

3.4 Crisis driven changes in wage setting systems in the EU

MÁRK EDELÉNYI & LÁSZLÓ NEUMANN

Data from 2010 shows that slightly more than 50 million employees worked in the public sectors of the EU member states which accounts for a quarter of all persons employed in Europe (EC, 2012).¹ Naturally, the share of the public sector varied greatly among member states, exhibiting more than an 18% difference between the higher Scandinavian data (between 2008 and 2011 in Denmark and Sweden it was 32% on average) and a lower share in South Eastern Europe (during the same time period the public sector employed 18% in Bulgaria and only 14% in Romania) (EC, 2013, p. 94). Though it goes beyond the scope of this sub-chapter we must draw attention to the fact that one of the main obstacles in comparing European public sectors is the lack of adequate statistical information.²

Data from 2010 is important given that this was exactly the time when the mortgage and credit crises that hit the United States in 2008, and which reached Europe, at least in the sense of the labour market as a production and economic crisis, transformed into a fiscal one. This was mainly the result of three factors: the state founded bail-outs of the troubled bank sector, falling tax revenues and the extra pressure on social and welfare benefits due to the shrinking labour market. As a consequence of this process the retraction of the labour market, felt thus far only in the private sector spilled over to the public sector (Anxo *et al.*, 2013). Our aim in the present sub-chapter is to show the impact of the crisis on the public sector of European Union member states paying special attention to its effects on the wage setting mechanisms.

The first part of the sub-chapter maps the legal statutes of employment which govern the public sectors of EU member states with a special emphasis on the wage determination systems. The second part reviews European wage setting mechanisms including the state's role in that process. The third shows the direct impact of the crisis on the situational positions of the public sector employees of EU member states highlighting wage cuts and workforce reductions. Finally, the fourth part analyses the indirect effects of the crisis concerning mainly the changes in the structure and the role of collective bargaining. Our inquiry here is primarily directed towards that part of the public sector at central government level including those institutions directly dependent on the central government. A deeper analysis of the local government sector can be found in sub-chapter 3.5. Notwithstanding, this distinction often proves to be extremely cumbersome especially in times when the responsibility of many service provisions are shifting between governance levels as a part of the reforms and of crisis responses.

1 This data was elaborated using NACE codes so it contains data on private employees working in health and in education.

2 On related methodological problems please refer to the study of János Köllő, the first chapter of this present volume; and also EC (2013) p. 26 and 36. The demand for better quality statistical data was clearly formulated by the President of the European Commission Herman Van Rompuy in a conference dedicated exclusively to address this issue (Rompuy, 2013)

Traditional public sector models in Europe

The historical development of the modern state's administration gave birth to two traditional types of legal models of employment relationship in Europe: the Prussian-Napoleonic model and the Anglo-Saxon model based on the civil law tradition.

The main features of the *Prussian-Napoleonic model* are the following: young employees enter into the system following completion of appropriate studies and remain a part of it throughout their careers until retirement. Entry requirements may also include the successful completion of a competitive public exam. Expulsion from the system may only occur in the event of serious legal wrongdoing. The legal regulations that govern employment relations in the public sector are separated from those governing the rest of the labour market and expressly emphasize seniority based promotion. (For this reason the literature refers to it on numerous occasions as a career-based or “closed” public sector model). Wages are usually set according to the pay-scales codified by law and mostly dependent on service period and education level. These pay-scales may be indexed for instance by the level of inflation. Contrary to this, in the public sector model based on the *Anglo-Saxon civil law tradition*, employees are subject to the same legal regime as those in the private sector. Accordingly, employees in the public sector do not enjoy a “preferential status” and additionally restrictions on entry and leaving (including being dismissed) are relaxed. All vacancies (including senior positions) are offered in public announcements and filled through public competition open to all so consequently, neither the concept of the career nor the notion of seniority play a major role within the system. Wages are mainly dependent on the position occupied and its development is regulated by individual and collective agreements instead of mandatory pay-scales. (This model is also known as position based or “open” public sector model). (*EC*, 2013, p. 104)

