic countries, as reflected by the selected indicators, is in line with findings from the relevant literature. In the World Economic Forum's annual country competitiveness list (2016), only Germany and the Netherlands, among the EU countries, rank better than the three Nordic countries. Finland's strengths are explained, among other aspects, by its long-term investment in infrastructure, higher education, computer literacy and anti-corruption. By contrast, productivity, growth, innovation and entrepreneurship deteriorated distinctly in Finland in 2008–2015. Since 2015, economic policy has focused strongly on improving these indicators, though this has yet to show an effect through the indicators. High scores for Sweden are related to the low impact of the economic crisis there, which started in 2008. Although the recession did affect Swedish exports, the labour market recovered fairly quickly compared to many other Member States. In addition, its historically high employment rate, with one of the highest female labour force participation rates in the world, alongside relatively low corruption levels and a universal and good-quality education system, contribute to this picture.

Figure 3 presents the radar charts for the Nordic countries. As explained in Chapter 1, aggregated values by dimension were calculated as an additional tool to select and test the indicators. The radar chart shows the results obtained for each dimension, including the EU average as a reference. Each chart provides a visual input for mapping the national industrial systems against the four dimensions regarding the extent to which the industrial system encompasses the four dimensions in a balanced way. Although these charts have proven useful in analysing results, it should be stressed that they have to be taken with a degree of caution. In this study, aggregation has been an analytical tool. Creating a composite index with aggregated values to measure and compare dimensions and countries requires further conceptual discussion and additional statistical techniques.

### Centre-west cluster

The Centre-west countries (Austria, Belgium, Germany, Luxembourg, the Netherlands and Slovenia) are more heterogeneous than the Nordic countries. Regarding industrial democracy, a consolidated social partnership in these countries leads to relatively high scores, above the EU averages. Performance in industrial competitiveness is also higher than the EU average in

**Figure 3: Radar charts for Nordic industrial relations regimes**



most of the countries concerned, and better outcomes in terms of social justice and quality of work and employment are achieved. A hallmark of most of these countries is a capacity to combine a high level economic competitiveness with good levels of social justice and quality of work and employment.

Industrial democracy is well developed in most of the Centre-west countries. In Austria, upward deviation in the values of most of the indicators for industrial democracy compared to the EU averages is explained by the country's well-developed system of social partnership, with strong corporatism (Eurofound, 2000; Pernicka and Hefler, 2014), high bargaining coverage (Bönisch, 2008) and a high degree of trust in employee representation bodies (Stadler, 2017). In Belgium, the indicators for industrial democracy show, in line with national literature and research, high and above-average figures on the collective bargaining and organisational dimensions. But compared to the co-determination systems of countries such as Germany, the participation of the employee representation body in the workplace is somewhat lower (Van Gyes and De Spiegelaere, 2015). In Slovenia, the indicators show that, despite some changes (see the section 'Findings from the national contributions' in Chapter 2), unions are still quite influential, recording a trade union density close to the EU average and embedded in an inclusive collective bargaining system that records a coverage rate above the EU average (73.8% compared to 51%), thereby being a crucial instrument within the regulation of the neo-corporatist institutional arrangement present in this country (Stanojević and Kanjuo Mrčela, 2014). Germany and Luxembourg also show values above the EU averages in most of the industrial democracy indicators.

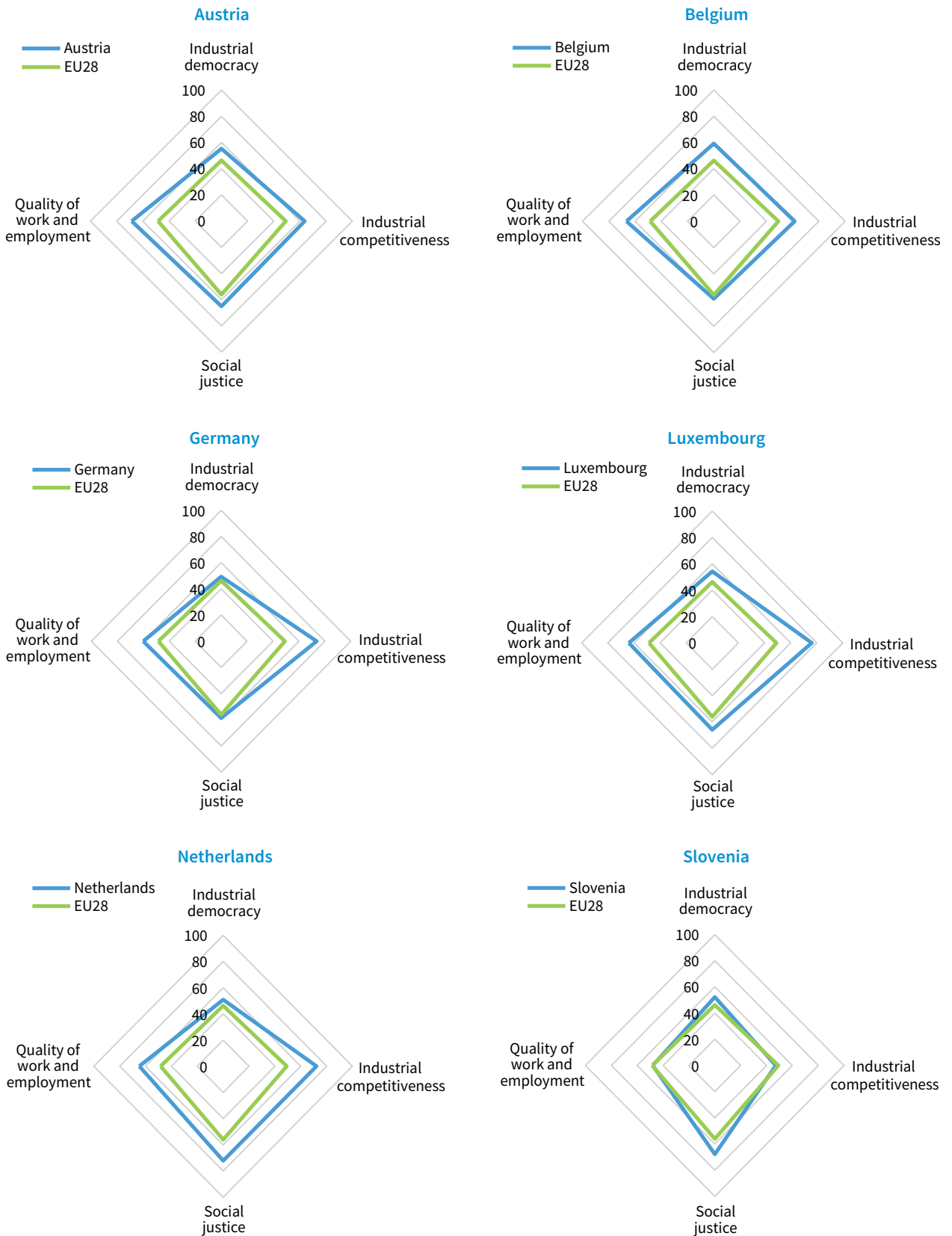
As far as social justice is concerned, the Austrian contribution points out that the relatively positive outcomes recorded in most of the indicators are in line with findings of comparative studies (Bertelsmann Stiftung, 2016). The national correspondents for Belgium assess that most indicators (such as the in-work-poverty rate, Gini coefficient and gender pay gap) reflect better outcomes in terms of social cohesion and equality than the EU averages, offering a picture in line with the relevant research findings. In this regard, they note that Belgium has survived the recent financial and economic crisis rather well. The fall in economic growth was limited, with the welfare state and other automatic stabilisers acting as important buffers. Belgium is among the few OECD countries that have not seen growing income inequalities. Moreover, Belgium maintains just about the most compressed wage distribution in the capitalist world – including one of the smallest gender pay gaps – and there is also little evidence of increasing precariousness in the world of work (Marx and Van Cant, 2017). Interestingly, Marx and

Van Cant (2017) find that this positive picture is related to the strongly developed and organised system of social concertation. The same applies to Slovenia, where the comparatively better scores recorded for several indicators is explained as the result of the 'competitive corporatism' or 'competitive solidarity' (Rhodes, 1998) in the past (as well as socialism in the more remote past).

