

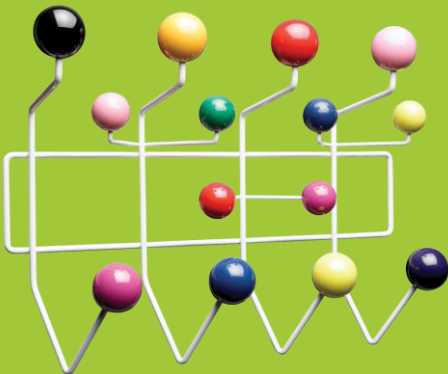
CAWIE3: Inclusive growth through wage coordination.

Research on the economics and politics of wage setting in Europe after austerity.

Sem Vandekerckhove

10th annual TURI conference

Berlin, 17/5/2018



After austerity

- 2008: Great Recession
- 2018: “Lost decade” “record decline” “worst years in peacetime history”
- Economic boom & bust
 - Austerity policies not successful
 - Workers’ patience stretched
 - Low trust in EU
- Need for new policies
 - “Inclusive growth” (OECD, WB, WEF)
 - “Higher wages” (M. Draghi)
 - “European Social Standards Union” (J. Juncker)
 - EU Pillar of Social Rights
 - Input from social partners
 - ... and CAWIE3

David Cameron, speech to the British Chambers of Commerce, 10 feb 2015

*Now that our long-term economic plan is truly working, together we’ve got to make sure it works for everyone in our country. Economic success can’t just be shown in the GDP figures or on the balance sheets of British businesses. They need to be seen in peoples’ pay packets, and bank accounts and lifestyles. Now the most recent figures show that wages are already growing faster than inflation, and as the economy continues to grow it is important this continues, that everyone benefits. Put simply **it is time that Britain had a pay rise.***

Collective Agreed Wages in Europe

Positioning

CAWIE1 *Measuring* collectively agreed wages.

CAWIE2 *Defending* collective bargaining during the crisis.

CAWIE3 *Progressing* through inclusive growth.

Question

Social partners are now invited to provide input for a social Europe. The question is: **do they and how?**

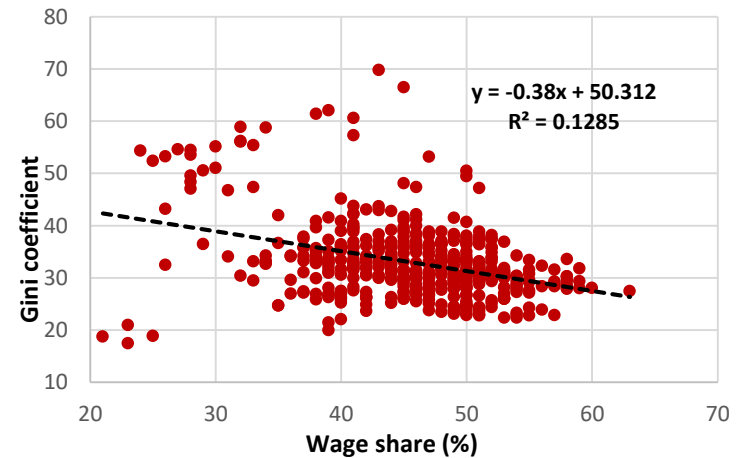
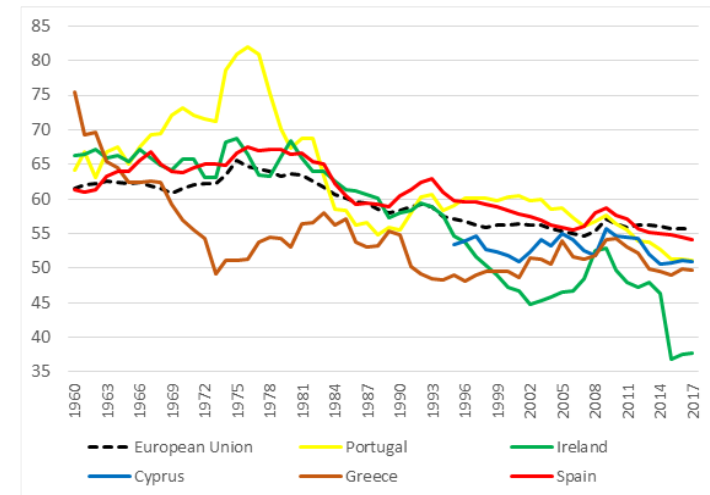
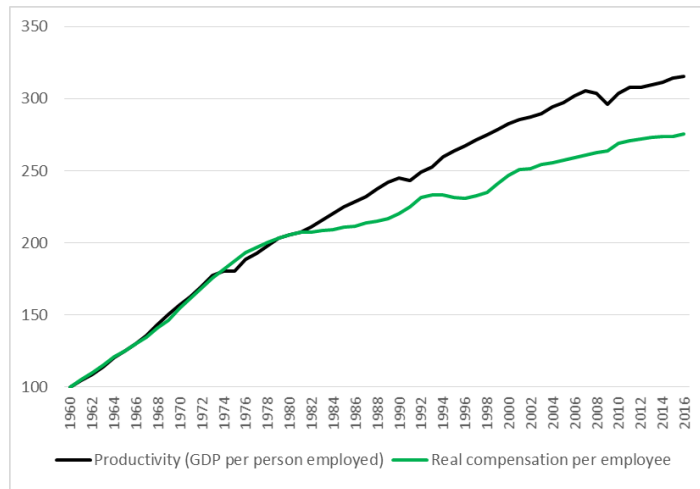
Instead of a defence: propose strategies that create growth, reduce inequality, and fight poverty.

