“The Global Deal is about ensuring that more people around the world have secure and good jobs, and about a more equal distribution of our economic resources. Globalisation presents opportunities, but requires a more equal distribution. More people need jobs with decent conditions and a salary they can live on. This is a prerequisite for globalisation to be a positive force.”

STEFAN LÖFVEN, PRIME MINISTER OF SWEDEN
What is social dialogue?

Social dialogue provides a method for promoting social justice and a means to achieve social and economic progress.

"The process of social dialogue in itself embodies the basic democratic principle that people affected by decisions should have a voice in the decision-making process. Social dialogue has many forms and collective bargaining is at its heart. Consultations, exchanges of information and other forms of dialogue between social partners and with governments are also important."¹

At its core, social dialogue is a process involving representatives of workers, employers and/or governments. Social dialogue can take a number of different forms. **Collective bargaining** takes place between representatives of workers’ organizations and employers and/or their representative employers’ organization. It most commonly deals with working conditions (e.g. wages and working time) and terms of employment, as well as ongoing relations between workers and employers and their representatives.² It aims at ensuring adequate conditions of employment (**protective function**), a fair share of the benefits of training, technology and productive growth (**inclusive function**) and social peace (**conflict management function**). While often considered a wage-setting institution, collective bargaining also plays an important role in shaping other conditions of employment such as job security, working time, the quality of the working environment, and the provision and access to training.³ **Workplace cooperation** is another form of social dialogue that may be used to improve work organization, introduce new technology, promote innovation and secure a safe working environment.

**Tripartite social dialogue** involves the participation of the State and most commonly deals with policy issues; it aims to achieve consensus and ensure policy coherence on social and economic issues, which impact employment and the labour market. The State may also be involved in **bipartite social dialogue** with employers’ organisations or workers’ organizations on other economic issues (e.g. taxation, trade and industrial policy).

Social dialogue, including collective bargaining and tripartism, can play a key role in making labour law and labour market institutions more effective, enhancing labour market performance and promoting sustainable development.⁴ Collective bargaining can have an impact on wage dispersion and income inequalities more generally (e.g. by influencing management pay at firm level and influencing the tax and benefit system at country level), unemployment levels and competitiveness as well as the way labour markets respond to unexpected shocks. It can affect labour market performance both in terms of quantity and the quality of outcomes, and in terms of the resilience, adaptability and inclusiveness of labour markets. It can be a useful tool for self-regulation between workers and employers and bring more stable labour relations and industrial peace. Finally, social dialogue, including tripartite social dialogue and collective bargaining, can be used as a tool to promote effective consultation on structural reforms and a means to manage trade-offs between different policy objectives. The overall effect on economic performance will depend on the specific features of the system of each country, how they interact with other labour market institutions, such as employment protection or minimum wage legislation, and on the prevailing macroeconomic and labour market conditions and policies.

Importantly, social dialogue is based on respect for freedom of association and the effective recognition of the right to collective bargaining. It is a key characteristic of sustainable enterprises, and essential for achieving effective, equitable and mutually beneficial outcomes for governments, employers, workers and wider society.⁵

Collective bargaining entails benefits for employers, workers, and society as a whole. Collective bargaining can improve the quality of the employment relationship between workers and firms, leading to the more efficient allocation of resources, greater motivation and ultimately productivity. At the same time, however, collective bargaining and workers’ voice, can be challenging especially if representation is weak.
KEY FACTORS FOR EFFECTIVE SOCIAL DIALOGUE

Social dialogue can play a key role in sustainable business development. There is no single model, and different approaches can be used in different contexts to get good outcomes. A number of factors help to facilitate effective social dialogue. These include:

- **Respect for freedom of association** and the effective recognition of the right to collective bargaining
- **Legal and institutional support** for social dialogue, including dispute resolution (e.g. mediation) and means to ensure the effective application and enforcement of collective agreements
- **Independent and representative workers’ and employers’ organizations**
- **A commitment** by parties to engage in social dialogue
- **Technical capacity, knowledge and access** to relevant information
- **Processes** for the effective coordination of collective bargaining by the social partners
- **Frameworks for workplace cooperation** that allow for independent and effective workers’ representation
- **Effective coordination** by trade unions in multi-union contexts
Research shows that social dialogue, including collective bargaining, has the potential to contribute to business performance while at the same time supporting decent work and a more equitable work environment.

