Foreword

On 24 February 2017 I had the great privilege to host eight ministers and state secretaries in a round-table discussion organized by the International Labour Organization (ILO) and the European Commission aimed at identifying best practices and policy solutions to reduce inequalities. In particular we asked our honourable guests to answer two basic questions:

1. Do you have the feeling that inequalities are increasing in your country; and if so, what type of inequalities?
2. What policy reforms can help, and in particular how can industrial relations (social partners in cooperation with the State) help to limit, or even reduce, inequalities? Are there some recent good examples from your country?

We reproduce below selections of the answers provided by such high-level government representatives, and decided to complement them by reproducing a number of key contributions by representatives of employers and trade unions during the same event, to further identify the particular role that social dialogue and collective bargaining could play in addressing the sources of inequality identified in the present volume.

Mr Joe Camilleri, Permanent Secretary, Ministry for Social Dialogue, Consumer Affairs and Civil Liberties, Malta

It is realistic to say that, yes, inequalities are increasing and it is difficult sometimes to understand what is really the [root cause] of these inequalities. We see more people moving into poverty. We have to address these inequalities.

What are we doing? We have been working as a government to make work pay, and we have introduced a number of initiatives like in-work benefit schemes [and] the reform of our social security system, to help people return to the labour market.

We have also worked on a number of other types of benefits, like free childcare services and also the maternity trust benefit, that ensures the payment of women going on maternity to avoid to have them discriminated

ix
against when applying for jobs, especially because we have in Malta the lowest female [labour market] participation rate. This also helps families to increase their income and . . . improve their financial situation.

We have also addressed the precarious employment situation: now any person employed [on service contract] with government has to receive the equivalent salary of a person who is working in government in that job; and now, through tripartite discussions, we are working to see how precarious employment can also be addressed in the private sector. Within the Malta Council for Economic and Social Development we have faced a number of issues together, and we have included not only the employers and the unions in the discussions, but even civil society at large.

This is one of the reasons why the industrial situation is relatively calm in Malta, and we have found that this type of system has always helped to produce the best policies.

Mr Nicolas Schmit, Minister, Ministry of Labour, Employment, the Social Economy and Economic Solidarity, Luxembourg

I was a bit surprised by the first question; you asked ‘do you have the feeling?’ It is right that the issue of inequality is not only an issue of statistics; beyond statistics there is also the feeling that indeed [even] in a traditional and quiet society such as Luxembourg, inequalities are increasing. And the statistics confirm this feeling; the Gini coefficient for Luxembourg is around 0.28. There is an increased gap between those who earn the minimum wage – 16 per cent of [all workers in Luxembourg], one of the highest [rates] in the EU – and those who [receive] the highest incomes. Even if Luxembourg has the highest minimum wage, it is close to the poverty rate, and poverty is increasing. Temporary and precarious work is also on the increase, particularly for young people. We can also witness a form of polarization of the labour market due to technological changes.

We have a tripartite system which regularly discusses salaries . . . but also tax measures, social measures and other things to limit the extent to which inequalities are increasing. Social transfers are also truly vital because they have an impact on inequalities. The progressive tax system also contributes to this. . . . Collective bargaining is also part of the solution; 50 per cent of workers are covered by collective agreements and they have a quite favourable income situation. We also have a system of wage indexation to price increases that enables those who do not have a collective agreement to at least see their income stabilized and any price increases reflected in their salaries. We are often criticized for maintaining this indexation system, but this is a truly important tool to tackle inequalities.
Ms Yasmin Fahimi, State Secretary, Federal Ministry of Labour and Social Affairs, Germany

Yes, in Germany there is also a trend towards greater inequality. We have economic growth, economic stability and an increase in real wages but, [and] now comes the big ‘but’, since the mid-1990s up to the mid-2000s, there was an increase in income inequality because the number of low-earners has increased, especially in the hotel and logistics sectors.

