Deregulation – Experiences and recovery

Collective Bargaining in the European Social Model & the Future of Work

Athens, 16-17 September 2016
The Neoliberal Labor Market Model (NLMM)

Basic assumptions – equilibrium through
- micro- and
- macro-wage-flexibility
- neglectable trade-offs

Institutions like Collective Bargaining
- no value in itself (like democratic rights)
- a barrier to micro and macro-flexibility
  (especially industry wide bargaining, extension of agreements, favorability principle)
### Impact of NLMM on Ranking – Example: The Global Competitive Index of the World Economic Form

<table>
<thead>
<tr>
<th>Country</th>
<th>Total</th>
<th>Infrastructure</th>
<th>Quality of education system</th>
<th>Cooperation in labor-employer relations</th>
<th>Flexibility of wage determination</th>
<th>Hiring and firing practices</th>
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<tr>
<td>Sweden</td>
<td>10</td>
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<td>43</td>
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</tr>
<tr>
<td>Qatar</td>
<td>16</td>
<td>24</td>
<td>3</td>
<td>5</td>
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</tbody>
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Impacts of the Neoliberal Labor Market Model

1. Increase of social inequality – erosion of the middle class
2. Undermining built-in-stabilizers in economic crisis
3. Reduction of efficiency
4. Weakening of democratic institutions
Impacts of the Neoliberal Labor Market Model

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Coverage by collective agreements (2008) and low wage share (2010)

Source: Bosch/Weinkopf 2013; Visser 2011; Bezzina 2012, own calculations
Two real cases: UK 2014 and Germany 1995

Impact of austerity policy on household incomes in Greece 2008 – 2012

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Nominal unit labour costs in EU countries 2000 - 2014

Source: Eurostat
Forecast Errors on Greek GDP by EU Commission

Source: EU Commission
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Reduction of Efficiency

Micro-flexibility encourages low-road business-models

No profit from the benefits of co-ordinated CB which research has shown like:

- Extension of scope and time horizon of CB: negotiations on internal flexibility (skills, w-time)
- Reduction of transaction costs for companies – highly important for SME’s
- Levelled playing fields for companies: Encourages investments in skills
- Reduction of bureaucracy – creation of labour standards according to the needs of industries – unburden the state from interventions
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Weakening of democratic institutions

- Trade-unions give employees a voice in political decisions
- Fragmentation of CB marginalizes unions
- Increasing inequality reduces participation in political life like in voting in political elections

Result: - No countervailing power to business lobbying - easier for special interests to influence political decisions
Conclusion

Clearly negative impacts of labor market deregulation

But caution:

- Opposition to neo-liberalism not sufficient
- Rigid and unsustainable labor market institutions and resistance to all reforms support demands for deregulation
- Continuous need to reform collective agreements
- The positive impacts of co-ordinated CB do not come automatically – require trust between social partners and modernization of CA (for example w-time flexibility for employees as well as for employers)