



Governing Body

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Committee on Sectoral and Technical Meetings and Related Issues

STM

FOR INFORMATION

FIRST ITEM ON THE AGENDA

The sectoral dimension of the ILO's work

Update of sectoral aspects regarding the global economic downturn: Public administration

Overview

Issues covered

This paper provides an overview and analysis of recent employment and labour developments in public administration.

Policy implications

None.

Financial implications

None.

Action required

The Committee is invited to take note of the information provided.

References to other Governing Body documents and ILO instruments

Global Jobs Pact, 2009.

Digest of decisions and principles of the Freedom of Association Committee of the Governing Body of the ILO (2006).

Executive summary

This paper provides an overview and analysis of recent employment and labour developments in public administration. Many social, political and economic factors influence public administration employment, so that not every fluctuation in employment, wages and working conditions is attributable to the economic downturn. The downturn has however increasingly affected public employment working conditions during 2010 and in a different way in each country, according to the nature of its linkages to the global economy.

The slowdown in economic activity due to the economic crisis has reduced government revenues, thus impacting public administration. Losses in taxes on sales, incomes, corporate earnings, capital gains and property, together with increased expenditures on stimulus packages and social protection, have reduced governments' fiscal and political options.

The evidence available shows that employment in public administration has been most reduced in the United States and Europe. In Europe, the impact was felt more heavily in eight countries that reduced employment by 172,000 in the year ending June 2010. In the United States, total employment in public administration fell below pre-recession levels for the first time in July 2010, and local governments reduced employment by 143,000 in the third quarter of 2010. The evidence available for Asia and the Pacific and for Latin America suggests that employment in public administration showed a tendency to rise. However, some countries in these regions have reduced or plan to reduce employment in public administration partly because the crisis has slowed down important private economic sectors. While employment reductions in Europe have affected more women than men, the opposite occurred in Asia and the Pacific.

In Europe, salaries in public administration since before the economic crisis have risen at a slower pace than in the private sector, including under negotiated collective agreements. However, workers in some countries in and outside Europe received wage increases. The ratio of public to private wages in Europe is closely related to the share of public employment in these economies. Since 2008, workers in public administration in some European countries have seen their wages reduced, mostly as part of fiscal consolidation packages coordinated with international institutions or in preparation of bond auctions. Many of these packages have also included changes in the retirement age and in pension entitlements.

Social dialogue has been instrumental in the development of these measures in some countries, but in others the lack thereof has caused extended social unrest. The ILO Director-General has called attention to the harmful effects of premature exit strategies and cutbacks in public sector employment. Since in the near future the downturn may impact countries that have not yet been affected, this paper concludes by suggesting that governments may wish to engage in social dialogue in public administration when seeking measures to counter the downturn, in order to ensure that measures find wide support and the risk of social unrest is reduced.

Introduction

1. The global economic downturn has impacted on public administration by severely limiting policy options available to governments. A decline in economic activity has reduced government revenue in most countries, which has induced governments to change the employment conditions of public servants and withdraw stimulus packages. In some cases, these measures have led to social unrest, mainly because of the lack of social dialogue in the development of restructuring programmes. At the same time, continuing economic decline has increased demand for services, resulting in additional pressure on the civil service. Due to new policies aimed at addressing budget deficits, as well as to the implementation of previously existing reform proposals, employment in the public service has become less stable and lifetime employment schemes less predominant.
2. The impacts on employment and working conditions differ in each region, with national governments in Europe and local governments in the United States being hit harder in 2009–10 than most Latin American, African and Asian governments. However, since much of the policy response has been aimed at preventing corporations from collapsing, proportionately more government resources have been spent on bailouts and monetary and fiscal incentives for businesses than on maintaining public services or increasing employment.

Reduction of government resources

3. National rescue and stimulus measures adopted to counter the economic downturn have increased government debt and deficits.¹
4. The recession also had the general effect of reducing tax revenues for all levels of government in most countries. Reduced consumer spending, rising unemployment, bankruptcies, profit reductions and property foreclosures led to loss of revenue from taxes on sales, incomes, corporate earnings, capital gains and property. In countries with a developed social security system, the recession also increased the payment of unemployment and other benefits and services. Both the fall in taxes and the rise in benefits increased government deficits.
5. Developed countries have used a portion of their fiscal resources to rescue their financial sector, which has resulted in a reduced ability to repay debts. Investors, credit agencies and international financial institutions have encouraged reductions in public spending to increase repayment capacity. Table 1 shows the countries in which specific measures have been taken to support fiscal consolidation efforts.

Table 1. Overview of fiscal consolidation programmes in G20 and European Union countries

	Effective increase in taxation	Effective cuts in social security	Public sector cuts	Other spending cuts
Australia	X			
Canada			X	X

¹ See ILO: *World of Work Report 2010: From one crisis to the next?*, International Institute for Labour Studies (Geneva, 2010), for details of how governments have responded to the financial crisis.

	Effective increase in taxation	Effective cuts in social security	Public sector cuts	Other spending cuts
Denmark	X	X	X	X
Estonia	X	X		X
France	X	X		
Germany	X	X		X
Greece	X	X	X	X
Hungary	X		X	
India	X	X		
Indonesia	X			
Ireland	X	X	X	
Italy		X	X	
Latvia	X	X	X	
Lithuania	X	X	X	X
Netherlands		X	X	X
Portugal	X		X	X
Romania		X	X	
Slovenia				X
Spain	X	X	X	X
United Kingdom		X	X	X

Note: The table indicates planned or actually implemented consolidation measures in four main areas up to 2015. Tax measures include increases in excise taxes, personal and capital income taxes, and taxes on financial services. Cuts in social security cover measures related to public pension, health care, education and unemployment benefit systems. Public sector cuts include both wage cuts and reductions in public sector employment. Other spending cuts include cuts both in infrastructure and military spending and in foreign aid.

