

Foreword

The winds of change are blowing through Europe. May 2019 will bring us the European Parliament elections and in autumn we will have a new Commission, which will face the task of steering the European Union (EU) through the uncertain waters of Brexit, growing economic nationalism, volatile financial markets, the upgrading of the Chinese growth model, and a possible downturn in economic growth. These elements all have the potential to further worsen the social problems that European citizens and working people are still facing: high unemployment (notably among young people), low salaries, increasing inequalities and divergences in the labour market and in society, and worrying levels of precariousness, poverty and social exclusion. Meanwhile, what we call the four ‘mega trends’ of climate change, digitalisation, demographic change and globalisation will continue to forge ahead. These trends may be certain but the direction they will take is not. The above-mentioned economic and political uncertainties will have a significant impact on their course, influencing in particular how European and national policymakers choose to respond to the challenges ahead.

Benchmarking Working Europe puts workers’ concerns at the centre of its analysis and policy proposals. The four chapters tackle the areas of economic growth, labour market changes, wage developments and workers’ participation to provide a comprehensive picture of where we are today in the fight for a more socially equitable and just Europe. This year’s edition looks at the current state of affairs regarding the characteristics of the recovery, the sustainability of output growth, the distribution of growth gains, the quantity and quality of jobs, and the cause of achieving greater democracy at work. With the aid of a multi-level and multi-dimensional set of indicators, we assess what the current policy stance has achieved, or rather – as will emerge from a reading of the following pages – what it has *not* achieved. The four chapters do not only set out a diagnosis but also put forward a set of policy proposals, considering what policies need to be put in place for Europe to generate higher living standards for all – policies based on fair integration and upwards social convergence across the continent.

The chapters in this year’s edition of *Benchmarking Working Europe* highlight that while progress has been made in many areas over the past couple of years, structural flaws remain and clear warning signs in the economic cycle cannot be ignored, particularly considering the importance of ensuring a just transition to a low-carbon and digital economy. Several problems were not tackled during the economic upswing and are therefore persisting, the first to mention being weak productivity and output growth rates. Output growth for the European Union peaked in 2017 at 2.4% and has since declined, with the most recent forecasts of the European Commission suggesting that in 2019 and 2020, real GDP is expected to grow at 1.9% and 1.8% respectively. In light of the above-mentioned economic and political uncertainties, these forecasts may be revised downwards further still.

A second serious weakness is the fact that income inequalities have been rising for decades, while longer-term, structural secular developments are further exacerbating the issue, especially if left unchecked. And last but not least is the overarching question of climate change and the massive

efforts that are required to change our economic growth model in order to halt (let alone reverse) this phenomenon, but which we are not seeing.

These developments are mutually reinforcing. While output and productivity growth do not and have not been automatically reducing inequalities, they do, in principle, make redistribution politically easier, insofar as growth gains can be used to this end without taking away (as many) resources from others. On the other hand, policies that are often peddled as growth-enhancing have been shown to produce the ‘side effect’ of greater inequality. Higher growth has also been contributing to climate change and the depletion of natural resources. This is why the necessity of ensuring sustainable growth is a fundamental premise of this year’s *Benchmarking Working Europe*. Although it is an insufficient condition in and of itself for improving the lives of workers and citizens, it is nevertheless an important one, ensuring the creation of quality jobs and a more equitable income distribution, as well as providing the resources for tackling climate change.

However, transitioning to a more sustainable growth model will require investment and special care to ensure that this transition is a ‘just’ one. At the heart of any strategy aimed at tackling the above challenges lies the need to stimulate investment, particularly social investment. Keeping capital costs low, supporting demand prospects, reducing economic ‘uncertainty’, increasing public investment, and creating further investment incentives through stronger wage growth are some of the preconditions for this to happen. In the background to all of this, divergences across the EU must be reduced, the reform of the EU fiscal rules should allow fiscal policies to play a more active role in stabilising economies, and the reform of the eurozone, which should be progressive and investment-friendly, needs to be completed. Key steps to achieving the latter are the establishment of a Euro Treasury and fiscal capacity, as well as the completion of the Banking Union. Focusing only on preserving sustainable growth will, however, not necessarily lead to lower inequality. Redistribution and pre-distribution policies are also necessary.