**INSIGHT 1**

Social dialogue, including collective bargaining, can play a key role in absorbing shocks and preserving employment

Labour market policies and institutions shape the impact of economic shocks on employment and unemployment by affecting the degree to which enterprises absorb declines in demand through lower profits, adjustments in wages and working time, and the effective supply of labour. Better co-ordination of collective bargaining arrangements across sectors or enterprises can help to reduce the impact of an adverse shock on unemployment in the short-term by facilitating adjustments in wages and working time, so that layoffs can be avoided.⁶

One of the reasons is that it is easier to make temporary wage or working-time concessions when these are broad-based and widely shared. On the one hand, collective bargaining systems help reduce transaction costs involved in the negotiation of temporary wage and working-time reductions and, where public schemes for short-time work exist, can facilitate their implementation. On the other, the coordination of bargaining in respect of wage and working-time concessions can make these more acceptable to workers by ensuring that they are widely shared.
“The OECD believes that the Global Deal marks a tremendous opportunity for governments, businesses and trade unions to join forces and work together for the common good. As a forum where diverse stakeholders seek collective solutions to communal challenges, we are proud supporters of this initiative and will bring to bear our expertise in areas like inclusive growth, job quality and responsible business conduct to help make the global deal into a global reality.”

ANGEL GURRÍA, SECRETARY-GENERAL, ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD)

“The Global Deal is an important and necessary partnership for our times. Major transformations occurring in labour markets are challenging our shared quest for decent work and social justice for all. The Global Deal provides the long-term vision we need to promote social dialogue as the means to achieve these goals and a more equitable global economic system.”

GUY RYDER, DIRECTOR-GENERAL, INTERNATIONAL LABOUR ORGANIZATION (ILO)
INSIGHT 2
Social dialogue can contribute to improved firm performance and productivity gains

Social dialogue can facilitate increases in productivity, including through the involvement of workers in strategic decisions, and contribute to business growth. The association between unions and business performance, both in terms of profitability and productivity, tends to be more positive in enterprises with good labour-management relations and that face higher levels of product-market competition. Workplace cooperation and the involvement of workers’ representatives in dialogue on technological and organizational change helps to ensure these changes deliver desired productivity improvements. By providing a negotiating tool with which to address the potential effects on workers of multi-skilling and changes in work organization, social dialogue can also have a positive influence on an enterprise’s innovation activities.

Strong, trusting relations and a cooperative environment at work are valuable attributes in and of themselves; they are also important enablers of innovation, productivity and sustainable business growth. Social dialogue can increase productivity by identifying areas of underused capacity (capital and labour) ensuring a smooth transition to higher-productivity pathways. It can also lead to more cost-effective utilisation of labour (e.g. through the negotiation of working-time arrangements that benefit both the enterprises and workers).

CASE STUDY
Improving working conditions and promoting competitiveness in global supply chains

Enterprises participating in the ILO/IFC Better Work programme typically establish a bipartite Performance Improvement Consultative Committee (PICC). The quality of dialogue and representation in these committees is integral to change in the workplace. This means ensuring that members are freely chosen and that the number of women on these committees reflects the overall workforce. Where effective PICCs are in place, workers are likely to be more satisfied and to see real improvements from having their voices heard. Similarly, managers are more likely to perceive worker committees positively, and supervisors are less likely to be stressed. There is evidence that this contributes to improvements in productivity. The benefits of effective dialogue at the workplace and improvements in working conditions and worker wellbeing also translate into business gains: Better Work factories see an increase in profitability by up to 25% as a result of their participation in the programme.

INSIGHT 3
Social dialogue is key to managing conflict for fair and stable workplaces and societies

Social dialogue provides a process for addressing different interests. The trusting relations created through social dialogue reduce the risk of an industrial dispute and create the stability needed to ensure continued production and investment. Social dialogue also provides a tool with which to negotiate wages that reflect the needs of enterprises and allow workers to contribute to, and receive a fair share of, productivity gains. The result is sound industrial relations and stable, inclusive and sustainable enterprises.

