



European Foundation for the Improvement of Living and Working Conditions

# Industrial relations in the public sector

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*This report presents an overview of industrial relations in the central government and public sector in European Union Member States (with the exception of Sweden) and Norway. It describes the sectoral breakdown across countries and analyses the main employment trends. It then explores developments in employment relations in the sector while also analysing collective bargaining in the countries surveyed, highlighting the similarities and variations across the industrial relations systems in the sector. The study shows that, while employment relations are changing in most countries in the direction of greater harmonisation between the public and private sector, and between career civil servants and employees under ordinary contract, there is still much variation across countries due to the legal and institutional traditions of each country.*

## **Defining the sector**

Comparing employment and labour relations in the public sector, and more specifically in central government, is not an easy task. Compared with the private sector, employment relations in the public sector are deeply rooted in country-specific legal, normative and institutional traditions, which make comparisons difficult. Moreover, problems emerge in the conceptual definition and statistical identification of central government and the public sector. For instance, their boundaries and size can vary significantly depending on the analytical perspective from which they are classified.

A study, coordinated by the Public Governance and Territorial Development Directorate of the Organisation for Economic Cooperation and Development (OECD) and concerned with the development of comparative country data and indicators for good governance and efficient public services, emphasises that: ‘Government is a particularly slippery term presenting many difficulties in classification’, where the common assumption that ‘it comprises all the agencies that provide public services’ involves several complexities (OECD, 2005a, p. 7). Such complexities are, among other things, related to the fact that many services can be ‘publicly funded but provided by private agencies’ and that local governments can be major providers of public services. These two features point to difficulties in drawing precise boundaries between the public and private sectors on the one hand, and between central government and other levels of government within the public sector on the other. Such difficulties are not entirely overcome by the classification put forward by the System of National Accounts, which distinguishes public activities in two ways: that is, by institutional unit or by function.

In relation to the first option – classifying public activities by institutional unit – problems arise about whether or not to include in the definition non-governmental organisations (NGOs) with dominant or relevant public funding, or even private enterprises with a distinctive and statutorily privileged market position. The inclusion of these organisations within the boundaries of government, or of the wider public sector, may be justified from the point of view of national accounting – such a position is often adopted by economists and public finance researchers interested in public expenditure – but its efficacy is debatable from an industrial relations perspective. For example, it would mean including in the public sector the employees of those public enterprises which have been legally transformed into joint stock companies and ‘privatised’, thus operating under market conditions and subject to private and commercial laws, although the state or local government remain the exclusive or main shareholder. Such a scenario is quite common for postal services, railways, certain banks, public utilities and national or local public transport. Moreover, non-profit organisations indirectly financed by public funds, as well as concessions and legal monopolies, would also have to be included (OECD, 2005a, Annex 3; OECD, 2005b). Although the involvement of public funding is certainly a relevant factor for the functioning of employment relationships, this criterion would be too wide for the purposes of this report, as the resulting boundaries of both central government and the public sector would be too large. Similar problems would arise from adopting the criterion often applied by public policy

researchers, which suggests the inclusion of all organisations managed by personnel appointed by central or local government. Although the fact that the public employer has a political legitimation – and is therefore sensitive to considerations of political consensus – is by no means irrelevant for the concrete functioning of labour relations, this criterion would once again be too inclusive in this context.

The second option – that is, classifying public or publicly funded activities by function – would also raise some problems for the purposes of this comparative report: namely, in relation to the distribution of sectoral functions across levels of government, which often depends on the constitutional structure (unitary versus federal structure) and the administrative tradition of each country. As another, less recent OECD survey on public sector pay and employment trends underlined, countries differ widely in how these functions are organised (OECD, 2002). While the defence and police forces, with few exceptions, typically constitute elements of central or federal government functions, education, health and social services are often assigned to regional or local administrations, or both, particularly in federal countries. For example, according to the 2002 OECD survey, in the late 1990s and early 2000s responsibility for education was assigned to the regional or local level administration in Germany, Spain, Ireland, Finland, Greece, Hungary and the Czech Republic (the United Kingdom was not included in this study). The same was true of public health services in Germany, Spain, Ireland, Finland, the Czech Republic, Greece, Hungary and, in part, France (Table 1). However, this picture may have changed slightly as a result of political or administrative decentralisation processes in several countries in recent years, with more functions being moved from central to lower levels of government.

**Table 1: Responsibility for public services, by government level and country, 2001**

*Distribution of sectoral functions, by government level and country, 2001*

<b>Sector</b>	<b>Central or federal administration</b>	<b>Regional administration (regions, provinces, states, <i>Länder</i>)</b>	<b>Local administration</b>
<b>Defence force</b>	CZ, FR, FI, EL, HU, IT, LU, NL, ES, SE		
<b>Police force</b>	CZ, FI, FR, HU, IT, LU, NL, ES, SE	IE	FR, EL
<b>Education</b>	FR, HU, IT, LU, NL, ES, SE	DE, IE, ES	CZ, FI, EL, HU
<b>Health services</b>	FR, HU, ES	FR, DE, IE, ES	CZ, FI, FR, DE, EL, HU
<b>Social services</b>	HU, ES, SE	FR, DE, IE	FI, FR, DE, EL

*Source: OECD, 2002, p. 4*

The aforementioned differences in how central government and the public sector are defined clearly also affect the distribution of employees and consequently the proportion of the working population employed in central government and the public sector in each country (Hemerijck et al, 2002). On the other hand, trying to control for all of these idiosyncratic differences is extremely difficult and could actually distort the country-specific institutional reality, not to mention the fact that the data needed to ‘equalise’ national aggregates are often unavailable. In any case, this is precisely one of the goals of the broader OECD project, which was recently

launched under the working title of ‘Management in government: Comparative country data’. This report cannot, therefore, be expected to fulfil such a task accurately. Nonetheless, it is important to emphasise the need for caution when comparing central government employment data and its relative weight across EU countries.

## Employment structure

The findings presented in Table 2 show absolute figures for employment in central government and the public sector in the period 2003–2005. The data were provided by the EIRO national correspondents and are differentiated by sex and country, with the right-hand columns showing data for total employment and the total population in each country. Table 4 goes on to show the percentage variation in central government and public sector employment over the three years between 2003 and 2005, while Table 5 presents the share of central government and public sector employment as a proportion of the total population and of total employment for the last available year (2004 or 2005), compared with the last available figures provided by previous OECD surveys.

The findings in Tables 2 and 4 reveal that the trend of decreasing employment in central government (whatever this encompasses in each country – see notes to Table 2) and public sector employment, which existed throughout western Europe in the 1980s and 1990s, appears to have ceased in the years under examination, or to at least have developed in a more diversified fashion across the countries. In only 10 of the 26 countries surveyed – Austria, Denmark, Finland, France, Hungary, Italy, Malta, the Netherlands, Romania and Spain (data for Portugal were not available, while Sweden was not included) – has there been a decrease in the number of employees in central government, usually of between just 1% and 3%. The two notable exceptions in this instance are Austria and the Netherlands, where reductions of 28% and 7% respectively were recorded. In the case of Austria, the sharp decrease from 2003 to 2004 can be attributed to the privatisation of postal and telecommunications services, which in several other countries occurred in the late 1980s or in the 1990s; in other cases, it can be attributed to decentralisation processes or simply to budgetary constraints. Conversely, central government employment increased in 16 countries: in four of these (Belgium, Estonia, Lithuania and Poland), an increase of more than 10% was recorded, while an even higher increase of over 20% was observed in two countries (Bulgaria and Latvia). It is worth noting that among the 10 new Member States (NMS), together with the then two acceding countries Bulgaria and Romania, only Hungary registered a decline, albeit a modest one. The ‘older’ EU15 Member States (excluding Portugal and Sweden) are more equally divided between those that registered a decline in central government employment (seven countries) and those in which an increase was recorded (six countries).

As the results in Table 3 show, overall four groups of countries can be identified: a small group of countries which have experienced a reduction both in central government and public sector employment (Austria, Hungary, Malta and the Netherlands); a notably larger group of countries where an expansion in both sectors has taken place (Belgium, Cyprus, Greece, Ireland, Lithuania, Luxembourg, Norway, Slovenia and the UK); a third group in which the decline in central government employment has been balanced or even exceeded by an increase in public sector employment, probably due to decentralisation processes (Denmark, Finland, France, Spain, and Italy); and finally a fourth group of countries in which the reverse trend can be observed, with central government employment increasing and public sector decreasing or remaining stable. The last group consists almost exclusively of former communist countries of central and eastern Europe (Latvia, Estonia, Poland, the Czech Republic, Slovakia, Bulgaria, Romania) and Germany. This is perhaps indicative of a ‘recentralisation’ of government functions within a sort of state-building process, which may also have been the case in east Germany after the fall of the wall.

**Table 2: Employment in central government and public sector, and total population, by sex and country, 2003–2005**

*Employment in central government and public sector, and total population, by sex and country, 2003–2005*

		Central government		Public sector		Total employment* (thousands)		Total population* (thousands)	
	Year	Men	Women	Men	Women	Men	Women	Men	Women
<b>AT (a)</b>	<b>2003</b>	191,480		510,900		2,288	1,857	3,877	4,120
	<b>2004</b>	137,028		448,603		2,282	1,862	3,898	4,147
	<b>2005</b>	n.a.		n.a.		2,291	1,891	3,939	4,170
<b>BE (b)</b>	<b>2003</b>	35,880	37,801	479,062	523,801	2,357	1,784	5,067	5,289
	<b>2004</b>	40,195	41,857	488,099	562,289	2,369	1,796	5,086	5,310
	<b>2005</b>	40,660	43,049	480,315	565,687	2,369	1,834	5,127	5,350
<b>BG (c)</b>	<b>2003</b>	24,424	28,672	475,000	507,000	1,676	1,490	3,792	4,030
	<b>2004</b>	28,891	33,509	432,000	477,000	1,717	1,520	3,775	4,010
	<b>2005</b>	28,103	38,559	403,000	462,000	1,763	1,539	3,754	3,993
<b>CY (d)</b>	<b>2003</b>	26,106	21,092	35,912	25,247	198	158	333	356
	<b>2004</b>	26,090	21,654	35,904	25,924	204	157	347	367
	<b>2005</b>	26,196	22,872	36,014	27,311	208	159	354	373
<b>CZ (e)</b>	<b>2003</b>	19,100		736,000		2,772	2,138	4,941	5,238
	<b>2004</b>	18,900		732,700		2,782	2,148	4,959	5,237
	<b>2005</b>	19,400		729,800		2,820	2,146	4,987	5,242
<b>DE (g)</b>	<b>2003</b>	380,152	110,963	2,302,638	2,476,766	21,337	17,382	39,931	41,668
	<b>2004</b>	379,581	113,104	2,254,187	2,415,685	21,389	17,480	39,947	41,642
	<b>2005</b>	n.a.	n.a.	n.a.	n.a.	21,294	17,485	39,938	41,590
<b>DK (f)</b>	<b>2003</b>	98,665	79,368	249,995	586,291	1,480	1,270	2,650	2,708
	<b>2004</b>	97,132	78,610	249,723	586,869	1,471	1,280	2,662	2,717
	<b>2005</b>	97,056	79,483	251,240	590,252	1,480	1,291	2,671	2,725
<b>EE (h)</b>	<b>2003</b>	1,005	1,679	8,743	12,271	302	291	621	729

