



Work in times of crisis and changing employment relations

Paris, November 19, 2013

A three-level crisis

1. A debt crisis

- The true aim of fiscal austerity is to validate excessive “drawing rights” on the surplus value that the crisis has potentially cancelled. In a nutshell: the fictitious wealth that was not extracted by means of exploitation in the past will be guaranteed in the future by means of fiscal cuts.

A three-level crisis

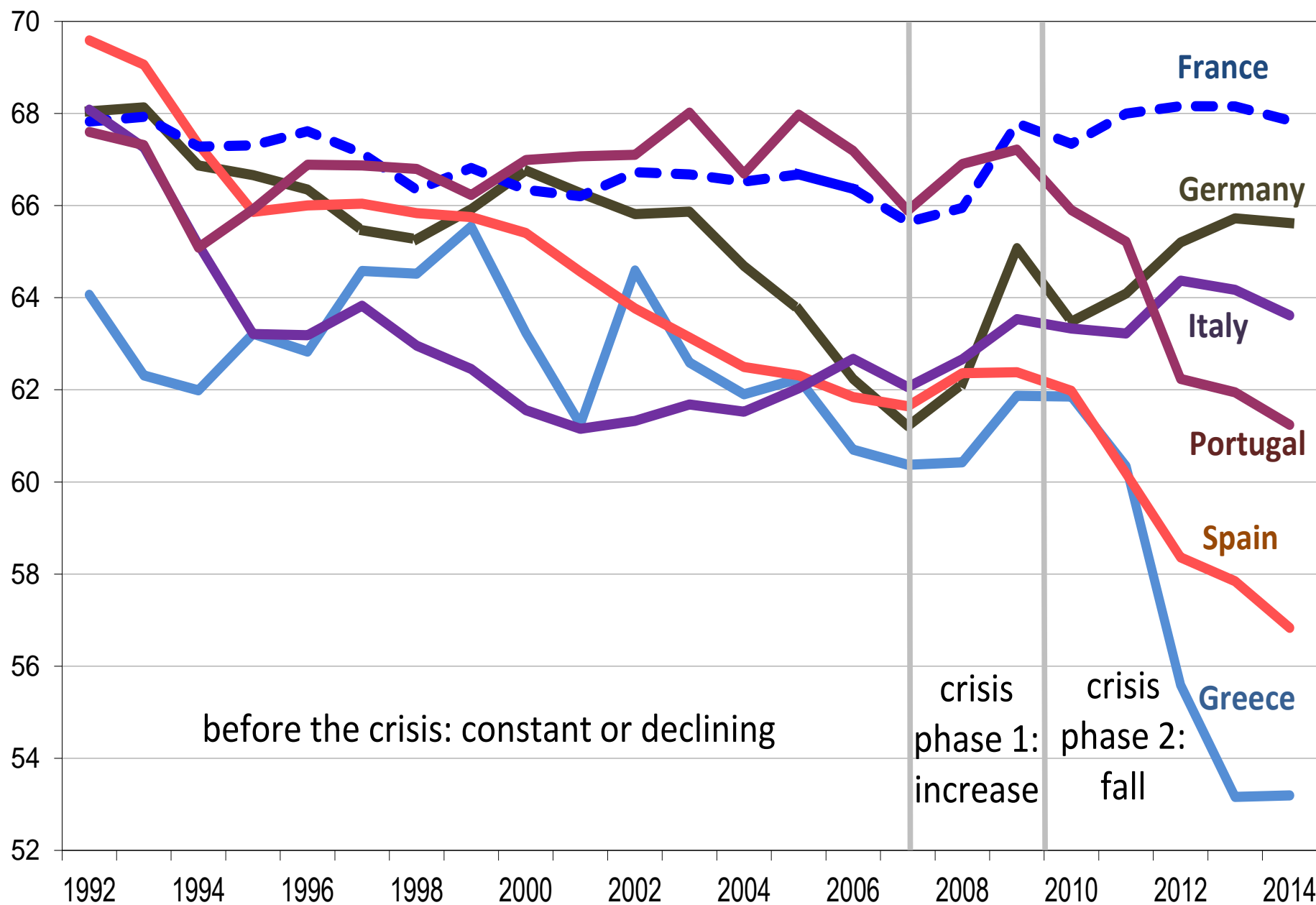
2. A crisis of the "euro-system"

- The mainstream analysis is that an excessive wage growth has led to a loss of competitiveness for the "South" countries (Spain, Greece, Ireland, Italy, Portugal). These countries should therefore restore their competitiveness by means of an "internal devaluation", ie a wage austerity.
- This analysis is wrong, because the wage share has nowhere increased in the euro area before the crisis.