The imposition of deregulatory labour market reforms and the decline of collective bargaining coverage have also been associated with greater inequality. The combination of recent economic growth and labour market deregulation has in fact led to structural changes in the EU labour market. While the number of people in employment has returned to pre-crisis levels, the jobs themselves and the workers performing them have changed significantly. These changes have not always been symmetrical: while the level of educational attainment amongst workers has risen, the quality of jobs offered to them has in many respects declined. One of the clearest indications of this is the expansion of various forms of non-standard employment over the past ten years – such as temporary work, short-hour jobs, subcontracting or platform work – often due to a lack of standard employment. These kinds of work also carry multiple risks for workers, including an increasing risk of in-work poverty and deepening social inequalities. This is in part related to the instability of earnings, the lack of standard worker protections, and the insufficient availability of work. These issues are particularly notable in the case of online labour platforms.

The 'knowledge-based economy', meanwhile, is not developing equally across the EU. There is growing geographical polarisation between Member States, with the countries most troubled by the crisis following the path of low productivity growth. The past decade was also characterised by a structural shift in the sectoral composition of jobs, with the greatest job destruction in manufacturing and construction and the greatest job creation concentrated in the services sector; these developments have been heavily influenced by long-term changes in the labour demand.

The deregulation of the labour market is also one of the underlying factors in the worrying long-term trend of subdued real wage development. Ten EU Member States are still at or even below the level they were at ten years ago, while real wages are lagging behind productivity in fifteen Member States. This means that in these countries, workers did not receive their fair share of the wealth they helped to generate; the wage share is thus continuing to decrease. Along with the economic environment and labour market deregulation, other explanations for this development include labour market slack and the deliberate weakening of collective bargaining structures. The recent moves towards reregulating labour markets and extending rights to atypical workers are a step in the right direction, but still far from being enough to meet the challenges posed by the current configuration of the labour market. After five years of economic growth, wage inequality has risen, the percentage of working poor is still above its pre-crisis level, and more people than ever have atypical work contracts. There may be more people with a job today than five years ago, but the nature of these jobs has changed and not necessarily for the better. A great push to strengthen national collective bargaining institutions and coverage will be key to improving labour market performance, redistributing wealth and reducing inequalities.

The final chapter of *Benchmarking Working Europe* focuses on how to increase democracy at work (a particularly salient issue at the moment) and on how the European institutions could contribute to making this happen. The analysis shows that democracy at work and political democracy are mutually reinforcing; if workers are more empowered in the workplace, they will carry this engagement over into civic life, and vice versa. General life satisfaction is also linked to higher levels of democracy at work, along with greater equality, a higher labour force participation rate and greater company innovation. More democracy at work can also promote company sustainability because companies where workers exercise greater voice at the workplace, or where they are represented on the company board, have generally been found to pursue more sustainable policies towards the workers themselves, the environment, and society as a whole. The many beneficial outcomes of democracy at work observed here cannot be ignored and point in favour of giving employees more voice.

In this context of transformational trends and political and economic uncertainties, many workers and citizens feel insecure, a lack of control and a fear of the future. The results of this malaise are indisputable: in many EU Member States we now have 20% of the population voting for far-right parties. The main political agenda is often focused on migration (or rather how to stop migration), thereby shifting the focus away from many of the major challenges societies are facing. The EU-level response to these developments cannot be one of security, defence and border control. Recent events seem to indicate that there is a window of opportunity

for reregulation. The Posted Workers Directive has been revised, health and safety provisions at the European level are being strengthened (for example, the passing of the Carcinogens and Mutagens Directive as well as revisions of other directives), some platform workers are having their status requalified from 'self-employed' to 'workers', some Member States are back-tracking on deregulatory measures, and international institutions are warning against excessive flexibility and ensuing inequalities. Last but not least, the European Pillar of Social Rights, proclaimed in 2017, has started to deliver its first results.

Benchmarking Working Europe 2019 uses fact-based evidence and analysis to demonstrate that, considering the challenges ahead, the change in policy direction that we are seeing hints of needs to be reinforced and advanced in order to shape the future of work for the benefit of all workers. The newly adopted work programme on the European Social Dialogue will tackle some of the burning issues listed above and hence ensure that workers' voice and interests are taken into account in the management of the transformations that Europe is going through.

Benchmarking Working Europe first appeared in 2001. By providing a genuine benchmarking exercise applied to the world of labour and social affairs and grounded in the advocacy of effective labour and social rights, this annual publication represents a contribution to the monitoring of the European Union. It aims at establishing what progress, or lack thereof, has taken place in selected areas of importance to the trade unions and of significance for a social Europe.

We hope you will derive both interest and benefit from your reading of this year's edition of *Benchmarking Working Europe*.

Luca Visentini

ETUC General Secretary

Maria Jepsen

ETUI Director of Research Department

Philippe Pochet

ETUI General Director