Source: ILO: *World of Work Report 2010*, op. cit., p. 64.

6. Developing countries, on the other hand, have seen steep reductions in tax and non-tax revenue from their main sources of foreign capital: tourism in the Caribbean, mining in sub-Saharan Africa, and textiles in Asia. These have underscored previously existing discussions about the size of government payrolls and pension obligations, especially where population ageing already strained resources. Since these concerns had already been expressed in many countries, not all measures can be attributed to the impact of the crisis. A 2009 ILO study has identified the principal transmission mechanisms of the crisis to developing countries as weakening linkages with the global economy such as lower trade and private capital flows, migration and remittances, deteriorating terms of trade and aid transfers.² Public revenues have been affected in proportion to their dependence on such linkages.

² I. Islam: *The global economic crisis and developing countries: Transmission channels, fiscal and policy space and the design of national responses*, Employment Working Paper No. 36, Employment Sector (Geneva, ILO, 2009).

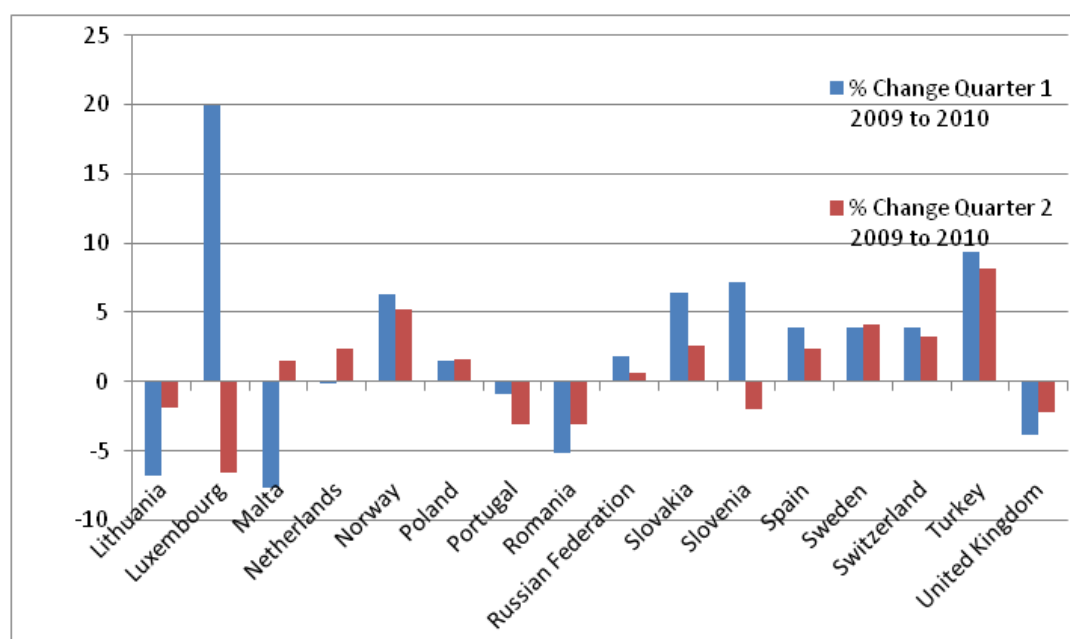
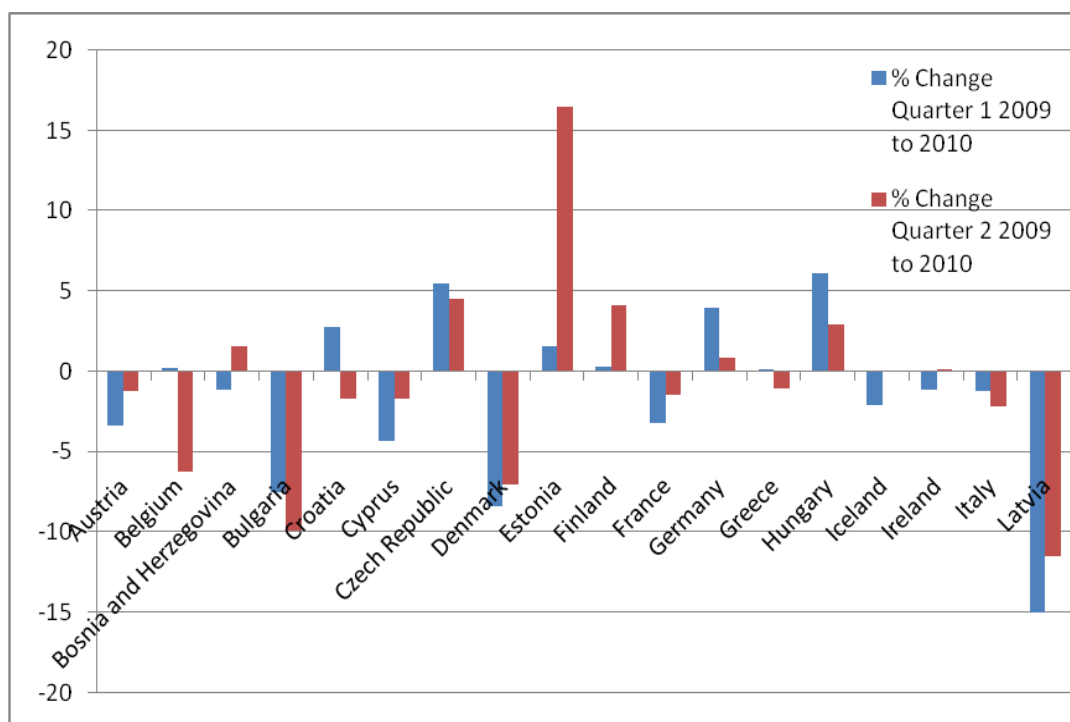
Impact of the recession on employment in public administration