Regarding quality of work and employment, the Austrian contribution notes that the situation portrayed is consistent with other studies (Eichmann, 2011), as well as OECD data (2014), reflecting an overall positive performance, with the exception of indicators related to the reconciliation of working and non-working life. The picture for Belgium also reflects good overall quality of work and employment (higher unemployment protection coverage, lower incidence of low pay and less unsocial working time compared to the EU averages), and this is also assessed as being in line with relevant research findings on the topic (Szekér et al, 2017). The national contributions from Luxembourg and Germany also express overall agreement with the picture reflected by the quality of work and employment indicators, although the German contribution stresses some problematic aspects, such as a high incidence of low pay, which is related to concerns about atypical employment forms. Slovenia records values lower than the EU averages in several indicators (excessive working time and unsocial working time), as highlighted in the national contribution. These outcomes are explained by pressures on labour, which are correlated with the constant growth of labour productivity despite the great drop in GDP recently recorded.

In relation to industrial competitiveness, the contribution from Austria highlights differences between outcomes for this country and the EU averages in several indicators, though this is not as pronounced as it is in other dimensions, which relates to the country's poorer economic performance in recent years (European Commission, 2014; BMVFW, 2016). The contribution from Belgium notes that this country occupies a middle-rank position in Europe and has in recent years obtained stable, though moderate, improvements in this regard, as the selected indicators illustrate. This is also confirmed by the ranking of Belgium in the World Economic Forum's annual country competitiveness list (2016). Finally, the national contribution from Luxembourg notes that it records better values than the EU averages in most of the indicators within this dimension, which is partly explained by a culture of consensus aiming to combine competitiveness with quality of work and employment through strong collective bargaining institutions and tools (both formal and informal) (Vassil and Patrick, 2016).

Figure 4: Radar charts for the Centre-west industrial relations regimes



## South cluster

The selected indicators show some diversity across the five countries included in the South cluster (France, Greece, Italy, Portugal and Spain). Overall, in these countries, performance across the four dimensions tends to be worse than the EU averages; this difference appears to be more pronounced in the industrial competitiveness and quality of work and employment dimensions. Some differences are found, however, across dimensions and between countries.

In relation to industrial democracy, several of these countries record values lower than the EU averages across most of the indicators (notably Portugal, but also Greece and Italy). At the same time, Spain and France record positive values in some indicators, clearly above the EU averages (such as collective bargaining coverage), and values below the EU averages in others (such as trade union density). The Spanish contribution points out that high collective bargaining coverage, which coexists with relatively low trade union density, is explained by the state's role in the governance and regulation of employment and industrial relations. In Spain, the state has a prominent function in the promotion of collective bargaining through different provisions such as extension mechanisms and the ultra-activity principle, which, until a recent reform, guaranteed the continuation of collective agreements beyond their expiry date. Moreover, state coordination and intervention is perceived by the social partners, especially the trade unions, as a precondition for effective and democratic industrial relations (Martínez Lucio, 2016). The set of indicators gives a reasonably reliable picture of industrial democracy in Greece, according to the national contribution. The country records a bargaining coverage above the EU average (62% compared to 51%) in a context characterised by comparatively weaker trade unions. As with Spain, this has been ensured by the state's strongly interventionist role in industrial relations, aiming, at least in the past, to foster and support collective bargaining (Molina, 2014). The situation in Italy depicted by the indicators, especially with regard to employee representation in the workplace, where the country comes below the EU average, is fully representative of the actual industrial relations system, according to the national contribution. It notes that in this country, employee representation in the workplace is not widespread: research by Istat shows that these bodies are present in 12.1% of companies, while the National Economic and

Labour Council (Consiglio Nazionale dell'Economia e del Lavoro, CNEL) found them in 11.8% of companies. The presence of employee representation increases with company size. In Portugal, comparatively low values recorded on most of the industrial democracy indicators reflect structural conditions in some cases – specifically, low trade union density and an extremely low proportion of workplaces with employee representative structures. Others – lower collective bargaining coverage than the EU average – are explained by reforms to the legal framework of collective bargaining put in place with the Memorandum of Understanding (since 2012), which, in conjunction with the economic crisis, has provoked the erosion of sectoral collective bargaining (Campos Lima, 2016).

With regard to the other three dimensions (social justice, industrial competitiveness, and quality of work and employment), the Spanish contribution finds that the indicators provide an approximate picture of the industrial relations system, roughly in line with relevant academic literature that has analysed the Spanish system through similar concepts, such as the employment model or social employment regime (Lope et al, 2010; Prieto, 2014). Both the indicators and findings of academic literature suggest that the Spanish system is not managing to achieve a reasonable level of competitiveness, one that is close to the most competitive European economies; for several indicators it falls below the EU averages. In particular, it is failing to achieve acceptable levels of social justice and good overall quality of work and employment, as shown by indicators such as the at-risk-of-poverty rate, the in-work poverty rate, the gender pay gap and the rate of involuntary temporary employment.

The assessment for Greece with regard to industrial competitiveness is that the data and indicators largely reflect the current picture, characterised by very poor competitive performance, as confirmed by the World Economic Forum's annual Global Competitiveness Index (GCI) (2016), which ranks Greece at 86 out of 138 countries. Values are also much worse than the EU averages regarding most of the social justice indicators (such as in-work poverty and the Gini coefficient); this is in line with the EU Social Justice Index (2016), in which Greece ranks last among all the EU countries. The same applies to the quality of work and employment indicators of involuntary temporary employment and unsocial working time.

## Box 2: Eurofound dashboard versus the World Economic Forum's Global Competitiveness Index

The World Economic Forum defines competitiveness as 'the set of institutions, policies, and factors that determine the level of productivity of an economy, which in turn sets the level of prosperity that the country can achieve' (World Economic Forum, 2016, p. 4). Based on this definition, since 2005 the World Economic Forum has published the annual Global Competitiveness Index (GCI). The GCI combines 114 indicators, which are grouped into 12 pillars: institutions; infrastructure; macroeconomic environment; health and primary education; higher education and training; goods market efficiency; labour market efficiency; financial market development; technological readiness; market size; business sophistication; and innovation. These pillars are organised into three sub-indexes: basic requirements; efficiency enhancers; and innovation and sophistication factors. The three sub-indexes are given different weights in the calculation of the overall index, depending on each economy's stage of development, as proxied by its GDP per capita and the share of exports represented by raw materials.