	<b>2004</b>	1,049	1,811	8,447	12,885	298	295	619	729
	<b>2005</b>	1,079	1,892	7,982	12,848	299	305	616	727
<b>EL (k)</b>	<b>2003</b>	278,226	202,947	541,283	378,645	2,663	1,611	5,190	5,388
	<b>2004</b>	291,373	211,023	578,778	417,980	2,671	1,642	5,207	5,409
	<b>2005</b>	276,887	206,708	556,109	409,367	2,697	1,672	5,227	5,431
<b>ES (z)</b>	<b>2003</b>	494,500		1,347,000	1,391,800	10,959	6,834	20,532	21,221
	<b>2004</b>	494,500		1,404,100	1,463,700	11,107	7,148	20,894	21,547
	<b>2005</b>	325,300	157,600	1,393,500	1,474,500	11,347	7,557	21,268	325,300
<b>FI (i)</b>	<b>2003</b>	64,121	60,069	189,800	456,400	1,222	1,133	2,529	2,664
	<b>2004</b>	63,172	60,739	190,600	461,800	1,229	1,136	2,536	2,669
	<b>2005</b>	63,009	60,812	196,400	461,000	1,238	1,153	2,547	2,678
<b>FR (j)</b>	<b>2003</b>	2,543,000		4,981,000		13,542	11,409	28,401	30,108
	<b>2004</b>	2,522,000		5,090,000		13,488	11,475	28,564	30,286
	<b>2005</b>	n.a.		n.a.		13,475	11,555	28,748	30,476
<b>HU (l)</b>	<b>2003</b>	320,000		818,700		2,118	1,788	4,722	5,258
	<b>2004</b>	318,100		816,500		2,106	1,773	4,703	5,241
	<b>2005</b>	317,700		805,900		2,104	1,775	4,698	5,234
<b>IE (m)</b>	<b>2003</b>	37,700		338,600		1,053	761	1,983	2,008
	<b>2004</b>	37,600		345,300		1,083	787	2,018	2,041
	<b>2005</b>	38,500		351,000		1,128	831	2,067	2,081
<b>IT (n)</b>	<b>2003</b>	136,126	129,938	1,645,957	1,868,219	14,990	9,159	27,873	29,525
	<b>2004</b>	132,920	128,808	1,635,812	1,888,879	14,733	9,499	27,830	29,612
	<b>2005</b>	130,483	128,557	1,622,681	1,897,888	14,784	9,497	28,192	29,885
<b>LT (p)</b>	<b>2003</b>	2,324		144,500	259,400	728	715	1,607	1,839
	<b>2004</b>	2,449		137,800	262,300	736	705	1,601	1,832
	<b>2005</b>	2,589		143,100	265,100	753	726	1,597	1,827
<b>LU (q)</b>	<b>2003</b>	22,878		29,864		173	118	219	224
	<b>2004</b>	23,589		30,577		176	123	221	224
	<b>2005</b>	n.a.		n.a.		179	129	223	227
<b>LV</b>	<b>2003</b>	35,000	32,000	371,256		512	486	1,071	1,258

<b>(o)</b>									
	<b>2004</b>	40,000	33,000	355,824		516	492	1,068	1,251
	<b>2005</b>	45,000	37,000	n.a.	n.a.	528	496	1,062	45,000
<b>MT (r)</b>	<b>2003</b>	20,878	11,171	34,887	14,619	105	47	198	201
	<b>2004</b>	20,183	11,828	34,518	15,201	105	45	198	202
	<b>2005</b>	19,470	12,222	33,306	15,427	105	47	199	203
<b>NL (s)</b>	<b>2003</b>	125,726		509,330	451,670	4,621	3,653	7,969	8,068
	<b>2004</b>	70,000	48,000	492,440	454,560	4,542	3,615	8,012	70,000
	<b>2005</b>	69,269	47,345	476,850	458,150	4,492	3,636	7,992	69,269
<b>NO (t)</b>	<b>2003</b>	69,814	54,906	224,038	532,940	1,197	1,071	4,564	
	<b>2004</b>	70,412	57,927	226,012	547,468	1,201	1,077	4,592	
	<b>2005</b>	69,068	58,356	222,656	554,151	1,211	1,078	4,623	
<b>PL (u)</b>	<b>2003</b>	105,138		1,705,274	2,073,880	7,432	6,185	18,169	19,487
	<b>2004</b>	119,022		1,654,367	2,041,265	7,565	6,229	18,139	19,461
	<b>2005</b>	119,963		n.a.	n.a.	7,809	6,306	18,104	19,422
<b>PT (v)</b>	<b>2003</b>	n.a.	n.a.	n.a.	n.a.	2,728	2,282	5,042	5,393
	<b>2004</b>	n.a.	n.a.	755,000		2,726	2,289	5,083	5,421
	<b>2005</b>	346,532	221,852	737,774		2,708	2,309	5,115	5,448
<b>RO (w)</b>	<b>2003</b>	97,142		320,100	629,500	4,989	4,166	10,549	11,136
	<b>2004</b>	94,576		315,800	633,700	4,926	4,178	10,527	11,111
	<b>2005</b>	101,451		312,200	638,100	4,979	4,135	10,521	11,089
<b>SI (x)</b>	<b>2003</b>	19,670	13,859	65,000	131,000	497	413	976	1,020
	<b>2004</b>	20,400	14,250	72,000	137,000	513	430	977	1,020
	<b>2005</b>	20,457	14,310	72,000	148,000	516	434	979	1,021
<b>SK (y)</b>	<b>2003</b>	3,385	4,942	214,153	333,052	1,174	988	2,613	2,777
	<b>2004</b>	3,685	5,058	199,993	320,008	1,191	977	2,601	2,768
	<b>2005</b>	3,836	4,979	191,544	306,844	1,232	983	2,609	2,770
<b>UK (aa)</b>	<b>2003</b>	258,900	283,870	1,965,600	3,634,000	15,179	13,006	28,328	29,807
	<b>2004</b>	264,140	289,970	1,983,600	3,716,400	15,298	13,170	28,405	29,880

	<b>2005</b>	261,880	289,120	5,800,000	15,394	13,347	28,476	29,945
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\* Source: European Commission, 2006 (Norway excluded); Norway: OECD, 2006a and OECD, 2006b

Notes:

*AT: Central government includes: government services and public administration in a narrow sense; armed forces; police forces; state schools; administration of justice; health services. The 2003 figure includes career public servants of the postal and telecommunications services. The 2004 figure does not include public employees of former authorities that have been transferred into private law companies/organisations; BE: Central government includes: federal public services; federal service planning; federal public agencies; and federal scientific institutions; BG: Central government includes that part of the public sector associated with the administration of public services; CY Central government includes: government ministries, non-profit organisations, schoolteachers, health service employees, armed forces and police.(e) Central government includes: departmental ministries, central administrative offices, and administrative offices.(f) The terms 'central government' and 'state sector' cover the state negotiating sector, i.e. the budget sector and the other negotiating sectors. The budget sector covers the ministries and agencies.(g) Central government includes: the administration, courts and other institutions of the federation (Bund), as well as the military, police and education (schools).(h) Central government includes the ministries and their employees.*

*(i) Central government consists of the ministries and other high-level government bodies.(j) Central government includes: the central administration; national public institutions, i.e. institutions with a public service remit (teaching and research establishments, public administrative institutions); school teachers; the armed forces; and the police;(k) Central government usually means the public services (ministries, etc.).(l) Central government includes: offices of public administration; law enforcement agencies; defence and compulsory social security.(m) Central government includes: government departments, the civil service and prison service.*

*(n) Central government includes: ministry employees, the Prime Minister's office, and the tax agencies.(o) Central government includes: government departments; defence; and the compulsory social security sector. (p) Central government includes civil servants working in government ministries.(q) Central government includes: general administration; judicial authorities; police; education (schools); public sector clerical workers. (r) Central government includes employees of government departments and ministries.(s) Central government includes employees in government ministries and in several autonomous administrative authorities.(t) Central government includes: employees in government ministries; regulatory authorities and directorates; the armed forces; the police; university and college lecturers.(u) Central government is identified as the civil service cadre. According to the Civil Service Act, this cadre is comprised of officials employed by several state bodies.(v) Central government includes: employees in government ministries; schoolteachers; health service employees; armed forces; police; and other workers not directly employed by government ministries.(w) Central government includes civil servants who work in government ministries and other government or ministerial specialised bodies.(x) Central government includes: government departments; governmental directorates; offices and units of government ministries; armed force; police.(y) Central government includes employees of government ministries. (z) Central government includes employees of government ministries. It does not include school teachers, the police or the armed forces.(aa) Central government*

*includes civil service employees working in government ministries, executive agencies and non-ministerial public bodies, excluding the health service.*

**Table 3: Positive and negative changes in employee numbers in central government and public sector, 2003–2005**

*Positive and negative changes in employee numbers in central government and public sector, 2003–2005*

		Central government	
		-	+
Public sector	-	AT, HU, MT, NL	BG, CZ, DE, EE, LV, PL, RO, SK
	+	DK, ES, FI, FR, IT	BE, CY, EL, IE, LT, LU, NO, SI, UK

*Source: EIRO, National contributions, 2006*

**Table 4: Employment trends in central government and public sector, 2003–2005 (% change)**

*Employment trends in central government and public sector, 2003–2005 (% change)*

	Central government	Public sector
	Change (%) 2003–2005	Change (%) 2003–2005
AT	-28.4%	-12.1%
BE	+13.6%	+4.3%
BG	+25.5%	-11.9%
CY	+3.9%	+3.5%
CZ	+1.5%	-0.8%
DE	+0.3%	-2.2%
DK	-0.8%	+0.6%
EE	+10.6%	-0.8%
EL	+0.5%	+4.9%
ES	-2.3%	+4.7%
FI	-0.3%	+1.7%
FR	-0.8%	+2.1%
HU	-0.7%	-1.5%
IE	+2.1%	+3.6%
IT	-2.6%	+0.1%

<b>LT</b>	+11.4%	+1%
<b>LU</b>	+3.1%	+2.3%
<b>LV</b>	+22.3%	-4.1%
<b>MT</b>	-1.1%	-1.5%
<b>NL</b>	-7.2%	-2.7%
<b>NO</b>	+2.1%	+2.6%
<b>PL</b>	+14.1%	-2.2%
<b>PT</b>	n.a.	-2.2%
<b>RO</b>	+4.4	+0.07%
<b>SI</b>	+3.6%	+12.2%
<b>SK</b>	+5.8%	-8.9%
<b>UK</b>	+1.5%	+3.5%

*Source: EIRO, National contributions, 2006*

*Notes: AT, DE, FR, LU: Figures for 2005 not available; table shows 2003–2004 change. LV, PL: Public sector figures for 2005 not available; table shows 2003–2004 change. PT: Central government figures for 2003 and 2004 not available. Public sector figures for 2003 not available; table shows 2004–2005 change.*

As already noted, a great variation exists across the countries with regard to the proportion of both public sector workers and the total number of those in employment who are employed by central government (see Table 5). This depends on the constitutional structure and administrative tradition of each country, but also on whether the figures for central government listed in Table 1 include the armed forces and the police (either as a whole or in part) – as is the case in Austria, Cyprus, France, Germany, Hungary, Latvia, Luxembourg, Norway and Portugal – as well as other public services such as education (e.g. France), or healthcare (Austria), or both (Cyprus and Portugal). The size of the country, particularly physical size, is also relevant. In some cases, there is little room for administrative decentralisation, and most public functions are concentrated in central government, as in Cyprus, Luxembourg and Malta.

As for the proportion of the total working population who are employed in the public sector (see Table 2), four groups of countries can be identified. At one extreme there are those where public sector employment is quite large, its share of total employment being at least 25%. This is true of all the Nordic countries (Denmark, Finland and Norway), in line with the traditionally important and extended welfare state, but also of Belgium, Malta and some former communist central and eastern European countries like Poland, Latvia, Lithuania and Bulgaria. At the other end are countries with a small public sector, where its share of total employment is around or below 10%–12%, representing less than half or even one third of the levels recorded for the countries in the first group. This group consists of Austria, Germany, Luxembourg, the Netherlands, but also Romania and Estonia; the latter with an astonishingly low figure of 3.4% (if the reported data are accurate and comparable with those of the other countries). In between, two other groups can be identified. One is closer to the first set of countries and consists of France, Greece, Hungary, Slovakia, Slovenia and the UK, with about a 20%–23% public sector share of total employment. The other is closer to the group with small public sectors. It includes the Czech Republic, Italy, Portugal and Spain (about 15%), as well as Cyprus and Ireland (17%–18%).

The right-hand column of Table 5 shows percentage figures for public sector employment provided by data from the aforementioned OECD survey, relating to 2000 or 2001 (see also OECD, 2005b). The figures are roughly similar for Austria, the Czech Republic, France, Germany, Hungary, Ireland, Italy, the Netherlands and Spain; but are widely divergent for Denmark, Finland, Greece, Luxembourg, Norway (OECD data probably only refer to central government) and Poland. From this perspective, the European Union looks like a ‘mosaic of diversity’.

## **Employment of women in the public sector**

The participation of women in public sector employment is usually higher than in the economy as a whole, and has been increasing in many countries since the mid 1990s at least. There is, however, a difference between central government, where some functions and roles have been traditionally exercised by men – police, armed forces and defence in general, as well as the judiciary, prison guards, diplomatic services, to mention just a few – and the wider public sector, where education, social and health services are characterised by occupations with a high density of women employees (such as teachers, social workers, nurses and increasingly medical doctors).

