

Collective Bargaining During the Crisis: The Portuguese Case

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Following a period of significant development at the end of the 1990s, with economic growth rates greater than those of the European Union, the Portuguese economy stagnated in 2002 and even declined in 2003. The current context of international crisis has just interrupted the fragile growth trend initiated in 2004: In fact, real GDP, which increased by 1.9 percent in 2007, had a growth rate of zero in 2008 and declined by 2.9 percent in 2009. The crisis has abruptly increased the closure of companies and unemployment jumped from 7.3% in the second half of 2008 to 10.1% in the fourth quarter of 2009. Notwithstanding, social dialog was resilient to this situation of economic crisis, as shown by the number of collective agreements negotiated by the social partners, the number of workers covered by collective agreements and the observed increase in real wages. Additionally, social partners have agreed on a reform of the Labour Code. Are these data enough evidence of social concentration on crisis management? This paper will analyze this issue, giving particular attention to collective bargaining in Portugal and the crisis impact on the industrial relations system and their actors.

Keywords: collective bargaining, industrial relations, financial crisis

Introduction

The beginning of the international financial and economic crisis coincided in Portugal with the final phase of a government that was characterized by promoting a series of reforms in public administration, social security and protection policies, education and training system and regulation of the labour market. Since many of these reforms touched some groups usually considered as privileged in the Portuguese employment context, they were strongly opposed by the affected professional groups, under the leadership of trade unions, particularly the most representative trade union confederation (CGTP). The government also promoted public deficit consolidation, considered as necessary to allow the recovery of sustained economic growth based on increased exports and investment.

The analysis of the evolution of the Portuguese GDP since the 1990s, when compared with the EU average, illustrates the difficulties that the country has faced in terms of growth, wealth and competitiveness. Following the entry of Portugal into the EU (in 1986), the Portuguese economy went through a period of reasonable growth with growth rates above those of the EU. But since 2000, the economic situation worsened significantly and growth rates of GDP fell into negative territory in 2003, improving only moderately from then until 2007. As

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shown in Figure 1, with the crisis, the growth comes back to a negative value and the forecasted growth rates for 2010 and 2011 continue below the EU levels.

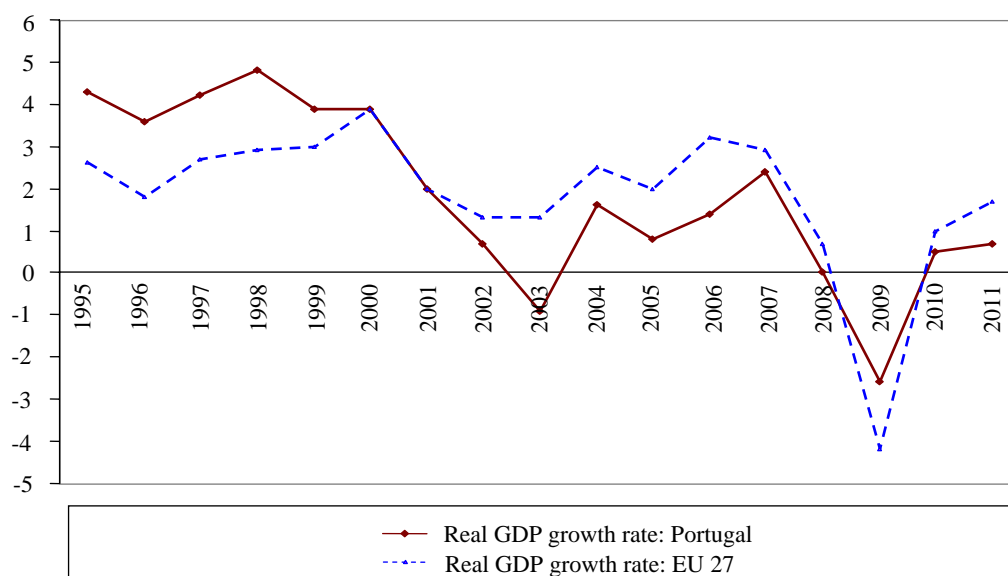


Figure 1. Evolution of GDP in Portugal and the UE-27, 1995-2011. Source: Eurostat and European Commission, Economic Forecasts, Spring 2010 (2010, 2011, forecasts).

