WAGES AND COLLECTIVE BARGAINING IN THE AFTERMATH OF THE CRISIS

Torsten Müller & Thorsten Schulten
Content

1. Wage developments since the crisis 2008/2009:
   A general overview

2. New opportunities for wage policy?
   Can the change in discourse be transformed into a change in policies?

3. The major challenge:
   Strengthening Collective Bargaining in Europe
1. WAGE DEVELOPMENTS SINCE THE CRISIS 2008/2009: A GENERAL OVERVIEW
Wages developments before and after the crisis in % to previous year

Nominal Wages
Ø 2000-2008: 3.2%
Ø 2009-2018: 2.0%

Source: Ameco-Database, Autumn 2018
Wages developments before and after the crisis in % to previous year

Nominal Wages
Ø 2000-2008: 3.2%
Ø 2009-2018: 2.0%

Real Wages
Ø 2000-2008: 0.6%
Ø 2009-2018: 0.5%

Source: Ameco-Database, Autumn 2018
Wages in Central and Eastern Europe
The Slowdown of the Catching-Up-Process

Nominal Wage Growth in %

Source: IMF
Wage costs per hour in Euro, 2017

Source: IMK

Northern & Western Europe
Southern & Eastern Europe
Eastern Europe
Development of Real Wages after the Crisis
2009-2018, in %

10 countries with stagnating or negative real wage developments !!!

Source: Ameco-Database, Autumn 2018

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Real Wages and Labour Productivity after the Crisis 2009-2018, Balance sheet in percentage points

In 15 countries real wages lag behind productivity !!!

Source: Ameco-Database, Autumn 2018
Wage share after the Crisis
2009-2018, changes in %

Source: Ameco-Database, Autumn 2018

In 11 countries the wage share decreased !!!

Eastern & Western Europe
No Clear Regional Clusters!

BG SK CZ FR DE UK LU LV LU SI AT NL EE SE LT FI IT EL DK BE PL ES CY PT MT RO HR IE
Long-term development of the wage share
1960-2018, wages in % of GDP at factor costs in the EU

Source: Ameco-Database, Autumn 2018
2. NEW OPPORTUNITIES FOR WAGE POLICY?
CAN THE CHANGE IN DISCOURSE BE TRANSFORMED INTO A CHANGE IN POLICIES?
The New Discourse on the
Mystery of Missing Wage Growth in Europe
The New Discourse on the Mystery of Missing Wage Growth in Europe

“Mystery of missing wage growth” 4 July 2017

“Eurozone’s strange low-wage employment boom” 5 July 2017

“Low wage growth puzzles economists” 12 September 2018

“Wage-poor recovery” Economic Forecast, Spring 2017

“Unprecedented wage stagnation” 4 July 2018

“The New York Times
“Back in simpler days, falling unemployment usually led to higher wages. (...) But in recent years the relationship between growth, wages and inflation has become much harder to understand.” 25 July 2018

“Rich-world wage growth continues to disappoint” 11 September 2018
The New Discourse on the Mystery of Missing Wage Growth

Explanation for the “subdued” wage developments

• Low Inflation
• Low Productivity growth
• “Slack” in the labour market
  • Actual unemployment is higher than official unemployment
  • Involuntary part-time work
  • High proportion of precarious jobs

• Missing Link: Weakening of trade union power and collective bargaining institutions!
The New Discourse on the Mystery of Missing Wage Growth

Why are mainstream institutions concerned about wages?

Target inflation rate of 2%

Economic imbalances in the EU

Inclusive growth as a more sustainable growth model
The New Discourse on the Mystery of Missing Wage Growth

Policy recommendations:

Germany & Netherlands: “Create conditions to promote higher wage growth, while respecting the role of the social partners”

Bulgaria, Finland, France, Italy, Portugal, Romania: Old-style recommendations regarding moderate wage increases and decentralization of collective bargaining

No recommendations regarding the strengthening of collective bargaining !!!
4. THE MAJOR CHALLENGE:
STRENGTHENING COLLECTIVE BARGAINING IN EUROPE
The Economic Rational for strong Collective Bargaining

Recent Analysis by the OECD

- Co-ordinated bargaining systems with multi-employer agreements are linked with **better employment outcomes**
- Collective bargaining coverage is linked with **lower wage inequality**
- Strong collective bargaining is a major institutional precondition for an **inclusive growth model**
Collective bargaining coverage before and after the Crisis, 2007/2008 and 2014-2016, in %

Source: OECD, ILO
Trade union density before and after the Crisis 2008 and 2015/2016, in %

Source: OECD
## Different ways of strengthening Collective Bargaining in Europe

### Strengthening from below

**Union Power at the Workplace**

- Organizing and defending/enforcing bargaining coverage
- Scandalizing non-coverage
- Mutual exchange on organizing experiences
- Transnational support and solidarity action

### Strengthening from above

**State/Politics/Society**

- Extension of agreements
- Labour clauses in public procurement
- Supporting regulation for multi-employer bargaining
- Public discourse on the value of CB

### Increase of Collective Bargaining Coverage
Different ways of strengthening Collective Bargaining in Europe

October 2018: precedence of sector agreements and extending validity of agreements after expiry date

September 2018: Re-establishing collective agreements for various sectors

2017: Less restrictive criteria for extension of agreements

2014: Less restrictive rules for extension of sectoral collective agreements

2009: more restrictive rules for exemptions from extension of sectoral agreements
Political support:
- No more recommendations aiming at a **weakening of multi-employer bargaining**
- Increase of collective bargaining coverage as an explicit goal of the **European Economic Governance**
- **Establishment of an EU-Budget** for the promotion of multi-employer bargaining

Trade union-internal support:
- Support from **industriAll** for national affiliates
- Fostering **cross-border regional** CB partnerships
Further Information: Regular Monitoring of Wages & Collective Bargaining by ETUI and WSI

Dr. Torsten Müller
tmueller@etui.org

Prof. Dr. Thorsten Schulten
thorsten-schulten@boeckler.de