It concerns not only specific sectors but also specific groups. Those who are unemployed in the long term are exposed to a very high risk – single parents, these are mostly women of course, and then further, those who are less skilled and those who have a migration background. There is an unequal development here, and we need to think about what has not worked properly and how we can further develop our country in a positive direction.

We looked at different policies to stabilize income in Germany. . . . Collective agreements [developed positively] after German reunification, but since then have decreased somewhat. We have thus implemented a series of measures to strengthen the social partners, we introduced a minimum wage and also made collective agreements easier to conclude. We have also included a new principle in our legislative process that defines standards to protect employees while having clauses to allow more flexibility for companies.

We have also worked on a concept to reach specific target groups, notably for those who receive pensions . . . to see those who work in independent/liberal professions . . . be able to receive better pension benefits . . . or to have a state solidarity pension for those who have worked many years but still have not been able to make enough before retirement. This is one of the measures against poverty in old age and to reduce the feeling of inequality.

But we must also look at the distribution of wealth, we must reform the taxes on inheritance, for example, to ensure the more equitable transfer of wealth from one generation to the next, which is an issue of major importance in Germany.

Mr Jose Antonio Vieira da Silva, Minister, Ministry of Labour, Solidarity and Social Security, Portugal

We can say that we face two different movements. Until 2008 we experienced a very positive and long-term movement toward the correction of inequalities thanks to the development of the welfare state and the improvement of education in our society. The second movement, after the financial and economic crisis began in 2009, is characterized by a deepening of inequalities.
Austerity policies have had a profound impact on growing inequalities in Portugal: unemployment at a higher level, never reached before, a substantial decrease of families’ disposable income also due to real wage decline, a freeze in the minimum wage, wage cuts in the public sector and increased income taxes, escalation of poverty levels, including among workers, especially those in non-permanent positions – Portugal is in the top three in terms of the incidence of temporary workers.

We are trying to reverse these trends and to increase the disposable income of families while continuing to work on the correction of macro-economic and budgetary imbalances.

In this context, let me emphasize three main priorities of our country. The first one is the minimum wage increase on the basis of a national social dialogue, which we did in 2016 and 2017 without any negative effect on employment.

The second priority is the recovery of collective agreements, which have declined since 2009 in both numbers and coverage of workers. The third priority is lifelong learning, especially in a context of emigration from Portugal to other European countries, and paying special attention to young people.

Governments cannot do all these things by themselves. We need strong social dialogue. But I also believe that it is not possible without recovering collective bargaining to talk about wages or working time, which allows employers and employees to adjust to economic and social reality. When those two dynamics are combined, decisive movement is achieved.

Ms Ourania Antonopoulou, Alternate Minister, Ministry for Combating Unemployment, Greece

Three important shifts have contributed to increased inequalities in Greece. First, collective bargaining does not exist in Greece at the moment, due to the laws passed as part of our agreement in 2011–12 with our international lenders. We went from general agreements to sectoral, and even further to firm level agreements; there have been only four sectoral collective bargaining agreements since 2011 and over 250 agreements at firm level. Second, there was the shift to part-time and precarious forms of employment. In 2013 alone, full-time contracts declined by 21 per cent, and correspondingly, part-time and rotational and precarious forms in general increased by the same percentage. The third phenomenon was the reduction of the minimum wage by 22 per cent and therefore also of the starting wage in the public sector, leading to a general reduction of earned income by roughly 28–30 per cent.

If you combine these three shifts, all types of red alarms should start ringing. Not surprisingly, if you have such sudden reductions in earned
income, it is impossible to prevent hundreds of thousands of small and medium-sized companies from shutting down. From 2007–08 the unemployment rate increased from 7 per cent to 10 per cent in 2010 and 27.7 per cent in 2013, before slightly declining to 23 per cent in 2015. So, there was a snowball effect and one has to pick up the thread somewhere for it to start reversing itself.