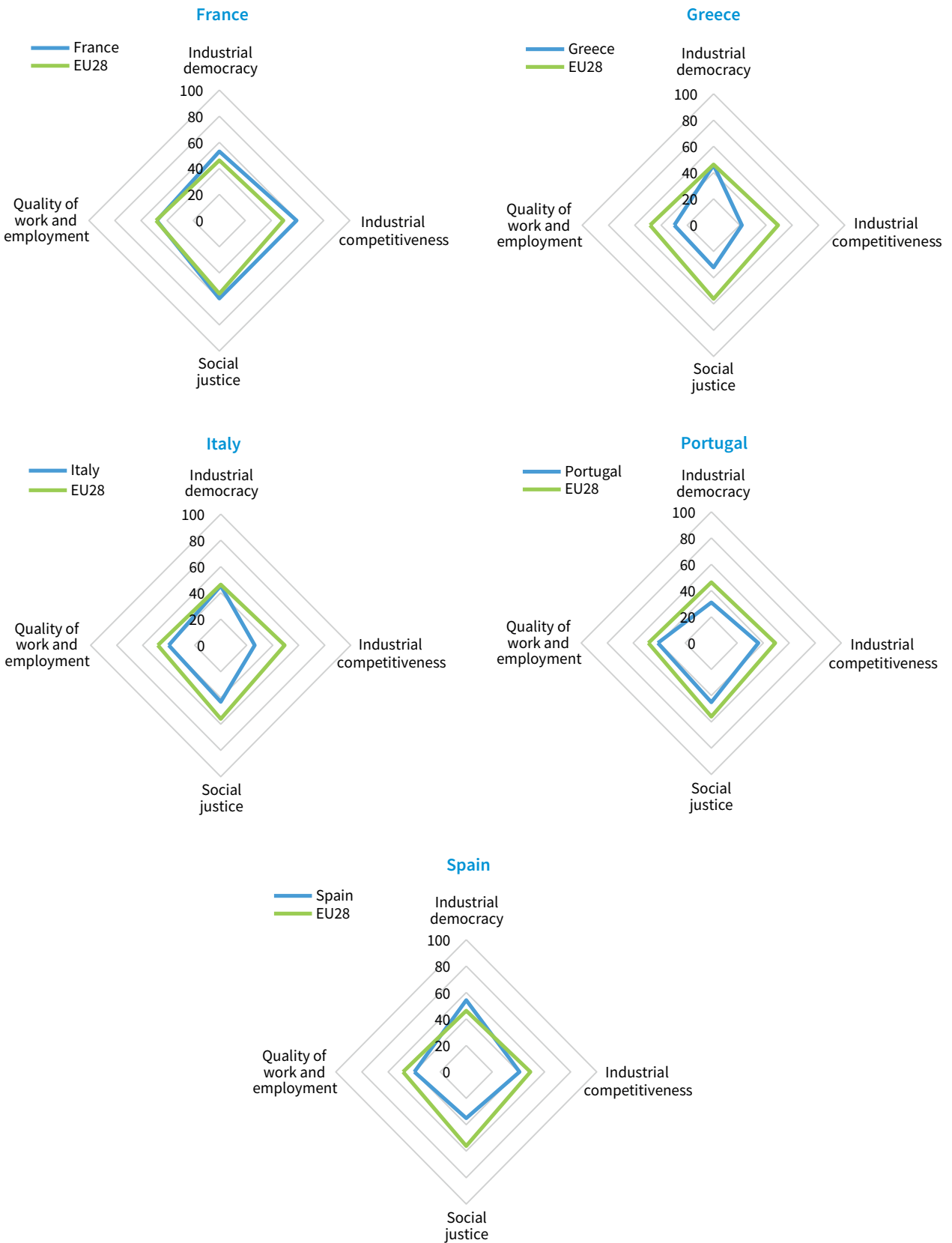
The GCI cannot be compared directly with the Eurofound dashboard due to obvious methodological differences between the two, and also because the GCI takes into consideration many more dimensions and indicators than the Eurofound dashboard. Nonetheless, it can be useful to assess the reliability of outcomes obtained by the Eurofound dashboard by looking at how Member States generally fare on the GCI. A comparison of GCI values and the standardised and aggregated values of industrial competitiveness indicators included in the Eurofound dashboard reveals that scores compare well in most EU Member States. There are nine EU Member States where relatively strong deviations are found: Luxembourg, the Netherlands, Slovenia, Latvia, Slovakia, Cyprus, Malta, Poland and Italy.

The national contribution for Italy highlights that this country, as shown by data provided on industrial competitiveness and confirmed by the relevant literature, is much less competitive than the EU average and grows at a slower pace. It also highlights the low level of investment in R&D, which is exacerbated by the negative dynamics of the economic cycle. The indicators are judged to grasp the social justice dimension adequately, highlighting problems in terms of achieving social cohesion and equality (with a higher in-work poverty rate and Gini coefficient, for example). The situation regarding quality of work and employment is also considered to be well represented by the indicators, which show low unemployment protection coverage, a relatively high incidence of low pay, a high rate of involuntary temporary employment and a high degree of unsocial working time, compared to the EU averages.

The Portuguese contribution notes that the data provided reflects, in line with the relevant literature, that country's low performance in industrial competitiveness, social justice, and quality of work and

employment. In terms of industrial competitiveness, low values on several indicators (such as GDP growth per capita and percentage of individuals with a high level of education) are the result of complex and diverse factors, including long-term developments, patterns of competitiveness and productive specialisation in labour-intensive industries in traditional sectors, and a long-standing deficit in education provision. Regarding social justice and quality of work and employment, attention is drawn to an austerity policy and a correlated approach of internal devaluation of competitiveness. According to the national contribution and the literature, this approach subordinated social justice and quality of work and employment to fiscal consolidation, public deficit reduction, downwards wage flexibility and unit labour cost reduction (Hespanha and Caleira, 2017). As a result, several social justice and quality of work and employment indicators show a worse performance than the EU averages; these include the in-work poverty rate, the youth unemployment ratio, and the rate of involuntary temporary employment.

Figure 5: Radar charts for the South regimes





## West cluster

Overall, countries within the West cluster (Cyprus, Ireland, Malta and the UK) record values close to the EU average in terms of industrial democracy, below the EU average regarding industrial competitiveness and above the EU average in relation to quality of work and employment and social justice. However, differences across countries are observed.

With regards to industrial democracy, Cyprus records values above the EU averages (in relation to trade union density, employer organisation density and employee representation in the workplace) or slightly below the EU averages in several indicators (collective bargaining coverage and participation of the employee representation body in the workplace). This reflects an industrial relations system with a relatively well-consolidated industrial democracy, although indicators may not capture the wide variety of situations that occur across sectors, a point stressed in the national contribution. In Ireland, too, several indicators record values that are above the EU averages (trade union density and employer organisation density) or close to the EU average (participation of an employee representation body at the workplace), while others, notably collective bargaining coverage, fall below it. In Malta, several indicators record high and above-average figures compared to the EU averages (trade union density and collective bargaining coverage). According to the national correspondent's assessment, lower values recorded in indicators measuring industrial democracy at the workplace level (such as employee representation in the workplace) reflect the legacy of the Anglo-Saxon model of British law in Malta. In line with this model, the shop steward, appointed or nominated by the union, acts as the sole employee representative in the workplace, as there are no statutory institutions for worker participation at this level. In the UK, performance regarding industrial democracy is below the EU average, as reflected in most of the indicators (for example, trade union density, collective bargaining coverage and employee representation in the workplace). This reflects, to some extent, a divergence regarding the countries included in this cluster. However, it is worth noting that in the UK, some indicators measuring employee participation in the workplace are close to or slightly below the EU average (such as direct employee influence in decision-making in the workplace). This last aspect was questioned by the national correspondent arising from conflicting findings in the relevant literature, as discussed in the section 'Findings from the national contributions' in Chapter 2.