Both these characteristics are confirmed by the data (see Table 6). In the large majority of countries, 12 out of the 17 for which data are available, the proportion of women in central government employment is lower than in the public sector as a whole (the exceptions being Bulgaria, Cyprus, Estonia, Greece and Malta). In almost half of the countries, it is even lower than in the economy as a whole (Denmark, Netherlands, Slovenia, Spain, Germany, Latvia, Norway and Portugal – although central government figures for the last four countries also include the armed forces and police). Moreover, in 13 out of 19 countries for which data are available, the proportion of female employees within central government was still lower than that of men in 2004 or 2005. This is also true where the armed forces and police are not included in central government employment (Denmark, Finland, Greece, Italy, Malta, the Netherlands, Slovenia and Spain). The six exceptions, with a higher proportion of women among central government employees, are: Belgium, Bulgaria, Estonia, Romania, Slovakia and the UK.

If the wider public sector as a whole is considered, on the other hand, the proportion of female employees is higher, often markedly so, than in the entire economy. This is the case in all the countries for which data are available (18 out of 19 countries) except for Cyprus. In the vast majority of countries (15 out of 19), the proportion of women is higher in public sector employment than that of men. This is especially true of all three Nordic countries, where at least seven public employees out of 10 are women, in line with employment and welfare policies clearly designed to promote women’s participation in the labour market. But there is also a relatively high proportion of women in public sector employment in the UK and in several central and eastern European countries such as Estonia, Lithuania, Romania, Slovakia and Slovenia. Only in three Mediterranean countries – Cyprus, Greece and Malta – is the proportion of female public sector employees significantly lower than that of men. In the Netherlands, meanwhile, it is only fractionally lower at 49%.

In short, while the public sector exhibits a high density of female employees almost everywhere, this density is significantly lower in central government, even when the armed forces and police are excluded. However, despite these differences between central government and the wider public sector, as well as between countries, there is an obvious trend in most countries towards an increase in the proportion of women among central government and public sector employees during the period covered by this study.

## Fixed-term and part-time employment contracts

Most countries do not provide detailed data about the extent of **fixed-term work** and **part-time work** among central government employees. However, while it is generally agreed that these types of employment contracts have increased in the public sector as a whole, fixed-term, temporary or contingent workers are probably less frequent in civil service or central government functions, where statutory employment is usually by status an open-ended relationship. These types of employment contracts are not unknown, however, and are of increasing importance to this sector as well, as a means of either obtaining greater organisational flexibility, or of simply circumventing various forms of constraints on new recruitments in the sector, due to the need to contain public expenditure.

In countries like Italy, Malta, Romania and Slovenia (if the armed forces and police are excluded) the presence of fixed-term contracts is quite limited, covering no more than 2%–5% of all central government employees (but higher in Italy if all forms of ‘atypical work’ are included), and even almost absent elsewhere such as in Lithuania. On the other hand, the level of such contracts reaches 12%–13% in countries such as France (including education and armed forces) and Spain, where they involve mostly women and young people. The percentage of fixed-term contracts is even higher in Belgium, Cyprus (armed forces included), Finland, Portugal (armed forces included) and the UK. Non-permanent, fixed-term contracts are often used at the two extremes of the job ladder: either at the lowest grades, for manual or blue-collar occupations, or at the highest level, for top managerial positions (Belgium, Denmark, Italy, Lithuania, Malta, Norway, Romania and, to a certain extent, in Spain), possibly in a relationship of confidence with politicians, which are subject to temporary mandates of varying length. In some cases a spoils system operates, as in Italy, where new governments have the right to appoint or remove a number of top-level managers within a certain period after coming into power. But these temporary high-level positions are usually rare. In other cases, temporary contracts are used for new recruits who, as in Poland, must undergo a period of several months’ probation before taking an exam which leads to a permanent position. In some cases, as in Italy, a distinction is made between the **employment relationship** of (top) managers which, as for most public sector employees, is usually on a permanent basis, and the managerial assignment or mandate they receive, which has a limited duration (for instance 3–5 years or even less). In some cases, however, managers can be hired on a fixed-term contract basis from outside the public sector. A somewhat similar system applies in Belgium, where top management positions (at the three highest levels) are subject to a six-year mandate. Although ‘non-standard’ forms of employment (e.g. contingent workers) seem to remain the exception rather than the norm in central government, they are reported to be increasing in some countries, for example in Ireland.

In some countries, however, policies are in force which tend to reduce or limit fixed-term contracts (and at times also ‘atypical’ contracts), as in France, where this type of employment has been declining since the mid 1980s due to permanent appointment schemes negotiated between government and trade unions; or in Italy, where in the 2007 budget law the centre-left government committed itself to convert a large proportion of fixed-term contracts throughout the public sector into permanent positions over the next three years.

Moreover, part-time work is probably less diffuse in central government than in other parts of the public sector (nurses, teachers, social workers) or in the private sector. However, the lack of detailed data prevents general and definite conclusions from being drawn, at the same time, potential exceptions are present among the countries surveyed, with Italy being a case in point. In any case, there are notable variations across countries. Part-time workers are reported to represent between 2% and 4% of all central government employees in Greece and Malta; 6%–8% in Italy and Finland; 10%–12% in Denmark, France and Germany (if armed forces are excluded, the

figure for Germany is more than 17%); 18%–21% in Norway and the UK; and apparently even more than 30% of permanent positions in Belgium.

These differences aside, a common characteristic is that part-time work is mostly carried out by women. For instance, in Germany and Finland almost two out of three of all part-time employees in central government are women (62% in Germany in 2004; 64% in Finland in 2005). In Italy, Malta, the Netherlands, Norway and Spain, women represent around 73%–80% of part-time employees, while the proportion is even higher in Greece and the UK.

**Table 5: Employment in central government and public sector, 2004 or 2005 (%)**

*Employment in central government and public sector, 2004 or 2005 (%)*

	Central government as % of public sector	Central government as % of total population	Central government as % of total employment	Public sector as % of total population	Public sector as % of total employment	Public sector as % of total employment 2002 (*)
AT	30.5	1.7	3.3	5.5	10.7	11.2
BE	8	0.8	2	10	24.9	n.a.
BG	7.7	0.9	2	11.2	26.2	n.a.
CY	77.5	6.7	13.4	8.7	17.3	n.a.
CZ	2.7	0.2	0.4	7.1	14.7	13.9
DE	10.6	0.6	1.3	5.7	12	10.7
DK	21	3.3	5	15.6	30.4	23.1
EE	14.3	0.2	0.5	1.6	3.4	n.a.
EL	50.1	4.5	11.1	9.1	22.1	6.1
ES	16.8	1.1	2.6	6.6	15.2	12
FI	18.8	2.4	5.2	12.6	27.5	20.8
FR	49.5	4.3	10.1	8.6	20.3	18.3
HU	39.4	3.2	8.2	8.1	20.8	19.3
IE	11	0.9	2	8.5	17.9	14.1
IT	7.4	0.4	1.1	6.1	14.5	13.2
LT	0.6	0.1	0.2	11.9	27.6	n.a.
LU	77.1	5.2	7.7	6.8	10	6.7
LV	23	3.6	8	15.4	34.7	n.a.
MT	65	7.9	20.9	12.1	32.1	n.a.
NL	12.5	0.7	1.4	5.8	11.5	10.5
NO	16.4	2.8	5.6	16.8	33.9	5.7

PL	3.2	0.3	0.8	9.8	26.2	12.4
PT	75.3	5.4	11.3	7.1	15	n.a.
RO	10.7	0.5	1.1	4.4	10.4	n.a.
SK	1.8	0.2	0.4	9.3	22.5	n.a.
SI	15.8	1.7	3.7	11	23.2	n.a.
UK	9.5	0.9	1.9	9.9	20.2	n.a.

(\*) Source: OECD, 2002.

Notes: Central government and public sector employment as percentage of total population and total employment. Data refer to 2000 or 2001, except for CZ, FR and IT (1999). AT, DK and PL: data in full-time equivalent. CZ: permanent defence forces and police excluded. FI: government business enterprises excluded.

**Table 6: Proportion of female employment (%)**

*Proportion of female employment (%)*

	Year	% of total employment	Public sector	Central government	% of career civil servants in central government	% of part-time employees in central government
AT	2005	45.2	n.a.	37.7	n.a.	n.a.
BE	2005	43.6	54.1	51.4	45.1	n.a.
BG	2005	46.6	53.4	57.8	54.5	n.a.
CY	2005	43.3	43.1	46.6	n.a.	n.a.
CZ	2005	43.2	n.a.	n.a.	n.a.	n.a.
DE	2004	45	51.7	23	22	62
DK	2005	46.6	70.1	45	26	48.6
EE	2005	50.5	61.7	63.7	64.2	n.a.
EL	2005	38.3	42.4	42.7	n.a.	83.8
ES	2005	40	51.4	32.6	n.a.	72.7
FI	2005	48.2	70.1	49.1	50	63.8
FR	2004	46	n.a.	n.a.	n.a.	n.a.
HU	2005	45.8	n.a.	n.a.	n.a.	n.a.
IE	2005	42.4	n.a.	n.a.	n.a.	n.a.
IT	2005	39.1	53.9	49.6	n.a.	79.5
LT	2005	49.1	64.9	n.a.	n.a.	n.a.
LU	2004	41.1	n.a.	n.a.	n.a.	n.a.
LV	2005	48.4	n.a.	45.1	63.6	n.a.

<b>MT</b>	<b>2005</b>	30.9	31.7	38.6	n.a.	79.5
<b>NL</b>	<b>2005</b>	44.7	49	40.6	n.a.	75
<b>NO</b>	<b>2005</b>	47.1	71.3	45.8	n.a.	78.6
<b>PL</b>	<b>2004</b>	45.2	55.2	n.a.	n.a.	n.a.
<b>PT</b>	<b>2005</b>	46	n.a.	39	n.a.	n.a.
<b>RO</b>	<b>2005</b>	45.4	67.1	66.2	n.a.	n.a.
<b>SI</b>	<b>2005</b>	45.7	67.3	41.2	n.a.	n.a.
<b>SK</b>	<b>2005</b>	44.4	61.6	56.5	n.a.	n.a.
<b>UK</b>	<b>2004</b>	46.3	65.2	52.3	n.a.	89.7
	<b>2005</b>	46.4	n.a.	52.5	n.a.	89.5

Source: EIRO; European Commission, 2006; OECD, 2006a.

Note: for AT, CY, FR, DE, HU, LV, LU, NO, PT and SI: central government includes the armed forces and police.

## Nature of employment relationship

In almost all continental European countries, the majority of central government employees – the civil servants – have traditionally enjoyed, and often still do, an employment relationship with special terms, distinct and separate from that of private sector employees and often of other areas of the public sector as well. The special parameters of this relationship originated in a conception of the state as the representative of the general interest of the nation, including the interests of its employees. These, in turn, were seen as fulfilling sovereign functions on behalf of the authority of the state. Within this conception any possibility was ruled out of opposition between the interests of the (public) employer and those of its employees. This gave rise to two essential features of the employment and labour relations in the civil service: first, the denial of **collective bargaining** rights (and at times also of the right of association and the **right to strike**) in favour of the unilateral regulation of terms and conditions of employment through laws or administrative measures; and second, almost in compensation for this deprivation, a special employment status consisting of various substantive and procedural prerogatives. The most important of these concerned employment security, but other special conditions focused on aspects of the internal labour market, such as recruitment, the job classification system, vertical and horizontal mobility, and careers and compensation schemes.

This Weberian vision of public bureaucracy, and the legal parameters of the employment and labour relations deriving from it, primarily concerned the principal traditional functions of the state, which are typically: defence, internal order, justice and taxation. Prior to the great expansion of the welfare state in the 1950s and 1960s, these represented the core of the public sector. The regulation of *Beamte* in Germany is a typical example, covering about half of all public sector employment in the period after the Second World War, both at federal state, and regional and local level, the remainder consisting of clerical employees (*Angestellte*) and workers (*Arbeiter*) under ordinary employment contracts. It was a dualistic model shared by several other continental European countries. Another good example of this special regulation is that of the *fonctionnaires publiques* in France (especially of the *fonctionnaires titulaires*), which were subdivided into three sub-groups in 1984, belonging to the central state (*fonction publique de*

*l'Etat*), local government (*fonction publique territoriale*) and public health sector (*fonction publique hospitalière*) respectively. The British case is different from the prevailing continental experience since, according to the common law tradition, there is not any fundamental division between public and private sector employment legislation, and a distinction between the two areas of employment, as well as within the public sector, has never been clearly demarcated. The formal legal status of civil servants has also been uncertain for many decades, until the High Court in 1991 recognised that they were employed by the Crown under contracts of employment (Winchester and Bach, 1999, pp. 22–23).