7. The Global Jobs Pact confers priority attention on employment promotion and creation through, among other approaches, the provision of quality public services. The ILO's *World of Work Report 2010* finds that public employment "played an important role in preventing employment from declining further at the beginning of the crisis", but its positive impact on job creation "seems to have a more limited effect" than other types of government spending.³ On the other hand, other research has shown that social services create more direct employment than spending on infrastructure.⁴
8. The available evidence does not show that employment in public administration has been affected during 2009–10 outside Europe and the United States. In those countries where it has been affected, the trend seems to follow the strategies implemented in previous financial crises and transitions, of reducing public administration costs through payroll reductions.
9. Public administration employment in Europe increased from 19.535 million in March 2008 to 20.817 million in March 2009 (an increase of 6.5 per cent), and then to 20.989 million in March 2010 (an increase of 0.8 per cent). It also increased from 19.743 million in June 2008 to 21.106 million in June 2009 (an increase of 6.9 per cent) and 21.160 million in June 2010 (an increase of 0.3 per cent). On the other hand, the effects of the downturn became more evident in the third quarter of 2009: public administration employment in the region dropped from 21.122 million in September 2009 to 21.111 million in December 2009 (a decrease of 0.052 per cent), and then to 20.989 million in March 2010 (a decrease of 0.057 per cent), which was still above the level of March 2009.
10. A different picture arises from a country-by-country analysis. In 15 of the 34 European countries for which data are available, employment in public administration dropped during the year from March 2009 to March 2010 and in 16 of them in the year from June 2009 to June 2010. In Bulgaria, Denmark, Italy, Latvia, Lithuania, Portugal, Romania and the United Kingdom, it was reduced by an aggregate of 172,000 between March 2009 and March 2010 and by an aggregate of 145,600 between June 2009 and June 2010. Austria, Belgium, Croatia, Cyprus, France, Greece, Luxembourg and Slovenia also registered lower levels of employment reductions in public administration between June 2009 and June 2010.
11. Fiscal consolidation reduced public administration employment levels in countries where the financial crisis was felt earlier and which had obtained assistance from international financial institutions, but also in others that had not (see figure 1). It should be noted that Austria has reduced employment in public administration since the 1990s, and France since 2007–08.

³ ILO: *World of Work Report 2010*, op. cit., p. 69.

⁴ R. Antonopoulos et al.: *Why President Obama should care about "care": An effective and equitable investment strategy for job creation*, Public Policy Brief No. 108, Levy Economics Institute of Bard College (Annandale-on-Hudson, NY, 2010), p. 5; M.E. Warner and Z. Liu, "The importance of child care in economic development: A comparative analysis of regional economic linkage", in *Economic Development Quarterly* (2006, Vol. 20, No. 1, Feb.), pp. 101–102.

Figure 1. Public administration: Percentage change in employment in Europe, 2009–10, Q1 (January–March) and Q2 (April–June), selected economies

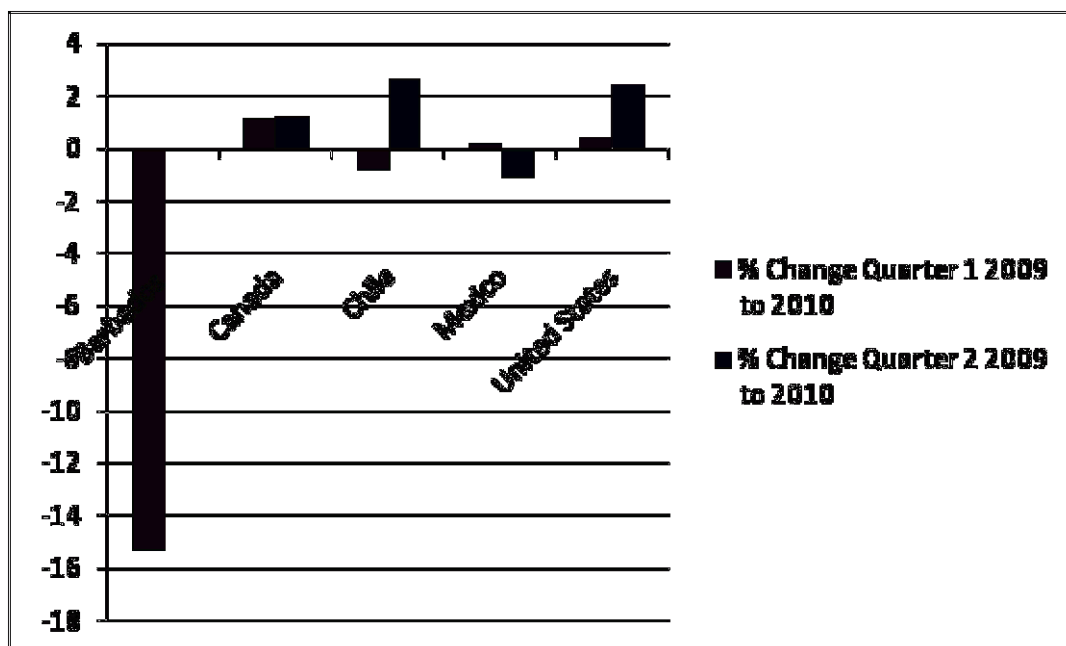


Source: National labour surveys.