The low performance of the Portuguese economy in the last decade had as a consequence the introduction of a new period of strong divergence from the EU and the OECD levels of GDP per capita (see Figure 2), after a limited period of convergence initiated in the first half of the 1980s.

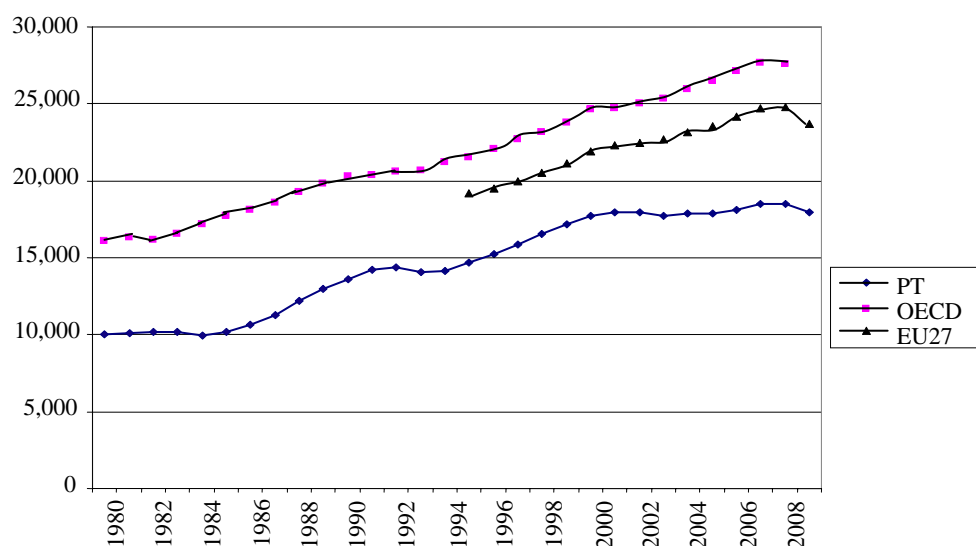


Figure 2. GDP per capita (US\$, PPP, 2000 prices). Source: Data from OECD.

This behaviour of the economy and the recent financial and economic crisis strongly deteriorated the situation in the Portuguese labour market (see Table 1), inducing losses of both the active population (-0.85) and employment (-2.8%). The unemployment rate has been lower than the EU average in last decades, but it rose after 2006 to values above the EU, from about 4% in 2000 to around 11% in mid-2010 (see Figure 3).

Table 1

Active Population, Employment and Unemployment (Seasonally Adjusted Data)

	2007	2008	2009	2008				2009				2010	
				I	II	III	IV	I	II	III	IV	I	II
Active population, growth rate (%)	0.6	0.1	-0.8	0.2	0.8	-0.3	-0.2	-0.4	-1	-1.1	-0.5	0.1	-
Employment, growth rate (%)	0.2	0.5	-2.8	1.1	1.4	-0.1	-0.2	-1.8	-2.9	-3.4	-3	-1.8	-
Unemployment rate (%)	8.5	8.1	10	7.5	7.7	7.9	7.9	8.7	9.5	10.2	10.2	10.5	10.8

Note. Source: Eurostat.

