



# Supporting Transitions and Securing Jobs

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Faced with the risk of a partial or incomplete recovery from COVID-19, it is important to strengthen the role that labour markets can play in contributing to a job-rich and employment-intensive recovery. This policy brief documents how bi- and tri-partite social dialogue at different levels, including collective bargaining, is shaping and implementing measures that support such a job-rich recovery – both by assisting workers in moving from declining to expanding job sectors in response to structural change and by retaining experienced workers when needed, so that production responds to increases in demand.

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## Key messages

- While global economic growth has rebounded since the 2020 recession, there is a **risk of partial and incomplete recovery from the COVID-19 pandemic**. Employment rates in many OECD economies are expected to return to their pre-pandemic level only by the end of 2022. This raises the prospect of rising long-term unemployment and scarring effects inflicting permanent damage on labour market performance and reducing well-being in terms of quality of life and life satisfaction.
- To secure a stronger recovery, it is **crucial to have well-functioning labour markets that can swiftly respond to a revival of aggregate demand by matching this demand with an available, qualified workforce**. A self-reinforcing process then takes effect, whereby the initial increase in demand for products and services is transformed into more jobs and more working hours. Provided the latter takes place under the conditions of decent work, the additional revenue that is thus created will, in turn, trigger additional demand and further boost economic growth.
- By bringing together representatives of business, workers and governments to jointly address labour market challenges, **social dialogue plays a key role in preparing for the challenges** raised by the post-pandemic recovery in several countries, in particular **by promoting the capacity of labour markets to shape a job-rich and employment-intensive recovery**.
- One of the **first key challenges is to ensure job mobility** in the face of structural change resulting from the pandemic. With e-commerce replacing traditional retail and investment in automation and digitisation quickly rising, labour markets are likely to change in structural ways. **Labour market policy thus needs to support workers in moving from the types of work and workplaces that are shrinking into those jobs and activities that are expanding**. During the pandemic, social dialogue was used to promote worker mobility by: 1) using existing schemes of short-time work as a platform to upgrade and invest in workers' skills so that workers were in a better position to deal with coming changes in jobs and job tasks; and 2) negotiating several types of measures that incentivise and support workers in taking up different jobs, either inside or outside a company, as part of job-restructuring agreements.
- A **second key challenge is to allow businesses facing a temporary setback to immediately increase production when demand picks up by ensuring that a skilled and experienced workforce remains available**. Social dialogue was mobilised during the pandemic to keep workers in existing jobs and maintain good worker/job matches by reaching: 1) agreements that maintained jobs by reducing working hours; and 2) collective agreements that involved wage restraint in order to provide employers with the financial room needed to avoid job restructuring.



## Introduction

The global economy continues to recover from the deep 5% contraction it suffered in 2020 with the onset of the COVID-19 pandemic. It has rebounded to 5.6% in 2021 and is expected to move along at a brisk pace of 4.5% in 2022 before moderating to 3.2% in 2023 (OECD, 2021<sup>[1]</sup>).

The economic recovery, however, has lost momentum and is becoming increasingly uneven. While global gross domestic product (GDP) has now surpassed its pre-pandemic level, output in mid-2021 was still 3.5% lower than projected prior to the pandemic (OECD, 2021<sup>[1]</sup>).

Looking at employment performance, the International Labour Organization (ILO) expects global working hours to remain significantly below the level attained in the last quarter of 2019, with the equivalent of 137 million jobs still missing in the third quarter of 2021 (ILO, 2021<sup>[2]</sup>).

Moreover, these average numbers are hiding distributional effects. Existing inequalities will intensify as certain groups of workers are at risk of being left behind (younger workers, lower-skilled workers, female workers, informal-sector workers, racial and ethnical minorities and immigrants (OECD, 2021<sup>[3]</sup>)).

While high-income countries experienced a strong but still incomplete recovery in working hours, low-and lower-middle-income countries suffered setbacks (ILO, 2021<sup>[2]</sup>).

A similar message comes from the *OECD 2021 Employment Outlook*: employment rates in many OECD economies are expected to be back to their pre-pandemic levels only by the end of 2022. Meanwhile, labour markets remain vulnerable to a rapid build-up of longer-term unemployment, thus raising the risk of inflicting enduring scars on vulnerable groups of workers (OECD, 2021<sup>[4]</sup>).

Jobs recovery and economic recovery are closely interrelated. In particular, a labour market that can respond swiftly to the new momentum in demand for goods and services will transform the initial resurgence of the economy into many more jobs and working hours. In turn, and provided these additional jobs and working hours provide decent work conditions, this will trigger additional demand dynamics. A virtuous cycle can thus be set in motion, whereby economic recovery and jobs recovery strengthen each other.

This policy brief analyses how social partners, together with governments, have been shaping policies that can set such a virtuous cycle in motion by improving the capacity of labour markets to stage a job-rich, employment-intensive recovery.

The first section describes social dialogue initiatives that focus mainly on measures that support the transition of workers into different or new jobs. The pandemic may have accelerated the structural transformation of economies and labour markets, with e-commerce replacing traditional retail and businesses stepping up the implementation of automation and digitisation techniques (Sedik, 2021<sup>[5]</sup>). It will therefore be important for labour markets to respond by supporting job mobility and assisting workers in moving from jobs and activities in shrinking businesses into those that are expanding.