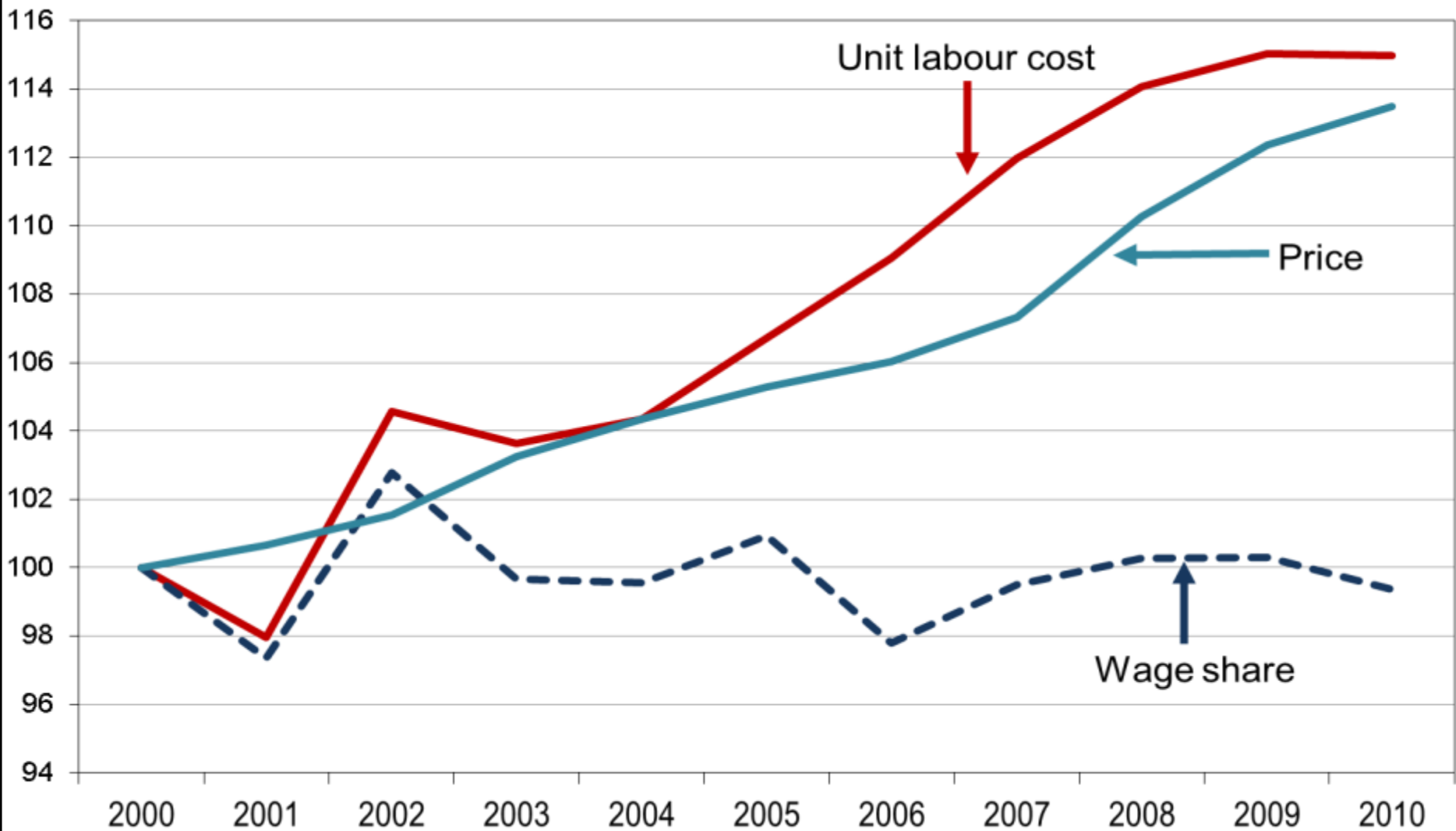
Wages and crisis

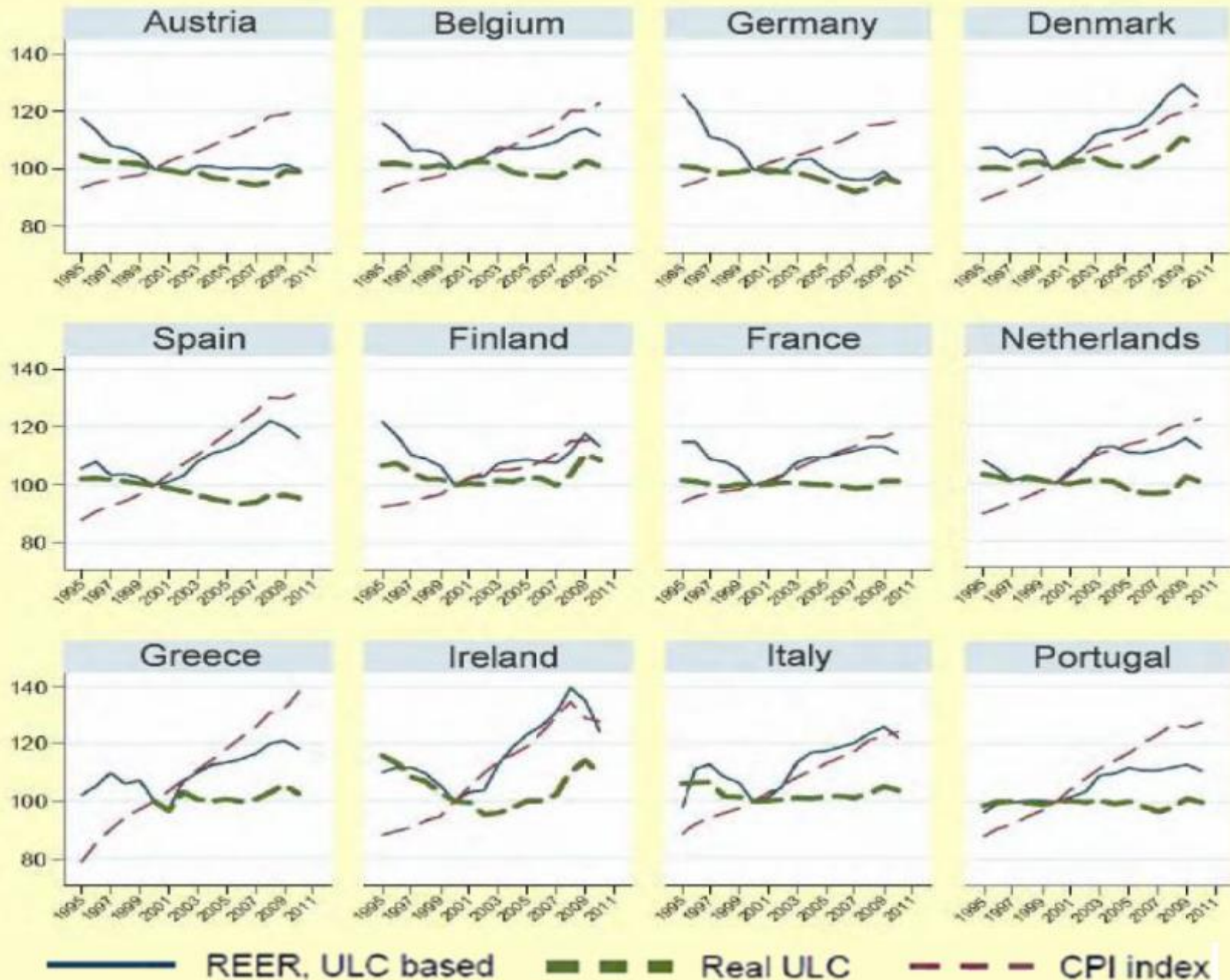
A macroeconomic approach

Wage share as % of added value



Unit labour cost, price and wage share Greece 2000-2010

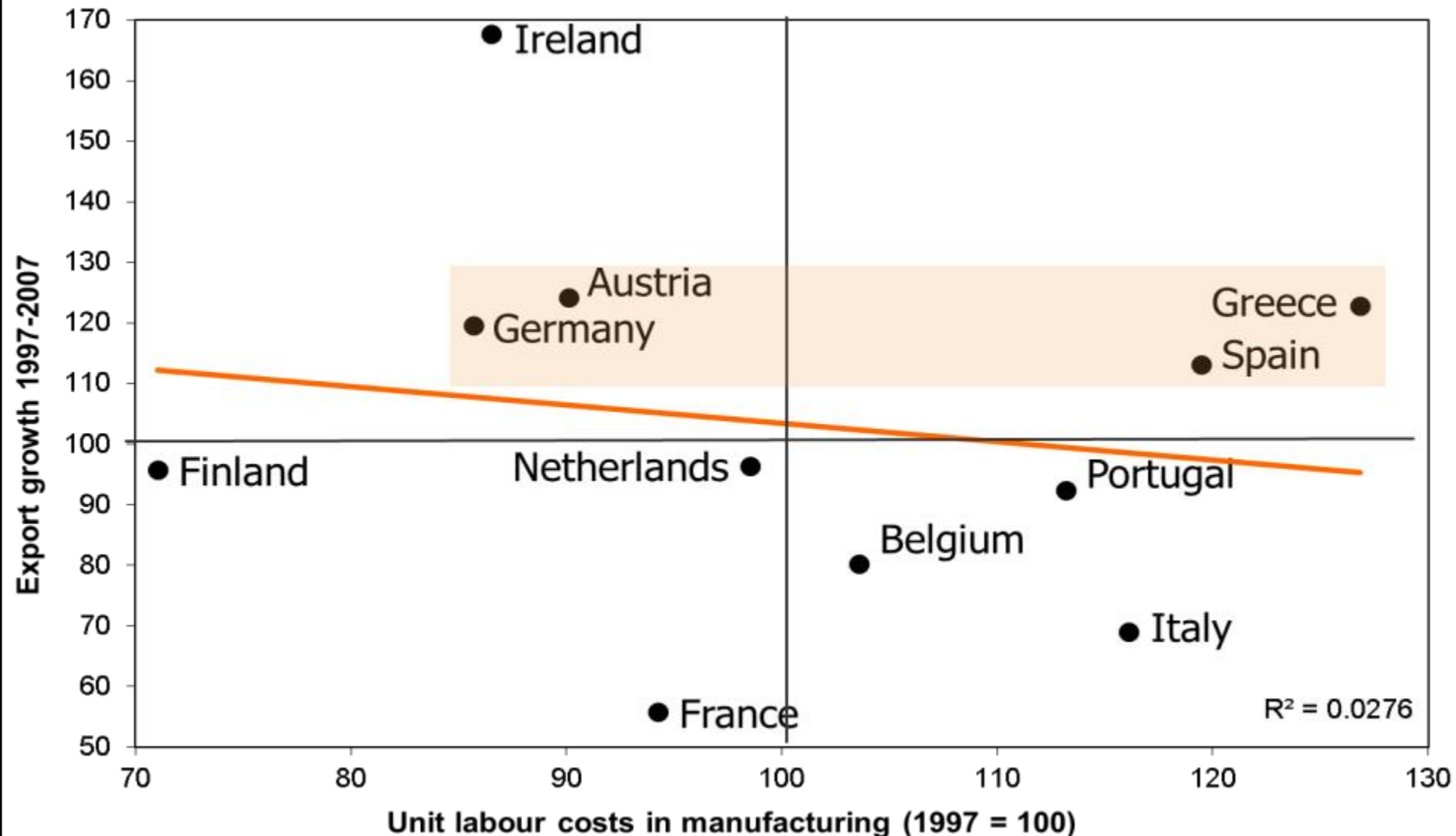




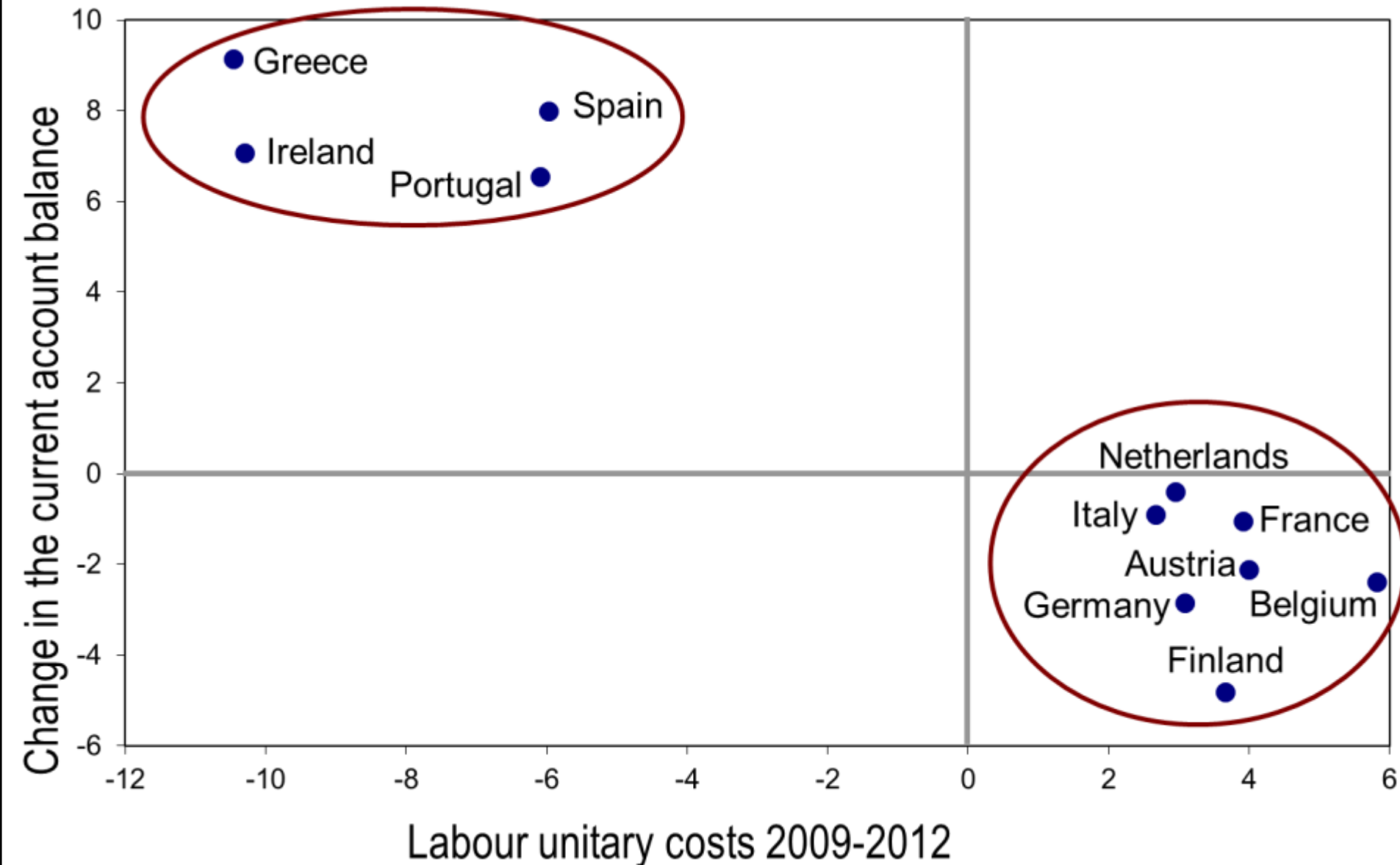
“Assessing the Links Between Wage Setting, Competitiveness, and Imbalances”
 European Commission *Note for the Economic Policy Committee* , 2011

If there is a relation between unitary labour costs and export performance, it is weak and of a secondary order of magnitude (...) and hence the former cannot be the cause of the latter.