I would like now to move to our priorities. One concerns the employed and the other concerns the unemployed. On the first, we are trying to reinstate collective bargaining, in particular by reversing the suspension of the extension mechanisms\(^1\) and also reversing the suspension of the favourability principle.\(^2\) To support the unemployed, we put in place, together with the social partners, a skills-enhancement programme to match the needs of the private sector – for instance putting horizontal emphasis on ICT [information and communication technology]. We have also put in place the ‘Public Work Plus’ scheme, whose aim is to provide the unemployed with temporary jobs in useful work that benefits local communities, both in rural and urban areas, so that they can re-use the skills they have not used for years, while being able to respond to future labour market opportunities.

In order to help fight unemployment and emigration among young people, we also have a 90-day guarantee rotating programme, meaning that they can stay outside employment, education or skill-enhancement programmes only for 90 days a year, after which the state will find them a job either in the private sector or the public sector, or possibly a further educational opportunity.

Mr Pat Breen, Minister, Ministry for Employment and Small Business, Ireland
The year 2008 affected us very much indeed when the banking sector and the property sector collapsed in Ireland. Wages in the public sector decreased by 14 per cent. But in Ireland as in other European countries, those inequalities that were there during the difficult times of the recession are there now as we recover. We also face a challenge from Brexit, which has put huge pressures on our small to medium-sized enterprises that mainly export to the EU and make up 97 per cent of workers in the private sector. There are also many women on the minimum wage, and we have sub-minimum rates for young people under 18.

To ensure that inequalities do not increase, we went through changes in legislation and employment conditions, and we have seen the greatest reforms in our employment and industrial relations laws. We have re-enacted joint labour committees and registered employment agreements as well. We have seen the reform of the law on employees’ rights for collective
Reducing inequalities in Europe

bargaining. The recent establishment of the Low Pay Commission in relation to the minimum wage made it possible to take the minimum wage away from the government and make it more inclusive by bringing on board the unions, business partners and academics to decide on the best recommendations for the minimum wage. I am also going to ask them to examine in detail why so many people stay on the minimum wage all their life. We also tried to bring in a tripartite system again, and we brought a number of agreements, starting with the Croke Park Agreement (2010–14), the Haddington Road Agreement (June 2013) and the Lansdowne Road Agreement (May 2015). Those agreements have been very successful and they have achieved financial adjustments and promoted industrial peace as well. We saw a new forum established, the National Economic Dialogue, where we brought in all the social partners, including also research institutes and the academic community, to deal with the challenges – we recently discussed the Labour Employment Economic Forum, and Brexit and its challenges.

Ms Egle Radišauskiene, Deputy-Minister, Ministry of Social Security and Labour, Lithuania

I would like to bring to your attention the picture [on the cover of the book] because in Lithuania, when we look at the OECD [Organisation for Economic Co-operation and Development] data presenting Lithuania as the eighth [worst] country with regard to income inequality, we have exactly the feeling of walking [in such] big shoes with the awareness that we are still far away from . . . good leather shoes. So, what are the reasons?

I think the main challenge is to change wage policy and we have started to do it in the public sector (where the average wage is at about the same level as the minimum wage in Luxembourg and Ireland). We should also pay attention to low wages and the low minimum wage, which, although very low is received by about 20 per cent of all employees.

We also have a problem of domestic migration from rural to urban areas, with very different conditions between people employed for instance in our capital, Vilnius, and those in the regions. We also have a lot of measures in our government programme regarding taxation policy, changes in social security contributions, combined with social assistance policy. For those unemployed who are at the biggest risk of poverty, we are introducing quite a lot of active labour market measures, together with changing industrial relations.

The involvement and influence of the social partners are considerable through the tripartite council, and all the reform packages mentioned earlier went through the tripartite council and the Parliament. This shows
that a new social model has been introduced in Lithuania and that we are willing to change.

Mr Claude Jeannerot, Ambassador, Delegate of the French Government at the Governing Body of the ILO, France

Although France is a very socially protective country, and its citizens are attached to this characteristic, social inequalities in France have increased in recent years.