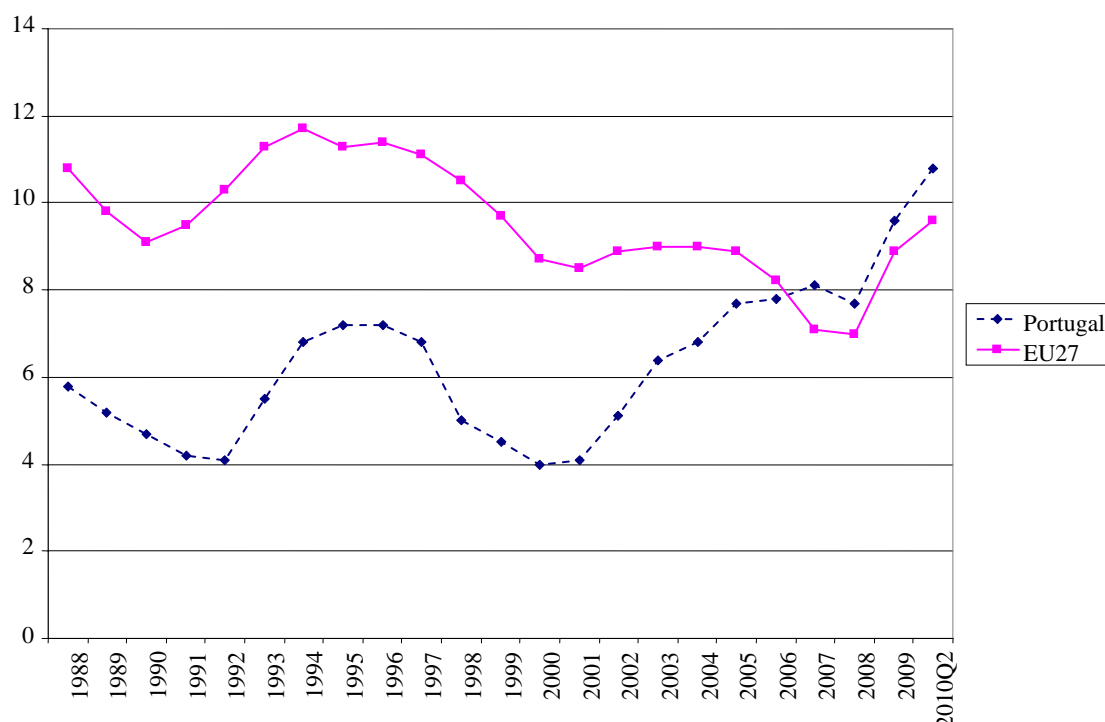


Figure 3. Harmonized unemployment rates, 1988-2010 Q2. Source: Data from OECD.

The negative evolution of macroeconomic conditions, coupled with increased spending on social policies to combat the economic crisis generated a new damage on public finances and induced a budget deficit of 9.3% of GDP in 2009. The competitiveness of the Portuguese economy has been a main weakness of the country for years, but it further deteriorated recently and the crises just exposed these fragilities. For example, in the ranking of global competitiveness index of the World Economic Forum, in 2009-2010, Portugal has the 34th position in a list of 133 countries (see Appendix). But the competitiveness of the country is particularly negative in terms of labour market efficiency (see Table 2). Hiring and firing practices are particularly relevant in this context and the country occupies almost the last position (rank 129th), confirming strong rigidities in the labour market pointed out by several international institutions. Firing costs, flexibility of wage determination, rigidity of employment and cooperation in labour-employer relations constitute other items with a strong negative position in Portugal.

How did the crisis impact on the industrial relations system and their actors? What are the results of recent macroeconomic developments on the centralized social dialogue, and more specifically, on the sectoral and enterprise collective bargaining? Will these constraints press a concerted negotiation to fight against the crisis,

bringing the main trade union confederation to a first commitment with macroeconomic policies?

Table 2

Portugal, Global Competitiveness Index, 2009-2010 Labour Market Efficiency

	Rank
Hiring and firing practices	129
Firing costs	114
Flexibility of wage determination	106
Rigidity of employment	102
Cooperation in labour-employer relations	79
Pay and productivity	72
Reliance on professional management	67
Brain drain	55
Female participation in labour force	35

Note. Source: World Economic Forum (2009).

