

## **Market Integration, Structural Reform and European Industrial Relations: an increasingly fractured landscape?**

**Paul Marginson** (IRRU, University of Warwick, UK)

### Argument:

Step 1: European industrial relations [IR] has become increasingly fractured over the first decade and a half of the 21<sup>st</sup> century. Fractured in two senses:

- 'pillars' of the IR dimension of European Social Model(s) [ESMs] weakening / corroding / breaking up
- common features of IR across countries no longer so apparent = more diversity / heterogeneity
- alternatively, associational governance has become weaker, or been purposefully undermined, viz-a-viz market governance (unilateral employer regulation and firm-level bargaining) and state governance (law and public policy)
- as a result, outcomes have become more unequal and less solidaristic

Step 2: Two major step changes in the process and/or dynamics of European market integration have been the proximate / immediate causes of this fracturing:

- eastern enlargement of the EU which a) introduced countries where the 'pillars' were noticeably weaker, and thereby increased heterogeneity in IR and b) undermined the national closure which still largely, although by no means completely, underpinned IR amongst the EU-15, by stimulating significantly augmented flows of efficiency-seeking capital from west to east to take advantage of more advantageous unit labour costs [ULCs] ('relocation') and unprecedented flows of labour from east to west as employers in the west sought to lower costs and workers from the east sought to benefit from employment opportunities and higher wages
- responses to the financial and economic crisis, in which structural reform of IR and labour markets has been embraced by international institutions and a number of national governments as an essential element of crisis-recovery and/or the renewal of economic dynamism. According to country, structural reform has either been a) mandated – as in the case of the countries receiving financial assistance packages from the 'troika' or b) adopted as a new policy orthodoxy – as under the EU's New European Economic Governance, with their country specific recommendations.

Step 3: Why, at an underlying level, should continued economic and market integration have been accompanied by, or indeed prompted, the fracturing of a core dimension of the ESM(s)? Focus on two sets of dynamics:

- asymmetric impacts of economic market integration
- changing balance between negative and positive integration ('market making' and 'market correcting') further in favour of the former
  - o negative spillover effects on social policy have become more pronounced; positive spillover effects, already comparatively weak, weakened further

Step 4: What might be done?

Given that growing inequality seems to be associated with the fracturing of European IR, and the associated decline / retreat – if not demise – of associational governance, reversing the former necessitates taking steps to reinvigorate the latter. Set of (modest) suggestions relating to national and EU levels...

## Defining terms and scope

IR dimension of the ESM(s)

- high degree of interest organisation by employers (employers' associations - EAs) and by workers (trade unions - TUs)
- coordinated, multi-employer collective bargaining [CB] giving comprehensive regulation of the labour market (CB coverage; CB coordination)
- universal rights to representation in the workplace, for purposes of information and consultation and/or negotiation
- relatively egalitarian outcomes: wages and working/employment conditions

In terms of a governance analysis, IR dimension of ESM(s) marked by prominence of associational governance relative to state (law, public policy) and market (unilateral employer or firm-negotiated (single-employer bargaining)) governance

- also differentiates Europe from other industrialised or industrialising regions
- N America: market governance more prominent, associational governance weak
- S America: state intervention traditionally more prominent, although retreated in recent years with some growth in associational governance in some countries
- E and SE Asia: state intervention traditionally more prominent alongside market governance, associational governance weak (although recently strengthened in Korea)

Scope – focus on national (private sector) IR, and not on other (important) lines of fracture ...

- private sector, not public sector. Reasons: many European countries still important differences between public and private IR, with change in the former responding to different dynamics. Two broad approaches – sovereign employer, involving special, privileged employment status but with unilateral state determination and attenuated collective rights; model employer, where CB is promoted as the state's preferred means of governing IR (Bordogna 2008). Some indication that differences diminishing as states embrace precepts of New Public Management
- sector: Bechter et al (2012) demonstrate the diversity of sector IR, and hence considerable heterogeneity within national IR. Is such diversity increasing or decreasing?
- region: prominent regional differences in several countries e.g. Italy, Spain, Germany

## Methods

Empirically operationalise the two senses of fracturing:

- weakening of main pillars of IR dimension of ESM(s) indicated by trends (decline) over time (average i.e. mean)
- common features less apparent indicated by growing cross-county variation over time (coefficient of variation)

Examine developments in EU-27 (not HR); EU-15; EU8+2 (post-socialist member states)

Draw on the ICTWSS database, version 5.0 released in October 2015, to examine developments in two pillars:

- organised interest representation:
  - o trade union membership density
  - o employers' organisation membership density
- coordinated, multi-employer bargaining with comprehensive coverage of the labour market
  - o collective bargaining coverage
  - o bargaining structure

- bargaining coordination

Data points: 2000, 2007 (initial impact of eastern enlargement), 2013 (impact of response to crisis)

Draw on Eurofound's European Company Survey to examine in third pillar:

- representation structures at the workplace
  - coverage of employees by representation structures

Data points: 2009, 2013 surveys [2004 survey only covered 5 of the EU8+2]

Fourth main characteristic: Solidarity / equality

- Equivalent data not readily available. Measures such as the Gini coefficient relate to income and not wages as such, and Eurostat data are post-tax and include welfare transfers.
- For wage inequality, draw on findings from the thirty country GINI project analysing trends in inequality from the 1980s to the 2000s, which covered 25 of the then EU-27 (not CY and MT) (Salverda et al. 2014)