A second section discusses social pacts and collective agreements that aim to keep competence and skilled workers inside existing businesses by maintaining jobs. Keeping good worker/job matches in place and preventing workers from becoming detached from their jobs enables businesses to swiftly respond and increase production from the very moment demand recovers, which in turn will accelerate the recovery itself.



## Supporting transitions

With the onset of the COVID-19 pandemic, social dialogue played a key role in preventing the initial shock to economic activity from translating into a massive wave of job cuts in many countries. By proposing and shaping short-time work schemes, social partners, working together with governments, were able to maintain existing jobs. This enabled businesses to have the necessary skilled workforce available for the next upturn.

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However, the question has been raised as to whether the policy of protecting existing jobs risks reducing the labour market's capacity to reallocate workers to jobs that are still available, or to new jobs that are emerging due to structural change.

Social dialogue has been used to balance policy objectives of keeping good worker/job matches and promoting reallocation. It has done so by using short-time work schemes to upgrade and invest in worker skills. Equally, it has done so by developing and negotiating specific and innovative measures to facilitate the process of workers moving to different jobs.

### ***Mobilising short-time work to invest in worker skills***

To strike a balance between the two objectives of maintaining good job/worker matches and fostering necessary worker mobility, one of the policy recommendations<sup>1</sup> developed by the OECD (2020<sup>[6]</sup>) was to ensure that workers in job retention schemes are simultaneously provided with training and opportunities to upgrade their skills. This improves workers' capacity to move into the new jobs arriving in the aftermath of the pandemic. On a number of occasions, the use of social dialogue succeeded in combining job retention schemes with the upgrading of workers' skills.

The Government of **Spain** concluded a tripartite social agreement with social partners in October 2020 and began implementing its actions a month later (Planet Labor, 2020<sup>[7]</sup>). Crisis support measures were prolonged until the end of January 2021, and workers on a short-time work scheme were given priority access to vocational training organised by public employment services. Administrative obstacles were dismantled, quotas that otherwise would have limited access to training were no longer applicable, transport costs to travel to the training venue were partially reimbursed, and participants could benefit from possible training subsidies. Moreover, workers on a short-time work scheme were allowed to access training initiatives offered by their employers to the rest of the workforce.

In **Austria**, social dialogue between the government and social partners also linked up the job retention scheme with investment in skills. When the scheme was extended for the third time in October 2020, a measure was agreed that required workers who were in short-time work to participate in training courses during the hours not worked, if such training was offered by the employer (European Trade Union Institute, 2021<sup>[8]</sup>).

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<sup>1</sup> Other policy recommendations are to target job retention schemes on sectors most hit by the lockdowns or on companies that are structurally viable and to change business incentives by (gradually) lowering state support (OECD, 2020<sup>[6]</sup>; OECD, 2021<sup>[4]</sup>).



The set-up of combining training and short-time work is different in the **Netherlands** where, according to the tripartite agreement concluded in September 2020, employers were obliged to encourage their workers to participate in training if the business wanted to access the funding provided by the job retention scheme (Planet Labor, 2020<sup>[9]</sup>). This was motivated by the observation that the COVID-19 crisis had also heavily impacted sectors that were already expected to shrink in the years to come. As the related workforce would be confronted with the need to re-skill at some stage in the future anyway, the idea of combining job support with training measures gained prominence.

In **France**, the government provided the initial link between short-time work and training through the special longer-term job retention scheme decided at the end of June 2020 (Activité partielle de longue durée) (see also Box 1). With this new scheme, companies could receive support to reduce working time for two years, instead of the six months under the usual system of short-time work. The aim was to allow companies to address a more prolonged slowdown in activity that would arise with the continuation of the pandemic. To enter this longer-term system, employers needed to engage in maintaining existing jobs while also negotiating a collective agreement. In addition to describing the precise engagement on maintaining employment, the agreement also needed to define commitments on training for all staff (Planet Labor, 2020<sup>[10]</sup>). Moreover, the law provided a robust incentive for workers to take training, as their job retention benefit then increased to 100% of the net wage (OECD, 2021<sup>[4]</sup>). One of the first collective agreements to make use of this new and long-term system of short-time work was signed by Bosch in July 2020. While working hours could be reduced to up to 60% and net pay was topped up to 90% of the previous wage for hours non-worked (Planet Labor, 2020<sup>[11]</sup>), Bosch also committed to training workers on short-time work, and in this case pay 100% of the wage (Planet Labor, 2020<sup>[11]</sup>).

After consultation with social partners, the government in **Germany** adopted a law that includes special incentives for training in September 2020. Employers still using the short-time work scheme after 30 June 2021 would need to start paying half of their usual social security contributions. However, if workers on short-time work spent the time off-work on training, employers would remain exempt, and the state would cover these contributions entirely. Moreover, employers could benefit from special subsidies to support the cost of (approved) training courses until July 2023. This support ranged from a minimum of 15% of the training cost for large employers (more than 2 500 employees) to 100% in the case of a business with fewer than 10 employees (European Trade Union Institute, 2021<sup>[8]</sup>).

**Sweden**, in its April 2021 budget law, has taken similar measures. Employers providing training to workers on short-time work will receive 60% of the training costs incurred retroactively from 1 January 2021. The support covers both external training and in-house training. The maximum amount of the subsidy is capped at SEK 10 000 (approximately EUR 940) per employee for each training period with, in general, two periods of training allowed per year. The conditions for training should be regulated in a collective agreement or a written agreement between the employer and the individual employee (European Trade Union Institute, 2021<sup>[8]</sup>).