12. The scarce data available for the Americas region tends to follow the trends in linkages to the global economy that characterize each region or subregion, as suggested at the beginning of this paper (see figure 2). Chile, the only South American country for which information is available to the ILO, reduced public administration employment by 13,680 in the year from March 2009 to March 2010, and increased it in the second quarter of 2010 by 49,880 as compared to the previous year. Meanwhile, Barbados was severely affected by the slowdown in tourism, while reducing public administration employment by 4,200 or

15.3 per cent. Another country affected by this trend was Cuba, which plans to reduce the government payroll by 500,000 by March 2011 and by 1 million workers in the future. The United States registered an increase in public administration jobs in the year preceding June 2010, but fell below pre-recession levels for the first time in July 2010. Local governments in the United States reduced 143,000 jobs in the third quarter of 2010,⁵ mainly because they operate on the basis of many of the taxes that have been reduced by the slower economic activity.

Figure 2. Public administration: Percentage change in employment in the Americas region, 2009–10, Q1 (January–March), and Q2 (April–June), selected economies

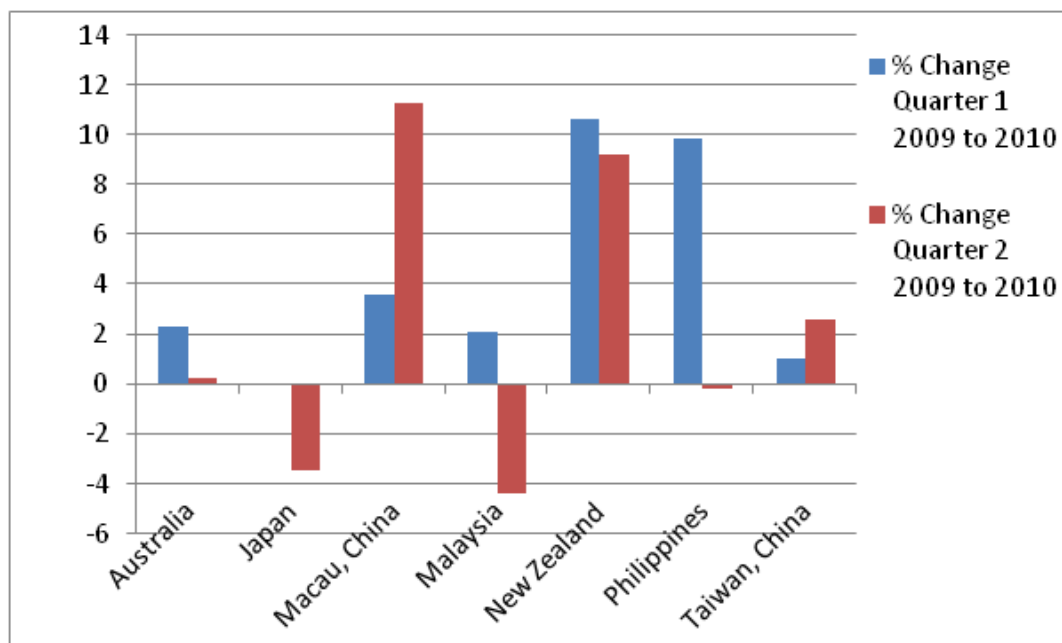


Source: National labour surveys.

13. In Asia the picture was markedly different: data available for a reduced number of countries showed a tendency to increased employment in public administration (figure 3): in the countries for which data are available (except Japan), employment increased by an aggregate of 244,710. Japan – whose downturn preceded the current crisis – reduced employment from 2.170 million in March 2008 to 2.140 million in March 2009, a figure that remained unchanged in March 2010. Besides, the recurrent seasonal increase in the second quarter of each year was reduced in 2010, as employment was 2.310 million in June 2008 and June 2009, but a reduced 2.230 million in June 2010.

⁵ D. Leonard: “Biggest local cuts in 30 years”, in *The New York Times*, 8 October 2010.

Figure 3. Public administration: Percentage change in employment in Asia and the Pacific, 2009–10, Q1 (January–March), and Q2 (April–June), selected economies



