

Market Integration, Structural Reform and
European Industrial Relations:
An increasingly fractured landscape?

Paul Marginson

IRRU, University of Warwick, UK

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An increasingly fractured landscape? Menu [1]

- European IR has become increasingly fractured over the first decade and a half of the 21st century, in two senses:
 - institutional ‘pillars’ of the IR dimension of European Social Model(s) [ESMs] weakening / corroding
 - common features of IR across countries no longer so apparent → greater heterogeneity
 - outcomes becoming more unequal and less solidaristic
- Two major step changes in the process of European market integration have been the proximate causes of this fracturing
 - eastern enlargement which a) introduced countries where the ‘pillars’ noticeably weaker b) undermined the national closure which still (incompletely) underpinned IR amongst the EU-15, by stimulating significant flows of efficiency-seeking foreign direct investment (west-east) and labour (east-west)

An increasingly fractured landscape? Menu [2]

- responses to the crisis, with structural reform of labour markets and IR advocated by international institutions and embraced by some national governments
 - different variants: mandated by the troika as condition of financial assistance packages; new policy orthodoxy under EU's new economic governance ('CSRs')
- Why should continued economic and market integration have been accompanied by, or prompted, the fracturing of the IR dimension of ESM(s)?
 - asymmetric impacts of economic and market integration
 - changing balance between negative ('market making') and positive ('market correcting') integration measures further in favour of the former
 - in particular, negative spillover effects on IR and labour markets have become ever more pronounced
- What might be done?
 - some (modest) suggestions on re-building / reinforcing institutional pillars of European IR relating to national and EU levels
 - insofar as fracturing of European IR associated with growing inequality in wages and conditions, also creates conditions for re-building solidaristic outcomes

Defining terms and scope [1]

IR dimension of ESM(s): three main institutional pillars

- high degree of interest organisation by employers (employers' associations) and workers (trade unions)
- coordinated, multi-employer bargaining giving comprehensive regulation of the labour market
- universal right to representation in the workplace, for purposes of information and consultation (and sometimes negotiation)
- + relatively egalitarian wage and conditions outcomes

Prominence of associational governance relative to state (law, public policy) and market (unilateral or firm-negotiated) governance

Differentiates Europe from other industrialised or industrialising regions

- N America: market gov. more prominent, associational gov. weak
- E and SE Asia: state intervention traditionally more prominent alongside market gov., associational governance weak (but some recent changes)

Defining terms and scope [2]

Focus on national (private sector) IR, not also on other important lines of fracture

- private, not public sector: still important differences between IR in the two sectors, which respond to different dynamics (Bordogna/Pedersini 2012)
- sector: diversity of sectorial IR and hence heterogeneity within national IR (Bechter et al. 2012)
- region: prominent regional differences in several countries (Regalia 1998)
- contractual status: temporary/permanent; direct/agency; employed/(pseudo) self-employed

Empirical method [1]

Empirically operationalise the two senses of fracturing:

- weakening of three main pillars by identifying trends over time (mean)
- common features becoming less apparent (greater heterogeneity) by identifying cross-country variation over time (coefficient of variation)

Organised interest representation [ICTWSS]:

- employers' association membership density (% of employees in covered firms)
- trade union membership density (% of employees)

Coordinated, multi-employer bargaining [ICTWSS]:

- bargaining structure (multi-employer, mixed, single-employer)
- bargaining coordination (strongly coord., weakly coord., uncoordinated)
- collective bargaining coverage (% of employees covered)

Universal right to representation at the workplace [ECS]:

- presence of representation structure (% of employees covered)

Empirical method [2]

Data sources: ICTWSS database (Version 5.0, Oct 2015); Eurofound's European Company Survey 2009, 2013

Data points: 2000 (ECS 'missing'); 2007 (2009) [impact of EU enlargement]; 2013 [impact of responses to the crisis]

Observations: EU-27 (excl. HR); EU-15; EU 8+2 (ten post-socialist countries)

Outcomes: relative equality / solidarity

- readily available data, and measures, relate to income (in)equality (e.g. Eurostat: post-tax and transfers), not wage (in)equality
- Draw on findings from thirty country GINI project, covering 25 EU countries (Salverda et al. 2014)