The availability of independent and credible mediation and arbitration services can help disputing parties return to the negotiation table and use social dialogue to resolve their dispute. Tripartite social dialogue can also be used as a tool to promote labour peace and facilitate social stability during political transition.

CASE STUDY
National social dialogue in Tunisia enables peaceful democratic transition

National social dialogue in Tunisia has proved a powerful tool to enable a peaceful democratic transition. In January 2013, two years after a revolution that ended an authoritarian regime, the Government, the Tunisian General Labour Union (UGTT), the Tunisian Confederation of Industry, Trade, and Handicrafts (UTICA) signed a social contract, paving the way for improvements in labour legislation, employment policies, vocational training and education, social protection, balanced regional development and the institutionalization of social dialogue. The agreement marked a commitment by all social partners to achieve the goals of the revolution through social dialogue. In June 2015, the Cabinet approved the draft law for the National Council of Social Dialogue, designed to institutionalise tripartite social dialogue in accordance with provisions in the Social Contract. The new law (N° 54/2017 of 24 July 2017) creating the council was finally adopted by the Assembly of Representatives of the People (ARP).

In 2015, the Nobel Peace Prize was awarded to the Tunisian National Dialogue Quartet, composed of the UGTT, the UTICA, the Tunisian Human Rights League, and the Tunisian Order of Lawyers for helping to prevent a grave political and social crisis which could have escalated into a civil war in the aftermath of the 2011 revolution. In an extremely challenging environment of political and social instability, the quartet forged national dialogue with the different political forces and achieved an agreement on a roadmap that included compromises that led to the stabilisation of the political situation and the establishment of a democratic system.
INSIGHT 4
Social dialogue facilitates adjustment to and recovery from an economic crisis

Enterprises with high-trust labour relations involving different forms of social dialogue have been the most likely to adjust successfully during periods of economic crisis. These enterprises used social dialogue to get agreement to the introduction of temporary measures to cope with a sudden fall in demand. In many instances these measures – which included the reduction of working time and voluntary redundancies – helped enterprises to reduce costs while at the same time preserving jobs. Where social dialogue was well coordinated and supported by enabling institutions, it played an important role in devising responses capable of mitigating the effects of economic crises.

CASE STUDY
Articulated social dialogue in Swedish manufacturing

In Sweden, the 2008 financial crisis reduced production by 23% and led to the loss of approximately 75,000 industrial jobs. While regulatory frameworks existed in other European countries that enabled enterprises to reduce working time as an alternative to job cuts in response to adverse economic circumstances (e.g. Kurzarbeit in Germany), no such system existed in Sweden. Faced with a dramatic decline in demand in 2008, an affiliate of the Swedish Trade Union Confederation, IF Metall and several employer federations, including the Swedish Association of Industrial Employers (interviewed for this case study) signed a collective agreement at the national level. The one year agreement, named Krisavtalet (Crisis Agreement), gave the social partners at the local/enterprise level the opportunity to agree to a reduction of working hours and corresponding salary. It also encouraged social partners at the enterprise level to agree on education and training for skills development. The Crisis Agreement helped save an estimated 12,000 to 15,000 manufacturing jobs, enabled the retention of skills and the preservation of business capabilities that contributed to a speedier recovery.10

INSIGHT 5
Social dialogue helps improve the design of training systems and the retention of skills

Social dialogue can play an important role in making training schemes more inclusive. By promoting better working conditions, social dialogue also has the potential to reduce staff turnover, foster the retention of skills and strengthen the incentives of workers and enterprises for investing in human capital. In this way, it can play a key role in ensuring inclusive labour markets and facilitate processes of skills and industrial upgrading, with benefits for firm performance and the economy more widely. In many countries, social partners are involved in the identification of skills needs, the design of education and training curricula, and the design and administration of training measures. Such involvement can be an important factor in determining the effectiveness of skills policies.11 Good industrial relations can be beneficial for training in a number of ways. For example, employee participation in training decisions can help shift employer supply towards more general types of training that are more easily transferrable on the labour market, as well as push for a more equitable supply of learning opportunities.12 Involving social partners can also help in assessing and anticipating skills needs and developing education and training curricula that match labour market needs.13

While the involvement of social partners is important and frequently leads to better skills outcomes, there are times when government intervention may still be needed. Such intervention may be particularly important where employer and workers’ organisations are weak.