Two classical examples of the *Prussian-Napoleonic model* are worth mentioning as an illustration. For the German *Beamter* (civil servant) the state guarantees the means for an adequate lifestyle through a suitable economic recompense, based on a legally established pay scale (*Bosch et al.*, 2012). Civil servants employed by the French *fonction publique* are in a similar situation as far as their income is concerned. According to the text of the legislation instead of a salary (*salaire*) they receive a stipend (*traitement*) dependent on various factors, such as the corps they belong to, the education level, the post and the seniority (*ancienneté*) of the employee. This “stipend” depends on the pay scale of the public sector (*grille*), which establishes a multiplier (between 308 and 1501 in 2012) that can be applied to the “index point” (EUR 55.56 since 2010) to arrive at the annual income of any given employee (*Audier et al.*, 2012, p. 8). The reform of 1982 cancelled the previous inflation based automatic indexation of the “index point” (*Audier et al.*, 2012, p. 11). Even

though the German and the French public sector model are different in many ways, neither the *Beamter* nor the *fonction publique* status is restricted to public administration officials, so the majority of those who would be considered in Hungary a public service employee, (i.e. the majority of teachers and physicians) belong to their ranks.

It is interesting to note that while the European Union through its politics indirectly yet efficiently, encourages the reform of its member states' public sectors its own bureaucracy corresponds to the Prussian-Napoleonic model. Applicants to the "EU bureaucrat" positions can gain entrance through public contest to its two bodies – *administrators* and *assistants*. While the former group is made up of 12 rank levels (AD05-AD16) the latter has only 11 (AST01-AST11). Thus wage categories are divided into 16 levels and each level has 5 seniority steps (with the exception of the 16th level which has only 3). Monthly base wages (from 1st of July 2010) are between EUR 2,654.17 (first level, first seniority step) and EUR 18,370.84 (16th level, third seniority step).

Three examples are worth reviewing to illustrate the *Anglo-Saxon civil law based model*. The UK is the first example given that its public sector is unique in many ways. First of all, only 9% of those employed in the public sector are civil servants, working mainly for the ministries and for state agencies and employed directly by the Crown. The remaining 91% are public services employees and their employment contracts are regulated by the "regular" private sector labour legislation (*Administration*, 2008). Also, until recently the legal standing of civil servants was governed by custom and not by law.

The second characteristic example is Sweden. Here labour regulations are the same for both public and private sector employees. Even though those who work for the state have no separately legislated labour status they do enjoy advantages of some particular legal conditions only applicable to them. The previous, seniority based system was reformed and replaced by the new position based "open" public sector model in the 1990's. However, employees of the diplomatic corps, of the army and of the police are subject of specific norms and regulations (*Public...*, 2010).

The last example is Estonia, which established a position based public sector in 1995 while the vast majority of the new Eastern European Member States have a public sector that could be described as a Prussian-Napoleonic one. Dissimilar from the other countries that use a position based public sector, in Estonia a separate legislation regulates the sector and further special legislation applies in those positions with the highest relevance for the state (diplomatic corps, police, army and judges). At the same time those employed in health care and education are under the private sectors' labour law (*Public...*, 2010).

These examples clearly indicate that there are no pure and model-like cases. Although member states could be classified by their dominant public sector model, this would only blur the characteristic differences of how each of them

mixes the two models to be able to take advantage of both. A pure position based model is difficult to implement in certain areas, such as the army or police, where special emphasis is put on hierarchical subordination and on a predictable promotion system. And inversely, more and more member states exclude from the secure public sector positions not only auxiliary jobs (such as cleaning and catering) but also complete areas of health and education, reorganizing them as contracted services either from market based actors or from state/municipality owned enterprises. (Outsourcing and in-sourcing is an issue treated in detail in sub-chapter 3.5). In summary, it can be indicated that member states blend the two pure (ideal-type) models into a country specific mixture, that, generally speaking, are similar in their internal segmentation despite the palpable differences.