Since the early 1960s, this clear-cut differentiation between the system of public and private sector employment relations has been blurred in many countries. In this period, the number of employees involved in typical welfare state activity – such as education, health and social services – rapidly increased, in most countries coming to exceed the number employed in the traditional functions of the state. Unlike the traditional services, moreover, these could often be obtained from private sector market providers as well, which used employment contracts subject to ordinary or commercial law. Both these factors called into question the existence and even the legitimacy of a special status to regulate the employment relations of (all) public employees. As a consequence, collective bargaining rights also started to be accorded to various groups of public employees in several countries where they had previously been banned, such as in Italy. Their terms and conditions of employment also started to be determined through the method of collective bargaining between (public) employers and trade unions, albeit with certain restrictions at times. Such a process of homogenisation first affected the new, expanding areas of public sector employment, however, and only partially or marginally the traditional central government functions.

A further wave of reforms of public sector employment relations, this time affecting central government functions to a greater degree, took place in the 1980s and especially the 1990s, under two conflicting pressures. The first of these was what can be defined as cost-efficiency pressures due to increasing macro-economic constraints. These were associated with the internationalisation of the economy and, in Europe, to the specific requirements of the process of Economic and Monetary Union (EMU) launched in 1992 and tightened by the Stability and Growth Pact approved in the EU 1997 Amsterdam summit. The constraints made fiscal discipline an economic imperative for all governments, in order to control inflation, sustain investments and employment, limit the burden on taxpayers, and improve the overall competitiveness of their economies. Within this context, the efficiency of public services and the containment of the public sector pay bill – which was and is a major component of total public expenditure – has become everywhere one of the most urgent priorities of government economic policy. Second, the governments have been pressed to improve the quality of the services delivered to consumers and citizens in general, to satisfy their increasingly differentiated and sophisticated demands, which are in sharp contrast to the uniform and bureaucratic forms of provision that prevailed in the past.

### **Structural reform of public services**

As is well known, both of these problems have been addressed by a series of proposals often grouped under the label of ‘New public management’ and supported by several OECD publications. These proposals have suggested a structural reform of the organisation and financing of public services, with a view to improve the incentive structure for public employees in order to sustain effectiveness and efficiency. It was emphasised in particular that the public sector had to borrow as much as possible from the model of governance and employment relations typical of the private sector. The main elements of reform included the following:

- redrawing the ‘efficient boundaries’ between the private and public sectors, both by transferring services from public ownership to private hands and by subcontracting or outsourcing processes;
- various forms of organisational restructuring aimed at subdividing large, bureaucratic structures into smaller, independent units with devolved managerial authority, in order to make them closer to citizens’ demands and more transparent in costs and results;
- a shift from management by hierarchy to management by contract, through the introduction of market or market-like mechanisms of governance into the financing and provision of public services, such as compulsory competitive tendering, market testing and internal markets;
- strengthening the powers and prerogatives of managers, subject to tighter financial controls and the promotion of management techniques typical of private sector companies;
- the reform of personnel policies and labour relations.

With reference to the last aspect, which is the main concern here, the policy suggestions favoured a weakening of the special status of civil servants and public employees in general; an extension of ‘free’ collective bargaining (that is, on a voluntary basis) as the main method of regulating the employment relationship; a decentralisation of the bargaining structure to the local level; and, to some extent, an individualisation of pay. These measures were proposed as a means of making pay and employment conditions more responsive to variations in local market conditions, organisational requirements and individual employee performance.

What underlies the ideal change processes sketched above is the attempt to profoundly modify the system of constraints, opportunities, incentives and controls governing the entire functioning of the public sector, to reduce the differences between the public and private sectors by importing private sector management and ‘best practices’ into the public sector, and to promote a logic of behaviour and a governance of labour transactions in public services significantly closer to those prevailing in the private sector.

As noted, this second wave of changes has also affected the central government sector, but to a different degree and with different consequences for employment and labour relations. A rather mixed picture emerges, within which it is not easy to identify common trends and features.

On the one hand, several changes have actually occurred, more or less along the lines suggested by the ‘New public management’ doctrine. These have seriously challenged the special status of public service and central government employees in terms of two reform strategies:

- by cutting back the number of employees with special employment status (*Beamte*-style career public servants);
- by eroding or weakening the special prerogatives attached to such an employment status.

The first reform strategy can be – and has been – pursued in many ways, first of all through privatisation and outsourcing processes, but also through the transfer of services and tasks from central government to decentralised or independent authorities, with a possible shift of activities from career public servants to contractual employees. And, of course, no replacement of turnover can be utilised.

The second line of reform can also assume various forms, where gradual rule changes – for example, relating to dismissal conditions, pay and promotion practices, retirement and pension arrangements – are more easily implemented than an outright abolition of the special status attached to career public servants. In several countries these two reform strategies have proceeded hand in hand.

## Privatisation and decentralisation of public services

The privatisation of several state enterprises occurred in many countries, partly in the 1980s, but more particularly in the 1990s. The main areas affected were telecommunications, postal services, transport, public utilities, banks and insurance. This reduced the boundaries and curtailed the employment levels of the public sector and also sometimes of the central government sector. In the UK, a country which was at the forefront of privatising and outsourcing public services under the conservative governments (in office between 1979 and 1997), public sector employment decreased by almost two million people between the early 1980s and mid 1990s, significantly affecting central government employees as well. Several other countries followed suit, like Denmark, Italy (state railways, postal services, telecommunications, banks), the Netherlands, Norway, Spain (telecommunications, television, air transport, cigarettes), and also France and Germany, where the special status of public and especially central government employees is perhaps more deeply rooted. In France, where the public enterprise sub-sector was very large at the beginning of the 1980s (more than 10% of the total French workforce), with employment conditions somewhere between those of the civil service and the private sector, a movement towards privatisation involved industrial companies (like Renault), banks and insurers, railways, utilities, and postal and telecommunications services. Similarly in Germany, the state railways and postal services were transformed into 'private' joint-stock companies (as in Italy) with changes in the employment status of newly hired personnel. Privatisation also affected the airport and airways sector (Lufthansa) and some services at federal state and local or municipal level (rubbish collection and street cleaning). More generally, the majority, if not all of the former EU15 countries were affected by the processes of privatisation and outsourcing of public services and state-owned activities, which in the 1990s also had a huge effect on all the former communist countries of central and eastern Europe. Austria is in this sense a latecomer, where the privatisation of postal and telecommunications services was only implemented in 2003–2004. This reduced the number of central government employees by about 30%–35%.

What is more, decentralisation and the transfer of services and tasks to lower levels of government or to external agencies, with potential consequences for the number of central government employees and the status of employment, have already been implemented or are underway in several countries. The list includes: Austria, Belgium, Denmark, Finland, Hungary, Ireland, Italy, Norway, Portugal, Slovenia and the UK.

Through a succession of state reforms in the 1980s and 1990s, Belgium has been transformed from a decentralised unitary state to a federal state, organised on three communities (Flemish, French and German) and three regions (Flanders, Wallonia and Brussels). The former enjoy almost total authority over educational and cultural matters; the latter over energy, employment, infrastructure, transport and other matters. This new division of powers brought about a corresponding transfer of civil servants from the central administration to the communities and regions. Moreover, an important modernisation reform of the federal administration launched in 1999 (the 'Copernicus plan', **BE0006317F**; **BE0103342N**), in practice created a third employment status within the federal administration, based on a fixed-term mandate (six years) for the top three levels of management, while at the same time promoting a proliferation of consultancies and service contracts to external agencies to accompany the modernisation process.

In Denmark, the most important structural reorganisation of the public sector in 35 years came into effect in January 2007, cutting down the number of municipalities from about 270 to 98 or 99, replacing 14 counties with five regions and reducing from three to two the territorial levels with the power to raise taxes. A corresponding redistribution of public services and tasks between the three territorial levels will follow, affecting central government employment levels and structure. In recent years, changes have occurred in the relative numbers of civil servants and analogous personnel on the one hand, and of employees under collective agreement on the other.

In Finland, the number of state employees financed by the national budget has decreased from over 215,000 in 1988 to about 124,000 in 2005.

In Hungary several agencies, in the form of special business organisations, were created out of former departments or ministries, transferring a number of employees and changing their status from civil servants to 'ordinary' employees under the Labour Code. As a consequence of recent government moves to close the new agencies, however, some of these employees could now be dismissed and some reintegrated back into the civil service. New measures, moreover, have been introduced affecting the legal status of public sector employees, notably of civil servants, to facilitate early retirement and to make dismissal and collective redundancies easier for the employer.

In Ireland, a 2002 government programme initiated by the Ministry of Finance envisaged a large-scale relocation of government departments, agencies and non-commercial state-sponsored bodies from Dublin to provincial towns and cities, affecting about 40% of civil servants. Although this plan has been delayed, partly due to union opposition, some significant relocation is likely to occur in the coming years, possibly by 2010. In the same period, the 2004 Public Service Management (Recruitment and Appointments) Act reformed the recruitment process within the civil service and other public service bodies to facilitate more open and flexible recruitment practices, enabling civil service departments and offices to recruit staff directly. Also in 2004, the rules on dismissal and disciplinary sanctions applicable to all civil servants below the rank of Principal Officer were made somewhat more flexible, granting the relevant power to the effective chief executive of the offices (Secretary General/Head of Office), without requiring a ministerial order. The Secretaries General and Heads of Offices can still only be dismissed by the government as a whole, however, requiring a cabinet decision. These new powers for top civil servants were balanced by a new right for all those who are not appointed by the government (that is, anyone below Secretary General/Head of Office) to have access to the Unfair Dismissal Act and to the Employment Appeals Tribunal. This represents a major cultural change for the traditionally secretive civil service in Ireland.

Due to budget constraints, the government in Malta has in recent years embarked on a restructuring process aimed at increasing the efficiency and effectiveness of central government, and at reducing the number of employees by non-replacement of turnover. In the 1990s, meanwhile, two innovations in this area concerned the introduction of a system of three-year renewable contractual appointment for senior managers, which placed civil servants in managerial positions under increased accountability, and a greater utilisation of performance as a criterion for promotion, to the detriment of seniority.

In Norway the central government sector has been undergoing continuous reorganisation and restructuring since the early 1990s, with major changes in employment status as a result of the transfer of activities from the state to the private, semi-private and municipal sectors.

A major reform programme was also launched by the Portuguese government in March 2006, one of the most significant reforms in the last 30 years of the central administrative structure (**PT0605019I**). An extensive reduction in the number of public bodies (from 518 to a total of 332) is planned, with significant implications in terms of mobility and transferability for a large proportion of the roughly 570,000 public servants concerned. The reform, and especially the mobility scheme which is an essential part of it, provoked a strong reaction from the largest public sector trade unions and from both national union confederations, the General Confederation of Portuguese Workers (Confederação geral dos trabalhadores portugueses, CGTP) and the General Workers' Union (União geral de trabalhadores, UGT), which joined together in a one-day strike at the beginning of July 2006 (**PT0607039I**; **PT0702059I**). This did not halt the reform process, however (**PT0702059I**).

In Slovenia, where the number of central government employees increased from about 9,000 in the early 1990s to about 34,000 in 2005, reorganisation processes led to some dismissals and a transfer of previous central government employees to other bodies with less rigid employment regulations. An amendment to the Civil Servant Act was passed in 2005 with the aim of reducing the gap between public and private employees in terms of job protection and dismissal with cause.

In the Netherlands a 'normalisation' programme of the employment relations in the public sector has been on the agenda for two decades, together with the prospect of a significant reduction in the near future of the number of civil servants, or even of abolishing their special status outright.

All the above examples – to which others could be added and can be found in the country reports – demonstrate the strong pressures which central government employment has recently been subject to in most countries. The consequences of this development are a reduction in the proportion of employees with special employment status, and the erosion of the special prerogatives attached to such status. In many countries, these pressures for change are clearly the dominant trend.

