

Panel 1: Inclusive growth: a new, successful agenda for collective bargaining?

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1 Introduction

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There is a growing recognition that economic growth goes beyond GDP figures. The major economic policy institutions (OECD, WB, WEF) stress the importance of inclusive growth: inequality may actually hinder economic growth, also in developed countries.

The first two CAWIE projects focused at measuring and defending collective bargaining in light of the reforms during the crisis. The session presents the findings of the following CAWIE3: Research on the economics and politics of wage setting in Europe after austerity. This project looks into theory and strategies to 'progress through inclusive growth'. As social partner are now invited to provide input for a social Europe, the question is: do they and how?

The project consists of four theoretical papers, and one comparative paper that confronts nine country reports. In each country, both the employers' federations and trade unions were contacted for a semi-structured face-to-face interview. The social partners involved come from the metal/manufacturing industry, retail/services sector, and/or public sector. Additionally, the national confederations have also been interviewed. The backbone of the research relates to three wage setting strategies: growth through wages, coordinating growth, and avoiding low pay.

1.1 Growth through wages

It appears that in recent decades there is a steady decline in the labour share, and increasing income inequality as the majority of people are wage-earners, and labour income is more uniformly distributed across households than capital income. We also note a decoupling between productivity and wage growth, meaning that a portion of the gains in productivity are not transferred to wages. Reasons for this are the uneven bargaining power among different social groups to capture increases in productivity as well as technological trends, organizational changes, increasing globalization and decentralization of collective bargaining.

These trends are hindering the recovery because, following the Bhaduri-Marglin model, large economies are characterised by wage-led growth. If the crisis is interpreted as a demand shock, the solution to move out of the crisis and prevent further cyclical crises is to preserve wage growth. However, small export-oriented economies may be profit-led, and therefore aspire to free-ride, undercutting economic development in the EU as a whole and the effectiveness of a common currency.

The inclusive growth paradigm is still unfamiliar to most social partners interviewed. However, when the term is explained, the idea is widely supported but also considered to be practically unfeasible,

for instance due to competitiveness pressure and economic hardship. This is also argued by many trade unionists. For employers, to avoid a dynamic of creative destruction is a way to be inclusive towards all companies.

1.2 Coordinating wage growth

The original Calmfors-Driffil argument that linked different models of collective bargaining with macroeconomic results remains dominant in the discussion on wage coordination. However, the conclusion that decentralisation is optimal was not supported by empirical evidence. Also, the enlargement of the European Union and the general acceleration of globalization may imply that there is a shift of full centralization from the national level to the supranational level.

Several suggestions regarding optimal wage rules are made in an overview of the literature (CAWIE research paper 3.2). The baseline is that real wages need to follow the evolution of productivity and inflation in order to maintain the wage share (the 'golden rule'). In order to restore the wage share or for convergence of the unit labour cost between eastern and western Europe, a temporary adjustment period in which wage growth exceeds the golden rule may be needed.

At the national level, various forms of coordination and centralization of wage bargaining exist, with some degree of international pegging. International wage coordination, however, is still in its infancy. Currently, there are two main undertakings: one is the wage rule advanced by IndustriAll. This is well known within the industry sectors and used as a reference for bargaining rather than a strict rule. The second are formal and informal European works councils. They are not numerous nor well-established. In fact, some attempts have already faded, and would need practical support (e.g. providing accommodation, covering travel expenses) to be maintained.

1.3 Avoiding low pay

International institutions like the OECD and WEF have focused on factors like globalization, technological change, immigration and job polarization to explain the increase in inequalities. The solution to counter these movement, according to these accounts, is to increase employability through investment in skills and to reduce labour market rigidities. Until recently, the role of institutions, in particular collective bargaining institutions and the role of unions, was underexposed.

The social partners reflect the indecisiveness of the policy narrative. In the interviews, two oppositions were encountered: the first is whether social policy to prevent poverty is a responsibility of social partners (predistribution), or of the state (redistribution). The second is whether national minimum wages are useful in the fight against poverty, or on the contrary, whether they are detrimental to union strength.