In March 2020, social partners in **Norway** suggested that the government use the COVID-19 crisis as an opportunity to raise skills and competencies by giving recipients of unemployment benefits the right to study while unemployed. To achieve this, the government was asked to relax the regulations for unemployment benefits by removing the requirement to seek permission when combining unemployment benefits with training and education. A temporary scheme was put in place on 20 April 2020 covering those who are unemployed and looking for a different job and those who have been temporarily laid-off. When offered a job, laid-off workers need to make themselves available even when training is not yet completed (Seip, 2021<sup>[12]</sup>).

The latter measure was complemented in April 2020 by an agreement between the government and social partners establishing six new tripartite industry programmes for skills development. These tailor-made educational offers are developed between social partners and educational institutions, with employer organisations and trade unions jointly deciding which trainings are relevant for their sector. While the





government funds courses offered by vocational schools or other educational institutions, workers and firms invest their time. The new programmes concern several sectors that were especially hit by the pandemic, such as tourism, retail, hairdressers, the food and beverage industry, construction and the electrical-power industry (Seip, 2020<sup>[13]</sup>).

A similar approach combining the job retention scheme with training also materialised in the export zones in **Honduras**. Through tripartite social dialogue involving the Government of Honduras, the Honduran Maquiladora Association, and a network of the country's three main trade union confederations negotiated to pay workers two weeks of full wages during the country's initial lockdown in March 2020 and a lump sum of USD 250 per month from April 2020 onwards. The trade union network used this as an opportunity to organise training courses for the workers involved. This, in turn, attracted more members to the trade union (Minero, 2021<sup>[14]</sup>).

### ***Facilitating workers' transitions into different jobs***

Besides using short-time work arrangements to invest in skills, social dialogue was also used to develop other and more direct ways to foster workers' transition into different jobs. While national- and sectoral-level social dialogue discussed and negotiated relevant frameworks, many collective agreements were concluded at the company level with the aim of finding balanced approaches to manage the job implications of the prolonged slump in demand.

One example of a new and innovative national-level initiative to support voluntary worker transitions and avoid laying workers off comes from **France**. It is a new policy arrangement called Collective Transitions (Transitions collectives, or TRANSCO). The idea initially emerged in discussions held in the spring of 2020 between the government, trade unions and employer organisations. Over the course of the autumn of 2020, social partners unanimously agreed on proposals that the Ministry of Labour subsequently adopted in December 2020. The key idea was to prepare workers whose professions were under threat for jobs for which regional demand was more promising. This was done by offering certified training for up to 24 months. During this training period, the employment contract was suspended, but workers continued to receive their wages. Part of the expenses involved, in particular, wages and the cost of training, were financed by state and sectoral funds. In the case of large companies with over 1 000 workers, 40% of the cost was covered, while the full cost was compensated for small and medium-sized companies with fewer than 300 workers. Any remaining difference was to be assumed by the current or new employer. A budget of EUR 500 million was foreseen to finance between 20 000 and 25 000 workers and training places.

To access Collective Transitions, a company needs to consult its own economic and social committee and negotiate a collective agreement that identifies the professions and jobs at risk in the company. Then, those workers who would stand to benefit from retraining would be informed of the possibility by the committee. Workers under open-ended contracts, fixed-term contracts, as well as temporary work agency workers are all eligible, provided they have a certain tenure in the company. The take up of the retraining offer remains voluntary for workers. In addition, the employer needs to authorise the absence of the worker for this professional training leave. As the regulation aims to enable workers to find a new job in line with the new set of skills being acquired, businesses in the region will be linked to the training initiative through regional platforms. Available jobs and new vacancies can thus be signalled. Meanwhile, the initial employment contract is suspended for the duration of the training but maintained. Workers who do not move into a new job at the end of their training can return to their initial job, although on the understanding that this position is likely to be vulnerable (Ruello, 2021<sup>[15]</sup>).

Social partners in **Sweden** also reached an agreement in December 2020 on labour market reform to promote investment in retraining funds. Following the agreement's adoption, the Government of Sweden proposed to provide grants to workers who wanted to strengthen their position in the labour market by undertaking retraining or engaging in continuous professional development. These grants corresponded to 80% of a person's annual salary, with the possibility of collective agreements providing complementary



compensation. Workers on temporary contracts and laid-off workers were also covered by this measure. The reform is part of a larger package that includes more flexible employment protection legislation on dismissals combined with stricter regulation of fixed-term contracts, and where collective agreements will provide additional flexibility to employers and additional benefits to workers (CEDEFOP, 2021<sup>[16]</sup>).

Another example of social partners and government working together to assist jobseekers in obtaining work comes from **Singapore**. In June 2020, a National Jobs Council was established to support 100 000 job seekers by creating new vacancies, traineeships and skills-training venues. The government agreed with the Singapore National Employers' Federation and the National Trade Union Congress to identify and develop jobs, mobilise the tripartite partners and train providers and ensure tight co-ordination across the different actors (ILO, 2021<sup>[17]</sup>).

Turning to social dialogue at the sector level, **Denmark's** trade union, 3F, and employer federation, HORESTA, from the Danish hospitality sector, together with the Danish Agency for Labour Market and Recruitment, designed an arrangement that provided employers with the possibility of avoiding dismissals by sending staff on a targeted online training course. Employers were only required to pay for the training participation fee while wages were financed from different funds (FH, 2020<sup>[18]</sup>).