### **Special employment status**

Despite the significance of changes that occurred in the 1990s and early 2000s, one cannot help noticing that, in many cases the status of central government employees – and especially of civil servants – has been quite resistant to change. For instance, existing civil servants have preserved their special employment status until retirement, even in some of the privatised services, the ordinary employment contract under private commercial law applying only to newly recruited personnel. The most significant cases, among others in several countries, are probably the examples of *Beamte*, who constituted more than 50% of total employment of the former state railways and postal services in Germany, and of their French counterparts who preserved their special employment status in the reformed postal and telecommunications services in France (about 400,000 out of a total of 460,000). In general, two important features can be observed.

The first and more relevant aspect is that, in almost all of the countries surveyed, a distinction persists in the public sector, not only between public and private sector employment, but also between employees with special employment status (career civil servants) – usually subject to public or administrative law – and personnel on ordinary employment contracts, subject to private or commercial law. In most cases, such a division between career public servants and contractual employees is not confined to central government but affects the entire public sector.

Differences across countries exist about the specific legal basis of this distinction, as well as regarding the proportion of public or central government employees enjoying such special status. Only in a minority of countries is the status of the career civil servant rooted in the constitutional law of the state (Estonia, Germany and, indirectly, Malta as well), while in most cases it is regulated by ordinary laws. Whatever the legal form it assumes, a dual system of regulating government and public employees is almost ubiquitous, not only in Austria or in Germany. It is a system in which career civil servants – unlike public workers under ordinary employment contract and private sector employees – are usually appointed unilaterally or 'nominated' by administrative measure, and enjoy special prerogatives in terms of recruitment, career, mobility, job protection and often remuneration and pension arrangements. The main, and perhaps the only, exception to this general rule is the UK where, as outlined above, the legal status of civil servants as significantly distinct from private sector employees has always been uncertain.

In several countries, this special status covers a large proportion of central government employees, as in Austria (60%–66%), Belgium (about 70%–75%), Bulgaria (55%), Cyprus (55%–65%), Finland (83%), France, Estonia and Lithuania (almost all), Luxembourg (67%) and

Portugal (74%). In Germany, it covers around 40%–43% of federal state employees, in Spain 46–48% and in Denmark about 35%. In Italy, the employment relationship of almost all of the 3,500,000 public employees (central government included) has been formally ‘privatised’ and ‘contractualised’ as a result of a major reform in 1993. The exceptions here are judges, career diplomats, prefects, university professors, the armed forces and police, altogether representing about 15%–16% of total public sector employees. But most Italian experts would agree that the employment relationship of public sector employees is still rather different from that of their private sector counterparts, at least in practice. In any case, a distinction between career civil servants and employees under ordinary employment contract does not exist.

As noted above, many countries over the last 15–20 years have been harmonising employment relationships, gradually reducing the special prerogatives of civil servants. Recruitment practices have been made more flexible; the importance of seniority in career and promotion processes has been reduced in favour of merit and performance; mobility has been facilitated; fixed-term contracts have been extended to (senior) civil servants as well; some variable component in remuneration has been introduced, as well as some form of performance-related pay; retirement and pension privileges have been partly curtailed; job protection has been to some extent weakened and dismissal procedures and collective redundancies made easier and less costly. In some cases, however, the harmonisation process has gone in the opposite direction, meaning an extension of job protection to contractual employees, as in France and Italy.

The difference in status still exists in most countries, however, also affecting labour relations and collective bargaining in the sector (see below). It is a matter of opinion whether its persistence and resistance to change is more important than the many signs of this difference disappearing.

The second feature concerns the idiosyncrasy of the former communist countries of central and eastern Europe. Most of them seem to have moved in the opposite direction from the old EU15 countries, at least until recently, within what can perhaps be considered as a sort of state-building process. This involved the legal introduction of a *Beamte*-style special status for career civil servants where it did not previously exist (the Czech Republic seems an exception). Almost everywhere, this went hand in hand with an increase in the number of central government employees and, in some cases, an increase in career civil servants as well, thus reducing the number of contractual employees. This was the case in Bulgaria after the implementation in 1999 of the Civil Servants Act. In almost all of the new Member States, central government employment has continued to increase in the three years under examination (2003–2005), with the exception of Hungary and partly of the Czech Republic. In some of these countries, however, there recently seem to be moves, or at least plans, to erode both the number and prerogatives (such as dismissal and mobility procedures) of career civil servants; this is the case in the Czech Republic, Estonia, Hungary, Latvia, Poland and Slovenia.

## **Role of trade unions**

The duality of the regulation of the employment relationship also affects institutions and the functioning of labour relations and collective bargaining in the sector.

The right of association is almost universally permitted to both career civil servants and contractual employees, without distinction from private sector employees (in Romania only since 2003). In some countries there are restrictions or exclusions for one or another group of civil servants, like judges, armed forces, police, fire brigades (the Czech Republic, Cyprus, France, Portugal, Slovakia, Greece, Latvia and Malta, with some wider restrictions in the last three cases). In Norway some distinction exists between municipal and state sector employees, while in Poland civil servants are allowed to join a union, but not to assume any function, which may be a reason for the extremely low union membership (3%). In Italy, judges, police and armed forces may

have their own, separate trade unions or professional associations, or, for the armed forces, some specific forms of representations. In the UK, between 1919 and 1979 civil servants were encouraged to join a union as a part of the ‘model employer’ tradition; a recommendation which was removed in the 1984 Civil Service Handbook under the conservative government of Margaret Thatcher, but reintroduced in 1997 under the new Labour government.

## Trade union density

Trade union density is traditionally higher among public sector employees than among their private sector counterparts. This tendency seems to be confirmed in the EU15 countries, both for career civil servants and employees under ordinary employment contracts, despite difficulties to measure union density rates in the public sector. This is due to the fact that, in several cases, unions organise both private and public sector employees, and central government data separated from the wider public sector membership are not always available. There are also marked differences between countries. Density rates are well above 75% in Denmark and Norway; between 55% and 70% in Austria, Finland, the UK, and also in Romania and probably Ireland (no precise figures are available); between 40% and 55% in Germany, Italy, Belgium (where, at around 45%, it is a little lower than in the private sector) and the Netherlands (just below 40%); and around 30% in Portugal. It is also high in Greece, Luxembourg and Malta, although precise data are not available, while France has probably the lowest rate of unionisation (around 15%), but still higher than in the private sector.

Density rates are, however, much lower – quite often close to zero – in most of the former communist countries of central and eastern Europe. Although they are permitted, unions are totally absent or have an extremely low membership among central government employees in the three Baltic countries (Estonia, Lithuania and Latvia), and only slightly higher figures show for the Czech Republic, Poland (3%) and Slovakia (10%). Union presence is notably stronger in Hungary (25%–30%) and even more so in Slovenia, as well as in the two new Member States, Bulgaria and Romania, which joined the EU in January 2007. It is nevertheless apparent that a great divide exists between the vast majority of the EU15 countries and the former communist countries of central and eastern Europe.

**Table 7: Trade union density in central government**

*Trade union density in central government*

Over 75%	55%–70%	40%–55%	25%–40%	15%–25%	Below 15%
DK, FI, NO	AT, IE, RO, UK	BE, DE, IT	BG, HU, NL, PT	FR	CZ, EE, LV, LT, PL, SK

*Source: EIRO, National contributions, 2006*

*Note: in some cases, the information provided in the country reports allows only rough estimates.*

## Trade union structure

Another typical characteristic of public sector trade unionism is the fragmentation of its organisational structure, as a consequence of labour market conditions particularly segmented along numerous and well-demarcated occupational or professional lines. This has encouraged the formation of a great number of professional associations, perhaps originally without the typical trade union aims and activities, usually separate from each other and often independent from the larger, national confederations. In Italy, for instance, research, which is based on official data

provided by the Department of Public Function (Dipartimento della Funzione Pubblica, DFP) on subscriptions signed by individual employees to deduct union dues from their monthly salary, found in 1996 a total of 714 organisations of first affiliation throughout the public sector, 52% of which each received less than 0.1% of total subscriptions. This is a very high level of fragmentation, although in the public sector as a whole the unions affiliated to the three major confederations – the General Confederation of Italian Workers (Confederazione generale italiana del lavoro, Cgil), the Italian Confederation of Workers' Unions (Confederazione italiana sindacati lavoratori, Cisl), the Union of Italian Workers (Unione italiana del Lavoro, Uil) – accounted (and still account) for more than three quarters of total membership, probably even more. In central government, 125 such organisations were found to exist in the mid 1990s, 83 among non-managerial employees and 42 among managerial staff. As the Italian country report shows, in the early 2000s the unions representing central government employees which were affiliated to the three largest confederations accounted for a little more than 60% of both total subscriptions and total votes cast for the election of the workplace representation bodies, revealing a greater dispersion of union power than in the public sector as a whole.

In the 1990s and early 2000s, this complex scenario has been partly simplified in some countries by considerable merger activity in the services sector, which has included public sector unions. This has occurred in the UK, in Germany with the creation of an independent trade union – the United Services Union (Vereinte Dienstleistungsgewerkschaft, ver.di), with 2.4 million members, only some of them, of course, central government employees – partially in Italy, and also in other countries.

Two other mechanisms can simplify what almost everywhere remains a rather complex trade union structure. One consists of more or less formal procedures to assess the 'representativeness' of union organisations, with a view to select those which have legitimacy to participate in collective negotiations. The second involves the creation of sorts of bargaining alliances or cartels among different unions. Both can simplify the bargaining process, selecting and reducing the number of actors involved, and there are successful examples of both among the countries analysed. Particularly well defined and effective are the Italian 'representativeness' criteria, introduced in a 1997 amendment to the 1993 law regulating the employment relationship of public sector employees. In each national level bargaining unit the unions admitted to the bargaining table are those which obtain a 'representativeness' of at least 5%, as an average between the percentage of votes won in the elections for workplace representation bodies (held every three years in all administrative units with more than 15 employees), and the share of subscriptions for deducting trade union dues as a proportion of the total subscriptions in the relevant bargaining unit. These criteria to select the unions admitted to negotiations are very efficient. While the number of unions in central government, and in the public sector generally, is very high, many of them have limited or very limited membership (see above). As a consequence of the criteria outlined here, only a few are ever admitted to national level bargaining tables: in the case of central government, usually 4 unions are selected for negotiations for non-managerial employees, and 8 for managerial staff (**IT9806229F**; **IT9711217F**; **IT9802320F**). Such procedures for assessing trade union 'representativeness' also exist in Belgium, France, Hungary, Malta, Norway, Romania and Slovenia.

An example of a very effective bargaining cartel exists in Denmark, where the State and Municipal Employees' Joint Bargaining Secretariat (Stats og Kommunalt Ansattes Forhandlingsfællesskab, SKAF) involves about one hundred lower-level associations, representing them in the central bargaining unit, comprising the Danish Central Federation of State Employees' Organisations (Centralorganisationernes Fællesudvalg, CFU) and the Minister of Finance. Another example is that of the UK, where the three main nationally recognised civil service trade unions – the Public and Commercial Services Union (PCS), Prospect, First Division

Association (FDA) – join together to form the Council of Civil Service Unions (CSSU) which meets with the Treasury and the Cabinet Office. Further examples could be mentioned.

## **Right to collective bargaining**

The **right of collective bargaining** is in several countries subject to more restrictions than the **right to constitute and freedom to join trade unions**, especially for career civil servants or sub-groups of them. In some cases this also applies to the all central government (if not all public sector) employees. The EU Member States can by and large be divided into two sub-groups.

## **Regulating employment conditions through bargaining**

In about half, or just fewer, of the EU27, collective negotiations represent the only or the main method of regulating the terms and conditions of employment of the vast majority (or all) of central government employees (wages and salaries included). This group includes Cyprus, Denmark, Finland, Ireland, Italy, Malta, the Netherlands, Norway, Slovakia, Slovenia and the UK, with qualifications in several cases.

In the Netherlands the negotiations do not lead, from a legal perspective, to real collective agreements, since the law on collective agreements does not apply to the government sector. However, since 1984 and more particularly 1993, the employer – the Minister of Internal Affairs – cannot unilaterally change the terms of employment of civil servants, but has to reach an agreement with a majority of the four trade unions in the Sectoral Consultation Committee for Government Employees (Sectorcommissie Overleg Rijkspersoneel, SOR). If no agreement is reached, the issue can or should be referred to the Committee for Advice and Arbitration (Advies-en-Arbitragecommissie, AAC), which between 1998–2002 issued two sets of recommendations for the central government sector.