Public Responses to the Crisis and the Reactions of Social Actors

Like in other countries, the Portuguese government responded to the crisis by taking specific measures to strengthen the financial system, regulate the financing of economic activity and protect savings. Later, under the Plan of Economic Recovery approved by the European Council in early December 2008, the so-called “initiative for investment and employment” was created which, according to the official assessment, represented an additional stimulus to the economy of 2,180 million Euros.

The “investment and employment initiative” was organized around five structural axes: (1) strengthening public investment in areas critical to the modernization of the country (reconstruction and modernization of schools); (2) promotion of renewable energy; (3) modernization of technological infrastructure; (4) special support to economic activity (particularly the export sector and SMEs); and (5) support for employment—“Employment Initiative 2009”—embodied in a set of measures to support the maintenance and creation of employment, training, and extending social protection. According to a government evaluation the “Investment and Employment Initiative” in 2009 allowed to maintain employment to over 200,000 people. Also in 2009, about 200,000 workers were covered by active employment measures to support the integration in the labour market, of which approximately 100,000 were due to exceptional measures included in the “Investment and Employment Initiative” in 2009 and the remaining 100,000 were linked to pre-existing measures. About a third of the costs of these measures involved the support to 40,000 young people.

The persistence of the crisis and, especially, the high unemployment rates led the government to promote the “Employment Initiative 2010”, comprising 17 measures, now structured around three axes: (1) maintenance of employment; (2) integration of young people into the labour market; and (3) creating employment and fighting unemployment¹.

In general, the social partners welcomed the first set of measures against the crisis presented by the government in late 2008. However, given the worsening problems of unemployment, in March 2009, the trade union confederation UGT claimed immediate application, during the crisis, of 18 additional measures to improve

¹ Council of Ministers Resolution No. 5, January 20, 2010.

social protection of the unemployed and their employability, job protection, and reinforcement of control in the application of labour laws². A similar behaviour was assumed by CGTP. This trade union confederation presented to the political parties some “demands of the workers to achieve compromises” on legislative and municipal elections of 2009. These claims were structured in 10 strategic areas and they envisaged, among other objectives, the creation of stable employment, rising real wages and pensions, to strengthen solidarity and social cohesion, strengthening of social policies and state regulation of financial markets³.

The “Employment Initiative 2010” will therefore be perceived, unlike the previous one, with some caution by trade union confederations, in particular by CGTP. This confederation presents several criticisms which, as emphasized by the Secretary-General, should be considered as a warning to the negotiation of the “Social Pact for Employment” that the government wants to negotiate within the Permanent Council for Social Dialogue. In essence, these criticisms relate to the fact that the government renewed and strengthened some measures to support and encourage employment without having previously carried out an evaluation of the measures implemented in 2009, particularly as their costs and real effectiveness in achieving the objectives pursued namely the maintenance and creation of jobs. It is also stated that the “Employment Initiative 2010”, like its predecessor in 2009, does not include any concern regarding the need to stem the growing insecurity and instability of work and employment and has no measure to promote the quality of employment and decent work. The CGTP argues that, on the contrary, the new program calls for new measures that go on encouraging precarious employment, of low quality and poorly paid, especially by focusing on intermittent contracts within the renewal of the Qualification-Employment Program⁴.

Unlike CGTP and UGT, the employers’ confederations put the accent on the need for greater support to enterprises and entrepreneurs and a flexible adjustment of employment. The crisis and the need to coordinate efforts led, after several previous attempts, to the merger of the three industry confederations (AIP/CE—Oporto Industrial Association/Business Confederation, CIP—Confederation of Portuguese Industry and AIP—Portuguese Industrial Association) in the new CIP—Portuguese Business Confederation.