Wage setting mechanisms

In wage determination there are also two opposite poles, corresponding to the two ideal types of legal models of employment.

Unilateral wage setting can be directly related to the Prussian *Rechstaat* model. According to this the employer of the public sector (for the sake of simplicity: the state) unilaterally, within its own limits of power, decides on the public employee's income thus ensuring their independence both economically and politically (EC, 2013, p. 104). Given that idealistically "wage" is not subject of an agreement, an incidental wage dispute may require litigation. Thus the court is to decide on whether a "salary reduction" impedes the adequate way of life guaranteed by law for the German public servant.

Collective bargaining as a wage setting mechanism is mainly used in the case of those employees who have a (fixed-term or open-ended) work contract regulated by labour law. The two sides participating in the collective bargaining are the representatives of the employees and the state or municipality (and their agencies and enterprises). A particularity of the situation is that the state is as much a negotiator as the actor laying down the rules for the same negotiation. This obviously results in an advantageous negotiating position. In Sweden to counterbalance the possibility of direct state interference a specialized state agency is accredited to carry out the negotiations (Berki et al., 2007). Also, in the UK during the 1970s, Pay Preview Bodies were established in the 6 areas of the public sector to address the same problem, replacing collective bargaining with annual proposals for wage development based on hearings with the participation of three groups – employees' representatives, those representing the employers and also independent scientific experts (Grimshaw, Rubery and Mariano, 2012a).

Besides these two main systems some EU member states use a hybrid structure to determine wages in the public sectors (or in some of its areas). This means that wage setting is *de facto* carried out through negotiations between

the state and the trade unions; however the deals forged in these negotiations *de jure* are enacted through legislation or promulgated through the declaration of the pertinent executive body. This form of wage setting is relatively common in Eastern European member states and a similar system is used in both Italy and Spain (*Glassner, 2010*). Naturally, in this system the negotiating position of the state is stronger without even taking into consideration the fact that agreements forged in these negotiations may fail to enter into force.³

The review of the European wage determination systems also shows that there are member states that use more than one system simultaneously to set wages in the public sector. First and foremost, it is possible that those working in the central state administration and those working in offices of the municipalities are subject to unilateral wage setting, while the rest of the sector is governed by collective agreements or by a hybrid wage setting mechanism. The situation can, however, be even more complex: in some member states, for instance in Italy and in Spain, “salaries” of central administration employees also depend on the type of contract used and also on the level of administration at which the employee is employed (*Glassner, 2010*). This may lead to the situation where two persons, employed in the same position, are subject to different wage setting mechanisms.

The two wage determination models in the public sector correspond to two types of state role: the state (or the municipality) can be a *sovereign employer* (which makes unilateral decisions) or it can be *role-model employer*. In this latter case, characteristic of the Anglo-Saxon civil law based model, the state, by those agreements forged in the public sector, sets a model for the private sector. In these agreements the state guarantees employees job security, income security (sick money, pensions, etc.), equal opportunities, fair processes and that the employees’ representations are taken into account through adequate channels. Last but not least the state guarantees a “fair payment” based on just comparisons (*Grimshaw, Mariano and Rubery, 2012b, p. 32*). Naturally, these are not rigid and mutually exclusive roles given that the state as a sovereign employer can set models for the private sector while, though this is a paradox, the role of the state as a model employer is not exempt from elements of guarantee, particular within the career based systems. Furthermore, even in those EU members where the state acts as a model employer there are sub-sectors and areas (the army could be a suitable example here) where the state can only act as a sovereign employer.

³ This can occur for formal reasons: the entity with due authority – e.g. the Parliament – refuses to accept the negotiated results and thus declines to promulgate it, or – especially in times of crisis – the wage increase can become mired down in the governmental hierarchy due to the lack of funding.

The impact of the crisis on the public sectors of EU member states.