With regards to the remaining three dimensions (industrial competitiveness, social justice, and quality of work and employment), the national contribution from Cyprus explains that this country scores lower than the EU averages in most of the industrial competitiveness indicators, reflecting that country's relatively low

employment rate, relatively medium–low performance in corruption and infrastructure, and very low performance in terms of R&D personnel and funding. Regarding social justice, a mixed picture appears, showing negative elements associated with equality of outcomes, as reflected in the high percentage of people at risk of poverty and social exclusion, the high gender pay gap and the high youth unemployment rate (Ioannou and Sonan, 2016), combined with some positive outcomes in terms of equality of opportunities (the relatively low rate of early school-leavers). With respect to the quality of work and employment dimension, Cyprus ranks slightly below the EU averages on several indicators. The indicators with the most negative values are the high incidence of low pay and the very high rate of involuntary temporary employment. These outcomes are explained by the broader deterioration of labour market conditions, which was exacerbated during the economic crisis (Ioannou, 2014). In addition, Cyprus's scores are significantly below the EU averages in relation to reconciliation of working and non-working time, particularly as regards excessive working time and the female-to-male ratio of time devoted to unpaid work.

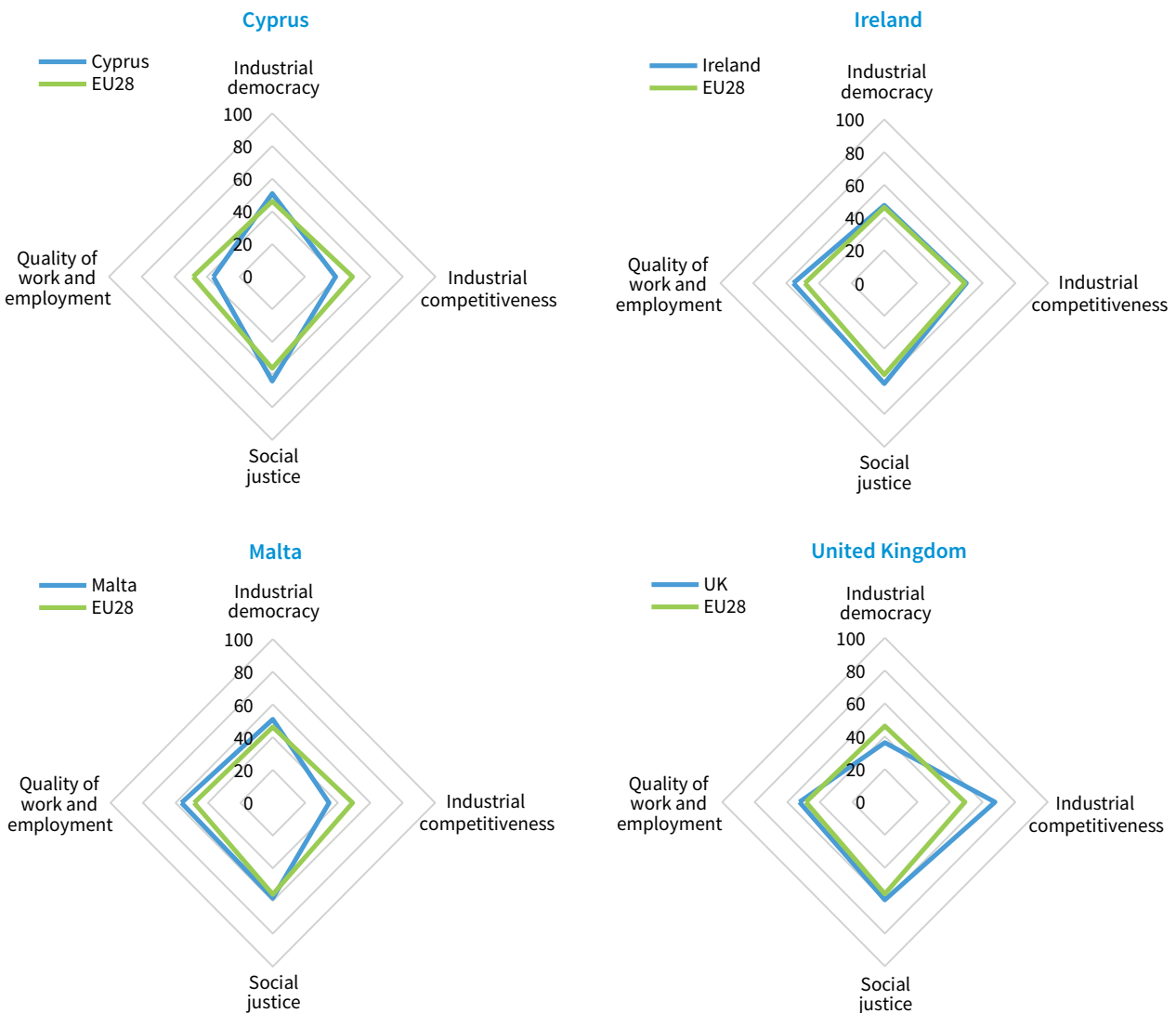
In Ireland, several indicators reflect an industrial competitiveness performance that is better than the EU averages; this relates to factors such as GDP growth, employment rate, percentage of individuals with a high level of education, and R&D expenditure as a percentage of GDP. This positive picture (even if the national correspondent qualifies it regarding particular indicators, see the section 'Findings from the national contributions' in Chapter 2) is to some extent in line with that presented by the World Economic Forum's annual country competitiveness list (2016), which placed Ireland in a high-ranking position (11th among the EU countries). Regarding social justice, a mixed picture emerges. For instance, in terms of social cohesion, Ireland shows a high poverty rate but a comparatively low in-work poverty rate, while in terms of equality of outcomes, it performs above the EU average for the Gini coefficient but below it for the long-term unemployment rate and the youth unemployment ratio. This is to some extent in line with the EU Social Justice Index (2016), in which Ireland ranks slightly below the EU average (at 18th out of 28 EU countries). Regarding quality of work and employment, Ireland records negative values in indicators such as incidence of low pay, which, as noted by the national correspondent, may indicate, when compared with better Gini coefficient outcomes, that Ireland has a highly unequal distribution of income from the market (for example, wages, salaries and profits), which is masked by social transfers.

The contribution from Malta provides an overall positive assessment of industrial competitiveness, quality of work and employment, and social justice. In terms of quality of work and employment, it scores lower than the EU average for incidence of low pay, while at the same time, scores are better for career prospects. Regarding social justice, the national contribution explains that overall positive outcomes on several indicators compared to the EU averages are a result of policy measures. For instance, following initiatives taken by Jobsplus, the national employment service agency, the rate of early school-leavers dropped to 19.8%; over the previous four years (2012–2016), there was a drop of 2.9% overall. There is also a persistent low rate of long-term unemployment, which reached a record low of 2.4% in 2015.

The UK performs slightly more positively than the EU averages on several indicators for industrial competitiveness (such as employment rate, percentage of individuals with a high level of education, percentage

of R&D personnel, and R&D expenditure as a percentage of GDP). It is worth noting that the World Economic Forum's annual country competitiveness list (2016) ranks the UK as the fourth most competitive country in the world. A slightly better performance is also recorded on several quality of work and employment indicators, based on workers' subjective perceptions (job security and income development, for example). However, the UK records values lower than the EU averages on several of the remaining quality of work and employment indicators (low pay incidence, excessive working time and unsocial working time). Regarding social justice, a mixed picture appears, with some indicators showing good performance (such as the female-to-male employment ratio and the long-term unemployment rate), while others record values lower than the EU averages, notably those measuring equality of opportunities (early leavers from education and training) and outcomes (the Gini coefficient and the youth unemployment ratio).