→ address first two Menu items at same time

European IR landscape at the turn of the millennium – Main contours for the EU-15

- Relatively high levels of organised interest representation
 - employers' association membership density: 68%
 - trade union membership density: 41%
- Collective bargaining fairly comprehensive in coverage
 - coordinated, multi-employer bargaining in most countries (UK exception)
 - collective bargaining coverage of employees: 76%
- Representation at the workplace relatively extensive
 - over 60% of the workforce covered by representative structures
- Signs of weakening over the 1990s ...
 - employers' association membership stable
 - decline in union density (45% in 1993)
 - slight decline in collective bargaining coverage (78% in 1993)
 - no trend data on workplace representation

Organised interest representation: corrosion?

	2000	2007	2013	Change 00-13
<i>EA membership</i>	%	%	%	% points
EU-27	58.8	57.6	56.0	- 2.8
EU-15	67.9	67.0	66.4	- 1.5
EU 8+2	43.8	41.9	38.2	- 5.6
<i>TU membership</i>	%	%	%	
EU-27	36.2	31.4	29.0	- 7.2
EU-15	40.6	36.5	36.1	- 4.5
EU 8+2	24.8	18.4	13.7	- 11.1

Organised interest representation: corrosion?

Summary

- clear signs of corrosion, most evident on the union side
- two-fold impact of eastern enlargement:
 - lower levels of organised interest representation
 - faster decline over both 2000-07 and 2007-13
- impact from responses to the crisis does not seem to have (yet) accelerated rate of decline

Coordinated collective bargaining: corrosion?

	2000	2007	2013	Change 00-13
<i>Structure</i>	1-3 scale	1-3 scale	1-3 scale	
EU-27	2.32	2.18	2.11	MEB → SEB
EU-15	2.81	2.81	2.63	IE, EL
EU 8+2	1.70	1.60	1.40	BG, RO
<i>Coordination</i>	1-3 scale	1-3 scale	1-3 scale	
EU-27	2.32	2.36	2.11	↓ 07-13
EU-15	2.63	2.69	2.44	EL, ES, IE
EU 8+2	1.90	1.90	1.60	RO
<i>Coverage</i>	%	%	%	
EU-27	63.8	62.0	55.2	8.6 % pts
EU-15	76.0	74.7	71.9	4.1% pts
EU 8+2	44.7	42.7	28.7	16.0 % pts

Coordinated collective bargaining: corrosion?

Summary

- clear signs of corrosion: multi-employer bargaining (MEB) and strong forms of coordination in retreat, decline in CB coverage
- impact of eastern enlargement:
 - prevailing bargaining arrangements: majority single-employer bargaining, majority weakly or un-coordinated, relatively low CB coverage
 - steeper decline in CB coverage than EU-15
- impact of responses to crisis:
 - change concentrated in 2007-13 period
 - bargaining structure: MEB disappeared in IE and RO, partially in EL
 - CB coverage: marked decline in EU-15, as well as steep decline in EU 8+2

Universal workplace representation: corrosion?

	2009	2013	Change 09-13
<i>Coverage (employees) in 10+ workplaces</i>	%	%	% points
EU-27	57.9	53.7	- 4.2
EU-15	63.3	59.6	- 3.7
EU 8+2	53.5	48.2	- 5.3

Summary

- clear signs of corrosion
- less marked gap between EU-15 and EU 8+2 in coverage incidence, and in extent of decline, than for organised interest representation or coordinated collective bargaining

Interim conclusion: corrosion

- Corrosion evident in the three main pillars of European IR
- Impact of eastern enlargement:
 - neither organised interest representation nor coordinated, MEB as well established amongst the EU 8+2 as amongst the EU-15
 - decline in both pillars faster amongst the EU 8+2 than the EU-15
 - Meardi's 'trojan horse' (2002) towards the Americanisation of European IR
- Impact from responses to the crisis evident for the collective bargaining (most sharply) and workplace representation pillars

Organised interest representation: > heterogeneity?