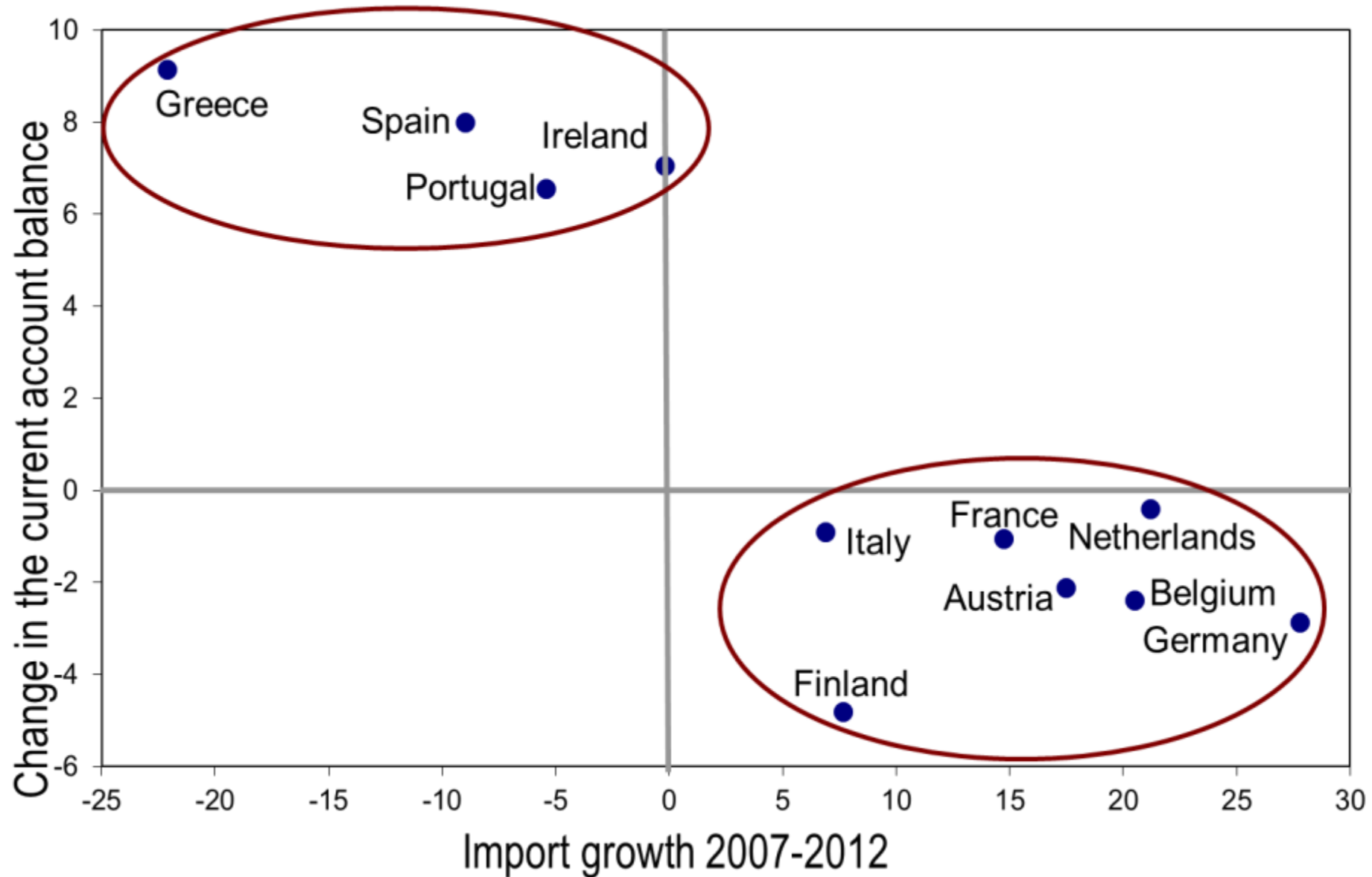
European Commission, *European Competitiveness Report 2010*.



Less wages ➡ more competitiveness?

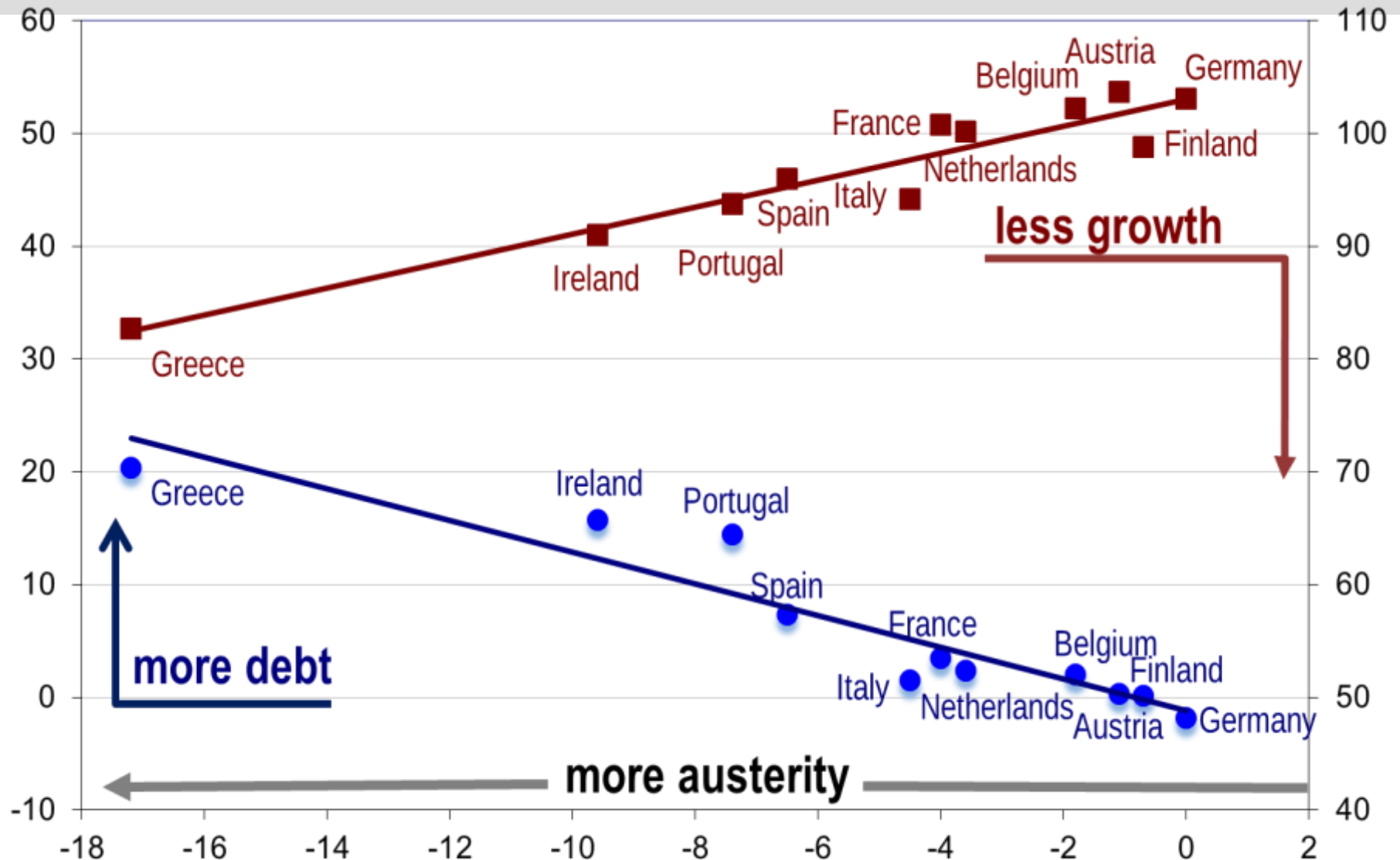


NO ! Recession ➡ less imports ➡ less trade deficit



Absurd?