Figure 6: Radar charts for the West regimes



## Centre-east cluster

In the Centre-east countries (Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania and Slovakia), most of the indicators for the four dimensions record values below the EU averages, although some differences occur across these countries.

With regard to industrial democracy, most show low performance. The national contribution from Bulgaria finds that results showing values below the EU averages for trade union density, collective bargaining coverage and employee representation at the workplace are in line with academic literature, revealing that industrial democracy in Bulgaria is behind European standards (Delteil and Kirov, 2016). In terms of employer organisation density and some indicators measuring industrial democracy at workplace level, it records values close to the EU averages.

The indicators for industrial democracy from the Czech Republic, Estonia, Latvia, Lithuania, Poland and Slovakia show values below the EU averages, except in some that measure industrial democracy at workplace level, which are at the EU average (such as direct employee participation in the workplace in the Czech Republic) or above the EU average (such as employee representation in the workplace in Estonia and Lithuania). The contribution from the Czech Republic notes that, within a national legal framework where social partners are widely autonomous, they can participate in the governance of employment relationships and are able to influence decision-making, indicators show that such rights are used to a limited extent (with collective bargaining coverage, collective wage agreements and employee representation in the workplace all coming in lower than the EU averages). The national contribution from Lithuania stresses that all indicators included in the area of representation (trade union and employer organisation density, collective wage agreements and collective bargaining coverage) are as much as five times lower in Lithuania than the EU averages. Industrial democracy in Lithuania clearly falls below EU standards.

In Hungary, all the indicators for industrial democracy record values below the EU averages, showing low performance in this dimension. They reflect the weakness of social partner organisations (especially trade unions), very low collective bargaining coverage and ineffective worker participation at the workplace level. This reveals, as noted by the national correspondent, dissatisfaction among worker representatives regarding the lack of meaningful consultation; in reality, 'consultation' often means only the provision of information.

By contrast, Croatia and Romania show values close to or above the EU averages for several indicators. For Croatia, several indicators measuring representation (trade union density, employer organisation density and collective bargaining coverage) and participation at the workplace level (direct employee participation in the workplace and participation of the employee representation body at the workplace) are slightly above the EU averages. The national contribution from Romania points out that, as indicators for industrial democracy in that country are not available beyond 2013, the available data cannot show relevant changes associated with the effects of social dialogue and labour legislation reform enacted in 2011 (Guga, 2016; Trif, 2015). Bearing this in mind, existing data show that this country records values above the EU averages in terms of trade union density and collective bargaining coverage. With regards to the indicators on participation at the workplace level, they show that Romania performs well due to a legislative framework that sets a legal obligation on employers in companies with fewer than 20 employees to consult and inform employees, and on those with more than 20 employees to have an employee representative, although in practice the exercise of these rights may be more formal than substantive.

Regarding industrial competitiveness, social justice, and quality of work and employment, the Bulgarian national contribution highlights that the results show low performance in industrial competitiveness; increasing inequality alongside reduced risk of poverty and in-work poverty (social justice); and alarming results in terms of job security (quality of work and employment).

The contribution from the Czech Republic finds that the indicators for social justice and industrial competitiveness capture that country's situation well. The country's performance on several social justice indicators is significantly better than the EU averages. This is confirmed, for instance, by the EU Social Justice Index, where the Czech Republic occupies the fourth highest position among EU countries. According to the national correspondent, a relatively small share of low wages and few low-wage traps combined with an effective system of social transfers (benefits and taxation) are the main reasons for the country's low in-work poverty rate. In addition, the Czech Republic has always ranked among the EU countries with the lowest early-school-leaver rates and is well below the 10% target set in the Europe 2020 strategy. The national target has been set at a maximum 5.5% of young people leaving the education system early, which means maintaining the current situation. Conversely, the Czech Republic performs below the averages in several indicators for industrial competitiveness, reflecting a comparatively worse situation in some crucial fields such as investment in R&D, although the World Economic Forum's annual country competitiveness list (2016) ranks the Czech Republic 13th among EU countries.

The contribution from Estonia notes higher scores than neighbouring countries in several indicators for industrial competitiveness, for example employment rate (which is above the EU average), high level of education (also above the EU average) and survival of new enterprises. The indicators mentioned are important in national policy and reflect comparatively good industrial competitiveness performance. This is in line with the World Economic Forum's annual country competitiveness list (2016), where Estonia is ranked 12th among EU countries. Regarding quality of work and employment, few indicators show a lower performance than the EU averages. The main negative features, compared to the EU averages, relate to incidence of low pay, income development, career prospects, and the proportion of employees suffering from depression or anxiety. These problems have been acknowledged at national policy level, and some measures have been launched to tackle them: promoting upskilling among employees and unemployed people; promoting lifelong learning; income tax reform to increase the incomes of low-earners; and discussions on the system of occupational health and safety.

The Croatian contribution mostly notes that industrial competitiveness, social justice, and quality of work and employment indicators offer an accurate picture of the national situation. Overall, this country performs below the EU averages in several indicators of the three dimensions.

In Hungary, most of the indicators suggest lower performance than the EU averages on industrial competitiveness, social justice, and quality of work and employment. The social justice indicators where Hungary performs at the level of the EU averages are: in-work poverty, gender pay gap, and early school-leaving. In relation to quality of work and employment, the country achieves the EU averages for the involuntary temporary employment and working time indicators.

The national contribution from Lithuania finds that the social justice indicators reflect a poorer situation compared to the EU as a whole in relation to the risk of poverty or social exclusion, in-work poverty, long-term unemployment and the Gini coefficient. Regarding quality of work and employment, most of the indicators record values lower than the EU averages (unemployment protection coverage, low-pay incidence, job security, income development, career

prospects, depression or anxiety, and lifelong learning). By contrast, several industrial competitiveness indicators show a performance close to or above the EU averages, including GDP growth per capita, employment rate, incidence of corruption and percentage of individuals with a high level of education. This is, to some extent, in line with the World Economic Forum's annual country competitiveness list (2016), where Lithuania is placed in a middle-ranking position (14th within the EU countries).