In **Germany**, collective bargaining is used to conclude collective agreements for the future (*Zukunftsverträge*). In this type of agreement, management commits to investing in products and working methods that are future-proof while at the same time offering job security – together with upgrading the skills of the existing workforce. In return, worker representatives agree to deviate temporarily from collectively-agreed wage or working conditions, for example, by postponing a planned wage increase from the sector-level agreement. While this bargaining practice predates the COVID-19 crisis,<sup>2</sup> the pandemic has recently triggered a more general approach in the form of a metal sector agreement concluded in March 2021. This sector agreement sets out the main principles of a framework to guide the negotiation at the company level of such a collective agreement for the future. The innovative element is that the trade union for the metal sector, IG-Metall, and workers' councils<sup>3</sup> can request negotiations on a *Zukunftsvertrag* even if the business is not in a crisis situation. It remains, however, up to management to decide whether to enter into such negotiations (IG-Metall, 2021<sup>[19]</sup>).

In **Italy**, a collective agreement to help prepare the telecommunications sector for the introduction of new digital technologies was reached by sectoral social partners on 12 November 2020. The agreement sets up a solidarity fund jointly financed by companies (two-thirds) and workers (one-third). The fund enables workers of the sector to be retrained and re-skilled while also providing compensation to workers in the event of job cuts, as well as incentives for voluntary departure (Planet Labor, 2021<sup>[20]</sup>).

Turning to examples of collective agreements negotiated at the company level to deal with the lack of demand (and orders), one common approach is to negotiate measures that incentivise and assist workers in taking up different jobs, whether inside or outside the company.

At **Airbus-France**, because of the collective agreements negotiated in October 2020 dealing with the 5 000 jobs at risk of being restructured, external and internal consultants were appointed to assist workers in finding new jobs. These consultants focused both on job opportunities external to the company as well as on redeploying workers to different jobs within Airbus itself. Besides job counselling, a diverse menu of

<sup>2</sup> Opel, for example, concluded a *Zukunftstarifvertrag* in 2018 that postponed agreed wage increases from the sectoral agreement and abdicated on certain bonuses in return for a pledge not to resort to forced redundancies until 2023, new investments in all production sites in Germany and a programme to incentivise 3 500 workers to leave the company voluntarily (IG-Metall, 2018<sup>[42]</sup>).

<sup>3</sup> A workers' council or "Betriebsrat" is a body of employees elected to represent the employees of a company. In Germany, this body is involved in decisions relating to employees on a collective, as well as an individual level. In some cases, the "Betriebsrat" can veto management on the measure it intends to implement.



financial incentives was also made available. Workers who decided to leave Airbus-France and take up new jobs that earned a lower wage would be paid a gross monthly sum of EUR 350 for 12 months, maximum. If workers departed from Airbus to create their own companies, they would be entitled to a EUR 15 000 premium as well as a EUR 7 000 subsidy to pay for entrepreneurial training. A similar subsidy was paid to workers taking up professional education. More generally, all workers leaving Airbus were entitled to legal or collectively-agreed redundancy compensation worth at least five months of salary, plus a so-called booster in the form of a two-month bonus. Finally, internal mobility was also financially incentivised by providing premiums to workers who moved to different regions in France when shifting between jobs at Airbus (Global Deal, 2021<sup>[21]</sup>).

The collective agreement, signed in July 2020 between French aeronautic group **Safran** and four French trade union confederations, contains similar measures. A special cell was set up at the group level that aimed to ensure that every worker whose position was in question would be individually accompanied, that the worker could have access to training, and that he or she would be well integrated into their new job when remaining at Safran. External mobility was also promoted by measures such as financial support and training for workers who created or took over a business, by providing employment security for workers taking up jobs elsewhere by committing to re-engaging them within a certain period of time and, finally, by organising the option of a sabbatical leave of 3 to 24 months (Planet Labor, 2020<sup>[22]</sup>).

In February 2021, **Airbus-Helicopters** signed three collective agreements, including an agreement to organise a collective departure (convention de rupture collective) as stipulated by the French labour law since 2017. The aim of such type of collective agreement is to allow the employer to reduce the number of staff without having to provide an economic motivation. To do so, a framework under which a group of workers can leave the company voluntarily is negotiated. The workers concerned remain entitled to severance pay and unemployment benefits. It dissolves the labour contract in a flexible way by using a collective agreement. That agreement should also contain measures that support workers in their search for new jobs. In the case of Airbus-Helicopters, 100 workers were entitled to job search support, mostly in the form of grants for workers leaving the company by taking up educational courses to re-orient their careers or by starting their own businesses (Planet Labor, 2021<sup>[23]</sup>).

In September 2020, management at **MAN**, a global commercial vehicle producer, announced the intention to undertake a restructuring that would have affected 9 500 workers and jobs. However, after months of negotiation with IG-Metall, a consensus was reached in February 2021, bringing down the number of jobs to be reduced to 3 000 and excluding forced redundancies at sites in **Germany**. As part of this agreement, management also committed to investing in digitalisation, automation, transport modes of the future (e-mobility, hydrogen power) as well as in training, so that workers are equipped with the new skills that these new products and technologies require (IG-Metall, 2020<sup>[24]</sup>).





## Building bridges by maintaining jobs

Besides supporting the transition of workers into new jobs, social dialogue has also been mobilised to keep workers in existing jobs. This allows businesses to have a skilled and experienced workforce immediately available when demand picks up again, while at the same time shielding the economy from self-reinforcing waves of job destruction.