CASE STUDY
The design of vocational education and training systems through social dialogue

The involvement of the social partners in the identification of skills needs, the design of educational and training (VET) curricula, and the shaping of financial incentives for training can promote better skills outcomes. For example, in Austria, the social partners have high levels of engagement in the VET system through the Economic Chamber and the Chamber of Labour. Curricula are strongly connected to labour market needs and the social partners play a critical role in defining, adapting and implementing new vocational qualifications. For instance, profiles of different apprenticeships are negotiated between the social partners.14
“Scania recognizes that the foundation of the company’s success is in motivated, engaged and highly skilled employees. Supporting Global Deal comes naturally to us. Scania has a unique corporate culture where one of our company’s core values is ‘respect for the individual’.”

KENT CONRADSON, EXECUTIVE VICE PRESIDENT, SCANIA
“Well-functioning industrial relations – where freedom of association is respected and where trade unions can bargain collectively – are key to achieving fair living wages and improved working conditions in our supply chain. The Global Deal as well as the ACT collaboration and our global framework agreement with IndustriALL and IF Metall all contribute to our work within this field”

KARL-JOHAN PERSSON, CEO, H&M
INSIGHT 6
Social dialogue creates an enabling environment for sustainable enterprises
The benefits of social dialogue extend beyond any single enterprise. When adopted broadly across a sector or country, social dialogue can support economic development by providing an enabling environment for sustainable enterprise development. Tripartite social dialogue can help shape regulations and legal reforms, ensuring these address the needs of workers and enterprises of all sizes. In addition, as Insight 1 demonstrates, social dialogue can strengthen the resilience of the labour markets while also keeping economies competitive.15

CASE STUDY
Labour law reform through tripartite social dialogue in South Africa
An agreement between organized business and labour, adopted by the government in 1990, known as the Laboria Minute, stipulated that after the democratic transition, any new labour legislation would be the subject of consultation and consensus between the social partners before submission to Parliament. Following the first democratic elections in 1994, the new government established a national tripartite body: the National Economic Development and Labour Council (NEDLAC). In August 1994 the government appointed a Ministerial Task Team to draft a new labour relations bill. The draft bill was tabled at NEDLAC for discussion. There were a number of points of contention. After a process of intense negotiations between government, organized business and organized labour, an agreement was finally reached in NEDLAC. The new Labour Relations Act of 1995 was passed through Parliament in September 1996 and took effect later that year.

The regulatory framework was amended following tripartite review by NEDLAC in 1998, 2002 and 2014, focusing on issues such as the appropriateness of the framework for small and medium enterprises, the regulation of atypical employment and the need to ensure an effective labour dispute resolution system.16

INSIGHT 7
Social dialogue facilitates upgrading and offsets risk in supply chains
Effective social dialogue can play a role in reinforcing national compliance with labour standards, facilitating the upgrading of production and working conditions and improving transparency and accountability. This can diminish risk to both businesses and workers in supply chains.

CASE STUDY
Wage negotiations in Ayka, Ethiopia
Turkish Ayka textiles runs a factory in Ethiopia, Ayka Addis, which predominantly supplies Tchibo, a large German retailer. Ethiopia does not have a statutory minimum wage and wage levels range from US$50 per month for entry-level workers to around US$70-80 for more experienced workers. Ayka is one of a handful of textile and leather factories that has a functional trade union. "In the beginning it was difficult to establish the union. The management didn’t want the workers to unite and speak with a common voice," said a trade union representative. After a change in management at Ayka, and with support from Tchibo, a wage structure was introduced and a number of collective agreements have been concluded. The union played an important role in communicating the introduction of the wage structure and the associated changes in wages to the workforce, ensuring the legitimacy of these changes. As a result, labour unrest and turnover was reduced. The general manager and owners are now convinced of the value of trade union recognition and collective bargaining. Challenges remain in respect of securing improvements to product quality and productivity, necessitating broader skills and industrial upgrading.17