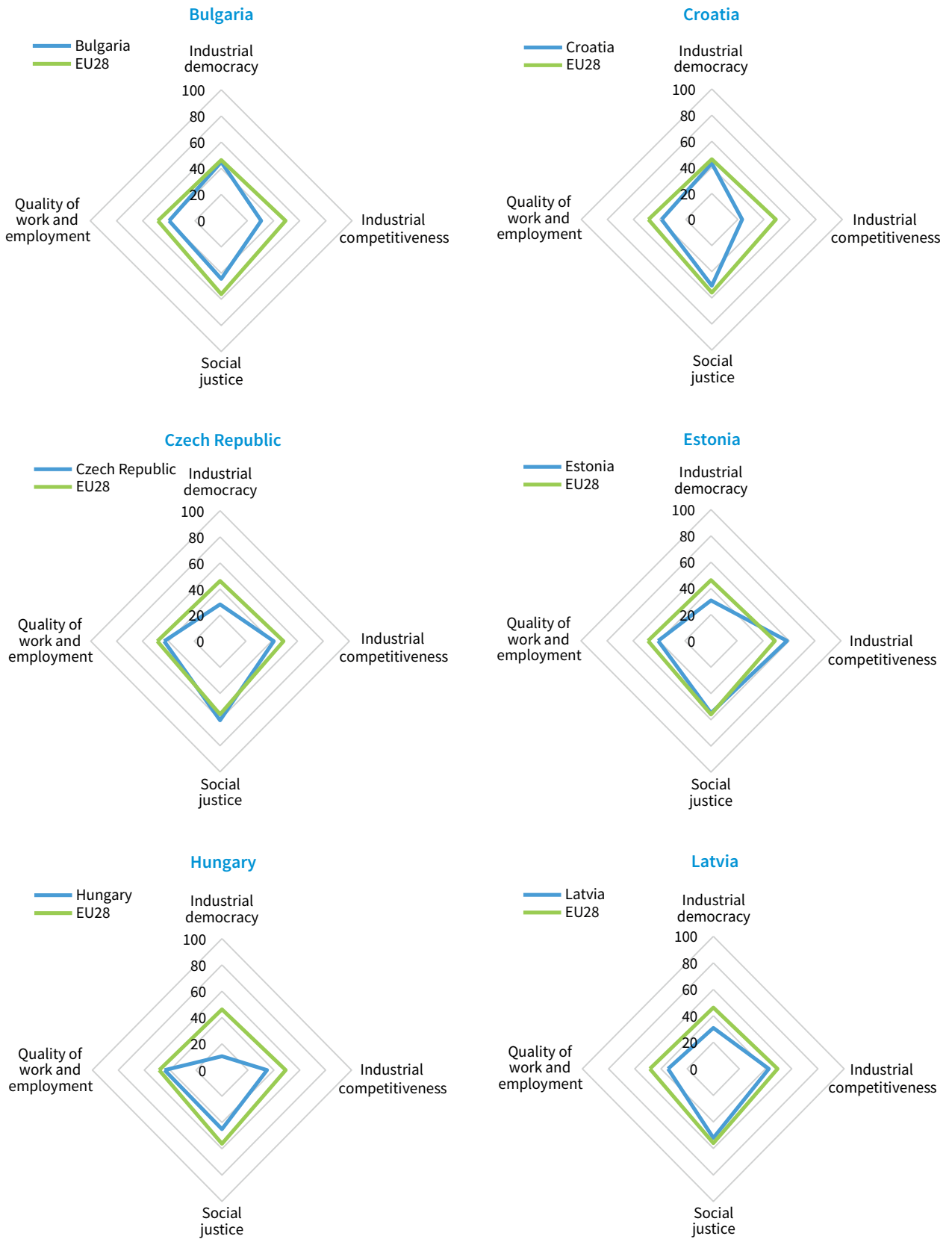
For Slovakia, most of the indicators for industrial competitiveness, social justice, and, in particular, quality of work and employment record values lower than the EU averages.

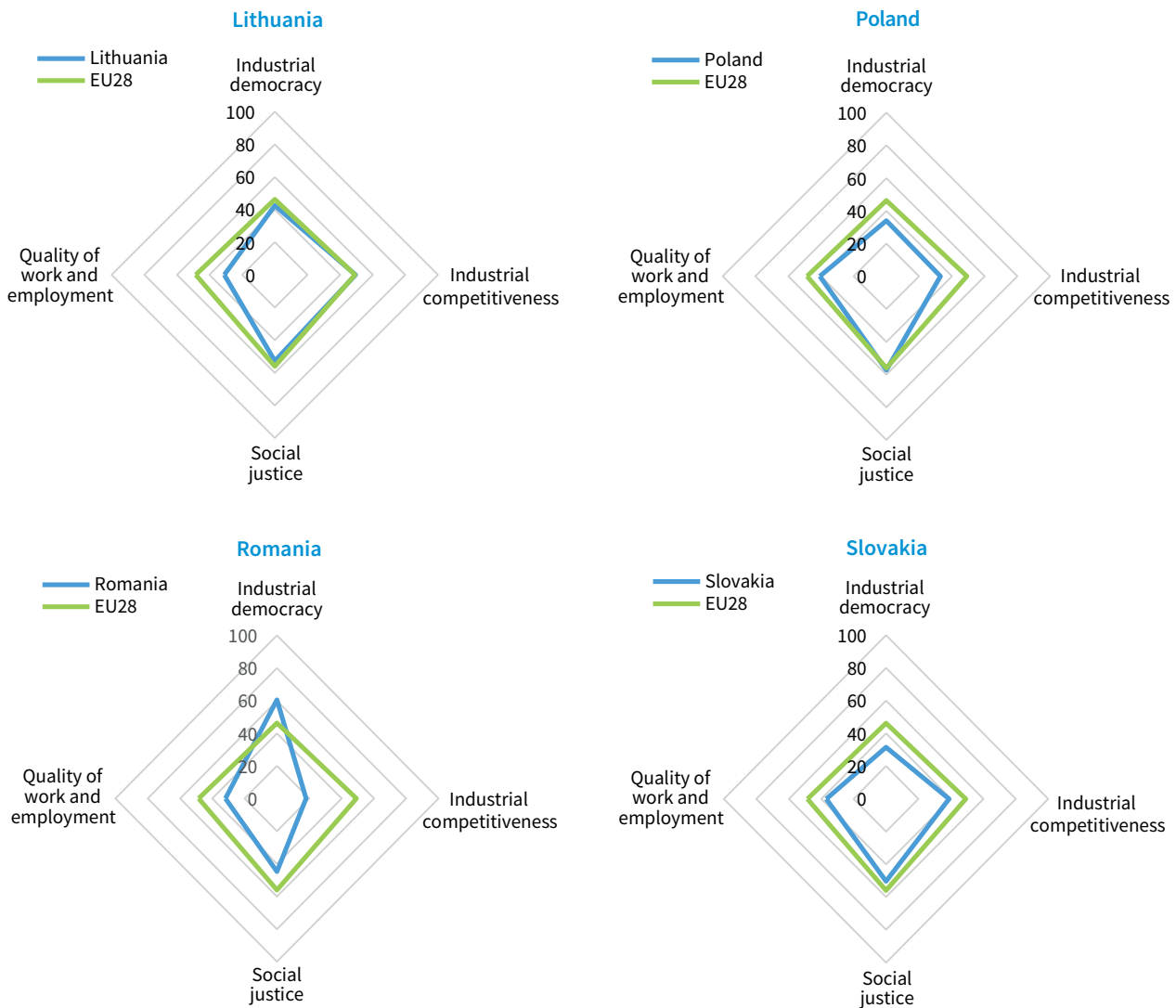
The Polish national contribution states that the indicators for industrial competitiveness, social justice, and quality of work and employment provide an accurate picture. Overall, this country shows values indicating a poorer performance in industrial competitiveness and quality of work and employment than in social justice, where several indicators reflect positive outcomes compared to the EU averages. These include the female-to-male employment ratio, the gender pay gap, the ratio of older to non-older people employment rate, the rate of early leavers from education and training, and the long-term unemployment rate. This is consistent with the EU Social Justice Index (2016), where Poland is ranked 14th.

The national contribution from Romania points out that the industrial competitiveness indicators and values correctly reflect the competitiveness approach followed in the last 25 years; this consists of a mix of policies aiming to attract foreign investors and combining the policy of a low-wage labour force with fiscal incentives to attract foreign investments (ICCV, 2017). Other components, such as investments in education, R&D and infrastructure were largely neglected, leading to this country's very low ranking of 22nd within the EU countries in the World Economic Forum's annual country competitiveness list (2016). In terms of quality of work and employment and social justice, most indicators reflect poor performance compared to the EU averages.