Prior to the crisis employment in the public sector had been increasing modestly. For instance, the headcount of public administration grew by 2% between 2004 and 2008, though the speed of growth was on the decline. Employment of the sector remained more or less intact by the first phase of the

crisis (that is to say between 2008 and 2010). During this period dismissals took place predominantly in the private sector, and as a consequence, the share of the public sector in the total employment figures even rose in a number of member states, at least statistically (*Anxo et al.*, 2013). Since 2010, however, packages of fiscal restraints impacted on the public sector directly.

Due to the external pressure exercised by foreign investors, various European member states applied for help to the “troika” (made up of the International Monetary Fund, the European Central Bank and the European Commission).⁴ In exchange for the financial bail-outs governments offered severe austerity packages in order to curb the expenses of the central budget. Given that a really important part of this derives from the public sector’s employment costs (salary and other), it was not surprising that the primary and immediate effects of these measures were wage freezes, wage cuts and layoffs in the sector. Additionally, these fiscal restriction packages in some cases contained dispositions designed exclusively to limit the scope and influence of the social dialogue (*Ghellab and Papadakis*, 2011, p. 85).

At the same time, this “wave of restrictions” had a negative impact on the public sector (as far as its employment, salaries and the role in the social dialogue are concerned) even in those member states such as Poland where the effects of the crisis had less of an impact compared to other member states which required external help. The spread of austerity measures was stimulated by two factors: on the one hand, in recent years low state spending on the public sector became the main benchmark of the “fitness and healthiness” of the state (*Anxo et al.*, 2013). On the other hand, in 2011 the stability and growth pact was replaced by the Euro Plus Pact that contains much stricter regulations. Only four member states opted out of the new agreement: Sweden, the UK, Hungary and the Czech Republic (*Bach and Stroleny*, 2013).⁵

Before turning our attention to the crisis reactions it is worth highlighting the fact that traditionally trade unions are stronger in the public sector than in other sectors of the economy though union density has fallen remarkably since the beginning of the crisis. While *Glassner* (2010) using data from 2003 found that trade union density was not higher in the public sector than in other sectors only in 2 member states, a more recent report of the European Commission (using different data sets from between 2009 and 2012) indicated 6 member states where union density is equal in the public sector and in other sectors of the economy and 3 where it was actually lower (*EC*, 2013, p. 44, chart 1.11).⁶

The easiest way to reduce wage expenses of the public sector is by *reducing its workforce*. Naturally, there are many different ways to complete this task. One of the most widespread procedures is by not filling vacancies. This was used for instance in France where only one vacancy was made available for each two persons leaving the public sector. A much more drastic “exchange

4 In 2008 Hungary, Romania and Latvia, in 2009 Greece, Portugal and Ireland, in 2010 Spain and finally in 2011 Cyprus.

5 It might be mentioned that the wave of austerity reached the administration of the EU with a surprising delay only in 2012. Also this happened only thanks to the sustained personal pressure of the English Prime Minister David Cameron. As a result a 10% restriction on the EU bureaucracy was agreed to be implemented during the fiscal period of 2014–2020. Naturally, employees contested with strikes.

6 The countries of the *Glassner* study are Belgium and the Czech Republic. And those of the EC report are: Latvia, Lithuania, Hungary, the Slovak Republic, Slovenia and Belgium in the former category and the Czech Republic, Poland and Estonia in the latter.

rate” was offered in Greece where first a 1 to 5 rate was agreed, later modified to 1 to 10. Incidentally this latter exchange rate also applies to many areas of the Spanish public sector (*EC*, 2013, p. 142).

Another way is to allocate “surplus” labour into a “reserve force” as a first action. Besides being a direct income reduction for the employee concerned, this also means that if a new workplace cannot be found for the individual within a limited time period their eventual dismissal becomes possible. Such a solution was planned in Greece affecting some 15,000 employees, though in the end the measure was never implemented (*EC*, 2013, p. 142).