The Impact of the Crisis in Sectoral Collective Bargaining

Despite the unfavourable economic climate, collective bargaining has seen a significant momentum in 2008. Figure 4 shows the evolution of the number of published collective agreements and the number of workers covered by those conventions from 2000 to 2009. In fact, in 2008 the social actors increased the number of collective agreements (296), covering significantly more workers (over one million and 700 thousand employees) than before, after the large drop recorded in 2004, i.e., the year following the publication of the Labour Code (2003). In 2009, collective bargaining has returned to average values of the years preceding the crisis, i.e., 2006 and 2007.

In addition to the direct negotiation among the actors involved, in Portugal there is an established practice of extending to other areas, by the government, the sectoral collective agreements. This public intervention helps to increase the coverage of collective bargaining, which in Portugal has traditionally registered with high values except 2004. In 2008 and 2009, they were published by the government respectively 137 and 74 conventions,

² UGT. (2009, March 20). Moção de urgência—Medidas de emergência de combate à crise.

³ CGTP-IN. (2009, July 2). 10 Eixos estratégicos para mudar as políticas—Exigências do trabalhadores aos partidos.

⁴ CGTP-IN. (2010). Iniciativa para o Emprego 2010. Retrieved 12 June, 2010, from <http://cgtp.pt/>.

which increased to around one million and 895 thousand, the number of workers covered by collective bargaining in 2008 and about one million and 487 thousand in 2009. The observed increase in the main domain of collective bargaining (manufacturing), also favoured an extended coverage of workers by collective bargaining.



Figure 4. Collective agreements and workers covered by them (2000-2009). Source: DGERT, MTSS.

Table 3

Type of Instrument of Collective Agreement and Number of Worker Covered (2000-2009)

Instrument	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Sectoral agreement (CCT)	245	238	230	232	100	151	153	160	172	160
Company agreement (ACT + AE)	125	122	107	110	61	101	91	91	124	91
Extension of collective agreements by the government (PE)	144	181	147	151		56	137	74	137	74
Number of workers covered (thousands)	1,424	1,363	1,350	1,266	600	1,167	1,512	1,582	1,895	1,487

Note. Source: DGERT, MTSS.

Figure 5 shows that the year 2008 was also favourable to wage bargaining, since there were increases in wages, both in nominal (3.1%) and real (0.5%) terms. Similar evolution occurred in 2009, this time with a smaller increase in nominal wages (1.9%) and a higher change in real wages (3.7%), due to negative values of the inflation rate in this year.

Yet, on average over the period 2004-2008, Portugal had both nominal (2.9%) and real (0.3%) wage increases below the EU-27 average, like most countries in southern Europe but also Denmark and Germany (see Figure 6).

An accurate assessment of the impact of the crisis on the negotiated non-wage items is difficult to obtain because there is no systematic treatment of the contents of the Conventions. However, a recent study designed to assess the innovations in collective bargaining since 2006, involving 14 subjects directly related to the adaptability—internal or external—of industrial relations or related to trade unions rights, concludes that there has been some innovations regarding the issues under negotiation, but the frequency of this innovation is relatively

low (Dornelas, Ministro, Lopes, Albuquerque, Paixão, & Santos, 2010). Specifically, there are no issues such as teleworking and there are few collective agreements that regulate the functional versatility, the temporary assignment of employees, closure and temporary reduction of activity due to a reason concerning the employer, cessation of work contract, concentration of working time and minimum services in case of strike. The themes present in most collective agreements are: adaptability of working time, trade union representation in the company, corporate relocation of the employee, transfer of the workplace, social protection and supplementary training (Dornelas et al., 2010, pp. 8-9).