Topics and methods

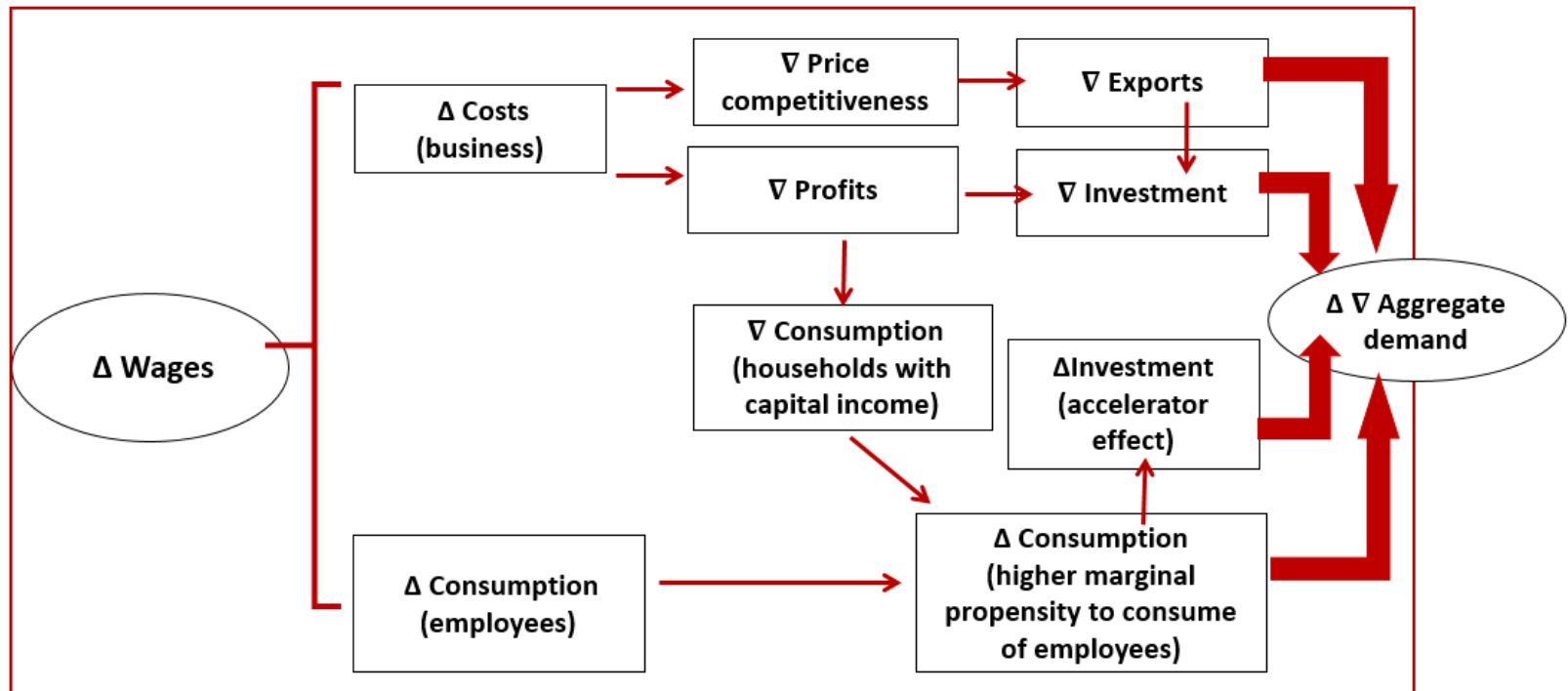
1. Growth through wages
 2. Coordinating growth
 3. Avoiding low-pay
- Theoretical papers
 - Analysis of link between income distribution and economic performance via collective bargaining (ES-NL)
 - Literature review (FR)
 - Modelling the wage growth / budget expansion trade-off (FI)
 - Inequality statistics (IT)
 - Interviews
 - 9 countries (BE, DE, DK, ES, FI, FR, IT, NL, UK)
 - Unions and employers
 - Metal, retail, public sector, confederations