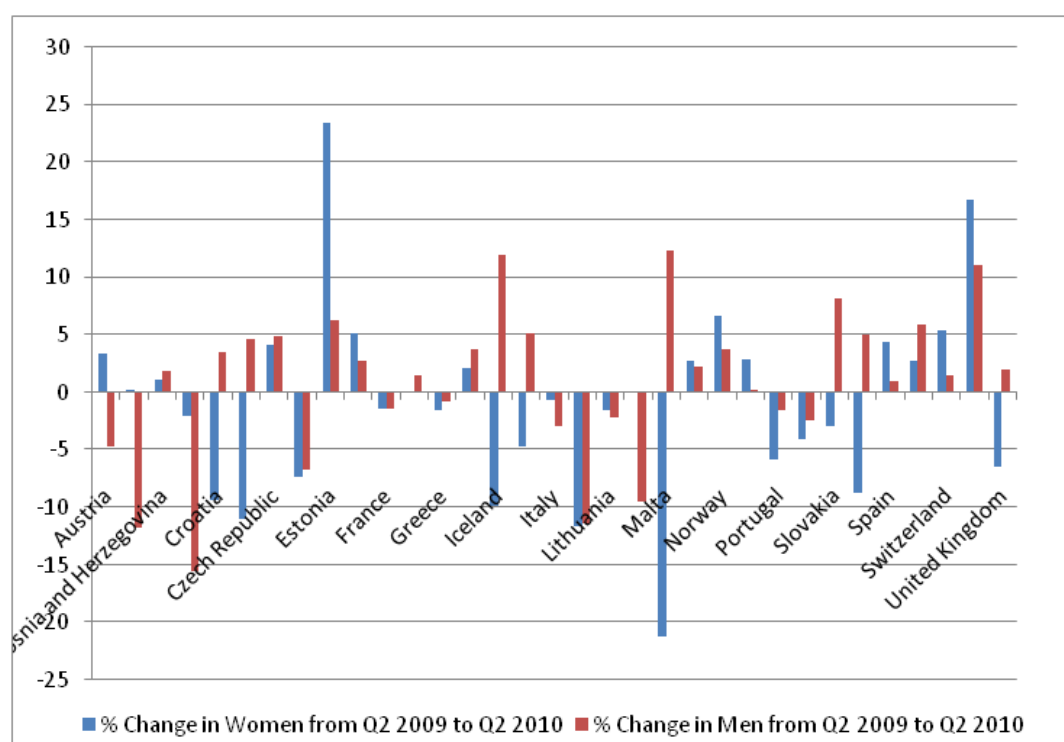
Source: National labour surveys.

The gender dimension

14. Employment in public administration has become highly gendered, with particular services rendered predominantly by men or women workers respectively. Many government programmes provide services that have traditionally been delivered by women in their communities, and employ more women than men to provide them. However, there have been a number of significant innovations in public employment schemes in response to the crisis. Countries have invested in work in social sectors, environmental services and multi-sectoral community-driven programmes in addition to traditional infrastructure projects. As construction work has remained a typically male occupation, these new work schemes have helped to create employment opportunities for women. In addition, when public employment programmes are framed within a long-term development approach, they have the potential to mitigate the impact of a crisis on employment, as well as ensure more inclusive growth.⁶
15. Changes in public administration employment around the world during the year preceding June 2010 have affected men and women differently, according to the political decisions that have been made regarding the services that were increased for various reasons or those that were reduced as a fiscal consolidation measure. While 17 of 33 European countries reduced female employment in public administration, only 12 reduced male employment (figure 4). Changes in employment thus affected men less prejudicially overall.

⁶ IMF/ILO: *The challenges of growth, employment and social cohesion*, discussion document of the joint ILO–IMF Conference in cooperation with the office of the Prime Minister of Norway, Oslo, September 2010 (Geneva, 2010).

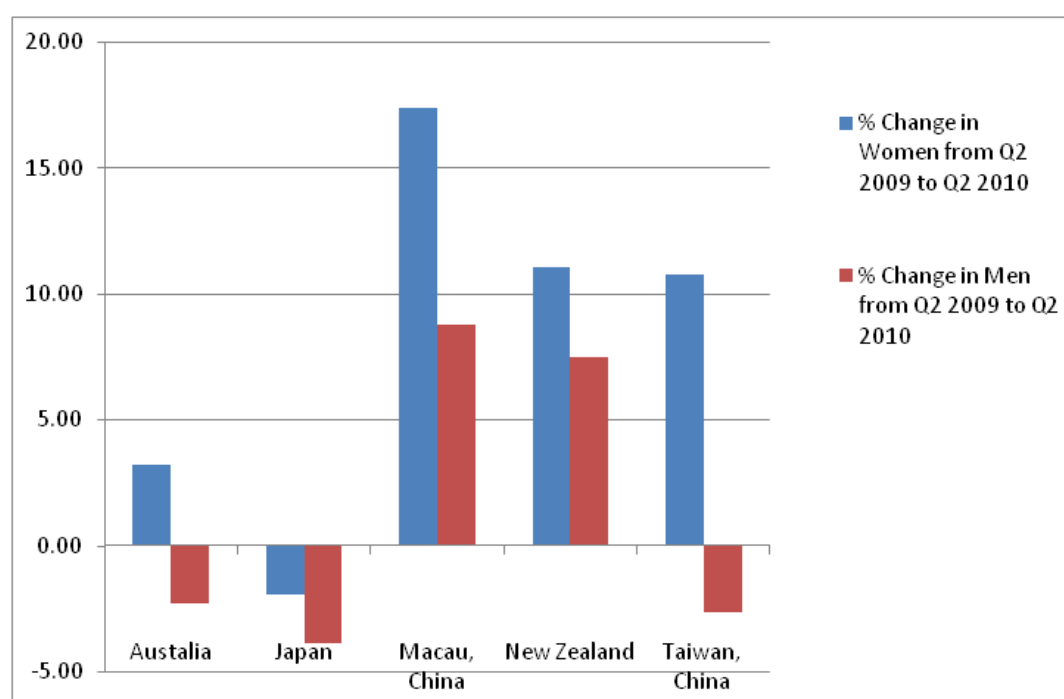
Figure 4. Public administration: Percentage change in employment in Europe, Q2 2009–10, selected economies, disaggregated by sex



Source: National labour surveys.

16. The data available for Asia is more uniform, showing females benefiting more than males from employment in public administration (figure 5).