First, certain groups within the workforce are marginalized. Young people are particularly affected by unemployment, but also the elderly. Second, there is a wage gap (of 28 per cent) between men and women in the private sector. Third, there is an increased duality in the labour market, with insiders – who receive a salary within an enterprise and have a stable and long-term contract, which also enables them to have access to training and education – and those who are unemployed or have short-term contracts, and who have real difficulties getting integrated within the labour market. According to the OECD, France is one of the countries in which making the transition from a temporary contract to a permanent one is most difficult. We are using two levers to tackle inequality: the fight against unemployment and the modernization of our institutions and social dialogue instruments. Among the concrete measures, I would like to give three succinct examples.

The first is the personal activity account, which is a type of savings account linked to the individual person and not to the company, which enables employees to receive training throughout their life. It also allows when the person retires, to take into account different forms of work he/she did including volunteer’s activities.

The second measure is an exceptional commitment to training of most vulnerable to new forms of employment, such as in ICT and the energy sector, notably through the influence of social dialogue on training at regional level (unions and employers with representatives of regions and of the state).

The third measure is the youth guarantee, which aims at supporting young people between 16 and 20 years of age so that they can actively seek a job. Finally, the French government is also committed to provide a greater space for social dialogue; employees have been represented on the boards of companies so that representatives of five million people employed in very small enterprises have participated in regional consultative bodies.

Nuno Biscaya, Employers’ representative CIP, Portugal

We have different models of industrial relations throughout Europe, but we can find common ground on the need to have these two types of social
Reducing inequalities in Europe

dialogue, one which is bipartite towards collective bargaining – which can be at sectoral, national or company level – and tripartite social dialogue, which fosters social cohesion and social peace, and which I think is particularly important in times of crisis. We have also seen some erosion of social dialogue, with the crisis playing a role. Collective agreement coverage was reduced in many European countries; in Portugal, the annual renovation of collective agreements suffered a decrease. We also witness wage compression. This wage compression, however, is not due to collective agreement trends but rather the outcome of the restructuring process, with many enterprises also going bankrupt, leading to unemployment and of course social exclusion and poverty.

The minimum wage is also relevant. Here the first thing to consider is whether to have it or not, and when you have it, to consider whether to have it with criteria or without criteria. In my country, the government sets the minimum wage after consulting the social partners, but it does not have any criteria to fix it, so this can be a problem. Finally, another important trend, when talking about how labour relations can influence inequalities, is the digitalization of work, and we should really ask the question: will the instruments we have been using to monitor and manage the labour market – such as law, labour standards and collective agreements – be up to the task of doing that in the future?

Sławomir Adamczyk, NSZZ Solidarnosc, Poland

From the experts’ contributions, we can clearly see at a glance the process of undermining traditional industrial relations schemes. Someone says that the UK is a very specific example, but at one time the British model was also more trade-union friendly, not ‘perforated’ as it is described here. I also remember that Ireland, a couple of years before the crisis, represented for the Polish social partners a kind of pattern example of how to build social peace through national tripartite agreements. As far as Spain is concerned, it cannot be repeated too often how destructive the Troika’s intervention in the collective bargaining landscape has been. Many collective agreements disappeared and those that survived were often emptied of content. Slovenia was another country that represented the ‘best pupil in the class’ among the so-called new EU Member States, but now the erosion of sectoral negotiations, for sure, does not help in maintaining stable industrial relations.

I would like to draw your attention to three elements: (1) decentralization or even marginalization of collective bargaining; (2) the spontaneous increase in atypical labour contracts: precarious, sometimes external labour contracts, zero-hours contracts or micro-jobs; and (3) flexible arrangements. These trends put trade unions under pressure especially since they are not
only a European but a worldwide phenomenon, with the same situation for instance in Australia and in New Zealand. We are also witnessing great uncertainty with regard to the future of the world of work, with a variety of factors: technological change, globalization, financialization, climate change and energy transition, which are also important because they affect sectors that were traditionally at the heart of the industrial relations systems. How can self-employed economically dependent people who voluntarily chose such forms of work be covered by collective bargaining? How can we guarantee social standards to crowd-workers and for those in subcontracted microdata operations working through online internet platforms?