Two trends stand out in the recent landscape of social dialogue. On the one hand, collective agreements have been negotiated that pursue the logic similar to short-time work systems without, however, relying on public financial support. To keep as many workers as possible on board, arrangements have been made that reduce working days and working hours, thereby complementing the use of short-time work systems and/or going beyond the period for which short-time work can be used officially. Employers and workers have shared the financial cost that this implies by giving up profit margins and wage bonuses.

On the other hand, social partners have also agreed to wage restraint in order to provide employers with the financial room necessary to avoid job restructuring. In some cases, this was accompanied by the explicit commitment from employers to abstain from forced collective redundancies.

### *Bridging the crisis by reducing working hours*

**ZF Friedrichshafen**, a company that is part of the German automobile production chain and employs 50 000 workers (160 000 globally), was one of the first companies in **Germany** to go for an additional form of reduced working hours. In July 2020, ZF Friedrichshafen agreed not to go ahead with its initial intention of cutting the number of jobs in Germany by 7 500 posts. Instead, working time was reduced to up to a 30-hour work week with ZF Friedrichshafen compensating part (20%) of the difference in monthly wages. At the same time, the usual participation of workers in the company's results (*Ergebnisbeteiligung*) was cancelled for 2020. ZF Friedrichshafen also committed to continuing to make use of short-time work arrangements and early retirement systems. In this case, the income of workers on short-time work is complemented to 90% of the initial wage, and young workers are hired after completing their apprenticeships, provided that they are willing to work temporarily in other sites of the company. All factories in Germany are to remain open, and no job restructuring will occur until the end of 2022. Moreover, a joint commission between management and worker representatives was set up to oversee the fair distribution of the workload between the different factories of the company (Planet Labor, 2020<sup>[25]</sup>).

Similar collective agreements were also reached in other companies in Germany. Table 1 provides a summary overview.



**Table 1. Examples of company-level agreements in Germany that have shortened the work week to maintain jobs**

	Period of validity of agreed measures	Working week reduction	Compensating monthly wages	Source of Finance	Other engagements
<b>ZF Friedrichshafen</b>	July 2020 – end 2022	Introducing a 30-hour week	20% of the difference	Participation of workers in financial results cancelled	No job restructuring until end 2022
<b>Bosch</b>	Working time reduction from August 2020 – December 2020  No company job restructuring until end 2022	Introducing a 31-hour week for white-collar workers	Stabilisation of monthly wages	Cancellation of Christmas bonuses	-
<b>Daimler-Benz</b>	1 October 2020 – 30 September 2021	Cutting the workweek by 2 hours for 70 000 workers	No compensation foreseen	-	Job security until 2029. Total number of employed can be reduced by 2025 by not replacing workers who are leaving.
<b>Airbus</b>	Working time reduction to come into force in 2022	Reduction of the workweek to 28-32.5 hours	Partial compensation foreseen (including a lump sum payment of EUR 100)	Airbus finances two-thirds of compensation. Unaffected workers put in one-third of the 13th month with a EUR 400 bonus to go into a solidarity fund.	Airbus commits to not laying off the 5 100 workers previously announced.

Source: Schulten, T. (2020<sup>[26]</sup>), *Tarifpolitischer Halbjahresbericht 2020: Tarifpolitik unter den Bedingungen der Corona-Pandemie*, [https://www.boeckler.de/pdf/p\\_ta\\_hjb\\_2020.pdf](https://www.boeckler.de/pdf/p_ta_hjb_2020.pdf); Planet Labor (2020<sup>[25]</sup>), *Germany: the automotive industry in between reduced working hours and cutting jobs*, <https://www.planetlabor.com/en/industrial-relations-en/national-industrial-relations/germany-the-automotive-industry-in-between-reducing-reduced-working-hours-and-cutting-jobs/>; Planet Labor (2021<sup>[27]</sup>), *Germany: social partners at Airbus present working time reduction measure in effort to avoid redundancies*, <https://www.planetlabor.com/en/industrial-relations-en/national-industrial-relations/germany-social-partners-at-airbus-in-germany-present-working-time-reduction-measure-in-effort-to-avoid-redundancies/>.

The agreement that was reached on 30 March 2021, after a series of warning strikes and work stoppages in the metal and electronics sector of the German region of Nordrhein-Westfalen (Planet Labor, 2021<sup>[27]</sup>), follows a similar logic. In this case, social partners mobilised the margin for negotiated wage increases for the following years as a flexible buffer that, if necessary, can be used to reduce working time and save jobs. The basis of this agreement is a 2.3% wage increase from July 2021 onwards. That wage increase is not immediately paid out but will be saved up until February 2022, at which time the compounded value of the wage increase will be worth 18.7% of the monthly wage. Firms in good shape will pay this amount out as a regular wage. However, companies where jobs are under pressure, either due to a continuing demand shortfall from COVID-19 or the introduction of new technologies, can use the compounded wage increase as a “Transformation Premium” that is paid out in free time instead of actual wages. According to **IG-Metall**, the latter would make it possible to reduce the working time from 35 to 32 hours, possibly even adopting a four-day work week, while at the same time guaranteeing a stable monthly wage based on a 34-hour week. This scheme is planned to cover three years during which, according to IG-Metall, no collective redundancies can occur. A similar agreement was also concluded in the steel sector in the same region. Given Germany’s tradition of pattern bargaining, other regions and sectors have been following this example (Planet Labor, 2021<sup>[28]</sup>).