2 Case study Finland

Heikki Taimio (LIER)

Finland is characterized as a small open economy with a very high union density and a high collective bargaining coverage rate (>90%). It has a tradition of centralized bargaining with government interventions. With respect to inclusive growth, however, this is seen as a matter for the political level of the welfare state.

The country has seen a trend of ongoing decentralization with employers' associations being in favour of the decentralized approach, but trade unions remain strongly opposed. Important to note is that bargaining on a supranational (EU) level is not considered feasible nor wanted by the social partners.

The term inclusive growth is relatively unknown in Finland. A high employment rate is seen as the best way to reduce inequality by both sides of the bargaining table. Rather, the Nordic welfare state plays a dominant role in the approach on inclusivity, as taxes and transfers should be used to redistribute wealth. The social partners both praise this system, hence the role of collective bargaining here is limited, with employers emphasizing the importance of cost competitiveness and public debt sustainability and trade unions focusing mainly on living wages.

3 Case study Italy

Salvo Leonardi (Fondazione Di Vittorio)

Italy faced significant economic problems in the past few years, with the GDP falling by approximately ten percent, a quasi doubling of unemployment and a rise in fix-term contracts. Also here, there has been a trend towards more decentralization of collective bargaining. Finally, distrust towards all democratic political and social institutions is on the rise leading to a new wave of populism.

The collective bargaining system is characterized with medium-high levels of unionization (35%), especially considering the fact that it relies entirely on volunteerism and a lack of rules. It has a high level of collective bargaining coverage (80%) even though no extension mechanisms are in place.

The employers' associations dealing with large companies that were interviewed emphasized the need for a cultural renewal, believing further decentralization towards the company level is needed and productivity and competitiveness should come first. There is room for national industry level wide agreements and wage setting as a last resort for companies that have no company level bargaining in place. They are however opposed to extension mechanisms and norms on employee participation. Direct forms of participation and through HR services are preferred. The employers' associations for SME's believe the national agreement should play the most prominent role, with multi-employer bargaining as a second level. They are opposed to competitiveness that is only focused on labour costs.

The trade unions believe multi-bargaining has to play and maintain a key role for wage setting. They plead for wage increases beyond the cost of living indicator, this can lead to a reprise of wage driven domestic demand. Additionally, they want to see the system of industrial relations reform, with a better organised regulatory framework and things like legal extension mechanisms and enforceable rules on representativeness.

The importance of the international level is recognised by all social partners. The continuous growth of large multi-national companies is seen as a danger for the future of collective bargaining as they are clearly opposed to trade union involvement.

Issues like precarious work and the working poor are acknowledged and should be eradicated according to the unions. They notice the growing polarization that is increased by occupational and technological change between high and low skilled work. To combat these issues, they strongly

believe in better union organisation, inclusive collective bargaining, public industrial and labour policies to improve and create additional jobs as well as a modernization of the welfare state.

4 Discussion

Guy Van Gyes (KU Leuven – HIVA), project manager

The discussion centred around the voluntarism amongst social partners to give a practical meaning to the Pillar of Social Rights. Five questions were proposed to the audience to guide the discussion:

1. Is inclusive growth paradigm the same as the idea of a social market economy?
2. Would coordination imply a wage floor, and centralisation a wage ceiling?
3. Does centralisation limit wage claims and therefore push innovation in collective bargaining on non-wage items, while coordination tends to narrow down on wages only?
4. Does implicit coordination, e.g. pattern bargaining, prevent the development of a rule-based system?
5. Is the call for international coordination paradoxical in the sense that all actors refer to the international context, but there are few efforts to support the coordination.

The positions were contested, based on strong beliefs in either centralisation or coordination as it exists in the member states. Also, there is an active international trade union movement. We conclude that there might be a disconnection between this international level and the shop floor or sectoral negotiators.