For Slovakia, most of the industrial competitiveness, social justice, and quality of work and employment indicators record values lower than the EU averages.

Figure 7: Radar charts for Centre-east regimes





## Lessons from a dynamic perspective

Application of a dynamic perspective (how the values evolve in the period considered) had limitations, as several indicators were not available for the time series. This is especially the case for industrial democracy, where only 4 out of the 11 indicators are available: those pertaining to the subdimension of representation (trade union density, employer organisation density, collective wage agreements and collective bargaining coverage). Notwithstanding these limitations, some interesting trends are discussed and contrasted with the relevant literature.

### Dynamic perspective on the Nordic cluster

Analysis of the indicators (mostly by the national correspondents) shows that in the Nordic countries, industrial democracy has remained stable in recent years, with even a slight improvement in some indicators, such as collective bargaining coverage, which is relatively pronounced in Finland (rising by 8% between 2008 and 2015).

Some indicators of quality of work and employment and social justice capture the changes. In Sweden, the data show a substantial increase in job security, which may reflect the gradual recovery from the recession, but is to some extent contradictory in light of the evolution in alternative indicators such as involuntary temporary employment, which rose from 2011 to 2014. In addition, a decrease in unemployment protection coverage is recorded in Sweden. This last indicator shows a sharp drop in Denmark, where it fell from 63% in 2008 to 40% in 2015. This trend is highlighted by Knudsen and Lind (2014), who note that it can be attributed to a weakening of trade unions, given the close connection between trade unions and unemployment benefit funds under the Danish system, governed according to the so-called 'Ghent system'. Regarding social justice in Denmark, there was a relatively significant decrease in the ratio of young to non-young people employment rate, alongside a rise in the ratio of older to non-older people employment rate.

In Finland, quality of work and employment and social justice have been under significant strain due to austerity measures. This shift is not fully reflected by the

data, because the most significant cutbacks were made in 2015–2016. As a result, the indicators from 2008 to 2015 reflect stability.

Overall, the analysis of the Nordic countries from a dynamic perspective suggests that some dimensions such as industrial democracy are likely to be more static than others. It seems that industrial democracy in these countries, where the social partners have a high level of autonomy, is more path-dependent and less subject to change than social justice and quality of work and employment, which may be modified to a greater extent by policy reforms that can be more easily implemented unilaterally. However, the results also call for further exploration of the relationship between the deterioration recorded in some social justice indicators and trends in industrial democracy, as shown in the Danish case regarding unemployment protection coverage.

### Dynamic perspective on the Centre-west cluster

As with the Nordic countries, the industrial democracy key dimension in the Centre-west regimes stayed much more stable than the other dimensions in most of these countries. Only Slovenia reported long-term trends that can have an effect on industrial democracy, related, to some extent, to the decline of the ‘competitive corporatism’ system (Stanojević and Kanjuo Mrčela, 2014). This is reflected in a fall in trade union density (from 26% in 2008 to 21% in 2013) and, especially, employer organisation density and collective bargaining coverage (from 92% in 2008 to 65% in 2013). The drop in collective bargaining coverage is explained by the fact that collective agreements are now concluded for fixed terms, while in the past they were in force for an indefinite period. Regarding employer organisation density, the drop is a result of deregulation. In 2006, a new law transformed the Chamber of Commerce and Industry from a compulsory organisation into a voluntary interest organisation. In 2013, the Chamber of Craft and Small Business was also transformed into a voluntary organisation. These changes resulted in the creation of many new employer organisations and in a decline in membership, as explained by the national correspondent. In other countries, such as Luxembourg, tripartite social dialogue collapsed after 2010, which can have direct negative effects on industrial democracy, although this is not articulated due to the lack of indicators on this issue.

In terms of social justice, some countries report that the indicators enable the observation of a deterioration. This is especially the case for Germany, where the biggest changes took place in this dimension. Positive trends, such as a decline in youth unemployment and, in particular, a rise in the ratio of older to non-older people employment rate, occurred alongside negative

trends, mainly associated with an increase in in-work poverty. Such trends are, according to the national correspondent, accurately captured by these indicators. Slovenia has performed better on the social justice indicators than the EU averages, though its performance deteriorated during the economic crisis, and, as other researchers have pointed out, economic recovery did not bring expected improvements (Dragoš and Leskošek, 2016). Perturbingly, research findings draw attention to rising rates of in-work poverty and long-term unemployment (Dragoš and Leskošek, 2016). The most pronounced negative change, however, is recorded in the young to non-young people employment ratio, which shows a significant decrease. In Austria, performance has improved regarding several indicators (such as ratio of women to men employment rate and the gender pay gap), partly as a result of measures that have been implemented in recent years, while it has worsened regarding others (for example, long-term and youth unemployment).

Regarding quality of work and employment, the Austrian contribution notes that a mixed picture emerges from the data, with performance improving for some indicators (such as involuntary temporary employment, income development, career prospects, excessive working hours, unsocial working time and upskilling) and deteriorating for others (such as unemployment protection coverage and depression or anxiety). The contribution for Belgium points out that, based on the data, limited changes occurred over time in relation to job quality. Exceptions were some negative trends regarding unemployment protection coverage and the percentage of employees suffering from depression or anxiety, and positive trends for workers’ perception of income development.

Some national contributions (Austria, Belgium and Slovenia) stress that, based on the indicators provided, some positive developments occurred regarding industrial competitiveness, in line with the national analysis. In particular, substantial improvements were recorded regarding the percentage of individuals with a high level of education in Luxembourg and the percentage of individuals with at least a medium level of internet skills in Belgium.

### Dynamic perspective on the South cluster

In contrast to the Centre-west and Nordic countries, Member States in the South cluster highlight changes related to industrial democracy, some of which are considered to be insufficiently captured by the indicators (see the section ‘Findings from the national contributions’ in Chapter 2). In Greece, the main developments in industrial democracy have been a significant reduction in the number of collective agreements and a decrease in the collective bargaining coverage rate (which fell by 25% between 2008 and

2015). In Portugal, industrial democracy was also negatively affected in terms of collective bargaining coverage and trade union density. By contrast, the indicators in this dimension for Spain, France and Italy show a greater level of stability.

With regard to social justice, all the South cluster countries agree with the picture painted by the indicators, which shows a deterioration in this dimension. The Spanish contribution observes, based on the indicators, a deterioration of social cohesion and non-discrimination, alongside an increase in the risk of poverty and social exclusion, in-work poverty and the gender pay gap. In terms of labour market inclusion, the indicators suggest a slight improvement for women and older people and a worsening situation for non-natives and, especially, young people. As far as equality is concerned, the indicators portray a relative improvement in terms of opportunities, with a decrease in the proportion of early leavers from education and training (-23%), but a clear decline in terms of outcomes (increases in unemployment and the Gini coefficient). In Greece, there has been a significant increase in the risk of poverty and social exclusion, as well as a large increase in youth unemployment and long-term unemployment. In Portugal, the worst developments are recorded in the social justice dimension, with an increase in the risk of poverty and social exclusion, in-work poverty, the gender pay gap, long-term unemployment and youth unemployment. Italy also has negative developments on this dimension; the national contribution finds that the data paint an alarming picture regarding poverty and social exclusion, though slight improvements are recorded in 2015 in terms of the youth unemployment ratio and the long-term unemployment rate.