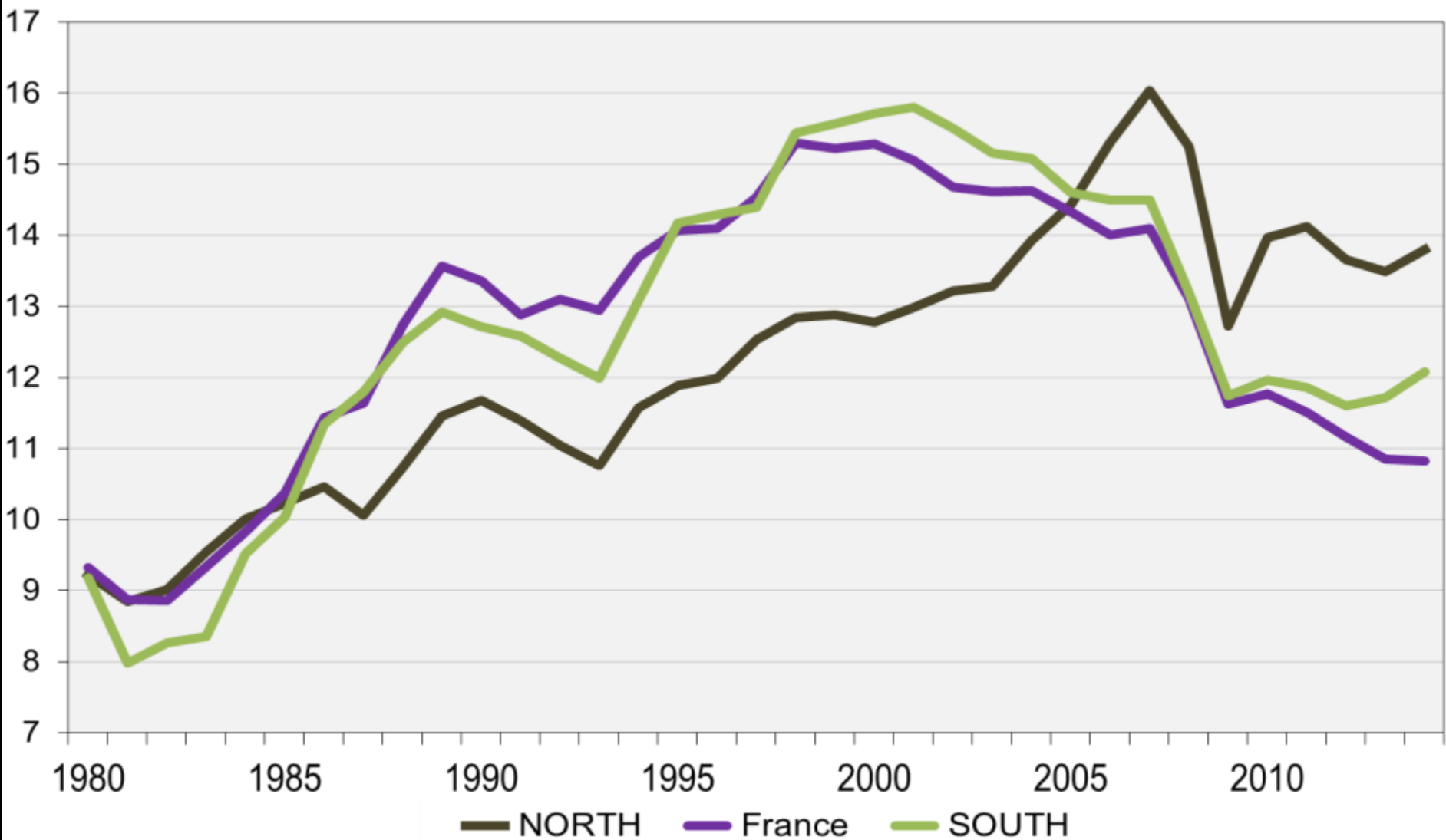
austerity ➡ more debt ➡ less growth



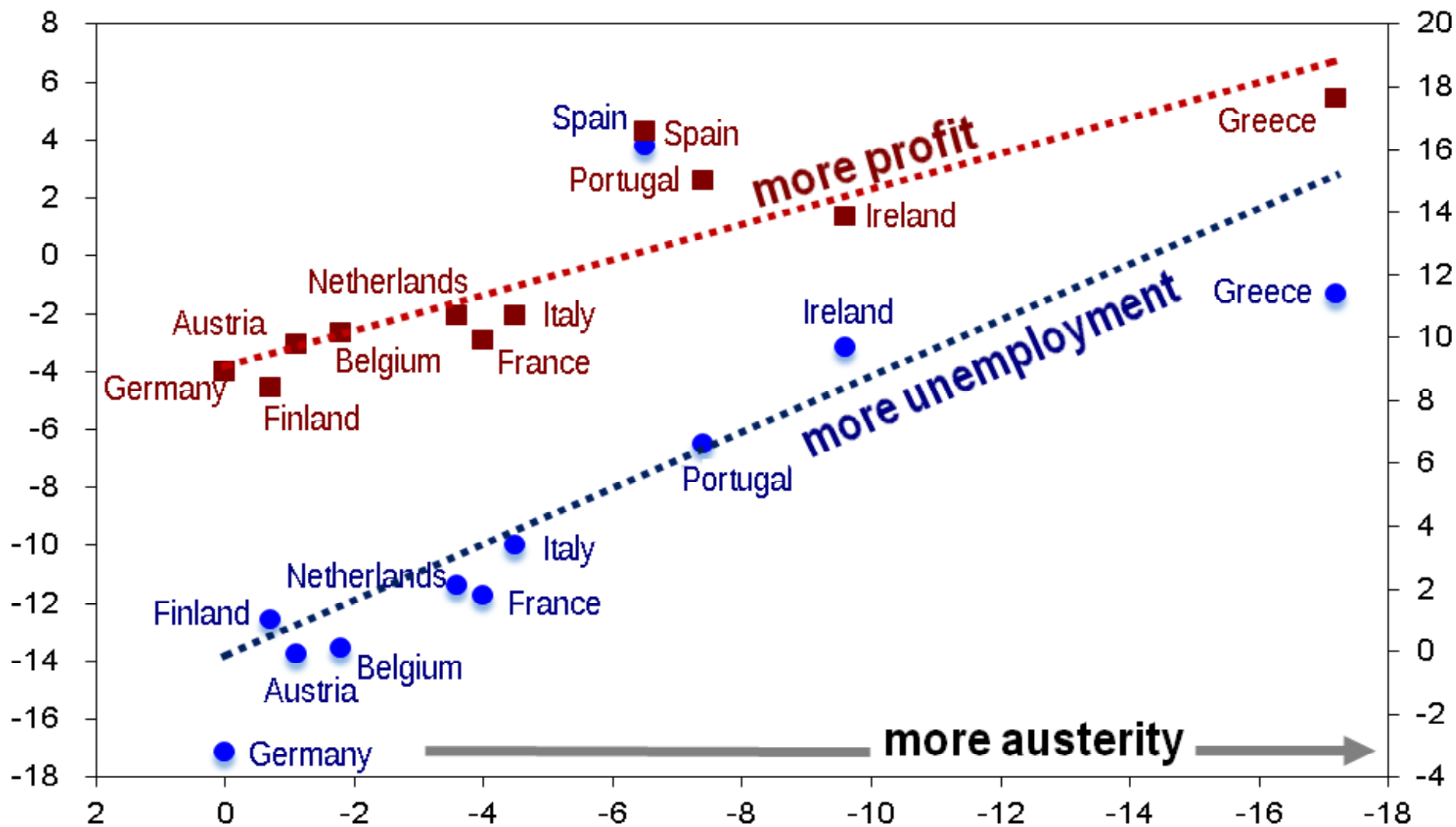
A three-level crisis:

3. A crisis of capitalist profitability

Profit rate in the eurozone



Rational austerity

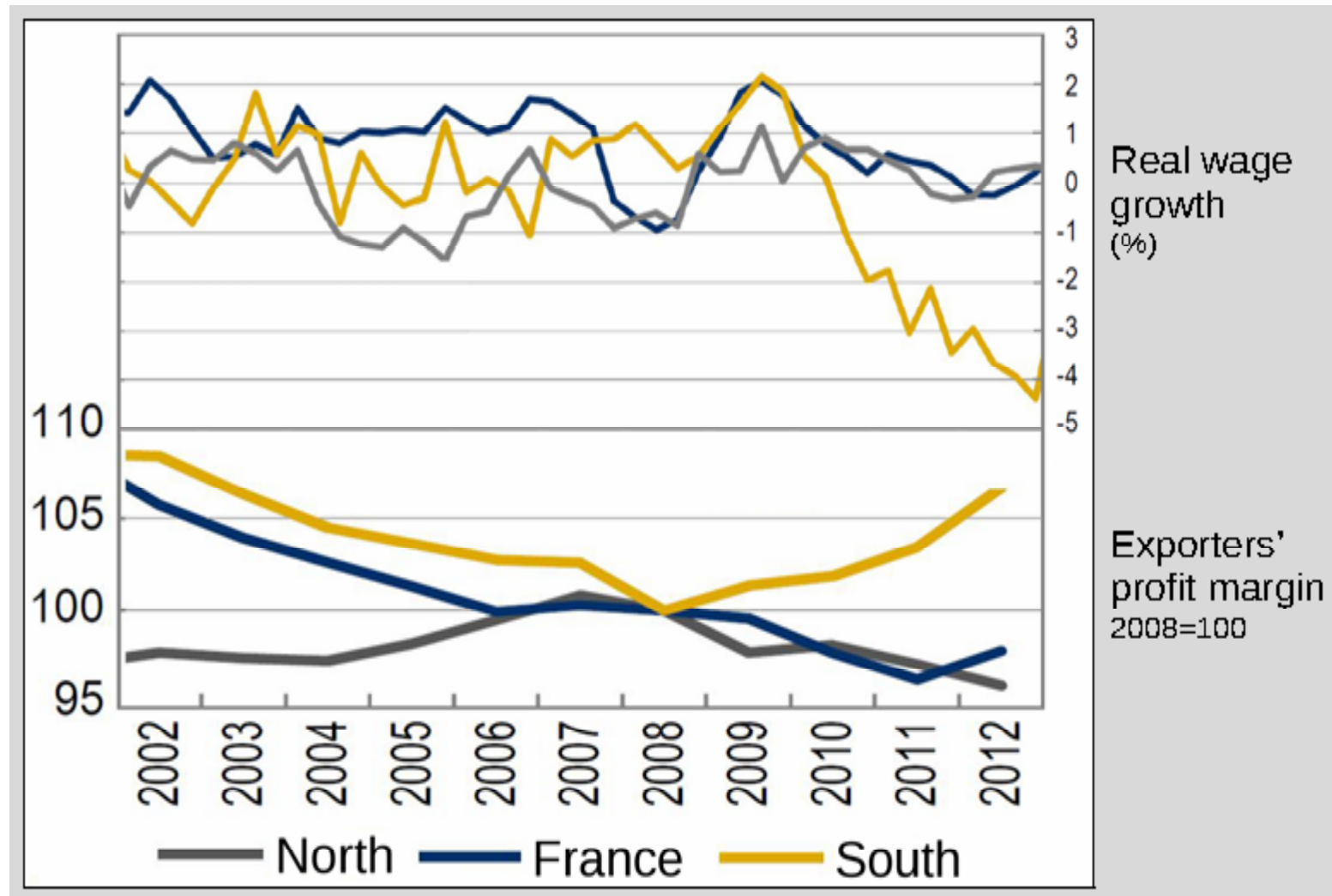


Profit share: variation 2007-2012

Unemployment rate: variation 2007-2012

Austerity: fiscal impulse 2010-2012

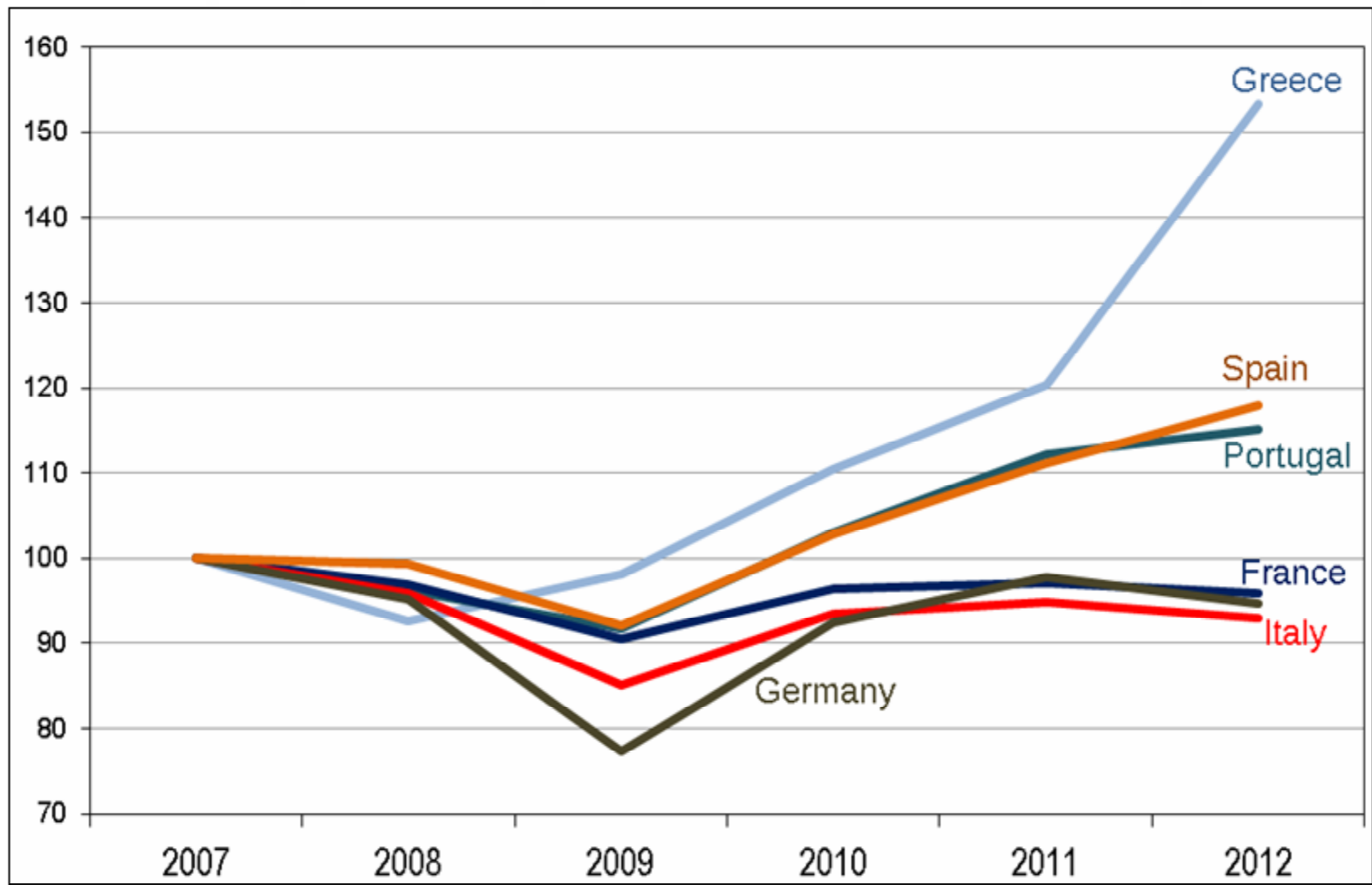
The cuts in wages increase the profit margins, not competitiveness



Sources : Eurostat, National statistics offices, European Commission,
Odile Chagny, « La nouvelle gouvernance européenne des salaires », 2013

Exporters' profit margins increase in the periphery

Export prices/Unitary Labour Costs in the manufacturing sector

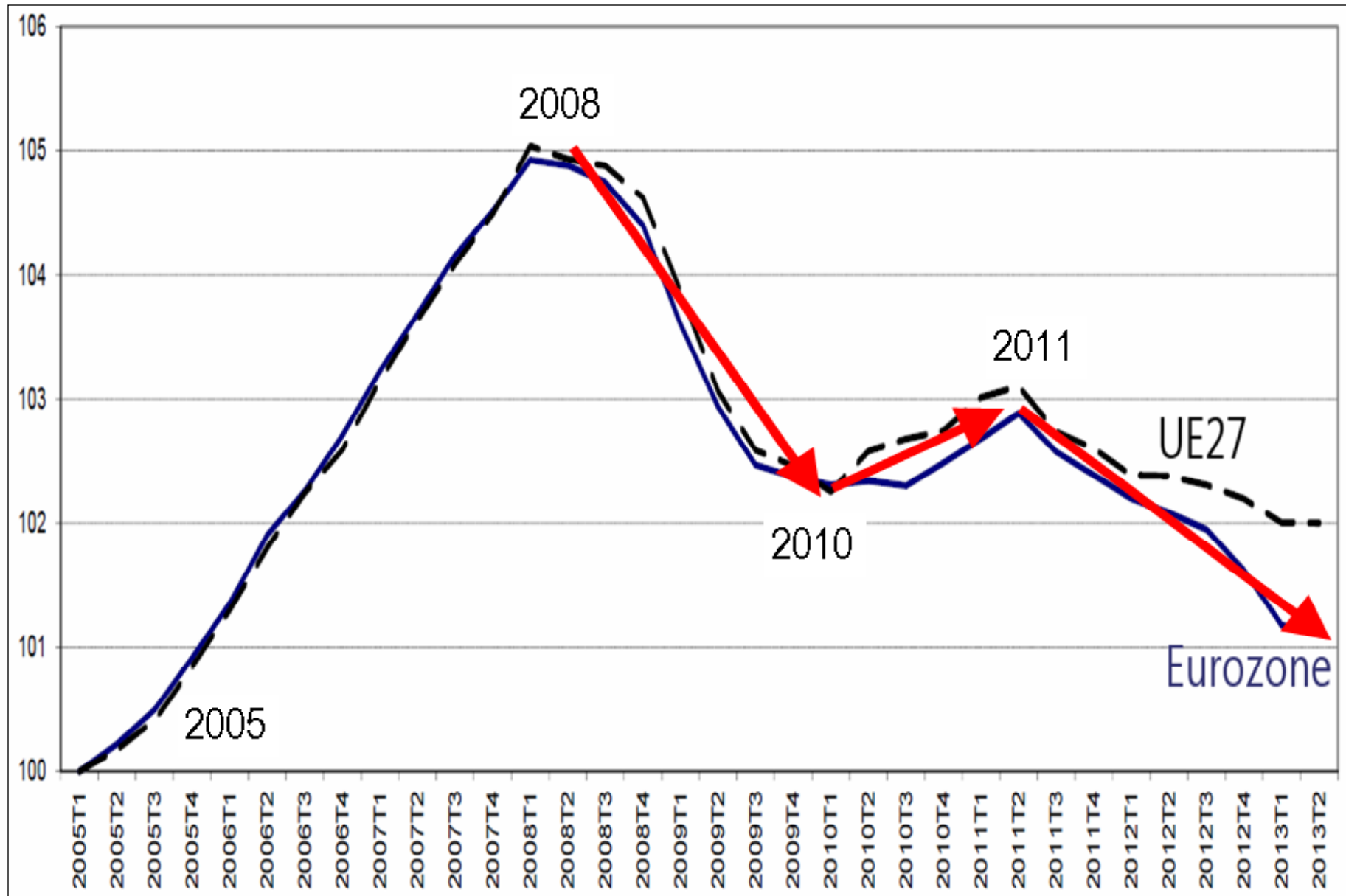


Sources : European Commission,

Odile Chagny, « La nouvelle gouvernance européenne des salaires », 2013

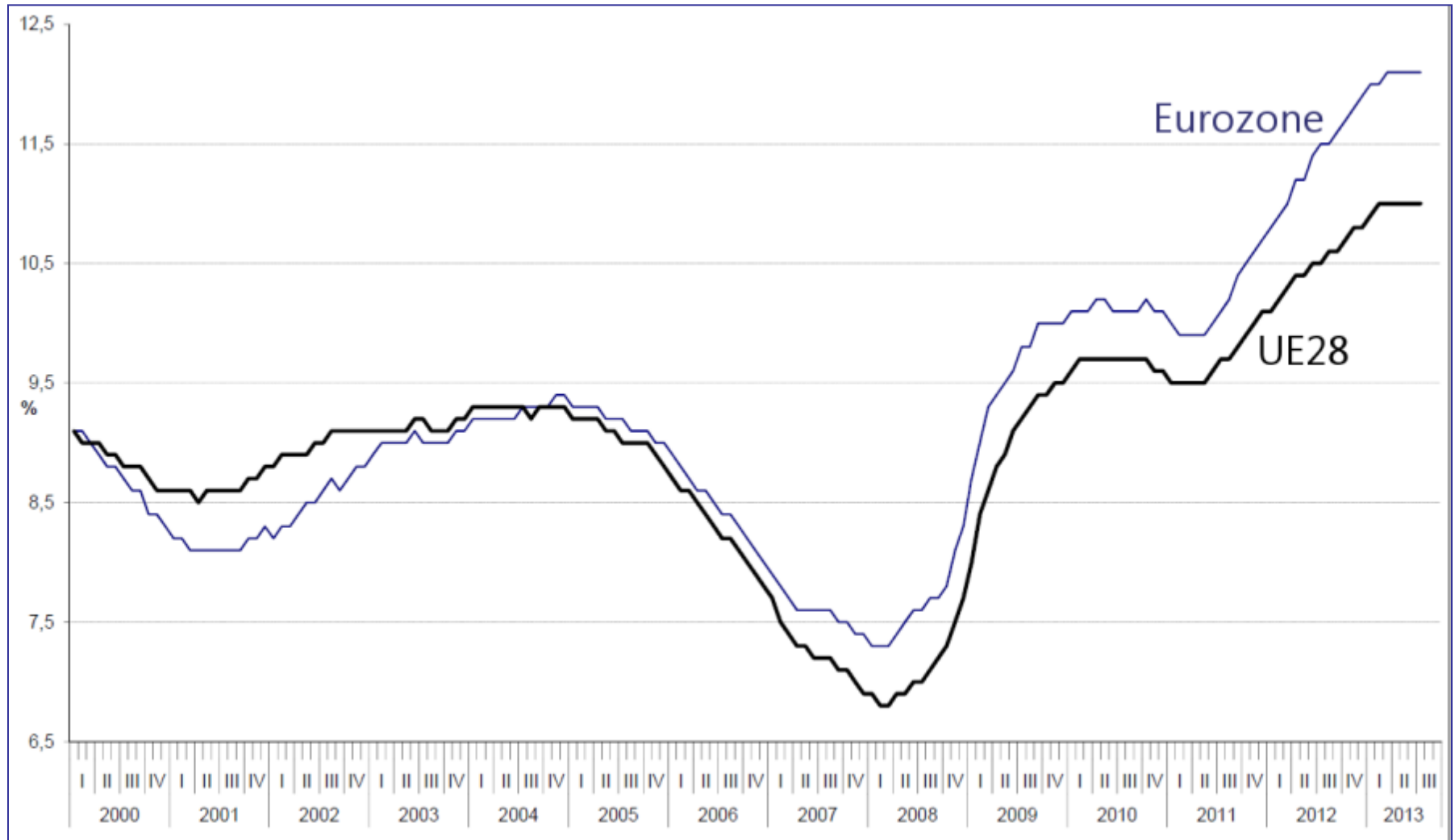
The impact of the crisis on (un)employment