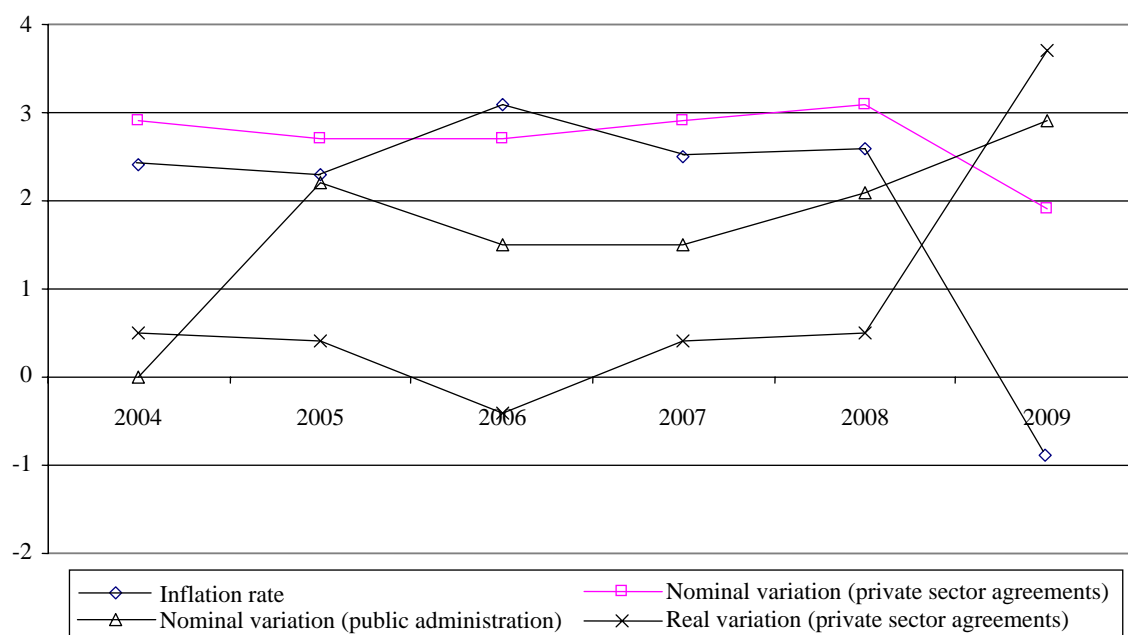


Figure 5. Evolution of the inflation rate, and nominal and real wages in the private sector. Source: INE; MTSS; Bank of Portugal.

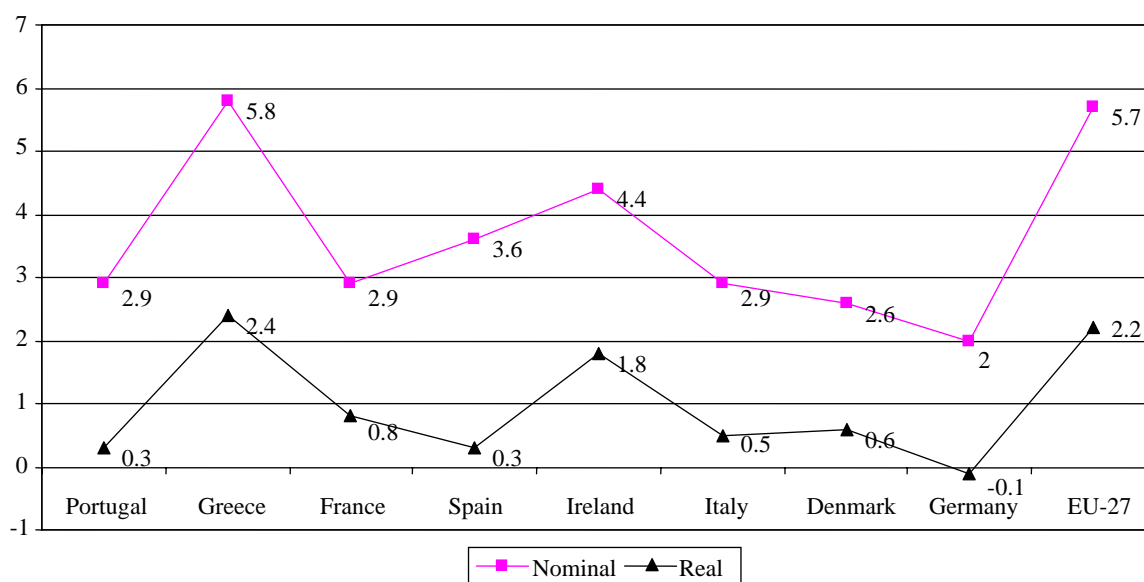


Figure 6. Evolution of nominal and real wages in some EU countries (average 2004-2008). Source: Data from European Foundation for the improvement of living and working conditions.