CASE STUDY
Winning performance gains in the construction of terminal 5 at Heathrow Airport
The construction of the Terminal 5 building (‘T5’) at London’s Heathrow Airport was one of enormous complexity, because of the multiple sets of contractual relationships involved, and one of considerable financial and reputational risk for the client, the airport operator British Aviation Authority (BAA). BAA set out an industrial relations policy for work at the T5 site, which was incorporated in the T5 Agreement — a legally binding contract that governed relations with its suppliers, and provided the basis for agreements between ‘first tier’ suppliers and their own subcontractors. The T5 Agreement incorporated innovative mechanisms for social dialogue between unions and management contained in a Major Projects Agreement (MPA) — a framework collective agreement designed to enhance performance outcomes in large-scale engineering projects. The relevant principles included the negotiation of local agreements no less favourable than existing national and sectoral agreements and the ‘cascading’ of agreed terms and conditions and employment quality standards to second-tier subcontractors and suppliers, together with arrangements for the monitoring of their performance and dispute resolution. The facility opened to the public on 30 March 2008 and represented a £4.3 billion investment to BAA. Overall, the T5 project met a broad range of objectives, which included enhanced productivity, a reduction of costs, and a high quality project, while preserving above-industry average labour standards. Of the 9.6 million hours worked, no working time was lost to disputes, labour turnover of 1st tier suppliers was 5.4% (the industry average was 15%) and absenteeism was 3.5% of hours worked (the industry average was 4%).18
The OECD Guidelines for Multinational Enterprises recognise that social dialogue is a pillar of responsible business conduct. Not only are the principles of freedom of association and collective bargaining at the core of the employment and industrial relations Chapter of the Guidelines (Chapter V), the Guidelines’ general principles also encourage enterprises to engage in and support social dialogue on responsible supply chain management.

To help companies meet these expectations, the OECD has developed – through a multi-stakeholder process involving governments, business, trade unions, civil society and relevant experts – detailed guidance to identify and respond appropriately to supply chain due diligence risks in the minerals, extractives, agriculture, garment & footwear and financial sectors. These guidance have been instrumental in defining what supply chain due diligence on freedom of association and collective bargaining means in practice and when and how stakeholders should be included in the due diligence process.

Social dialogue is also at the heart of the unique non-judicial grievance mechanism of the Guidelines – the National Contact Point (NCP) mechanism. One of the key roles of the NCP, which are set up by all adhering governments – 48 to date – is to provide good offices to address and resolve issues arising from implementation of the Guidelines.

Since 2000, over 400 cases have been received by NCPs concerning issues that have arisen in over 100 countries. Issues surrounding social dialogue have been subject of the majority of cases brought (54% of all cases to date concern employment and industrial relations). Social dialogue has also been crucial to resolve cases, 25% of all cases have been filed by trade unions and meaningful results have been achieved in these cases.\(^{19}\)

The ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration) provides comprehensive social policy guidelines to encourage the positive contribution of company operations to economic and social progress and decent work, and to minimize or resolve their potential negative effects. The MNE Declaration provides guidance on employment, training, conditions of work and life, industrial relations, and general policies. It directly addresses enterprises—both multinational and domestic—as well as governments and employers’ and workers’ organizations.

Social dialogue lies at the heart of the MNE Declaration, and is the key means to achieve its objectives. The MNE Declaration highlights the role of social dialogue at three distinct levels: enterprise, national and inter-governmental. Freedom of association and the right to organize, collective bargaining, workplace consultation, access to remedy and examination of grievances, and settlement of industrial disputes are central and ongoing processes in enterprise operations. National tripartite-plus social dialogue is vital to ensure that business operations are aligned with national development priorities, particularly on employment, vocational training and occupational safety and health. Cross-border dialogue and consultation between home and host country governments is also important for the exchange of good social practice and to address issues of mutual concern.