Figure 5. Public administration: Percentage change in employment in Asia and the Pacific, Q2 2009–10, selected economies, disaggregated by sex



Source: National labour surveys.

Changes in public sector wages

17. Earnings in the public sector rose faster than earnings in the private sector during the year ending March 2010 in half the European countries for which data are available (table 2). Latvian, Lithuanian and Hungarian public workers saw decreases in pay before other European colleagues. Portuguese, Spanish and British public workers saw lower pay rises than private sector workers early in 2010.

Table 2. Changes in wages and salaries, Europe, Q1 2008–Q1 2010

Country	Public administration	Private sector (business economy)
Bulgaria	24.2	32.3
Cyprus	10.5	6.6
Czech Republic	9.8	3.2
Estonia	0.4	-3.3
Germany	6.9	4.0
Hungary	-7.9	8.8
Latvia	-25.3	0.3
Lithuania	-13.7	-10.5
Luxembourg	8.2	7.0
Malta	5.9	2.6
Poland	19.3	9.0
Portugal	3.0	3.4
Romania	0.1	26.3
Slovakia	12.3	7.5
Slovenia	7.9	11.7
Spain	4.0	7.5
United Kingdom	0.8	0.9

Source: D. Hall, V. Corral and S. van Niekerk: *The impact of the economic crisis in public sector pay* (Public Services International Research Unit (PSIRU), University of Greenwich, United Kingdom, 2010), table 3, pp. 7–8. Available at <http://www.psiru.org>.

18. In Australia, wage increases were also higher in the public sector (at 1.9 per cent from December 2009 to February 2010, and 6.3 per cent from February 2009 to February 2010) than in the private sector (0.9 per cent from December 2009 to February 2010, and 5.6 per cent from February 2009 to February 2010).⁷
19. Negotiated pay increases in European public administration were already lower than in other sectors before the period covered by this paper (table 3). Agreements reached during 2008 and 2009 in Belgium, Bulgaria, Estonia, Greece, Hungary, Ireland and Slovenia included pay freezes.

⁷ Economist Intelligence Unit: “Economic performance: Current indicators paint a tentatively positive picture”, August 2010.

Table 3. Pay increases in collective agreements in the European Union (27 countries), 2008 and 2009

	2008		2009	
	Nominal increase %	Real increase %	Nominal increase %	Real increase %
All sectors	5.0	0.5	4.2	2.9
Civil servants	4.2	–	2.9	–

Source: EIRO: *Pay developments* (2009), cited in Hall, Corral and van Niekerk, op. cit, p. 8.

20. The factors that can best explain pay fluctuations in public administration are differences in institutions and political processes, union organization, the political approaches of governments, the legal status of collective agreements and the role of external actors, such as the International Monetary Fund (IMF) or the bond markets.
21. The ratio of public to private wages in Europe is closely linked to the share of the workforce in the public sector. In countries with a higher proportion of employment in the public sector, such as Finland and France, public sector wages/salaries per employee are almost identical to those in the private sector, whereas in countries where public sector employment is a much lower percentage – Italy, Netherlands and Portugal – the average wage/salary in this sector is more than 50 per cent higher than in the private sector. Moreover, this correlation is far more statistically significant than that between public sector pay and the economic cycle. Public sector pay determination is far less likely to affect private sector wage settlements where there is stricter employment protection legislation in the private sector.⁸ A study of public–private relativities in Italy, France and the United Kingdom found that in 2001, after adjusting for industrial and occupational differences, public employees received higher pay than their private sector counterparts only at the lower end of the pay scale.⁹
22. A number of European Union countries and Iceland have taken policy decisions to cut the pay of government and/or public sector employees in 2008–10. The experiences in some countries have also included the prioritization of reducing deficits over defeating recession and the restructuring of pay bargaining systems.¹⁰ A review of measures affecting salaries in selected countries in 2010 is presented in table 4.

Table 4. Changes in public sector salaries, January–October 2010, selected countries

Country	Salary increases	Salary reductions	Salary freezes	Reduced increases
Finland	X			
France	X			
Germany	X	X		
Greece		X	X	
Hungary		X		

⁸ Hall, Corral and van Niekerk, op. cit., p. 17.

⁹ P. Ghinetti and C. Lucifora: *Public sector pay gaps and skill levels: A cross-country comparison*, Working Paper No. 118, SEMEQ Department, Faculty of Economics (University of Eastern Piedmont, 2008).

¹⁰ Hall, Corral and van Niekerk, op. cit., p. 9.

Country	Salary increases	Salary reductions	Salary freezes	Reduced increases
Ireland		X	X	
Italy			X	
Luxembourg			X	
Moldova, Rep. of	X			
Mozambique			X	
Myanmar	X			
Netherlands			X	
Portugal		X	X	
Romania		X		
Russian Federation	X			
Slovenia				X
South Africa	X			
Spain		X	X	
Swaziland	X			
Syrian Arab Republic	X			
Ukraine	X			
United Kingdom	X		X	
United States	X	X	X	

Sources: Available on request.

23. The IMF has requested most of the countries that seek emergency assistance to reduce employment costs. Other countries are suffering from a combination of falling exports and capital flow reversals that have reduced their ability to sustain employment levels. In Hungary, Pakistan and Ukraine, for example, IMF assistance has come with conditions on reducing fiscal deficits through measures such as lowering public expenditure, gradually eliminating energy subsidies, raising electricity rates, freezing public sector wages, capping pension payments and postponing social benefits.¹¹ Table 5 indicates the basis for cuts in public sector pay in selected European countries.