These agreements are typical of a bargaining system of “organised decentralisation”. They address the fact that the pandemic may be affecting companies from the same sector in different ways. While businesses that have reasonable order books can afford to pay out a modest wage increase, other enterprises that are in a less favourable position are offered a bridge to help them get through a prolonged period of slump in demand.

Agreements to adapt working time were also negotiated in **France**, mostly using the new system of prolonged short-time work that was introduced by the Government of France in June 2020 (see Box 1). Concluding an agreement in July 2020, Bosch was one of the first companies in France to make use of the new scheme. The agreement covers all factory workers of the different sites of Bosch in France, is valid until 30 June 2022 and was signed by all trade unions represented in the company (Force ouvrière [FO], Confédération française démocratique du travail [CFDT], Confédération générale du travail [CGT], Confédération française de l'encadrement - Confédération générale des cadres [CFE-CGC] and Solidaires unitaires démocratiques [SUD]). It reduced working time up to 60% while providing 90% of net pay for the time not worked. Companies that are part of the Bosch group and make use of this form of short-time work are not allowed to proceed to redundancies and instead commit to offering training to workers during inactivity. Workers taking part in such training receive 100% of their wages (Planet Labor, 2020<sub>[10]</sub>).

### Box 1. The long-term system of short-time work in France

At the end of June 2020, the Government of France made available a new and prolonged system called *Activité Partielle Longue Durée*. This scheme allows companies to address a more permanent slowdown in activity by implementing a new short-time work scheme covering two years instead of the six months maximum under the usual system. Under this longer-term scheme, working hours can be reduced by a maximum of 40% of the legal working time for 24 months, and this within a period of 36 months. While the employer is entitled to a subsidy worth 60% or 56%<sup>1</sup> of hourly wages, workers receive 70% of gross pay up to four and a half times the statutory minimum wage. In return, the employer is required to commit to maintaining existing jobs. Access to the scheme is also conditional on negotiating a collective agreement. The agreement should analyse the business' economic situation and define commitments on employment and training for all staff, as well as the modalities to regularly inform worker representatives and trade unions that signed the agreement on the state of the enterprise at least every three months. It is also possible to include measures through which shareholders and management contribute to sharing part of the burden, as well as measures that oblige workers to take up part of their annual leave or time credits from their personal working time accounts.

1. 60% for agreements signed before 1 October 2020.

Source: (Planet Labor, 2020<sub>[10]</sub>)

Keeping workers employed and connected to their jobs by reducing weekly work time has also been the subject of social dialogue in emerging and developing economies. The measures in this case were, however, more limited to the period of the initial shock of the pandemic.

For example, in March 2020, the National Economic Development and Labour Council (NEDLAC) of **South Africa**, which is the institution through which government, business, trade unions and community organisations seek to co-operate, held an emergency meeting with the President of South Africa to discuss a national response in the area of employment and labour. As a result, the Temporary Employer-Employee Relief Scheme (TERS 19) was established. While employers were encouraged to continue to pay wages, workers on off-time received special unemployment benefits if the former was not feasible. These benefits were limited to three months and paid according to a sliding scale that caps the benefit at 38-60% of the



previous salary. Workers, however, were paid a benefit that was at least equal to the minimum wage for the sector concerned (ILO, 2020<sup>[29]</sup>).

To maintain jobs, a tripartite agreement valid for the entire industrial sector was signed in **Argentina** at the end of April 2020 that reduced wages during inactivity. The government paid benefits corresponding to 50% of the wage, while the employer complemented this with 25% of the previous wage. Sector agreements that stipulated this 75% in total compensation were automatically accepted by the Ministry of Labour, while agreements with a rate below 75% had to pass a more thorough screening. Moreover, employers who could pay more than 75% of the previous wage were allowed to do so (Planet Labor, 2020<sup>[30]</sup>).

In **Sri Lanka**, the Ministry of Skills Development, Employment and Labour Relations formed a Tripartite Task Force as a sub-committee of the National Labour Advisory Council. Through Task Force dialogues, employers' organisations agreed to pay full wages in March and April 2020 to workers, a decision that was reaffirmed at a separate meeting with the [Minister of Skills Development, Employment and Labour Relations](#) on 2 April 2020 (ILO, 2020<sup>[31]</sup>).

### ***Prioritising job stability over wage demands***

To enable businesses to ride the COVID-19 crisis while avoiding or limiting job restructuring, social dialogue has also been used to negotiate strategies that modulate wages in such a way that there is financial room to maintain jobs.

One collective agreement to do so was concluded during the first wave of the pandemic on 19 March 2020 by the **German** metal industry. Faced with lockdowns and disruptions in business orders and demand, social partners decided not to open a round of new wage negotiations to renew the sectoral collective agreement that had come to expire but to freeze wages until the end of the year. While this *Solidar-Tarifvertrag* did not have engagements relating to job security, the intention was to maintain jobs and support the *Kurzarbeit* system that the government had just decided to broaden. Workers in the first months of short-time work also received a supplementary benefit on top of their regular unemployment benefit, bringing the total compensation for hours not worked up to 80% of usual pay. The metal agreement financed this by reducing bonuses that otherwise would have been paid out over the year as well as by a newly agreed annual employer contribution of EUR 350 per full-time worker. Over the course of 2020, other sectors (such as printing), as well as large individual companies outside the metal sector agreement (Volkswagen, among others), concluded similar agreements (Schulten, 2020<sup>[26]</sup>).