Growth through wages

- Labour share is decreasing
= wages decoupled from productivity
- Excess liquidity > take-overs > pressure on wages > lower demand > bust
- Prisoner's dilemma
 - EU is large, wage-led, closed economy
 - Member states are small, profit-led, open economies



Bhaduri-Marglin



Growth through wages

- Idea of 'fair share' / 'part in success' is accepted by employers, but cost competitiveness comes first
- U put wages first to increase demand, not creative destruction
- Metrics and targets are absent or primitive
- Very often wages not primary topic: investments, quality, skills

- Paradox (BE)
 - U opposes to productivity logic, uses productivity figures in negotiations
 - E want freedom and flexibility, but support the maximum wage growth policy

Coordinating growth

- Calmfors-Driffil: higher level internalizes collective interest
- Does not work in an open economy → EU
- Monopsony: regulation improves on market failure
- Rules
 - Inflation + productivity (stable labour share)
 - 2% + x (monetary target)
 - Inflation + ULC/ULC(EU) (convergence)

Coordinating growth

- CBA important for legal security: “Tell me what the rules are” (ES), and
- Economies of scale, prevent leapfrogging – alternative: referencing (SMIC, NLW, etc.)
- Some employers value agreements, even minor, other want more autonomy, less automatism
- Multi-tier systems to have reasonable lows and high enough highs (IT, FI, ...)
- Paradox
 - Established CB: few innovations, pressure on system (DK, BE)
 - ‘Extinct’ CB: openness to collaborate (UK)
- Most, but not all, show little interest in options at the EU-level, fear loss of responsibility, and remain internally decentralized

Preventing low-pay

- Inclusion/social market often understood but not known or used (FR-BE vs UK-IT)
- Different understanding of inclusion and fairness:
 - Lower wages to include migrants, LTU (BE)
 - Include all companies, large or small, city or remote (BE/UK)
 - Necessary condition to sustain growth (IT)
- Revival of collective bargaining (IT)
- Shared concern for migration stop/Brexit, U concerned with automation (= productivity, e.g. retail trade)
- Minimum wages against rogue employers
- Increased flexibility: make precarious work more expensive (IT)
- CB complementary with social policy (FR/BE) vs "Not our business" (ES/FI)

Conclusion

- Strategies remain within locality and existing framework
- Opportunities: social partners are opposed *and* attracting
- Wages often secondary to job quality, training, funds, etc.
 - almost overlooked (UK/BE).
- Unexpected differences within each side between countries (E in NL vs. BE)
- Main driver: (healthy) self-interest on both sides
 - U care about productivity if it gives work or higher wages.
 - E consider inequality a problem when visible at the workplace.
- From “moderating centralization” (BE/FI) to “open for change” (UK/IT)