Table 5. Reasons for cutting public sector pay, selected European countries, January 2008–August 2010

Country	IMF agreement	Prior to bond auctions
Greece	X	X
Hungary	X	
Iceland	X	
Ireland		X
Latvia	X	
Portugal		X
Romania	X	X

¹¹ J. Ghosh: “Global crisis and beyond: Sustainable growth trajectories for the developing world”, in *International Labour Review* (2010, Vol. 149, No 2), p. 213. Available at <http://www.ilo.org/intranet/english/support/publ/revue/articles/2010-2/s4ghosh.pdf>.

Country	IMF agreement	Prior to bond auctions
Spain		X

Source: Hall, Corral and Van Niekerk, op. cit., table 5, p. 9.

24. The ILO's *World of Work Report 2010* concludes that the public sector wage and employment cuts included in many consolidation packages had immediate negative labour market consequences. On the other hand, expenditures on training programmes and public employment services can be expected to have positive effects on job creation. In addition, strengthened social protection systems (including well-designed policies for education, health care and pensions) can have a favourable impact on reducing precautionary savings that would subtract from aggregate demand.
25. In previous structural adjustments, notably in Africa, many countries have suffered a steady drain of talent from the public sector, especially the core civil service, to foreign corporations, non-governmental organizations and aid agencies.¹²

Effects of the crisis on public sector pensions

26. The Global Jobs Pact requested governments and the social partners to employ social security systems in the recovery process, and to develop “adequate social security for all, drawing on a basic social protection floor including: access to health care, income security for the elderly and persons with disabilities, child benefits and income security combined with public employment guarantee schemes”.¹³
27. During 2010 several countries have announced changes or plans to make changes in retirement benefits (table 6). It is particularly the changes in retirement age that have caused high levels of social conflict.

Table 6. Changes in pensions and retirement ages, selected countries, December 2009–October 2010

Country	Changes in retirement age	Plans to make changes	Current retirement age	New retirement age	Retirement age adjusted to life expectancy	Pension increases	Pension reductions	Pension freezes
Bulgaria						X		
France		X	60	62 (July 2011)				
Germany	X		65	67 (2012–29)				
Greece	X		60 (female)	65 (female)			X	
Ireland	X		65	66 (minimum public service pension age, 2010)				

¹² Hall, Corral and van Niekerk, p. 18.

¹³ ILO: *Recovering from the crisis: A Global Jobs Pact*, p. 4, para. 12(1)(ii).

Country	Changes in retirement age	Plans to make changes	Current retirement age	New retirement age	Retirement age adjusted to life expectancy	Pension increases	Pension reductions	Pension freezes
Italy	X		61 (female civil servants)	65 (female civil servants) (1.1.2012)	X			
Lithuania		X		65				
Netherlands	X		65	66 (in 2020)	X			
Portugal							X	
Romania		X	60 (men) 55 (women)	65 (men) 60 (women) (2015)			X	
Spain		X	65	67				X
United Kingdom		X	65	66		X		

Sources: Available on request.

28. There are diverse motivations for these changes, but the information available suggests that they are mostly intended as part of fiscal consolidation packages. In Greece, Italy, Lithuania and Romania, for example, these packages were developed in coordination with international financial institutions. In France, Germany and the Netherlands, on the other hand, increasing the retirement age is proposed as a way of ensuring that retirement benefits remain affordable. In France and in Greece, these changes have produced extensive social unrest. In the Netherlands, government and worker representatives came to agreement on the issue.

Impact on social dialogue and collective bargaining

29. In contrast to previous financial crises, this one has been felt more strongly in countries that have developed advanced collective bargaining systems in public administration. Since 2008, some national trade unions (for example, in Ireland), and in local jurisdictions of the United States have settled for low or no pay increases in order to protect jobs. However, in several countries reductions in pay and working conditions have involved a fundamental break from social partnership agreements, resulting in widespread labour unrest (see table 7).

Table 7. Public sector strikes, January–October 2010, selected countries

Country	Month	Reason	Outcome
France	January March	Social and economic policies	Measures were implemented
	May September	Pension reform	Pension reform bill passed a vote in the Chamber of Deputies in September and in the Senate in October
Greece	February	Austerity measures	Deficit-cutting measures continued after the strikes
	March (3)		
	June		
	July October		
Italy	February	Austerity measures	Measures were implemented

Country	Month	Reason	Outcome
	March July		
	June	Austerity measures	
Germany	February	Warning strikes to pressure wage negotiations	Gradual increase in salaries by around 2.3 % through 2011
Portugal	March	The Government had proposed a general freeze on wages, cuts in sector pensions, and 5% pay cuts for civil servants and politicians	Measures were implemented
United Kingdom	March September	Plans to cap redundancy pay, austerity measures	Measures were implemented, although some were annulled in the High Court
Romania	May October	Plan to reduce wages	Measures were implemented
	June	Austerity measures	
Spain	June	Plans to freeze pensions and make changes to retirement regulations; 5% average civil servant wage reduction	No agreements reached
	September (cross-sectoral)	Austerity measures	
South Africa	August–September	Public sector unions rejected a salary increase of 6.5% and called a national strike in support of an increase of 8.6%, more than twice the rate of inflation	The Government raised its proposal on salary increases, but an agreement has not yet been reached
Belgium Greece Ireland Italy Latvia Slovenia Spain	29 September 2010	Austerity measures	The European Trade Union Confederation coordinated action in EU countries, including a demonstration in Brussels and a general strike in Spain

Sources: Available on request.