Mr Chariton Kyriazis, Hellenic Federation of Enterprises (SEV)

Part of inequality can be explained by segmentation between, notably, the tradable sector – which exports goods and services and has to be internationally competitive to survive – and the non-tradable sector (composed of inward-looking activities including the largest part of state activities, not to mention banking and other services). If you somehow help the non-tradable sector, it tends to attract human capital, financial capital and resources, it takes the form of a bubble, which has to break down at some point because it is not sustainable. This has been the main reason for the crisis in Greece.

The tradable sector is Greece’s economic growth champion, and this is reflected also in wages and incomes. To compete on the basis of high-value added goods, it needs not low-wage personnel but rather highly skilled and better-paid ones. So you have a dichotomy here, and inequality cuts across the statistics because this segmentation, and this sort of more ‘constructive’ inequality have not been researched yet.

This dichotomy is why we also believe that in Greece, at least temporarily, we need to have decentralized wage bargaining systems, because within the same internationally competitive sector, you have certain companies that are very much advanced and internationally competitive, exporting for example, to Germany, using specialist materials, and you have others that have lagged behind and are at the brink of closing down. The challenges and the problems in each sector are entirely different, and this escaped the discussion we are having on inequalities.

Josef Bugeja, GWU, Malta

In Malta, collective bargaining coverage is good, at around 60 per cent of all employees, and we have mainly collective agreements at organizational level, while social dialogue is carried out between civil society, government, employers and trade unions. Today, unemployment is at its lowest level in Malta, at around only 2800.
However, precarious employment must be tackled . . . the principle of equal pay for jobs of equal value must be widened to include multiple employers, and by lobbying – notably the European Union, [and] other nations – to have the Posted Workers Directive amended, so that local labour law applies to all local workers, even if they come from Poland or Bulgaria.

Re-employment and reintegration are also discussed in Malta with my colleagues’ employers. And we agree that any policy should aim at helping people reintegrate in the labour market and at making work pay. Otherwise, it will be difficult to motivate someone to get a job when they do not receive enough wages or salaries to make ends meet.

Extension, at firm level, in Malta applies to everyone, trade union members and non-members; since the basis is equal pay for jobs of equal value. Where there is a collective agreement, disparities between wages have been eliminated, because we talk only about grades, scales and the value of work. If you take that out, then workers’ rights and obligations change totally. Without such dialogue, without trade unions, there would be no level playing field, but a very disrupted playing field, which would definitely not lead to sound industrial relations.

Renate Hornung-Draus, BDA, Germany
I have three messages. The first on the notion of inequality, because I have a kind of implied trust in the discussion saying that inequality, per se, is bad – and more equality, per se, is good and I would simply like to introduce some nuance into this reflection.

I remember my own childhood in a socialist economy – where there was a strong accent on equality of treatment – and I remember that many doctors or teachers really complained about the fact that they earned only as much as a factory worker, and they perceived this as unfair because they had higher responsibility, they had spent much longer in education and so on. So the notion of fairness and core inequality is not just a one-way street.

The second point is that a lot depends on the institutional context, and I heard the argument being made that deregulation has led to more inequality. The German chapter mentions the Hartz reforms, but obviously those reforms were precisely aimed at allowing for a low-wage sector to emerge, because the issue in Germany at that time was ever-increasing long-term unemployment. So, opening up and deregulating certain things helped people back into the labour market but of course at the same time, it made wage inequality more visible.

My third point concerns the role of social dialogue in reducing inequalities. Multi-company collective agreements, at regional, sectoral or even national level are of course more efficient to limit inequalities than, for
instance, completely decentralized company bargaining or no bargaining at all. But the coverage of collective agreements has decreased so that both employers and trade unions should focus on how to change it back to increase coverage. There is no point in saying that multi-company agreements are wonderful if the coverage goes down and down.