The double dip of employment

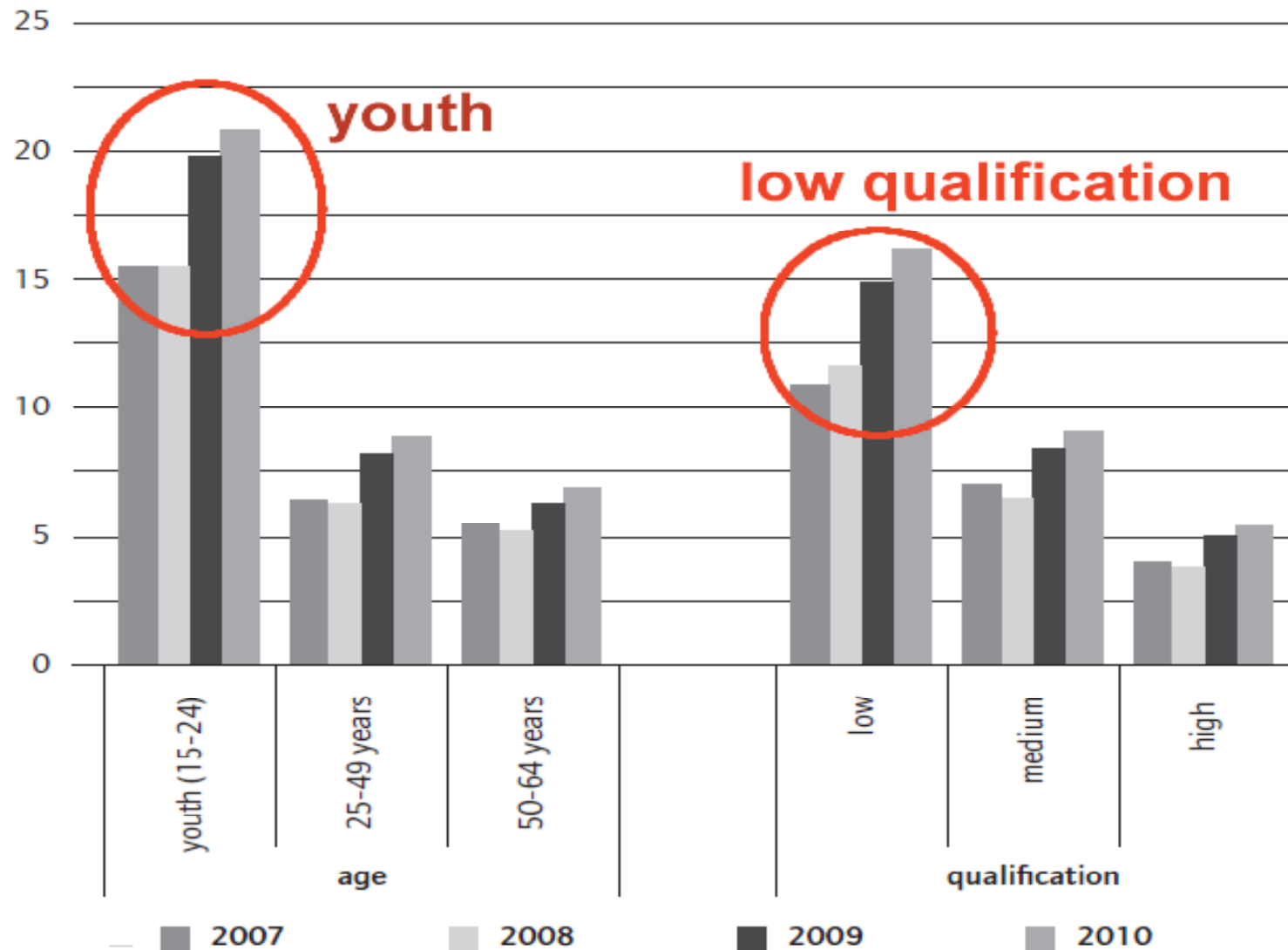


September 2013

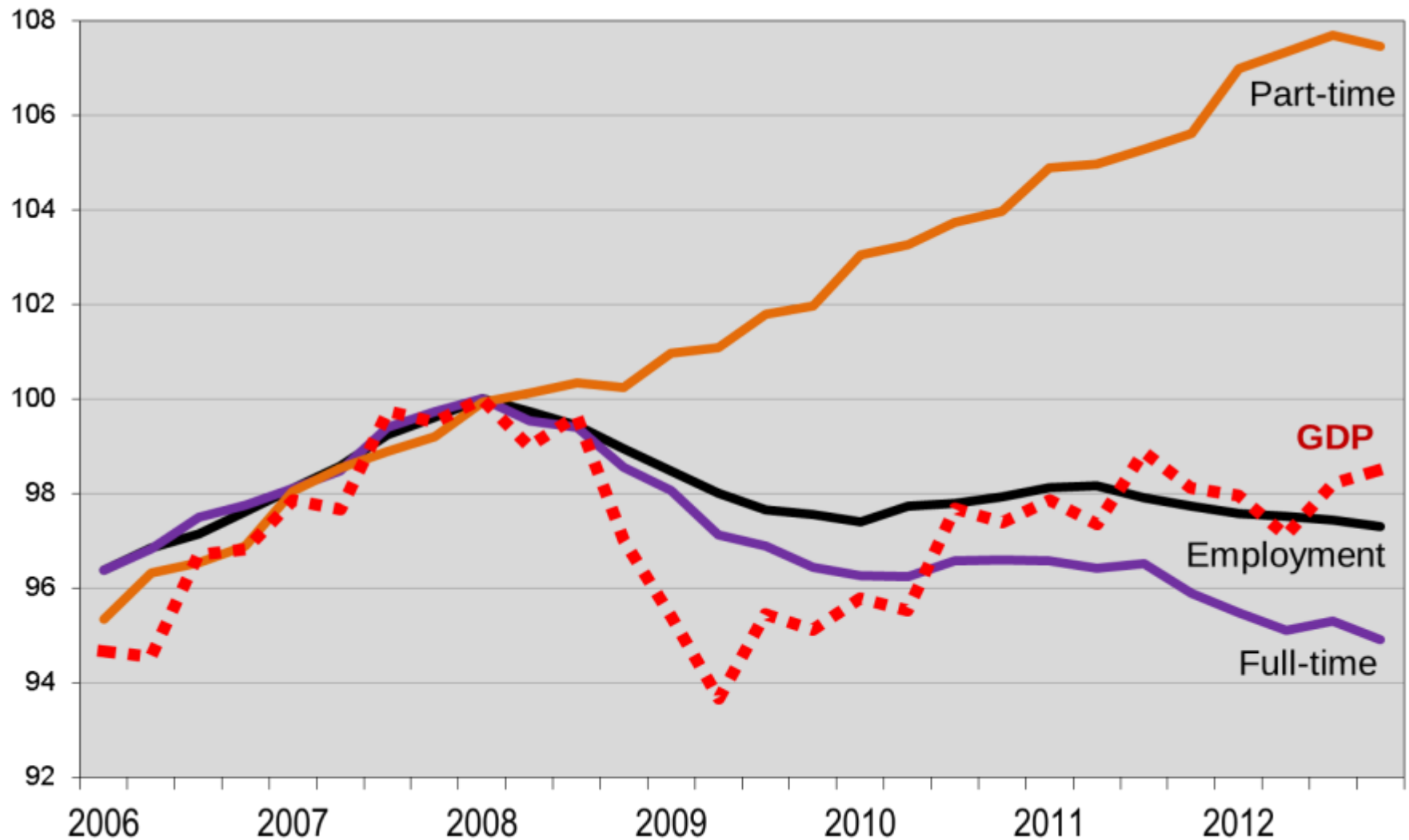
Euro area unemployment rate at 12.2%
EU28 at 11.0%