Thirdly, headcount reduction can be completed through outsourcing and privatization. “Internal externalization” is a special instance of this. Such a process happens when a public sector employee, holding a protected employment status (which implies a higher degree of job security and correspondingly a more advantageous position), is replaced by an employee having a private sector contract (for instance, instead of a public servant an employee is hired according to private sector labour regulations). In the French public service, even before the crisis, it had become common to hire employees using various contracts under the private sector law rather than employing them in accordance with status based legal dispositions of the *fonction publique*. In other words the private sector’s labour conditions had been “smuggled” through this process behind the safety barriers of the public sector (*Audier et al.*, 2012). Instead of a replacement it is also possible that the legal position of the given employee is transformed though this has much higher transactional costs.

Finally, work force reduction could also mean effective dismissals that, no doubt, also entail high expenses, whether we speak about severance payments accompanying dismissals or early retirement (*Public...*, 2010).⁷ It must be emphasized that layoffs in the public sector affected mainly those working in administration and in management. Also in various countries the most affected were those with a fixed-term contract due to the possibility of refusing renewal (*EC*, 2013).

Freezing wages has a great potential in political communication: it sends the message to voters that the otherwise privileged public sector employees also share the burdens of the crisis. A wage freeze, however, does not necessarily mean a real worsening of the public sector employees’ wage position. This may be the result of the fact that only freezing the pay scales does not exclude the effective wage increase of a given employee. Firstly, because the employee can advance on the job ladder, and secondly, because seniority related wage development can also take place. So it is not so surprising that many member states opted to implement this measure.

A more drastic expense cutting measure is to *cut wages*. This generally triggers wide-scale refusal by trade unions who usually argue that public employees are not to be blamed for either the unfolding of the crisis or for its delayed

⁷ This can impact heavily on the pensions systems. In 2010 in Portugal so many people requested pre-retirement that the government had to suspend the whole pre-retirement program.

effects (EC, 2013 p. 150). These wage cuts mainly targeted those extra benefits that are unusual in the private sector (such as the 13th and 14th month salary and other social and fringe benefits). At the same time, in some member states the lowest earners were excluded from the negative effects of a wage decrease (EC, 2013). Such positive discrimination was implemented in Ireland, Italy and in the UK. It is interesting that on many occasions decisions on dismissals and wage freezes/cuts entered into force with considerable delay, there was even a case where an austerity package was implemented according to the original plan only following the national elections.

Reforms of the wage setting systems

Prior to the crisis, in various member states the ongoing reforms were driving the given state's wage determination systems closer to the model dominated by collective bargaining. This process originally started in the 1970s when Finland changed its unilateral wage setting system and established one based on collective agreements (EC, 2013, p. 39). A move in the same direction can be observed in the Spanish reforms of 1984, in the reforms of 1993 in Italy, and also in the one in 1998 in Portugal (Anxo *et al.*, 2013). The appreciation of negotiations could also be observed in the expansion of the European level sectoral social dialogue with the inclusion of 4 areas of the public sector: local and regional public administration (in 2004) hospitals and healthcare (in 2006), education (in 2010) and central public administration (also in 2010). These committees, formed after lengthy negotiations between 2004 and 2011, permit trade unions and employer representation organizations of the different sectors to engage in direct negotiations. Additionally, immediately before the crisis these forums were looking for ways to extend and thus upgrade even further the traditionally bilateral relation in this sector via the inclusion of other stakeholders, such as users for instance (EC, 2013, p. 144).

The majority of EU member states' governments acted in a prompt and determined manner to counterbalance the impacts of the crisis. One of the side effects of the immediate reactions was that governments ignored the traditional channels of social dialogue (Anxo *et al.*, 2013). Therefore, the role of the government in wage setting and thus unilateralism has increased, while social dialogue began to decline. Glassner (2010) already lists 10 member states where crisis reactions made governments take unilateral decisions on salaries in the public sector. Also, this approach to set wages unilaterally as a response to the crisis reached beyond the original group of countries that had used hybrid wage setting systems, for instance and now also includes the UK, which had previously used, almost exclusively, collective agreements to set wages.