- 30.** Because of the strong pressures imposed by financial markets and institutions, social dialogue mechanisms in European countries have faced severe strains in 2010. In Spain, attempts at social dialogue broke down temporarily because of the lack of space for agreement on the size of the austerity measures, which the Government perceived as urgent and necessary in both the short and long term. In Greece and Italy, the urgency was so pressing as to pre-empt social dialogue altogether. In all three cases, social unrest has been the direct result.
- 31.** The judicial system intervened in the issue in the United Kingdom, where the Government agreed with five trade unions in February 2010 to reduce the maximum available redundancy compensation to two years' pay. However, when the largest civil service union (Public and Commercial Services Union (PCS)) challenged the decision, the High Court ruled that the amendment was unlawful and ordered the Government to bargain, concluding that it was not lawful to unilaterally "cut down existing protective rights".¹⁴ Decisions taken by the Supreme Courts of Latvia and Romania declared

¹⁴ England and Wales High Court 1027 (Admin), 10 May 2010, para. 52(iii).

unconstitutional the legislative Acts or Bills which introduced pension reform in the context of austerity measures;¹⁵ also, an appeal against wage and pension cuts, including in the public sector, is pending before the Greek Council of State.

32. Where social dialogue has functioned in securing agreement on managing reductions in public sector pay and benefits, labour unrest can be limited or eliminated altogether. For example, in Ireland an agreement was reached between the Government and the Public Services Committee of the Irish Congress of Trade Unions to establish a four-year pay freeze and a commitment by the Government not to implement compulsory redundancies and to maintain existing pension arrangements. In addition, the agreement includes the option of reversing the pay reductions introduced in 2009. In exchange, the trade unions committed to maintaining industrial peace.

Looking to the future

33. During the opening session of the 99th (2010) International Labour Conference, the Director-General called attention to the harmful effects on economies of premature exit strategies and cutbacks in public sector employment, particularly when compared to their small impact on overall debt levels. In devising strategies, it is important to note the circumstances of each country and to understand that not every fluctuation in employment levels or terms is attributable to the current crisis. Nevertheless, the pursuit of new forms of service delivery, whether tied to the consequences of the economic slowdown or otherwise decided as a matter of government policy reform, requires strong social dialogue and skill-building components if it is to be successful in meeting objectives.

34. The *World of Work Report 2010* suggests that:

... in contrast to these consolidation measures, countries should use their available fiscal space to the full. Indeed, these countries could even consider a further increase in spending over the next three years in the order of 3 per cent of GDP ... such additional spending would lead to a robust reaction of employment that is sufficiently strong to overcompensate the initial deterioration of public finances.¹⁶

35. The Committee on Freedom of Association (CFA) of the Governing Body has noted that although it is not within its competence to comment on economic measures which a government may take in difficult times, or on the recommendations of the IMF, decisions involving the dismissal of large numbers of workers should be discussed extensively with the workers and worker organizations concerned with a view to planning the occupational future of these workers in the light of the country's opportunities. The CFA has also suggested that economic stabilization strategies should give priority to collective bargaining to determine the employment conditions of public servants, rather than legislating to restrain their wages; but if a government considers that the situation precludes collective bargaining, "such a restriction should be imposed as an exceptional measure and only to the extent that is necessary, without exceeding a reasonable period,

¹⁵ Decision No. 872 of the Romania Supreme Court of 25 June 2010 and judgment of 21 December 2009, of the Latvia Supreme Court in Case No. 2009-43-01.

¹⁶ ILO: *World of Work Report 2010*, op. cit., p. 76.

and it should be accompanied by adequate safeguards to protect workers' living standards".¹⁷

36. The outlook for the sector remains mixed. On the one hand, exit strategies continue to argue for a reduction in public administration in Europe. On the other hand, according to the Manpower Employment Outlook Survey 2010, public sector employers in several countries including Argentina, Brazil, India, Japan and Peru expect to see a positive change in total employment during the third quarter of 2010 as compared to the second quarter. The survey measures the percentage of employers who anticipate that total employment will increase in the following quarter and subtracts the percentage of employers who expect to see a decrease in employment at their location in the same period.
37. Since the transmission mechanisms of the economic slowdown described above continue to have the potential to affect government revenues, governments of countries not affected by the slowdown in the previous quarters are not yet safe from future shocks. These governments could benefit from strategies of social dialogue, social protection and employment creation.
38. Social dialogue and collective bargaining in public administration are a crucial part of the decent work response to the economic crisis, and there is a renewed recognition of their importance. Brazil, Gabon, Slovakia and Slovenia have ratified the Labour Relations (Public Service) Convention, 1978 (No. 151), in the past year, bringing the total of ratifying countries to 48. A renewed push for ratification could help establish a basis for more widespread consultations on crisis-related measures. The Decent Work Country Programmes for Benin, The former Yugoslav Republic of Macedonia, Madagascar and Namibia have identified ratification of Convention No. 151 as a priority for the tripartite partners, and the ILO DWT and Country Office for Central America (DWT/CO–San José) has programmed activities to promote the application of the Convention in El Salvador, which ratified it in 2006. The Decent Work Country Programmes in Kiribati, the Marshall Islands and Tuvalu also include a commitment to implement legislation along the lines of Convention No. 151.

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Submitted for information

¹⁷ ILO: *Digest of decisions and principles of the Freedom of Association Committee of the Governing Body of the ILO* (Geneva, 2006), paras 1024, 1040 and 1085.