Unemployment

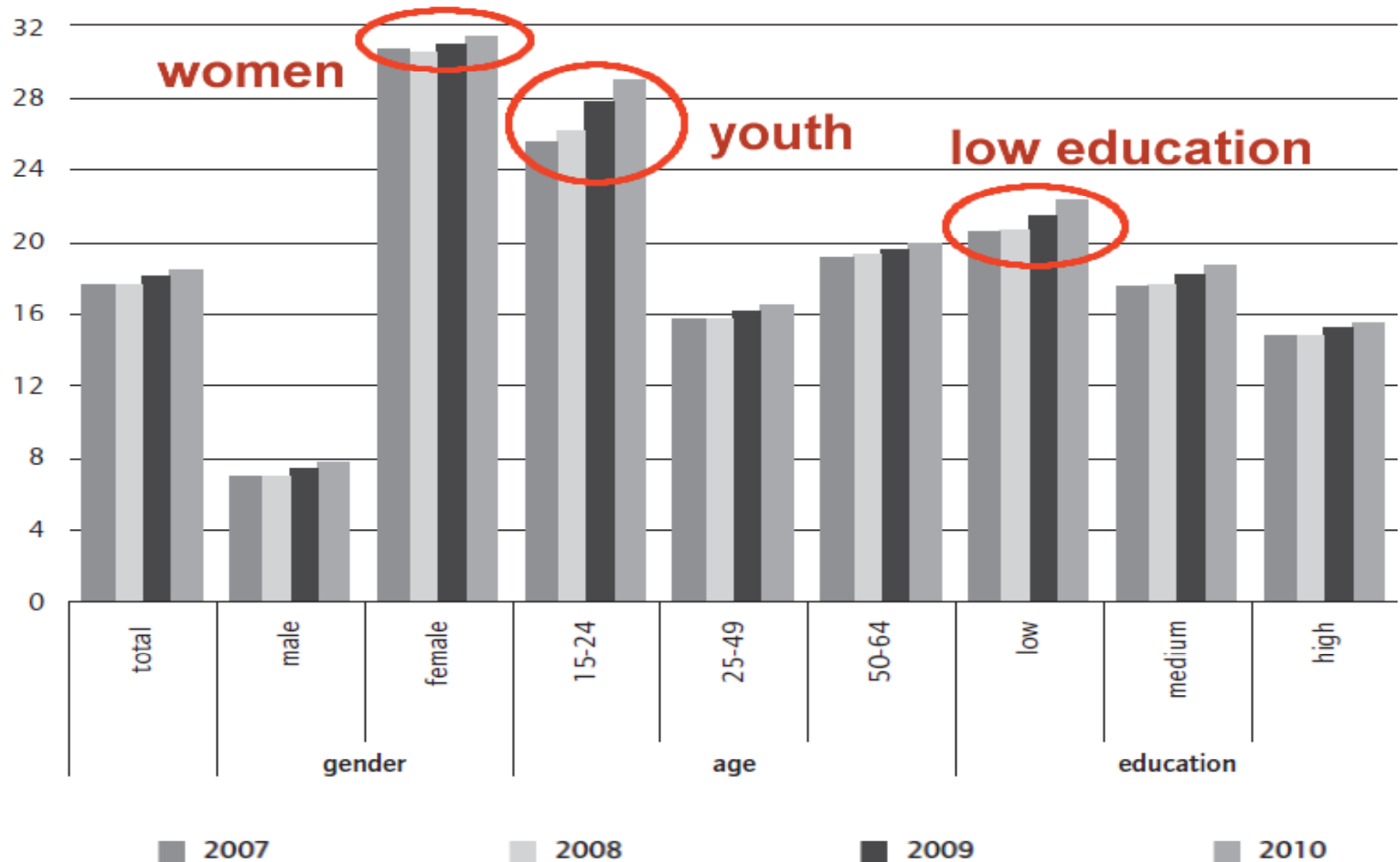


Unemployment: Just the Tip of the Iceberg*

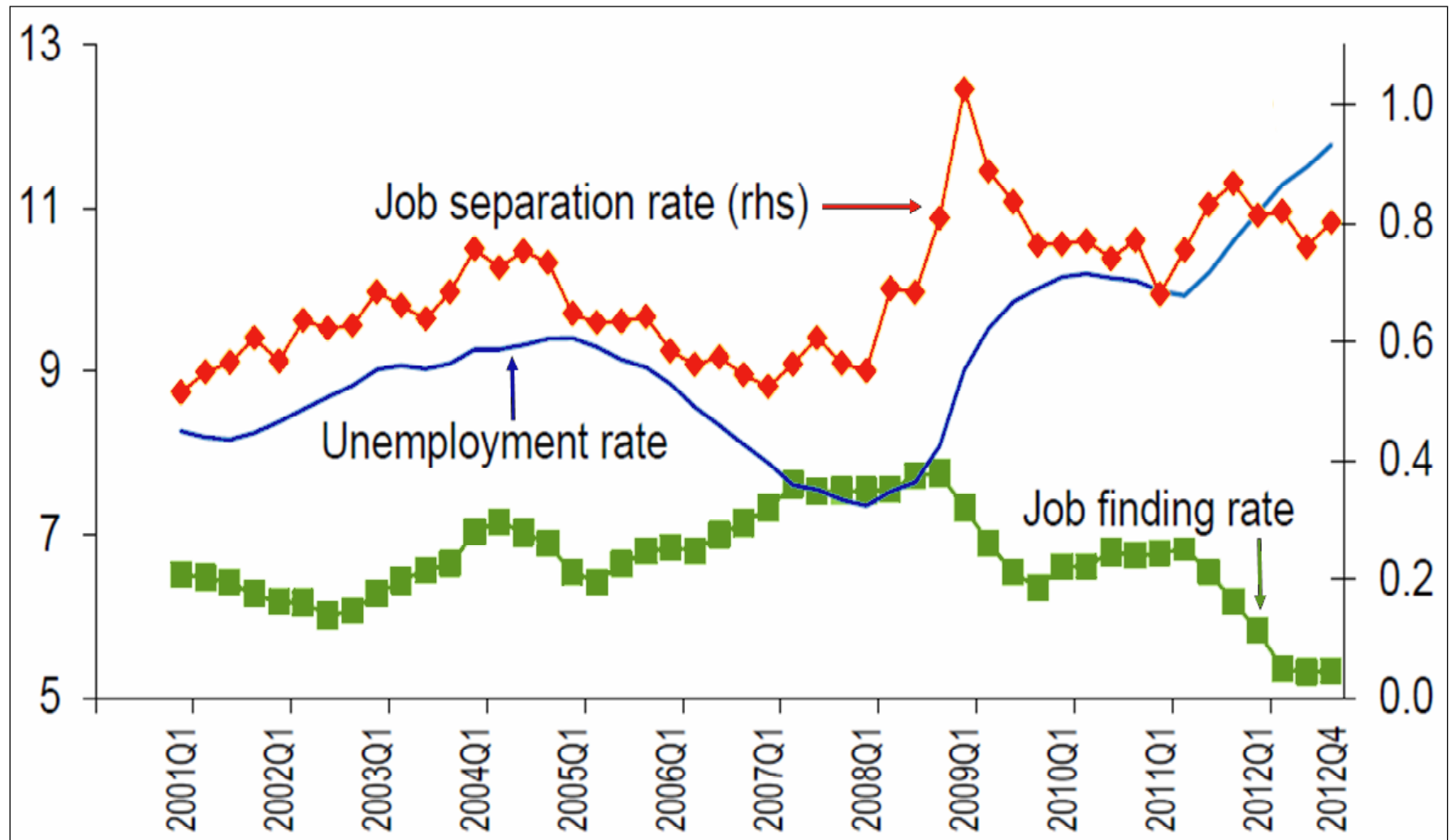


* Ronald Janssen, *Social Europe Journal*, 05/02/2013

Part-time jobs EU27



The job finding rate: almost continuously falling in the euro area



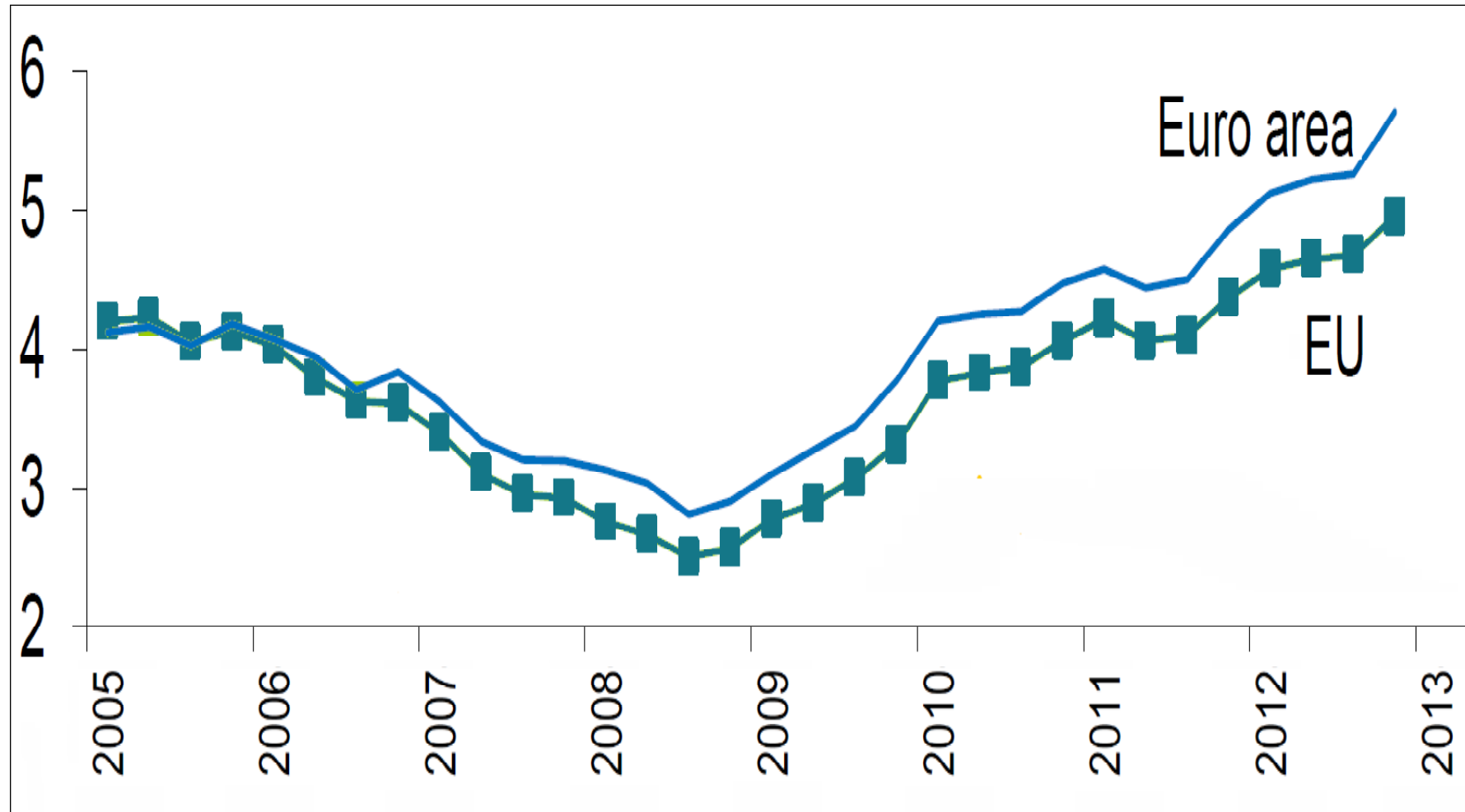
Job finding rate: probability that an unemployed person finds a job within the next month

Job separation rate: probability that an employed person loses her job in the next month