This strategy of taking the extraordinary economic situation into account when negotiating wage increases was also the basis for a compromise between German social partners when setting the minimum wage for the next years. In Germany, minimum wages are to be increased every two years based on a recommendation from a commission in which social partners have an important role. While the trade union side went into these discussions by demanding a substantial increase to a EUR 12 minimum wage, employer representatives insisted upon a zero-round to freeze nominal wages because of the COVID-19 crisis. In July 2020, a compromise was reached whereby the initial increase was kept limited, and the minimum wage was raised from EUR 9.35 to EUR 9.50 in January 2021 and up to EUR 9.60 in July 2021. By the end of 2022, the minimum wage will jump to EUR 10.45. Taken together over these two years, the minimum wage is thus expected to increase by almost 12%, which would be twice as fast as collectively bargained wage increases. At the same time, the timing schedule backloads the real cost impact to 2023 in the hope that the economy will have left the pandemic fully behind (Schulten, 2020<sup>[26]</sup>).

A similar approach was taken by the Low Pay Commission (LPC) in the **United Kingdom** when advising the government on the level of the 2021 national living wage. The UK LPC is a social partnership body composed of nine commissioners, of which three are from trade unions, three are employer representatives, and three are independent commissioners. Since its inception in 1998, all



recommendations made by the LPC have been unanimously agreed upon. In 2020, the LPC received a new mandate from the UK government to assist in increasing the living wage from 60% to 66.7% of the median wage by 2024 while taking economic conditions into account. This objective was set before the onset of the COVID-19 crisis, however, so the LPC had to balance the argument that low-paid but essential workers deserve a pay rise with the reality that many employers are facing an exceptionally tough situation (Low Pay Commission, 2020<sup>[32]</sup>). The fact that nearly half of workers at the bottom of the pay distribution were put on furlough implied that employers in low-pay sectors, in particular, would find it more difficult to afford a large increase in the national living wage.

To minimise the risk to jobs, the LPC recommended raising the living wage by 2.2% in 2021 to GBP 8.91 an hour. This meant the purchasing power of the minimum wage could be maintained, even if the level was lower than the previously projected path towards 66.7% of the median wage in 2024. The latter would have amounted to a living wage of GBP 9.06. At the same time, and motivated by the concern about high youth unemployment and its scarring effects, the LPC recommended relatively cautious increases in youth rates for 2021, depending on the age category, from 1.5% to 2.0%. However, taking into account the fact that 23-24 year-olds are similar to 25-year-old workers in the work they do and in the extent to which the pandemic hit them, the commission also recommended reducing the threshold for applying the higher rate of the living wage from 25 to 23 years (Low Pay Commission, 2020<sup>[32]</sup>). Finally, the LPC confirmed it remains committed to ending low pay and to a target for a living wage that equals two-thirds of the median wage by 2024. On 1 April 2021, the UK government effectively increased the national living wage in line with the recommendations delivered by the LPC.

In **Spain**, after three years of robust increases to bring the minimum wage up to 60% of the median wage, social partners failed to agree on a new increase for 2021. As a result, the Government of Spain decided to freeze the minimum wage at its 2020 level until social partners reached an agreement. At the same time, collective bargaining practice itself shifted the priority from real wage increases to protecting jobs. This is evidenced by the fact that average negotiated wage increases slowed in 2020 to 1.9%, which is below the recommendation of the fourth national agreement for employment and collective bargaining signed in 2018. The latter established an annual wage increase of 2% for 2018-20, which was to be complemented by an additional, but variable, annual 1% increase to be negotiated in each sector. Moreover, to avoid redundancies, some trade unions have recommended that their representatives postpone demands for wage increases (including the catching up of wage increases not applied in 2020) and even suspend already agreed wage increases for 2021 until the situation allows it (Molino, 2021<sup>[33]</sup>).

The agreement concluded by Renault and the Spanish trade unions, Unión General de Trabajadores (UGT) and Confederación Sindical de Comisiones Obreras (CCOO) in February 2021 illustrates the previous strategy by freezing wages during the first two years of the four-year agreement. In return, the Renault management committed to not closing any of the factories in Spain but rather hiring 1 000 new workers to manage the production of new electric and hybrid models. The existing system of hiring one younger worker for every older worker who leaves on partial retirement is also maintained. In 2023, wages will be increased in line with inflation, plus an additional 0.5% with the possibility of the 0.5% to be transformed into a 1% wage increase if Renault reaches its strategic objectives. For 2024, the wage increase has been set at 1% (Planet Labor, 2021<sup>[34]</sup>).

Wages and bonuses were also frozen in company-level agreements in **France**. At Valeo, management, FO and CGT-CGC, on 30 September 2020, agreed to do so for a period of one to two years. In addition, higher-level staff (*cadres*) have given up two days of leave. In return, no factories are to be closed, nor are forced redundancies to take place over the next two years. Moreover, it was agreed to top up compensation for short-time work from 70% to 80% of the initial wage while apprentices will be hired to make up 5% of staff. The agreement also stipulates that wages and working conditions can be improved should Valeo's economic and financial situation improve (a so-called "better fortune" clause) (Planet Labor, 2020<sup>[35]</sup>).





Safran struck a similar agreement in early July 2020, involving the trade unions (FO, CFDT, CGT, and CGE-CFC). Wage negotiations were postponed to 2022, with wage levels frozen for 2021, except for the normal increase in seniority pay (1%). Safran is to abstain from making workers redundant and consider using the new system of long-term short-time work introduced by the government. Early retirement, except for those with specific skills, is incentivised. It was also decided to have the company board discuss whether the payment of dividends was appropriate in present circumstances (Planet Labor, 2020<sup>[22]</sup>).