	2000	2007	2013	Change 00-13
<i>EA membership</i>	CoV	CoV	CoV	
EU-27	0.38	0.39	0.37	no change
EU-15	0.22	0.26	0.26	↑
EU 8+2	0.59	0.55	0.39	↓
<i>TU membership</i>				
EU-27	0.55	0.61	0.66	↑
EU-15	0.53	0.55	0.55	[↑]
EU 8+2	0.34	0.43	0.32	no trend

Organised interest representation: > heterogeneity?

Summary

- EU-27: increased heterogeneity for union membership, but not for employers' association membership
- contrasts between EU-15 and EU 8+2
 - EU-15: increased heterogeneity for both employers' association and union membership
 - EU 8+2: *decreased* heterogeneity for employers' association (and no trend in union) membership
- no consistent impact from responses to the crisis

Coordinated, collective bargaining: > heterogeneity?

Bargaining structure:

EU-27: shifting bi-modal: 2000 = MEB 15 / 8 SEB (4 mixed); 2013 = 12 MEB / 10 SEB (5 mixed)

EU-15: less uni-modal around MEB

EU 8+2: more uni-modal around SEB

Bargaining coordination: similar developments

Bargaining coverage:

	2000	2007	2013	Change 00-13
	CoV	CoV	CoV	
EU-27	0.40	0.44	0.51	↑
EU-15	0.23	0.25	0.31	↑
EU 8+2	0.63	0.68	0.55	no trend

Coordinated, collective bargaining: > heterogeneity?

Summary

- EU-27: increased heterogeneity
- contrasts between EU-15 and EU 8+2
 - EU-15 becoming more heterogeneous
 - EU 8+2 no consistent trend, but heterogeneity *lower* in 2013 than either 2000 or 2007
- changes > in 2007-13 than 2000-07, reflecting impact from responses to the crisis

Universal workplace representation: > heterogeneity?

	2009	2013	Change 09-13
	CoV	CoV	
EU-27	0.28	0.39	↑
EU-15	0.34	0.37	↑
EU 8+2	0.22	0.36	↑

Summary

- EU-27: increased heterogeneity, suggesting impact from responses to the crisis
- increase larger amongst EU 8+2 than amongst EU-15

Interim conclusion: > heterogeneity?

- Increased heterogeneity clearly evident for coordinated collective bargaining and workplace representation, less so for organised interest representation (and not for employers' associations)
- Contrasts between the EU-15 and EU 8+2 (impact of eastern enlargement)
 - EU-15: coordinated, multi-employer bargaining and associated high CB coverage becoming *less* apparent as a common feature
 - EU 8+2: single-employer bargaining and associated lower CB coverage, together with relatively low organised interest organisation, becoming *more* apparent as a common feature
- Impact from responses to the crisis most apparent on collective bargaining

IR institutional pillars and wage outcomes

- Changes in IR institutions one (amongst several) factor(s) connected to growing wage inequality
- Collective bargaining has a clear equality effect, with less wage inequality where CB coverage is higher (Hayter in Berg (ed) 2015), and ...
- CB coverage substantially higher under coordinated, multi-employer bargaining than under single-employer bargaining
- → collective bargaining pillar of European Social Model(s) crucial for wage equality

Outcomes: wage inequality

- GINI project on developments in inequality in 25 EU countries since the 1980s (Salverda et al. 2014)
- Reviewing the country studies, Bogliacino and Maestri report trends in wage inequality over the 1990s and 2000s

Increasing	AT BG DK FI FR HU IT LU NL PL PT RO SE SI SK UK [17]
Stable and/or unclear trend	BE DE EE LV LT [5]
Decreasing	EL ES IE [3]

- Post-2008 developments appear mixed
- Hermann (2014) reports on two measures of income (not wage) inequality for eleven EU countries for 2008-11
 - equal numbers of countries with increased / decreased income inequality indicators
 - increases of greater magnitude than decreases

Underlying dynamics of European integration

Why should continued economic and market integration have been accompanied by, and even prompted, the fracturing of a core dimension of ESM(s)?