Despite this in some of those countries hardest hit by the crisis agreements were forged within the framework of social dialogue. However at least in the Lithuanian and Hungarian cases analysts cast doubts on how meaningful and

real these negotiations were (*Glassner, 2010*). Only Ireland was an exception to this tendency. There, within the framework of a nationwide accord called the Cork Park Agreement parties agreed on a 4 year framework for action. Thanks to the agreement actual dismissals were avoided through a strict “no replacement” measure that ruled out the possibility of opening new vacancies, while wages were frozen too (*EC, 2013, p. 145*). It must be highlighted though that the above mentioned is only a pale imitation of those social pacts that were characteristic of Ireland in the 1980s and 1990s – the scope of the Cork Park Agreement was obviously limited to the public sector. The strength of the agreement was also put into question by the *Irish Federation of University Teachers* when it refused to sign it. Another warning sign was seen when, in 2009, the biggest employer association, *IBEC (Irish Business and Employer Confederation)*, left the national wage negotiations and suggested its members carry on with consultations at local level. By the middle of 2013 even its last supporter, the government, backed out of the Cork Park Agreement and started to sign bilateral agreements with a series of trade unions of the public sector within the new framework of the public sector stability agreement (2013–2016) better known as the Haddington Road Agreement. The government opted for this solution once negotiations of a Croke Park II Agreement became stranded thus making it impossible to come up with sector wide accord. Nonetheless only three trade unions, working in the area of education, declined to sign one of these bilateral agreements (*Sheehan, 2013*).

Unfortunately, European level social dialogue in the public sector failed to play any prominent role in managing crisis driven conflicts of interests. From the four sectoral social dialogue committees, only two: the one on municipalities and the other on central government were able to come up with something and this was only a joint statement on the crisis (*EC, 2013, pp. 109–110*).

Three main crisis related tendencies can be observed in the field of social dialogue (*Bach and Stroleny, 2013*). Firstly, many governments responded with *restriction*, primarily in member states where social dialogue had no deep historical roots. In some EU member states this restriction included the suspension of nationwide social dialogue. This led in some cases to protests and demonstrations and also to the decentralisation of social dialogue from the blocked governmental level to local and sectoral levels. This process can be observed clearly in the case of the Netherlands and also in Italy, though in these cases government interference was less drastic than in others.

The second tendency was a move in the direction of *flexibility*. This process produced some positive outcomes predominantly in member states where legal dispositions require joint consultation. It was this requirement that opened the channel that social partners could use to debate issues that traditionally were addressed at the central (higher) negotiation level. Although this was a positive consequence it must be mentioned that the results mostly served

the interests of the employers, as issues like outsourcing, flexibility and rising service quality, were overrepresented in the final outcome.

Finally, governments could also try to *reform the system of the social dialogue* as such. One of these reforms was implemented successfully in Denmark. Here the municipality level of the social dialogue was reinforced with a permanent forum that works with the participation of the elected chief negotiators even between the collective negotiation rounds. Another example is the Bercy agreement in France (which entered into force in 2011 with the exception of local governments where it applies only from 2014). The agreement, which imported solutions from the private sector's labour relations, tied representativeness of the trade unions directly to workplace level elections and extended the scope of the collective negotiations (to include issues of working conditions, career and training among other new topics). At the same time however, collective agreements in the public sector did not become legally enforceable so those parts of the unilateral system that benefited the state remained intact (Tissandier, 2010).