In Italy, the armed forces and police (about 460,000 individuals) are formally excluded from collective bargaining, but these employees have forms of negotiations to determine at least part of their terms and conditions of employment, albeit using separate procedures from those of other central government and public sector employees (the agreements must be transposed into a decree of the President of the Republic). Judges, diplomats and prefects (about 12,000 persons in total) are excluded entirely from collective bargaining.

In the UK, the salary increases of the approximately 3,850 senior civil servants are determined through the pay review body system, and not through collective bargaining. Something similar occurs for senior civil servants in Ireland. In Finland, as well, a few special categories of staff in the state sector are outside the collective bargaining system, like directors, permanent secretaries and others, amounting to about 5,000 people out of a total of 124,000 central government employees. On the whole, however, the terms and conditions of service for both civil servants and employees under contract are agreed within a unitary agreement at central level (the Collective Agreement for State Civil Servants and Employees under Contract) and in separate agreements for civil servants and contractual employees at agency level.

In Denmark, where pay in the central government sector is regulated only by collective bargaining, statutory civil servants and contractual staff have two separate collective agreements. Civil servants' working conditions and wages are subject to negotiations between the employers and trade unions, although the basic conditions and pension schemes are regulated by statutes. In Malta limitations exist for the police force, the army and a few other categories, which are also excluded from the right of association and the right to strike. In Slovenia, the Public Sector Wage System Act, which was passed in 2005, includes several provisions that require implementation through collective agreements. This, in turn, makes collective bargaining compulsory in the

public sector (**SI0212101F**). The act has not yet been implemented in practice, however. In Slovakia, both civil servants and employees performing work in the public sector have their conditions of employment determined through collective bargaining, which since 2001 and 2003 has become similar to the private sector system. Firefighters and police have their own separate agreements. In June 2006 the Civil Service Office was abolished (**SK0605019I**).

### **Limited or no right to bargaining**

In a similar number of countries (maybe even more), on the other hand, either the right of collective bargaining is denied to career civil servants (which in some cases are quite a large proportion of central government employees, as in Germany and Austria), or it has a weak and uncertain status, not leading to real, legally binding collective agreements, at least on pay issues (which is the case in France, Belgium and elsewhere). In other cases, even if it is formally allowed, it is rare or not practiced at all because unions are too weak or totally absent, as in most former communist countries of central and eastern Europe.

Germany is probably the best-known example of the first sub-group. As noted, *Beamte* (career civil servants), which amount to more than 40% of total central government employees, do not have the right of collective bargaining nor the right to strike. Another example is Austria, where almost all public employees, not only career civil servants, are excluded from the right to conclude collective agreements; their terms and conditions of employment are unilaterally determined by the responsible authorities, although informal negotiations take place. In Estonia, Latvia, Lithuania and Poland, collective bargaining is restricted or excluded for civil servants, but it is also very limited or totally absent for central government contractual employees because of the great weakness or absence of trade unions in the sector. In Bulgaria and Romania, there is also no bargaining over pay in central government; wage levels and increases are established by government regulations. In the Czech Republic, the existing legislation provides very limited scope for collective bargaining over pay in the central state administration. In Hungary the strict letter of the law rules out collective bargaining in the public administration, although there are several consultations between government and the unions, at central (including on pay increases) and local levels, which can lead to agreements. These depend, however, on the political disposition of the government in office. In Greece collective bargaining is allowed, but pay for public servants under public law is determined annually by law, while in Portugal collective negotiations over pay are important but, if no agreement is reached, the government can decide wage increases by administrative procedure.

Perhaps the clearest example of the uncertain legal status of the right of collective bargaining for government and public sector employees, at least over pay issues, is that of France. Since the 1983 Law on the Rights and Obligations of Civil Servants, trade unions are recognised as capable (*ont la qualité*) of conducting preliminary negotiations with the government at national level over pay increases, but these negotiations are not compulsory (they can be held or not). If these negotiations do take place, they may lead to an agreement, but not necessarily. Ultimately, the government may use this (possible) agreement when determining wage increases, but is also free to disregard it. Since the law was passed, all scenarios have in fact occurred: in some cases negotiations were not held, in others they did not lead to any agreement, in others still the agreement was disregarded, while only in a few cases was it translated into wage determinations. Despite this weakness of the legal basis of collective bargaining, important negotiations have taken place over the last twenty years, leading to the following agreements: namely on the reform of the civil service pay scale ('Durafour agreement', signed in 1990); on vocational training (signed in 1989, 1992 and 1996); on an early retirement scheme (1996); and on the reduction of precarious employment conditions (1996, 2000 and 2001). The situation is similar in Belgium: although negotiations and consultations take place between government and trade unions over

pay and other issues, the agreements (*protocols*) are not legally binding and the government can act unilaterally. The pay system in the federal public sector, moreover, contains an automatic wage indexation, which weakens the parts of agreements relating to pay.

**Table 8: Special employment status in central government**

*Special employment status in central government*

	Special status		As % of central government employment	Right of association	Right of collective bargaining	Right to strike
	Yes	No				
<b>AT</b>	Beamte		60%–66%	Yes	No	No
<b>BE</b>	Statutory civil servant		70%–75%	Yes	Uncertain status (protocols not legally binding)	No
<b>BG</b>	Career civil servant		55%	Yes	No	No
<b>CY</b>	Public servant		55%–65%	Yes, with restrictions for judges, armed forces, police, fire brigades	Yes, with restrictions for judges, armed forces, police, fire brigades	Yes, with restrictions for judges, armed forces, police, fire brigades
<b>CZ</b>		No	-	Yes, with restrictions for armed forces, police	Yes, but limited scope for pay bargaining in central administration	Yes, with restrictions for the courts, state prosecution service, the armed forces and security forces
<b>DE</b>	Beamte		40%–43%	Yes	No	No
<b>DK</b>	Statutory civil servant		35%	Yes	Yes	No for civil servants
<b>EE</b>	Public servant		90%–100%	Yes	No	No
<b>EL</b>	Public servant		n.a.	Yes, with restrictions for judges, armed forces, police, fire brigades	Yes	Yes, regulated by special rules and with restrictions for judges and armed forces
<b>ES</b>	Career civil servant		46%–48%	Yes	Yes	Yes, except for judges, magistrates, public prosecutors, police and

						military personnel
<b>FI</b>	Career civil servant		83%	Yes	Yes	Yes, but commitment to labour market harmony, and special mechanism for dispute resolution
<b>FR</b>	Fonctionnaire publique de l'Etat (titulaire)		100%	Yes, with restrictions for armed forces and judges	Uncertain status	Yes, with restrictions for armed forces and judges
<b>HU</b>	Career civil servant		n.a.	Yes	No	Yes, regulated by special rules and with restrictions for armed forces
<b>IE</b>	Career civil servant		n.a.	Yes	Yes, but Pay Review Body for senior civil servants	Yes, with special mechanism for dispute resolution
<b>IT</b>		No	-	Yes, with special rules for armed forces and police	Yes, with restrictions for judges, diplomats and prefects, armed forces and police	Yes, with special rules for essential public services
<b>LT</b>	Career civil servant		90%-100%	Yes	No	Yes, regulated by special rules
<b>LU</b>	Career civil servant		67%	Yes	No for civil servants and clerical workers	Yes, with special mechanism for dispute resolution and ban for some civil servants
<b>LV</b>	Career civil servant		34%–35%	Yes, with restrictions for judges, armed forces, police, fire brigades	No	No
<b>MT</b>	Career civil servant		n.a.	Yes, with restrictions for	Yes, with restrictions for	Yes, with restrictions for

				judges, armed forces, police, fire brigades and some other public servants	judges, armed forces, police, fire brigades and some other public servants	judges, armed forces, police, fire brigades and some other public servants
<b>NL</b>	Career civil servant		n.a.	Yes	Yes	Yes, with restrictions for armed forces
<b>NO</b>	Embetsmenn		n.a.	Yes	Yes	Yes, but no for senior civil servants and military
<b>PL</b>	Civil service official		3%–4%	Yes	No	No
<b>PT</b>	Public servant		74%	Yes, with restrictions for judges, armed forces and police	No	Yes, with restrictions for judges, armed forces and police
<b>RO</b>	Career civil servant		n.a.	Yes	No	Yes
<b>SI</b>	Career civil servant		n.a.	Yes	Yes	Yes, with special mechanism for dispute resolution and minimum service provision
<b>SK</b>	Career civil servant		68%	Yes, with restrictions for judges, armed forces, police, fire brigades	Yes, with restrictions for judges, armed forces, police, fire brigades	Yes, but no for top civil servants, fire brigades and police
<b>UK</b>		No	-	Yes	Yes, except for the approx. 3,850 senior civil servants, for which the Pay Review Body system applies	Yes

## Bargaining structure and wage-setting

Where negotiations are allowed and take place, the structure of collective bargaining can vary between a highly centralised system – as in France and to a slightly lesser degree in Germany – and a single-level, decentralised model, as in the UK. In other cases such as Denmark, Finland and Norway, the structure is fairly decentralised (more so in Finland than in Denmark) and organised on two bargaining levels, but with strong central coordination mechanisms.

**Table 9: Structure of wage setting in central government**

*Structure of wage setting in central government*

	Country
<b>Centralised</b>	CY, FR, DE, EL, IE, LU, MT, SI, SK
<b>Decentralised with central coordination mechanisms</b>	CZ, DK, FI, IT, NO, ES
<b>Decentralised</b>	UK (single-level, decentralised system, with Cabinet Office coordination and within Treasury constraints), NL (moderately)

Source: EIRO, National contributions, 2006

### Centralised wage-setting

France has probably the most centralised wage-setting system of all the 27 EU Member States. The negotiations over wage increases (with the features outlined above) take place at the central level between the trade unions and the Minister of Public Function, within budget limits set by the Minister of Finance. They affect all public employees, not only the central government sector: one single decision results in an identical percentage increase in the wages and salaries of around five million employees. Agreements and decisions on wage increases are usually valid for one year, but recently this period of validity has been longer. In Germany, until 2003 only one bargaining unit existed for the whole public sector at the three levels of government (federal, *Land* and municipality), under the leadership of the Minister of the Interior, who also represented public employers at the *Land* and the municipal levels. In 2003, however, the Employers' Association of the German Länder (Tarifgemeinschaft deutscher Länder, TdL) left the negotiations, and in 2005 an agreement was reached for about 2.1 million employees between the trade unions – ver.di and the bargaining association of the German Civil Service Federation (Deutscher Beamtenbund, dbb) – and the federal government and the Municipal Employers' Association (Vereinigung kommunaler Arbeitgeberverbände, VKA). The agreement, which expires at the end of 2007, replaces two separate, collective **framework agreements** for blue-collar and white-collar public sector employees that had existed for 45 years, and introduces a new uniform grading system that applies to both categories.

### Decentralised wage-setting

At the opposite extreme, in the UK civil service – where negotiations were very centralised until 1984 – there have been a number of changes. In the 1990s the unified civil service was replaced

with a system of semi-autonomous executive agencies and a process of pay delegation took place. In 1996 the civil service-wide pay determination ended, giving rise to 90 separate bargaining units with single-level negotiations. Three quarters of civil servants work in four bargaining units, however: the Department for Work and Pensions (DWP, 129,000 employees); HM Revenue and Customs (HMRC); the Ministry of Defence (MoD) and the Home Office. Each department and agency has its own pay and grading system, but the Treasury places constraints on pay discretion and Cabinet Office has overall responsibility for pay and performance management in the civil service. In late 1990s, however, the Labour government began to remedy this fragmentation of civil service and pay dispersion, which according to the trade unions had hindered mobility between different parts of the civil service. The government has adopted a line of ‘local flexibility within a national framework’ in an attempt to reduce wage dispersion within a ‘coherence agenda’ (following the guidelines of Modernising government, issued by the Cabinet Office in 1999).