- Asymmetric impacts of economic and market integration
- Changing balance between negative (market making) and positive (market correcting) integration measures

Asymmetric impacts [1]

- differences in competitiveness and trade balances, resulting in differential pressures for labour-market focused economic adjustment
 - within the Eurozone, translates into differential pressures for internal devaluation and structural reform to secure it
 - strongest amongst ‘troika’ countries; elsewhere, more apparent for countries with high unit labour costs (ULCs) → more likely to receive CSRs on reform of wage setting
 - pressures attenuated outside the eurozone (only 1 of 9 received CSR on wage setting), even more so for EEA countries (not subject to NEG) e.g. NO [UK??]

Asymmetric impacts [2]

- different ULC configurations, even though ULCs may be equivalent, lead to differential exposure to intra-EU and external competition
 - broad division of labour within single market: northern (high value-added, high labour cost); southern (medium value-added, medium labour cost); eastern (medium value-added, lower labour cost)
 - producers in different sub-regions differently placed in production chains, tend not to compete in the same market segments e.g. northern economies trade more intensively with each other, than with southern economies
 - segments of the southern sub-region exposed to destabilising competition from producers in the eastern sub-region

Negative and positive integration measures [1]

Market-making measures increasingly triggered negative spillovers: undermining national institutions, downwards pressure on national standards

- [enlargement] west-east flows of capital, i.e. efficiency-seeking FDI, associated with relocation; plus real effects of threatened relocation
 - [enlargement] east-west flows of labour directly (migration) & indirectly (posting)
 - ECJ decisions on the 'Laval Quartet', elevating market freedoms above (nationally-rooted) social rights (over which the EU has no Treaty-based competence)
 - [crisis response] structural reforms, facilitating translation of pressures from economic and market integration into downward adjustments in wages and working conditions by weakening labour market and IR institutions
 - 'emergency' reforms involving use of conditionality by European (and international) institutions to require institutional change
 - 'ongoing' reform programme, through EU's new economic governance regime with wages policy and wage setting mechanisms firmly within its scope
- corrosion of associational governance at national level

Negative and positive integration measures [2]

Market-correcting measures establishing common standards and new, EU-level institutions, always secondary, have featured relatively less – not relatively more – as market integration taken further

- high water mark: measures under the ‘social dimension’ accompanying the programme to establish the single European market
 - no parallel initiatives accompanying a) Economic and Monetary Union b) challenges entailed by eastern enlargement
 - indeed, since early 2000s EU-level IR weakened:
 - shift in preferred regulatory mechanisms for social policy away from the Community method (law) and, subsequently, social dialogue, in favour of market-imitating mechanisms involving benchmarking (new economic governance)
 - reduced Commission resources for social dialogue
- closure, undermined at national level by market-making, only minimally re-established at EU-level given the insufficiency of market-correcting measures
- recent weakening of nascent associational governance at EU-level

What might be done? [1]

Rebuilding coherence in European IR (attenuating fracturing) calls for steps to reinvigorate IR's institutional pillars (and associational governance), as an end in itself and towards reducing inequality in outcomes:

National level

- Organised interest representation:
 - (public support for) capacity building initiatives where membership of EAs and TUs is relatively low;
 - reverse removal of state supports for collective organisation
- Coordinated collective bargaining:
 - strengthen state supports for collective bargaining (e.g. extension, public procurement)
 - reverse weakening/removal of state supports (e.g. favourability principle, extension)
 - strengthen (public) inspection regimes, hence enforcement of agreements
 - promote forms of decentralisation consistent with, not corrosive of, coordination
 - under single-employer bargaining, mobilization of state mechanisms to ensure provision of universal standards (e.g. use of public procurement to enforce equal treatment)

What might be done? [2]

- Universal right to representation at the workplace
 - capacity building initiatives where diffusion of representation structures is low

EU-level

- enact a social progress clause, giving social rights equivalent status to market freedoms, thereby constraining negative spillover
- a more complete floor of minimum standards, e.g. introducing some kind of European minimum wage mechanism
 - tightening 2002 National Information and Consultation Directive, e.g. specifying statutory fall-back model(s)
- augment the capacity of employers' associations and trade unions to coordinate, regulate and steer as a counter-weight to the increased capacity for intervention that new economic governance gives to the European authorities
 - renewal of social dialogue as a governance mechanism
 - a binding mediation mechanism on matters of dispute between employers and unions at EU-level, given absence of possibility of collective action