Another issue I would like to address, which is currently a black hole, is the entire digital economy. Both employers and trade unions have to demonstrate how added value could be found through social dialogue, including in sectors that today are very unorganized, where we have very low coverage or hardly any coverage at all.

_Catelene Passchier, FNV, the Netherlands_

The present experts’ report shows that the past 15 years of developments have benefited capital more than labour; employers’ prospects more than trade union ones. Moreover, the austerity programmes – with the support of the EU and the IMF [International Monetary Fund] – have focused on destroying some of the social fabric – as in Ireland, the Balkans, the Baltics, Spain and Greece. This has put trade unions in a critical situation. Some said that those countries will perform better if they decentralize collective bargaining, if they stop recognizing the importance of social partnership, if they compete with other countries on lower wages and that to have lower wages they need to destroy their previous systems of collective bargaining. But we did not believe them. Today, a lot of evidence says that we were right. It does not mean that all these systems were perfect, they probably needed to improve, but dismantling them has put us in a situation where we have to rebuild – although some things cannot come back, they have been destroyed for ever. Rebuild requires the support of governments and employers and the understanding that they will have to support social dialogue and even trade union membership.

One respect in which the Netherlands were ahead of any other country was recognizing that part-time work was on the rise. We regulated part-time work at a very early stage, introducing equal pay, equal coverage by social security and even a right to work part-time, so that we would not only see women working part-time but also men who wanted to reduce their working hours. That was at the beginning of the 1990s. It seems that we integrated the rise in the female workforce very well. But, of course we have experienced a part-timeization of our economy, and at some stage that led also to flexibilization and precarization. The question now for the Netherlands, is whether we can solve this problem by social partnership. In 2012–13, there was extreme political instability and the employers were very worried. That was an important moment, because they decided we needed a negotiated solution . . . we came to an agreement, the social pact of 2013.
We also see better outcomes when we have multi-employer and sectoral agreements. At the same time, we need the government – but also the EU – to ensure a balance of power and to make sure that there will be social dialogue and social agreements to move forward in certain areas, such as digitalization and the platform economy, which we will need to regulate. If we do not, it will blow up in our faces.

***

The answers reproduced above bear witness to the richness of contributions, but also confirm the complexity of inequality issues. Similar root causes behind inequalities have been reported in numerous European countries, such as the growing category of workers who remain confined to low-paid jobs and also to less optimal forms of labour contract, or have lower access to social security and pensions. This clearly requires extended protection, collective bargaining and labour rights. On the other hand, the contributions presented above also highlight that unemployment remains a major form of exclusion and source of inequality so that incentives are required to maximize the level of employment. At the same time, globalization is also bringing new phenomena, such as the influx of migrant labour, the emergence of outsourced jobs and subcontracting, along with the development of global supply chains. Digitalization and automation, which will cause some jobs to disappear but others to appear, are bringing new opportunities but also potential new sources of inequality.

It is in this complex context that high-level government representatives and social partners have shared their policy solutions to the problem of inequalities, which we hope will incentivize other policy-makers to find the right mix of policy options. Among the solutions, collective bargaining and social dialogue emerged as important levers to stimulate employment and production, while limiting the growth of inequalities. They provide a level playing field for all workers, while also making it possible to negotiate more flexibility and security in accordance with national, sectoral or local circumstances, something that is confirmed by concrete best practices presented in this volume. They also represent precious tools for addressing current and future trends in the world of work. We hope that the present volume can help all those concerned to provide appropriate and original responses to the growth of inequality and to stop its root causes in a permanently evolving world of work.

Heinz Koller
Assistant Director-General,
Regional Director for Europe and Central Asia, ILO
NOTES

1. It allows a collective agreement when signed to cover all employees within its territorial and industry scope.
2. It ensures that when there are multiple collective agreements, for instance at firm and sectoral level, the most favourable applies.