### *Two-level bargaining*

Denmark, Finland and Norway have a two-level bargaining system, with more or less strong elements of decentralisation, but within effective coordination mechanisms. In Denmark, as noted above, there is a main central agreement for statutory civil servants, concluded between the State Employer’s Authority (Personalestyrelsen) – a separately managed agency within the Ministry of Finance – and the Danish Central Federation of State Employee Organisations (Centralorganisationernes Fællesudvalg, CFU), representing five central organisations, which represent in turn approximately 100 trade unions. There is also a main central agreement for contractual staff, between the Minister of Finance and the unions comprising CFU, the Association of Danish State Employees’ Organisations (Statsansattes Kartel, StK), the State and Municipal Employees’ Joint Bargaining Secretariat (Stats og Kommuntalt Ansattes Forhandlingsfællesskab, SKAF) and the Confederation of Professional Associations (Akademikernes Centralorganisation, AC). These agreements allocate a large proportion of individual wage increases. The agreements currently in force are from 2005 and will be renewed in 2008; until 1999 they were usually valid for two years. In addition to these, there are lower-level negotiations and agreements on specific issues (like performance-related pay), which are carried out within the parameters set by the two higher-level, central agreements. The State Employer’s Authority is the only body responsible for central-level collective bargaining on the employer side, even though the final agreements are signed by the Minister. It provides guidance to ministries and agencies in decentralised negotiations. Until the 1970s each ministry had the right to negotiate pay and working conditions within its sector, but then this power was transferred to the Ministry of Finance. In the 1980s and 1990s local negotiations were reintroduced, but within this centrally coordinated framework.

In Finland, there is only one ‘combined’ collective agreement at central level for both career civil servants and employees under contract, signed by the State Employer’s Office (Valtion työmarkkinalaitos, VTML), a unit within the Ministry of Finance, and the three national employee organisations for central government – the Finnish Negotiation Organisation for Academic Professionals in the Public Sector (Julkisalan koulutettujen neuvottelujärjestö, JUKO); the Federation of Salaried Employees Pardia (Palkansaajajärjestö Pardia); and the Trade Union for the Public and Welfare Sector (Julkisten ja hyvinvointialojen liitto, JHL) – within the guidelines of the nationwide tripartite ‘Incomes and labour-market policy agreement’, which is not specific to the public sector. The central-level agreement is supplemented by agency-specific (local) agreements for both civil servants and employees under contract, managed by agencies and the unions at agency level, approved by the Ministry of Finance. There are about 100 agency-specific collective agreements for civil servants and about 70 for employees under contract. As a consequence of the 1993 reform of the state salary system – which in 2005 covered over half of

the sector's employees and which the parties have agreed to extend to all state agencies – up to one third of employees' pay is performance related.

Pay setting for central government employees takes place at two levels in Norway as well, but with central coordination. At the principal, central level, which has a coordinating role, the negotiations affect all groups of employees and take place between the Ministry of Government Administration and Reform (Fornyings-og administrasjonsdepartementet, FAD) and the four main employee confederations – the Norwegian Confederation of Trade Unions (Landsorganisasjonen i Norge, LO), the Confederation of Vocational Unions (Yrkesorganisasjonenes Sentralforbund, YS), the Confederation of Unions for Professionals (Hovedorganisasjonen for universitets-og høyskoleutdannede, UNIO) and the Federation of Norwegian Professional Associations (Akademikerne). The last-mentioned of these has recently called for greater decentralisation. On the employer side negotiations are in fact carried out by the Personnel Director of central government – an administrative rather than political position – although this individual reports to FAD. It is up to the central parties to decide the level of funds to be allocated for decentralised negotiations, which occur in about 200 local and intermediate level bargaining units. The basic wage agreement in the central government sector is valid for two years.

A two-level system also exists in Italy. All 'contractualised' public employees are currently divided in 12 sub-sectors of very different size, each corresponding to a bargaining unit, and three of which belong to central government (ministries, tax agencies, the Prime Minister's Office). In each sub-sector, two levels of negotiations occur: one at central, national level; and one at a decentralised level (for instance, there is one national-level collective agreement for all the ministries, and several decentralised agreements – one for each ministry, and sometimes also for local-level administrative units). Wage increases are set at the central level every two years, linked to the planned rates of inflation fixed in the national budget law (the planned rate of inflation is an economic policy target, different from expected inflation), and partly in decentralised collective agreements. The employer representative in all national-level negotiations is the Agency for the Representation of Public Administration Negotiation (Agenzia per la rappresentanza negoziale delle pubbliche amministrazioni, Aran) – created in 1993 and partly reformed in 1997 – which acts on government instructions and those of other public employers (the association of the regions and municipalities, the association of universities, etc).

### *Multiple-level bargaining*

In the Netherlands, in the early 1990s the authority to conduct collective negotiations (which, as noted above, do not lead to formal collective agreements) in the public sector was transferred from a single authority to the sector ministries, and the public sector was divided into 12 or 13 so-called 'collective agreements', one of which was for central government. A part of the negotiations for central government, which affect the whole of government, is centralised in the Sectoral Committee Consultation for Government Employees (Sectorcommissie Overleg Rijkspersoneel, SOR), between the Minister of the Interior and four trade unions; and part takes place at lower levels (ministries or parts of ministries). Collective agreements are usually valid from between one and two years; the latest is valid for 2005–06.

### **Role of employer representatives**

EU Member States differ not only with regard to the recognition of the collective bargaining right and the bargaining structure, but also with regard to the characteristics and the role of the employer's representative in negotiations, which can have an important influence on the coordination of the bargaining structure and wage policies.

First, as suggested above, only in a few cases are there independent agencies to conduct negotiations with trade unions, either separate from the government (although of course ultimately reporting to it), or separately managed bodies within a ministry. Independent agencies exist in Italy (Aran) and Cyprus (the Joint Consultative Committee, MEP), while separately managed bodies within a ministry can be found in Denmark (State Employer's Authority), Finland (State Employer's Office), both within the ministry of Finance, and partly also in Norway. In the other cases the ministries usually involved are those of the Interior (Germany, Greece and the Netherlands), of Public Function or Public Administration (France, Slovenia and Spain), of Finance (Portugal, Spain, Denmark and Finland, albeit through a separately managed agency), or a combination of them (in France, for instance, both Public Function and Finance are involved; in the UK it is the Treasury and the Cabinet Office). In Ireland, the employer representative for negotiating central pay deals is the Prime Minister and other ministers; in Austria the responsibility for the actual negotiations lies with the Federal Chancellery. In few cases the employer's delegation can be chaired by different ministers, as in Belgium, where no independent agency or coordination mechanism for central public sector employers exists.

**Table 10: Employer representatives in negotiations**

*Employer representatives in negotiations*

	<b>Government</b>	<b>Independent agencies or separated bodies within a ministry</b>
<b>AT</b>	The Federal Chancellery	
<b>BE</b>	Committee composed of Prime Minister and ministers	
<b>BG</b>	Individual ministries	
<b>CY</b>		The Joint Consultative Committee (MEP)
<b>CZ</b>	Government	
<b>DE</b>	The Minister of the Interior	
<b>DK</b>		The State Employer's Authority (Personalestyrelsen), within the Ministry of Finance
<b>EE</b>	Inter-ministerial committee chaired by the Minister of Social Affairs	
<b>EL</b>	Representatives accredited by the Ministry of the Interior, Public Administration and Decentralisation	
<b>ES</b>	The Ministry of Public Administration	
<b>FI</b>		The State Employer's Office (Valtion työmarkkinalaitos, VTML), within the Ministry of Finance
<b>FR</b>	The Civil Service Minister	
<b>HU</b>	Government delegation consisting of high-ranking officers from several ministries	

<b>IE</b>	The Prime Minister ( <i>Taoiseach</i> ) and various ministers	
<b>IT</b>		The Agency for the Representation of Public Administration Negotiation (Agenzia per la rappresentanza negoziale delle pubbliche amministrazioni, Aran)
<b>LT</b>	Head of a state or municipal institution and/or agency a person authorised by them	
<b>LU</b>	The Ministry of the Civil Service and Administrative Reform	
<b>LV</b>	Representatives of institutions (individual agencies and ministries)	
<b>MT</b>	The principal permanent secretary, the permanent secretary within the Ministry of Finance and the permanent secretary within the Office of the Prime Minister	
<b>NL</b>	The Minister of Internal Affairs	
<b>NO</b>		The Personnel Director of central government which reports to the Ministry of Government Administration and Reform (Fornyings-og administrasjonsdepartementet, FAD)
<b>PL</b>	Government	
<b>PT</b>	Individual ministers	
<b>RO</b>	The Ministry of Administration and Interior (Ministerul Administrației și Internelor, MAI) and the National Agency for Public Servants (Agenția Națională a Funcționarilor Publici, ANFP)	
<b>SI</b>	The governmental bargaining group (representatives of all ministries, some governmental offices, agencies, parliament and the associations of municipalities)	
<b>SK</b>	Representatives of ministries accredited by the government	
<b>UK</b>	Individual departments and agencies (within Treasury constraints)	

Source: EIRO, *National contributions*, 2006

## Coordination of bargaining structure and wage policies

These institutional arrangements can be important for dealing with the problem of the coordination of the bargaining structure and of wage policies, especially in decentralised systems, and also for limiting political influence on the wage-setting process. But probably no solution is in itself more effective than the others, as individual arrangements depend on the institutional, political and cultural traditions of each country.

Other issues relating to the coordination problem are link between the wage-setting system and the state budget process of a country, and the existence of benchmarking practices. Information on the first issue is not available here. With regard to benchmarking practices, several countries adopt comparisons and reference points to regulate the pay of central government employees, although rarely through formalised arrangements. Ireland, with the Public Service Benchmarking Body (PSBB), is perhaps an exception. The task of this body is to benchmark the pay of public servants with private sector comparators. A first benchmarking review was issued in 2001, giving various suggestions for pay increases, and a second one is expected in 2007. In Denmark, meanwhile, a pay adjustment scheme has been agreed which ensures that the pay of state employees develops in parallel with private sector wages and salaries. With a predefined time lag, this scheme automatically adjusts – upwards or downwards – state sector pay developments (including central government) with those of the private sector. Where there are disparities, 80% of the difference will be made up in the subsequent pay settlement period through a corresponding adjustment in public sector pay. As a consequence, pay developments in the state sector will fluctuate in the long term according to developments in the private sector. In several countries, private sector pay increases (or those of export-led sectors) are taken as a reference point, even outside of formal arrangements.

In Germany, private sector bargaining outcomes usually set a pattern for the pay increases of both contractual employees and career civil servants. In Austria, there is no regular benchmarking, but the metalworking industry agreement is an important reference point and public sector pay increases are generally below inflation. In Finland, the State Employer's Office and individual central government agencies carry out pay comparisons between the central government sector and the private sector, according to a classification of job demand (called the 'VPL-analysis'), to help draft the pay policy in central government. In Hungary, despite the absence of any formal benchmarking, the annual bargaining round for the public sector always takes as a starting point the national agreements/recommendations for the private sector concluded at the National Interest Reconciliation Council (Országos Érdekegyeztető Tanács, OÉT). In Italy, pay increases in the two-year national level negotiations for central government have – as in the other public administration sectors and in the whole of the private sector – taken the planned rate of inflation, which is fixed in the national budget law, as a reference point for pay rises, although these increases set at national level can be supplemented by increments linked to productivity agreed upon in second-level, decentralised negotiations. In the Netherlands, pay increases are based on an index calculated by the Minister of the Interior, which uses a reference model that takes into account pay developments in the private sector. The Minister can unilaterally amend such an index, however. In Norway there is benchmarking of sorts, using figures from export industries ('trend-setting trades' model). Here the industries most vulnerable to international competition set the agenda for pay increases in the national economy, including the public sector and the central government. Some forms of benchmarking with the private sector are also present in Portugal, in Romania (with the top private sector), and in Slovakia. In Slovenia, disparities in wage levels between the public and private sectors should be corrected in the coming years by means of the new Public Sector Wage System Act. In Cyprus, public sector salaries are usually higher than private sector ones. In Belgium federal public sector employees have an automatic wage indexation, while in Malta there is an automatic cost of living adjustment for both private and

public sector employees. There is no benchmarking with the private sector in Estonia, Latvia, Luxembourg, and Lithuania.

## Performance-related pay schemes

Over the last 10–15 years, forms of variable and performance-related pay have also been introduced for central government, including career public servants. More or less intensive and extensive forms of performance-related pay are present in Denmark, Estonia, Finland, Germany, Hungary, Ireland, Italy, Latvia, Malta (higher grades only), the Netherlands, Slovenia and the UK.

In Denmark, these schemes were first introduced for municipal employees in 1997, but since 2005 about 80% of state sector employees have been covered by performance-related pay. In Germany, in 1997 and then in 2003 the Civil Servants' Remuneration Act (*Bundesbesoldungsgesetz*) was amended in order to introduce elements of performance-related pay for all categories of *Beamte* throughout the federal administration, with restrictions relating to the maximum number of beneficiaries (no more than 15%), and on the amount and modes (individual or team level) of payments. In 2005 the bargaining parties agreed to extend performance-related pay to staff under ordinary contract. This will be implemented in 2007 and will affect a maximum 8% of the individual salary.