Anticipating a large decline in orders from Airbus and a possible collective redundancy of 700 workers, the agreement between Derichebourg, a French environmental services and businesses operator, and its majority trade union FO at the plant in Toulouse, on 12 June 2020, suppressed the payment of a 13<sup>th</sup> month for workers earning more than two and a half times the minimum wage. Derichebourg, in return, committed to not proceeding to collective redundancies until the end of 2020 and even beyond this date, provided it could make use of the system of long-term short-time work (see Box 1). This agreement also used an instrument provided by a recent reform of the labour law, a so-called agreement of collective performance (Accord de performance collective). It implies that individual workers who refuse to accept the terms and conditions of the agreement can be legally fired. Some 10% of the workforce at Derichebourg was concerned by this. For these workers, the collective agreement between FO and Derichebourg stipulates that severance pay will be topped up over the legally required amount. Finally, voluntary geographical mobility between different company sites is promoted by a EUR 4 000 incentive premium (Planet Labor, 2020<sup>[36]</sup>).

In response to the great deal of uncertainty surrounding the wage-bargaining round, social partners in **Sweden** also decided in March 2020 to prolong existing agreements and postpone negotiations to October 2020. At that point, and notwithstanding the continuing situation of economic fragility, a so-called Industrial Agreement was concluded that set the benchmark for wage increases in other sectors beyond manufacturing at 5.4% for the next three years. While large sectors of services expressed concern that this was too high a number given their economic state of affairs, all agreements signed in 2020 did meet this benchmark. No working days were lost due to industrial action in 2020, even if the previously mentioned bargaining round took place against the background of an ongoing pandemic (Gustafsson and Kinnunen, 2021<sup>[37]</sup>).

The collective bargaining round in **Norway** followed the same pattern. Yearly wage negotiations, which usually take place in spring, were halted in early March 2020 by a decision of social partners in the industrial sector (which sets the pattern for negotiations in Norway) to postpone negotiations until August 2020. The sector agreement concluded in the autumn increased wages by a moderate 1.7%. Employers and trade unions in other sectors, by and large, respected this reference in view of the difficult situation of many businesses (Seip, 2021<sup>[38]</sup>).

Bargaining rounds in **Italy** showed similar trends. Negotiations were difficult, but agreements were eventually reached by postponing wage increases and spreading them over the duration of the agreement. The metal sector agreement, concluded after 15 months of negotiation in February 2021, is a case in point. Valid from January 2021 to 2023, it increases monthly minimum wages by EUR 112 while paying flexible bonuses of EUR 200 each year, for example, for specific social insurances. Overall, real wages in Italy increased slightly in 2020, as nominal wages went up by 0.6% against a background of 0.2% deflation (Pedersini, 2021<sup>[39]</sup>).

In **Ethiopia**, social dialogue was also used to produce its own mix of wage restraint, job security and benefit support (Jackson, Berger and Judd, 2021<sup>[40]</sup>). This process started with the negotiation of a COVID-19 Workplace Response Protocol between the Confederation of Ethiopian Trade Unions (CETU) and employers' associations. The Ministry of Labour and Social Affairs consequently issued the protocol. Besides calling upon employers to take sanitary measures, the protocol allows company-level employers to suspend the negotiation of collective bargaining agreements, freeze wages for 12 months and request that employees take paid annual leave. This happened, however, in the context of an emergency



proclamation (a so-called State of Emergency) that was issued and that prohibited employers from terminating employment contracts unless these terminations were negotiated with trade unions and the Ministry of Labour. In the end, the combined effect of the agreed Protocol and the State of Emergency measure resulted in strengthening job security (Jackson, Berger and Judd, 2021<sup>[40]</sup>).



## Conclusion

The prospect of an incomplete and uneven recovery from the COVID-19 pandemic highlights the important role labour markets play in swiftly matching labour demand revival with the availability of an agile and qualified workforce, thus helping to strengthen and prolong the economic recovery.

This policy brief documents how bi- and tri-partite social dialogue at different levels, together with collective bargaining, has been used to support this role and shape the post-pandemic labour market – both by promoting worker mobility between jobs and by keeping experienced workers available in good job matches.

**Social dialogue, including collective bargaining, is implementing measures that support a job-rich recovery – both by assisting workers in moving from declining to expanding jobs and by retaining experienced workers when needed.**

Social partners and governments have redesigned short-time work schemes using these principles as a basis to retrain workers and upgrade their skills base. Job mobility has also been supported in more direct ways with social dialogue and collective bargaining, shaping and financing measures that assist retrenched workers in their searches for new jobs.

At the same time, social dialogue has been mobilised to shape arrangements that aim to secure existing jobs over the duration of the crisis in the expectation that such jobs are intrinsically viable and that demand for these jobs and the experienced workers that occupy them will return as soon as the economy fully recovers. To keep more workers in what are seen as viable jobs, deals have been struck through social dialogue to reduce working days and working hours, prolong the use of short-time work systems, and avoid forced redundancies by negotiating temporary trade-offs with wages or wage conditions.

To conclude, social dialogue has stepped up to the challenges raised by COVID-19. Not only has it functioned to protect workers, businesses and jobs from the initial outbreak of the pandemic (Global Deal, 2020<sup>[41]</sup>), it is also contributing to shaping policies that strengthen recovery from crisis.



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