Final Remarks

The institutionalization of a system of cooperation between unions and employers' organizations is a recent phenomenon in Portugal. In fact, the Permanent Council for Social Dialogue, a body created specifically for the promotion of social dialogue, had a late appearance only in the 1980s. Among the initial concerns were the constraints imposed by a fragile economy and the Portuguese integration into the EEC (Natali & Pochet, 2009; Cerdeira, 2004). Nevertheless, social dialogue has been reasonably dynamic, both by the quantity and also the quality of topics discussed and agreements negotiated.

Over the 26 years of its existence the social actors reached 19 agreements, of which 17 are tripartite 2 bipartite. The main strategic agreements were the Economic and Social Agreement (1990), the Agreement on Short-term Social Dialogue (1996), the Agreement on Strategic Consultation 1996-1999 (1997) and the Tripartite Agreement for the new Regulation System of Industrial Relations, Employment Policies and Social Protection in Portugal (2008).

Faced with a traditionally strong politicization of the social partners' organizations and significant conflict concerning the guidelines of economic and social policy, the current Prime Minister claims that he wants to develop social dialogue to obtain negotiated solutions to the economic and social problems. During his first government, more precisely from 2005 to 2008, seven concentration agreements were negotiated by the social actors, two of which bipartite: Collective Bargaining Promotion (2005) and Agreement on Vocational Training (2006).

The remaining agreements were tripartite: Agreement on a new system of regulation of Labour Relations, Agreement on Strategic Lines for Social Security Reform (2006), Agreement on Social Security Reform (2006), Agreement on the Establishment and Development of the Monthly Guaranteed Minimum Compensation (2006) and Agreement on the Reform of Vocational Training.

At present, the government seeks a compromise around a "Pact for Employment" that is part of its "Government Program" and is defined as an instrument for the maintenance and creation of employment and for a new social consensus in response to the present conjuncture.

However, the Portuguese Confederation of Commerce, one of the four employers' confederations represented in the Permanent Council for Social Dialogue, has already announced that, although continuing to participate in social dialogue, there will not be available to sign any agreement. This until the government cancels the intention of allowing the elongation of the opening hours of the hypermarkets on Sunday, after 12 h.

For its part, the CGTP, given the government's intention to remove from July 1 additional social supports created under the "2009 Initiative" to address the crisis, called for protests, strikes and plenary meetings of protest, accusing the Government of "wanting to discuss proposals for employment while advancing with measures of the Stability and Growth Pact (SGP) that threatens to worsen the unemployment" (RTP News, August 1, 2010).

This behaviour of the social actors illustrates the difficulty of tripartite concentration in Portugal and it casts some doubts on the possibility of obtaining consensus solutions for the present crisis.

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Appendix: Portugal: Global Competitiveness Index, 2009-2010

	Rank	Score
Global competitiveness index	43	4.4
Basic requirements	39	5.05
Institutions	44	4.49
Infrastructure	23	5.23
Macroeconomic stability	79	4.52
Health and primary education	31	5.95
Efficiency enhancers	43	4.40
Higher education and training	38	4.58
Goods market efficiency	51	4.39
Labour market efficiency	103	4.04
Financial market sophistication	62	4.26
Technological readiness	31	4.73
Market size	43	4.40
Innovation and sophistication factors	41	3.98
Business sophistication	53	4.28
Innovation	33	3.69

Note. Source: World Economic Forum (2009).