In Estonia forms of performance-related pay are regulated by the Public Service Act (*Avaliku Teenistuse Seadus*) and utilised in many ministries. In Finland an extension of performance-related pay in central government pay policy has been agreed by the State Employer's Office and trade unions in the collective agreement for 2005–2007, and should be implemented in the next few years. An endorsement of performance-related pay is also expected in Hungary under the 2006 government 'convergence programme'. Its utilisation is increasing in Ireland, especially for higher civil service positions, where it affects up to 20% of the basic pay, and is administered by a Committee for Performance Awards made by two top civil servants and three representatives from the private sector, on the recommendation of the Secretary General in each Department concerned. The performance-related pay scheme in Ireland was suggested in 2000 by the Review Body on Higher Remuneration in the Public Sector. In the Netherlands, there is a form of special or extraordinary pay, which in 2005 was received by 25% of civil servants in the central government sector. In Slovenia, performance-related pay operates in central government, but only to a very limited extent, whereas it is widespread within the civil service in the UK, operating in different forms across the bargaining units. In late 1990s there was a drift back to incremental progression, which now seems to have been halted. In Italy, forms of variable pay affecting a significant proportion of the salary have been introduced for managers only (not just in central government), while for non-managerial staff they are rather modest and not selectively implemented. The effectiveness of performance-related pay for managers is hotly disputed, however, not just because of the way it has been implemented, but more particularly because of the weakness or absence of assessment procedures.

## Right to strike and collective disputes

The right to strike of central government employees, and especially career civil servants, is subject to restrictions in several countries. In a number of cases this right is simply forbidden, in others is subject to some special regulations, while in a third group of countries it is similar to that for private sector employees, with a few qualifications.

Apart from the armed forces, defence, police and the judiciary, which are often excluded from the right to strike, severe restrictions or explicit prohibitions on strikes by civil servants operate in

Germany, Belgium, Bulgaria, Denmark, Estonia, Hungary, Latvia and Poland. The right to strike is usually permitted to contractual staff in these countries, unless differently specified.

In Belgium, strikes by civil servants were traditionally considered an act of subversion, but since the adoption of the **European Social Charter** the right to strike of civil servants is implicitly recognised. Explicit prohibition exists only for the armed forces, while the police have to abide by strict rules. In some cases, the private sector law on the provision of minimal services in the case of industrial action is extended to civil servants. In Bulgaria, civil servants have the right to a 'symbolic' strike, without work stoppage. In Denmark and Germany contractual employees can strike for contract renewal, but are subject to peace obligation clauses during the period of validity of collective agreements. In Estonia the right to strike is banned for all public sector employees, and this is one of the main issues on the trade union agenda. In Hungary special rules for civil servants apply.

The right to strike has a very uncertain status for all public employees in Austria, where experts disagree whether and under which circumstances they can take industrial action. On the other hand there is no formal basis for peace obligations, since no formal bargaining takes place in the public sector.

The distinction between the two remaining groups is not always clear. In a few countries there are special rules, e.g. about giving advanced notice before going on strike, or about the provision of minimum services to be guaranteed in case of a strike (Italy, Luxembourg, Slovenia and Lithuania), even if these rules refer to 'essential public services' or to services of 'special public interest' and are not specifically directed at central government employees. The Italian legislation, for instance, defines as essential public services – irrespective of the legal status of the provider – all those which are directed to satisfy the constitutionally protected rights of the person to life: safety, health, mobility, education, information etc (Law 146/1990). Parts of central government services fall within this definition, even if it clearly encompasses a much wider set of services.

Other special regulations or institutions, apart from minimum services, may relate to the mechanisms and procedures for handling collective disputes in the central government sector. In some countries special **conciliation, mediation and arbitration** schemes for civil service exist (Denmark, Finland, Ireland, the Netherlands, Norway and Greece). In Norway, for instance, where not only employees under ordinary contract but also civil servants have the right to strike (extended to the police in 1994), mediation is always compulsory in the state sector and arbitration is compulsory for the senior civil service (who do not have the right to strike). In the Netherlands, a special Advisory and Arbitration Board (*Advies-en Arbitragecommissie*, AAC) for central government has existed since 1994. In Denmark there are two arbitration systems for all public servants, based on different laws: one a disciplinary court for statutory civil servants (the Civil Servants' Disciplinary Court, *Tjenestemandssloven*); and one an industrial relations court for staff under collective agreement (the Industrial Court). Both courts are joint bodies based on parity. For contractual staff, moreover, there is the Independent Public Conciliator (arbitrator), a body to which social partners can submit a matter concerning a conflict of interest if they are unable to reach agreement. In Ireland, a scheme of conciliation and arbitration for the civil service was introduced back in 1950, with an institution for third party dispute resolution (the Civil Service Arbitration Board) and joint councils for conciliation purposes.

In other countries (Malta, Romania, Slovakia and Slovenia), the institutions and mechanisms for handling collective disputes are the same in the public and in the private sector, while in France, where the right to strike is constitutionally protected (as in Greece, Italy and Spain), and in the UK, no discrete procedures for dispute resolution in central government exist.

Peace obligations during the period of validity of collective agreements exist in a number of countries, like Bulgaria, the Czech Republic, Denmark, Finland, Germany, Norway and Ireland. In the last of these, for example, peace obligations are included in the tripartite national pacts (like Towards 2016, currently in force) and also apply to the state sector. Such obligations are absent in Italy, France, Luxembourg, Slovakia and the UK, and of course, in countries where formal collective agreements are excluded from central government as in Austria, Estonia, Lithuania, Poland and Portugal.

## Commentary

It has been shown that a comparison of national employment relations in the central government and public sector is a difficult task. Many problems arise surrounding the definition of the sector, and idiosyncratic normative and institutional features also complicate the analysis, while for many issues an accurate comparison would require a more direct and in-depth inquiry than the one permitted by the scope of this report. Some concluding comments can, however, be made on two issues.

The first of these concerns the special employment status which in most countries applies to a more or less significant proportion of central government employees (although usually not specific to central government), and which distinguishes them not only from private sector employees but also from central government and public sector staff under ordinary employment contracts.

As has been seen, a tendency towards harmonisation has been ongoing in many countries over the last 15–20 years, reducing the number of career civil servants in relation to employees under ordinary contract, and abolishing one or more of their special prerogatives. Innovations include: the adoption of more flexible recruitment practices; a decreasing importance attached to seniority in career and promotion processes, in favour of merit and performance; greater and easier mobility processes; diffusion of fixed-term contracts for civil servants as well; the introduction of forms of performance-related pay or of variable components in remuneration; a reduction of retirement and pension privileges (where these existed); and a weakening of the traditionally high level of job protection, together with easier and less costly dismissal and redundancies procedures. The difference of status, albeit to some extent attenuated, persists in most countries. It has perhaps been strengthened or even newly introduced in some of the former communist countries of central and eastern Europe, where it did not previously exist (as in Estonia). The case of the UK still seems an exception from this perspective. Pressures to change are high in many countries, but so is the resistance to change. It is a matter of opinion whether the persistence of this special status (which is not usually specific to central government, but characterises the entire public sector) is the more important, or the many signs of its diminishing.

The dual employment status also affects labour relations and collective bargaining in the sector, with a few exceptions. If the right of association is generally recognised, with the exclusion in some countries of a few groups of civil servants (or the provision for them of special forms of representation), there are greater restrictions on career civil servants with regard to the right of collective bargaining and the right to strike. In a few cases these restrictions affect all central government employees or even all public sector employees, without any distinction made between career civil servants and employees under ordinary contract.

The second issue concerns the differences across countries. As has been shown, the European Union is a mosaic of diversity in this area as well. However, a few country groups can be identified, with common features transcending the differences which also exist within each group. One group with undoubtedly specific common features consists of the former communist countries of central and eastern Europe. In all of these countries, with the partial exception of

Hungary, central government employment has increased in the years included in this study. In many cases the increase has been substantial; in most cases it is associated with an overall reduction in public sector employment, possibly as part of a sort of state-building process following the collapse of the Soviet bloc. This group is also distinguished by the features of its labour relations in central government. Typically, industrial relations are extremely weak in most if not all of these countries (Slovenia is probably an exception). This is reflected in: extremely low trade union density, and in some cases an almost total absence of union members in central government (as in the Baltic countries and partly in Poland); great difficulties in collective bargaining, either due to formal restrictions or the weakness of trade unions; and generally harsh restrictions on the right to strike.

A second group comprises the Nordic countries, Denmark Norway and Finland. The main features associated with these countries are: high levels of central government and public sector employment; harmonisation processes between career civil servants and employees under ordinary contracts, although differences persist in these countries as well; very high trade union density and widespread collective negotiations practices, within a rather decentralised, two-level bargaining system with strong coordination mechanisms; few restrictions on the right to strike, but special mechanisms for collective dispute resolution. Ireland shares some features with this group of countries: the rate of unionisation is quite high; there are special mechanisms for handling collective disputes in the civil service; and national '**tripartite concertation**' has an important regulatory role for central government employees as well, as in Finland, although the single-level bargaining system is more centralised than in the Nordic countries. Perhaps the Netherlands could also be added to this group, although the union density rate is notably lower there, and the two-level collective bargaining system is characterised by a weaker degree of coordination.

Germany, France, Austria, and Belgium, to an extent, share a very strong tradition of career civil servants, which in France, Austria and Belgium also comprise the majority of central government employees. Career civil servants do not have the right of collective bargaining (in France and in Belgium collective bargaining has an uncertain and weak status) in this group; in Austria, Belgium and Germany they are also denied the right to strike. In Austria, Belgium and Germany, there is a medium to high level of trade union density in central government and the public sector as a whole, whereas it is relatively low in France (although higher than in the private sector). In Germany, employees under ordinary contract, representing about 60% of those working in central government, have the same bargaining right as private sector employees. Forms of performance-related pay are also to some extent utilised for career civil servants in France and Germany, but the wage-setting system is highly centralised in all countries in this group.

The UK seems to be a case apart: no special status for civil servants; no special limitations of the right of association; no restrictions on the right of collective bargaining (except for the about 4,000 senior civil servants), and no denial of the right to strike. Trade union density is medium-high. The single-level collective bargaining system and the wage-setting process are decentralised and carried out in about 90 bargaining units, although since the late 1990s attempts have been made to reduce this fragmentation of civil service and pay dispersion. Forms of performance-related pay are well diffused, but attention is also paid to equal pay and low-pay issues.

Of the Mediterranean countries, Italy seems to share some features with the UK and some with the Nordic countries. There is no dual employment status among central government employees (with a few exceptions), although overall the regulation of the employment relationship is still different for the public sector from that of the private sector, even following the start of 'privatisation' in 1993. The right of association is extended to all employees, although in some special forms for armed forces, police and judges; collective bargaining is extended to almost all of the central government employees, and in fact to the armed forces and police as well, albeit

with special procedures (judges, diplomats and prefects are excluded); the right to strike is constitutionally guaranteed and is therefore also extended to central government employees, with restrictions only on those working in essential public services. Trade union density is medium-high. Collective bargaining is widely practiced, within a two-level bargaining and wage-setting system, with some forms of central coordination. Forms of performance-related pay are utilised for managerial positions, although subject to weak assessment procedures (at least in practice), while they are less important for non-managerial employees. Among the other Mediterranean countries, Portugal is characterised by a fairly weak labour relations system in central government, with a medium-low union density and no collective bargaining right for career civil servants, who represent 74% of total central government employees.

In conclusion it can be stated that processes of harmonisation between public and private sector employment relations, and between career civil servants and employees under ordinary contract, are ongoing in many countries, with the qualifications outlined above. However, a similar convergence process between countries is much less evident, betraying the deep roots that employment and labour relations in the central government and public sector have in the legal and institutional traditions of each country.

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## Annex

### Country codes

*Country codes*

<b>Country code</b>	<b>Country name</b>
AT	Austria
BE	Belgium
BG	Bulgaria
CY	Cyprus
DE	Germany
DK	Denmark
EL	Greece
ES	Spain
FI	Finland
FR	France
HU	Hungary
IE	Ireland
IT	Italy
LT	Lithuania
LU	Luxembourg
LV	Latvia
MT	Malta
NL	Netherlands
NO	Norway
PL	Poland
RO	Romania
SI	Slovenia
SK	Slovakia
UK	United Kingdom

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