In Italy the Brunetta-reforms (2009–2011) must be mentioned, which had the specific aim of raising the efficiency of the Italian state bureaucracy. Named after the Minister of Public Service and Innovation, Mr Brunetta, the reform package changed the system of the wages (from one which was seniority based to one production based) and made it possible to dismiss workers from the public sector. The implementation of the reform was completely unilateral; the opinion of the trade unions was ignored as much during the preparatory phase as during the implementation of the reform itself. As a consequence of the changes it became possible to make wage decisions related to the state bureaucracy without any involvement of the trade unions. In addition the agency (*Agenzia per la Rappresentanza Negoziabile delle Pubbliche Amministrazioni, ARAN*) representing the state as the employer in wage negotiations was reorganized. All these actions resulted in strong resistance from the trade unions. In the end, mainly as a result of the impossibility of creating a unified workplace level trade union structure (which the reform also aimed at) and also because of the political changes at national level, it became inevitable to initiate negotiations with the trade unions (Rinolfi and Paparella, 2008, DellaTorre, 2008). In May 2012, the agreement, signed with the participation of the municipalities, modified in various aspects the original Brunetta-reforms, which was a clear success for the trade unions (Sanz, 2011).

Along with differences in member state specific responses to the crisis, there were clearly observable topic related differences too. Strict restrictions were common in “hard” questions (such as wages and salaries) while on “softer” issues a posture closer to flexibility was permitted to govern. As a conclusion, however, it must be stated that in numerous member states changes were contrary to the dynamics that had prevailed in the labour relations of their

public sectors before the crisis. (Furthermore, as the Italian example shows, the opposite of the contrary to the previous direction might even materialise as the winning resolution.) As far as the transformation of the social dialogue is concerned both decentralization and centralization can be observed as growing in importance. As indicated above the “negotiation avoiding” behaviour of the central government greatly helped the decentralization, upgrading the regional and municipality level social dialogue. Notwithstanding, it is a fact too that public sector dismissals first affected those employed in a flexible contractual way, and as a result the share of the workforce with a better job security has risen. This of course, permits a higher centralization in wage negotiations.

Conclusions

The public sectors of EU member states can be located in between the two fundamental end points of some dimensions of a continuum. The opposing poles are usually described in Prussian-Napoleonic vs. Anglo-Saxon civil law tradition terms as far as the legal model of employment relationship is concerned; unilateral vs. collective bargaining in terms of wage setting and finally in dimension of the role the state plays as the employer: sovereign vs. role-model employer. At the same time each member state’s public sector is a particular. It is a country specific mixture of these approaches whereas employees employed according to different models work together, sometimes directly in the same workplace. Yet, these country specific resolutions of the member states are really similar in many ways.

This duality, similarity and divergence, was characteristic of the crisis driven transformations in all segments of the public sector. There was a great similarity among the various state’s responses, moreover the harder the economic pressure on a country resulted in a higher similarity in the austerity measures implemented. Meanwhile the possibility and viability to execute the proposed measures, again, varied greatly among the member states. There were member states where a unilateral state position was possible and others where it produced such resistance (in the form of strikes and protests) that it could not be implemented successfully. Furthermore there were examples (as in the case of Germany and Austria) where, even though unilateralism is the legally codified way of procedure, it did not become necessary to ignore and exclude the opinion of the social partners in addressing the crisis. Moreover, the dominance of the unilateral state approach was independent of the established legal model of employment, of the traditional form of wage setting and also of the role the state usually plays as an employer. Apparently, an early statement of Marsden (1994, p. 17, cited by Grimshaw *et al.*, 2012b) still applies. According to this, unilateral wage setting may help states to reach the desired fiscal objectives effectively. However a process of the wage setting mechanism

involving employers and trade unions is a “much more flexible tool for legitimating changes”. In other words the risk of immediate fiscal control is the conflict between employers and employees. Also, the sustainability of wage reforms presupposes employees’ approval too.

In any event, it is thought-provoking to consider how the European Union and also the majority of its member states, so proud of their institutes of social dialogue, could ignore in a such a uniform manner all those resources which have been invested in the building up of the institutional structure of the social dialogue. Furthermore, they did so, just at the moment when these institutions could have demonstrated their efficiency in these critical times.

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