Annex II of the MNE Declaration sets out operational tools with the following specific social dialogue structures:

- Regional follow-up provides a periodic opportunity for regional tripartite social dialogue to discuss issues of particular concern addressed in the MNE Declaration.
- Governments, employers’ and worker’s organizations are commended to appoint national focal points on a tripartite basis, taking guidance from the Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144), to promote the use of the MNE Declaration in enterprise operations and government policies.
- ILO technical assistance supports governments and social partners at the national level to develop dialogue platforms to promote alignment of company policies with national development objectives.
- The ILO Helpdesk for Business provides information to companies (both managers and workers and their organizations) and encourages them to use the information to stimulate dialogue within the enterprise.
- And the company-union dialogue procedure provides a neutral ground for multinational enterprises and the representatives of the workers affected, in particular trade unions, to voluntarily meet and talk, without prejudice, about issues of mutual concern.
“The world needs a new set of rules to guide how companies treat their people to deliver dignity and meaning through work. We applaud the Swedish Prime Minister in his effort with the Global Deal and look forward to working with him and other partners to support business leaders in helping to make this vision a reality.”

THE B TEAM

20
Support Social Dialogue: Join the Global Deal

The Global Deal for decent work and inclusive growth is a multi-stakeholder partnership aimed at addressing the challenges in the global labour market and enabling all people to benefit from globalisation. The purpose of the Global Deal is to enhance social dialogue and promote sound industrial relations.

In joining the Global Deal, countries, business, trade unions and other organisations declare their support for the principles underpinning the Global Deal and submit voluntary commitments to enhance social dialogue. The Global Deal is not legally binding and its aim is not to develop a new framework or agreement. Instead, the Global Deal seeks to build a platform for highlighting the issue of cooperation between parties and strengthen existing cooperation structures. The Global Deal will build on already established initiatives and projects, and will contribute by providing political direction and impetus to overall development, by systematizing and scaling up existing processes. Joining the partnership enables the associated partners to participate in exchanges of ideas, joint projects, lessons learned and policy advice.

For a company, joining the Global Deal contributes to the challenging work of reaching SDG8 on decent work and economic growth. It provides a platform to connect with other stakeholders, and collaboration and partnerships are evidently key to establishing dialogue and achieving sustainable development. Many companies are already driving existing projects that they can share as inspiration to others. Global Deal does not require any additional reporting. Best practices and experiences are shared through the partnership and companies can showcase their activities and thereby inspire others and contribute to improvements. The Global Deal also gives businesses a unique connection to governments and platforms for cooperation at both national and international levels.

To learn more, visit www.theglobaldeal.com
KEY INSIGHTS:

1. Social dialogue, including collective bargaining, can play a key role in absorbing shocks and preserving employment.

2. Social dialogue can contribute to improved firm performance and productivity gains.

3. Social dialogue is key to managing conflict for fair and stable workplaces and societies.

4. Social dialogue facilitates adjustment to and recovery from an economic crisis.

5. Social dialogue helps improve the design of training systems and the retention of skills.


7. Social dialogue facilitates upgrading and offsets risk in supply chains.

ENDNOTES

7. Workers participation in decision-making can address information asymmetries and improve the quality of managerial decisions. It can increase morale in the workplace and labour productivity by enhancing worker perceptions about the fairness of the decision. See Stiglitz, J. “Democratic Development as the Fruity of Labour”, Perspectives on Work, Vol. 4, No. 1, 2000.
20. The B Team is a not-for-profit initiative formed by a global group of business leaders to catalyse a better way of doing business, for the wellbeing of people and the planet.
ABOUT “THE BUSINESS CASE FOR SOCIAL DIALOGUE”
This Thematic Brief draws on an ILO Working Paper that was produced by a team from the University of Manchester who conducted a review of evidence on the role and impact of social dialogue in contemporary business.

To read the full report, please visit: www.theglobaldeal.com/report

It also draws on the research undertaken for the OECD Employment Outlook, 2017, in particular insights on the role of collective bargaining in a changing world of work.

Please see: www.oecd.org/els/oecd-employment-outlook-19991266.htm

Readers wishing to examine the evidence on which the insights in this Thematic Brief are drawn, are invited to consult these texts.