With regard to quality of work and employment, the data suggest an overall negative evolution, which is in line with the national analyses. In Spain, in relation to career and employment security, the data indicate that unemployment benefit coverage has decreased and job security has weakened (with an increase in both involuntary temporary employment and the percentage of people who think they might lose their job in the next six months). A negative evolution is also suggested regarding health and well-being, as well as with skills developments and, to a lesser extent, reconciliation of working and non-working life. The contribution from Greece highlights that the most important issue there concerns decreasing unemployment protection coverage. In Portugal, conditions regarding employment security and career deteriorated in terms of unemployment protection coverage, involuntary temporary employment (which reached 85.1%), and excessive and unsocial working time.

A mixed picture emerges regarding industrial competitiveness. The national contributions from Italy, Portugal and Spain explain that the data show a positive evolution since 2012–2013 in relation to several

indicators. Nevertheless, from 2008 to 2015, all the South cluster countries except France recorded negative GDP growth per capita. Moreover, employment rates decreased in this period in all these countries. In Portugal and Spain, there was also a decrease in R&D expenditure as a percentage of GDP. Greece highlights a very significant decrease in GDP growth per capita and the employment rate, despite policies being implemented that aimed to improve competitiveness and foster employment through reducing labour costs and making the labour market more flexible.

### Dynamic perspective on the West cluster

Different trends are observed across the countries in the West cluster. A negative evolution in industrial democracy is found in Cyprus and the UK in terms of collective bargaining coverage and trade union density. The UK national contribution notes that collective wage agreements have fallen even further, according to national sources. In Ireland, a substantial reduction was also recorded in the percentage of workplaces with collective wage agreements, though the data also show a slight increase in trade union density. Malta records positive trends in industrial democracy with regards to trade union density and collective bargaining coverage. The Maltese national contribution notes that this trend has been confirmed by empirical national studies (Centre for Labour Studies, 2015).

With regard to social justice, the most negative changes recorded in Cyprus are: an increasing proportion of people at risk of poverty and social exclusion and in-work poverty; an expansion of long-term unemployment; and an increase in the Gini coefficient. These trends are directly attributed to the economic depression and the austerity policies that were implemented. The national contribution from Ireland highlights negative trends in relation to the at-risk-of-poverty indicator, a problem that was discussed extensively in national debates. Figures provided show a consistent deterioration up to 2012, followed by a gradual, if uneven, improvement. Malta's national contribution notes that the repercussions of the 2008 financial and economic crisis were mild there in comparison to other European countries. Nevertheless, negative outcomes are observed in several indicators, such as the increasing proportion of people at risk of poverty and the decrease in the ratio of young to non-young people employment rates. In the UK, negative trends include an increase in the at-risk-of-poverty and the in-work poverty rates, a decrease in the ratio of young to non-young people employment rate, an increase in the old-age dependency ratio, and an increase in the Gini coefficient.

Cyprus experienced some negative developments regarding quality of work and employment, specifically, decreases in unemployment protection coverage, job security and income development. These changes are attributed to the deterioration of labour market



conditions during the crisis and the austerity measures that followed. In Ireland, many of the indicators show an improvement on the values recorded in previous years; according to the national correspondent, they point to an improving economy. In Malta, the overall positive trend is attributed to the more productive and higher-skilled jobs created in the service sector. By contrast, the national contribution from the UK notes that the relatively good picture that emerges regarding the quality of work and employment indicators (the decrease in low pay incidence, the improved assessment of income developments and career prospects, and the decrease in unsocial working time) does not correspond well with evidence in the literature of an expansion of insecure work, low-quality jobs and growing wealth inequality (see the section ‘Selecting a preliminary set of indicators’ in Chapter 2).

In relation to industrial competitiveness, the national contribution from Cyprus identifies a drop in the employment rate as the most important change to have occurred in this dimension. It is also worth noting the sharp overall decrease in the GDP growth per capita in the period analysed. Moreover, it points out that the austerity framework has resulted in a freeze in infrastructural improvements, resulting in the declining competitiveness of Cyprus’s infrastructure. In Malta, there has been a noticeable improvement in many indicators, such as GDP growth per capita, the employment rate and the proportion of those with a higher level of education. The employment rate, in spite of consistent increases, has still not reached the EU average. In the UK, the positive trend associated with the increase in the numbers of people with a higher level of education (up by 16.7% over 2008–2015) is nuanced. According to the national correspondent, the UK has a highly bifurcated skill structure, where a substantial number of people have no or low-level skills (Bosch, 2017). Focusing on the numbers with a high level of education overshadows this.

### Dynamic perspective on the Centre-east cluster

Converging and diverging trends are observed across Member States in the Centre-east cluster. All of these countries record trends that negatively affect industrial democracy. With the exception of the Czech Republic, all record a drop in collective bargaining coverage, all but Bulgaria record a decrease in trade union density, and all but Poland record a drop in the percentage of workplaces with collective wage agreements. Finally, three countries (Bulgaria, Croatia and Slovakia) record a decrease in the employer organisation density. Some countries (notably Hungary) report that the actual level of deterioration may have been more pronounced than suggested by the indicators (see the section ‘Findings from the national contributions’ in Chapter 2).

With regard to social justice, the national contribution from Estonia stresses that there have been no real developments here; for some indicators (like the gender pay gap), the lack of improvement is an issue of real social concern, as has been acknowledged, to some extent, in national policy debates.

In Croatia, the data show both positive trends in social justice (regarding the at-risk-of-poverty and the in-work poverty rates), as well as negative trends (regarding the long-term unemployment rate and the youth unemployment ratio). In Lithuania, the indicators give a mixed account of changes in social justice. However, all developments related to the labour market were positive when comparing the crisis period with the post-crisis period. Relevant indicators here are: the youth unemployment ratio, ratio of young to non-young people employment rate, the in-work poverty rate, the gender pay gap, and rate of early leavers from education and training. These positive developments, however, related more to positive economic developments than to developments in the industrial relations field. In Poland, positive developments in some of the social justice indicators (a shrinking of the at-risk-of-poverty rate and an improvement in the employment rate among older people) occurred alongside a rise in long-term and youth unemployment, an issue often addressed in national policy debates.

The national contribution from Lithuania notes that the most significant changes during the period of observation were recorded in the quality of work and employment dimension. Positive changes were recorded across the majority of indicators: unemployment protection coverage, low-pay incidence, involuntary temporary employment, job security and excessive working time. This trend is explained as a result of improvements in the labour market and its recovery from the economic crisis.

In Poland, the quality of work and employment dimension captures an improvement in indicators related to workers’ subjective perceptions: perceived ‘good pay’ and prospects for career advancement. Data on the more objective indicators, however, suggest the situation is deteriorating (apart from the share of employees who usually work more than 48 hours per week).

Finally, several countries assess changes in industrial competitiveness. According to the national contribution for the Czech Republic, the most significant changes occurred in this dimension. In 2014, there was a return to economic growth, which led to an increase in employment, new support for SMEs, increased spending on R&D, and increases in the number of newly-established firms and overall investment activity. Estonia has also seen significant changes in this dimension, associated with developments related to

economic cycles during the period; for example, GDP reached pre-crisis levels. The national contributions from Hungary, Lithuania and Poland acknowledge an overall improvement in industrial competitiveness in line with the picture depicted by the indicators. The national contribution for Romania also recorded positive developments here. In Slovakia, the most

important development concerned the resumption of GDP growth following the crisis (since 2010); the increase in R&D expenditure as a percentage of GDP is also significant. These represent, according to the national correspondent, positive developments which improve the country's competitiveness.