Source: Commission Services based on Eurostat data

Long-term unemployment: increasing

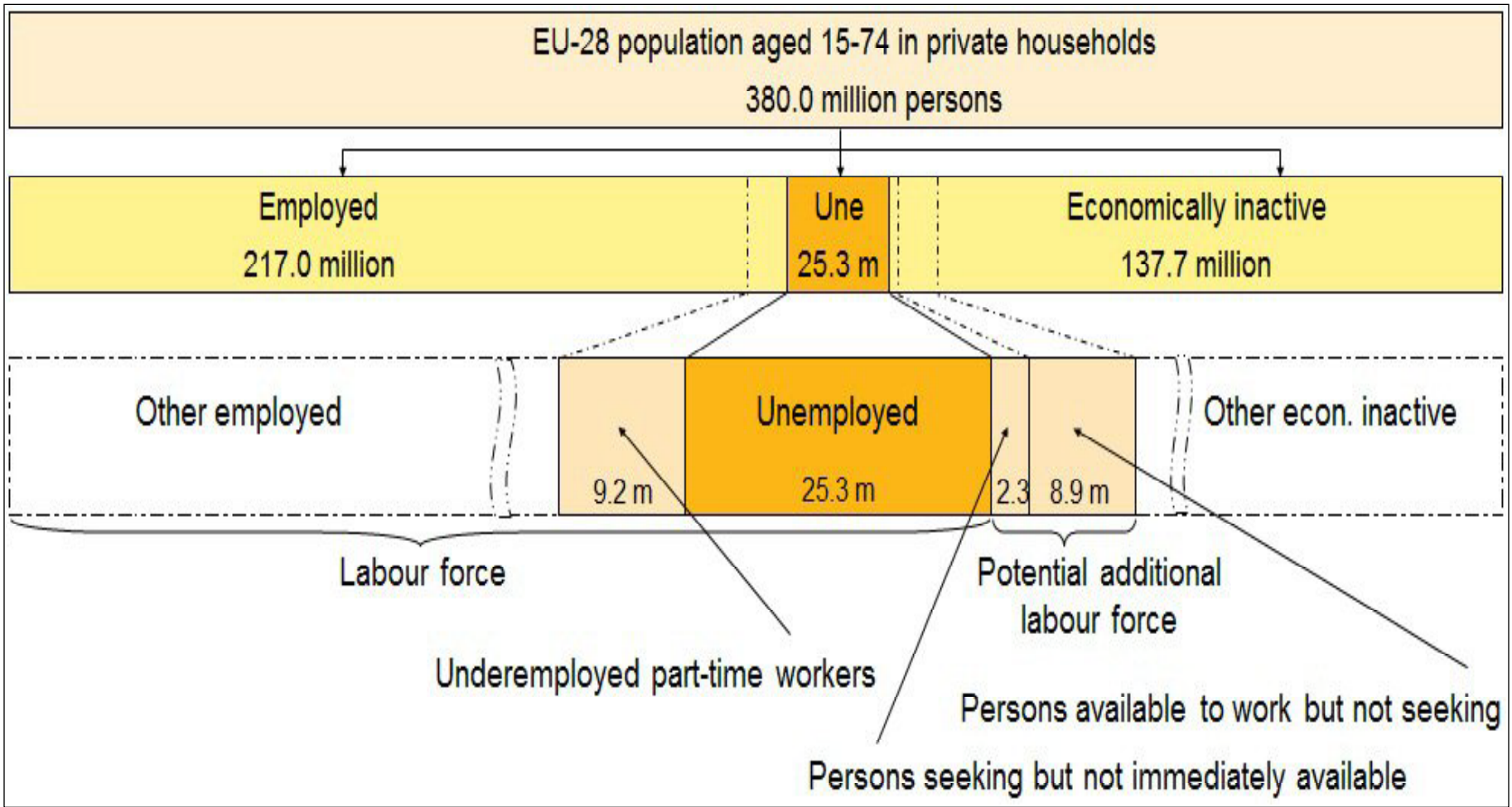
Jobless rate for 1 year or more



Job finding rate: probability that an unemployed person finds a job within the next month
Job separation rate: probability that an employed person loses her job in the next month
Source: Commission Services based on Eurostat data

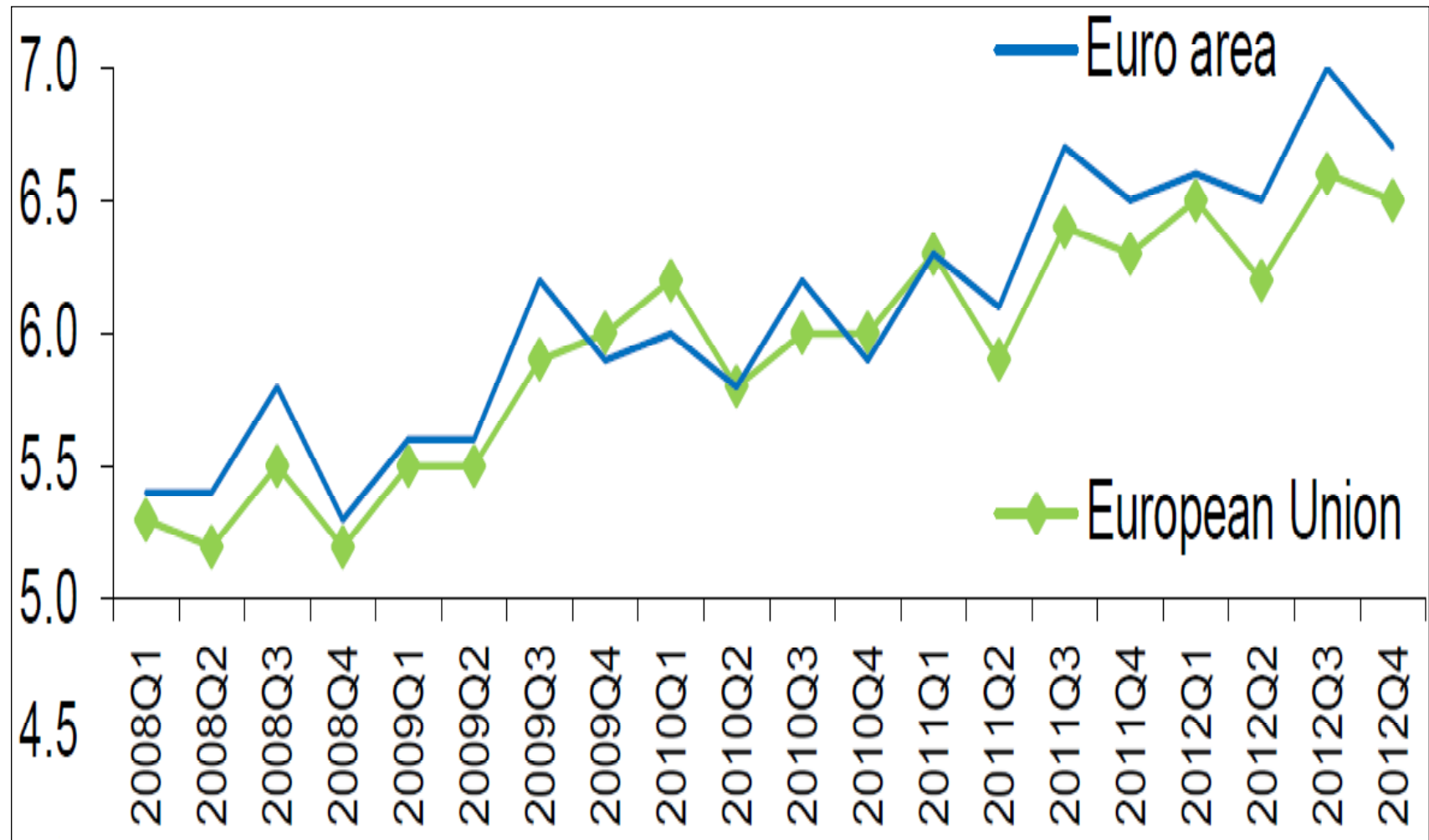
A potential additional labour force of 11 million (EU27 2012)

Among the economically inactive population (neither employed nor unemployed), there were 8.8 million persons available to work, but not seeking and 2.3 million seeking work, but not available. A potential additional labour force: 4.6% of the labour force.



Discouragement effects

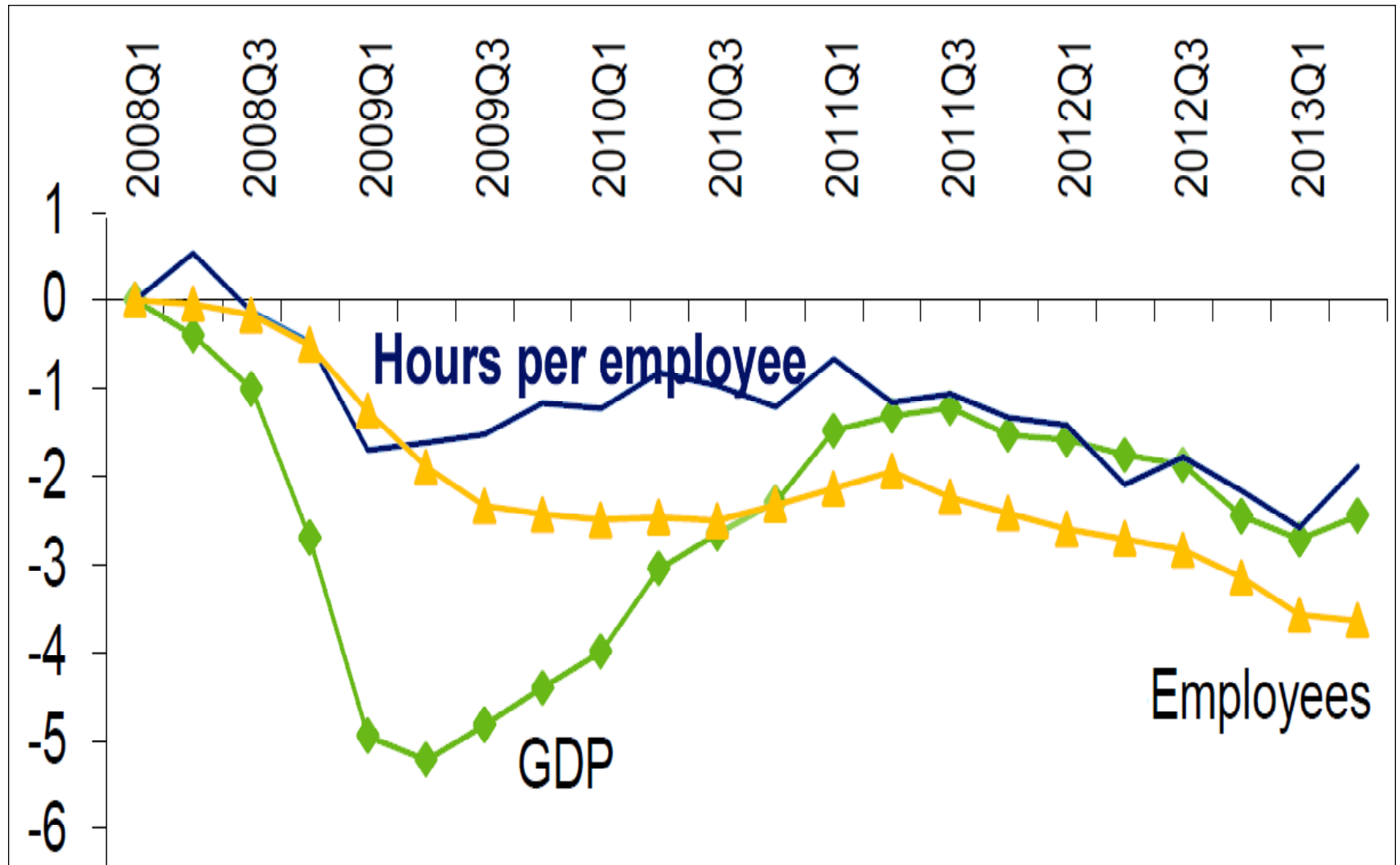
(workers available to work but not seeking,
% of inactive population)



Source: Eurostat Labour Force Survey

Working time and employment

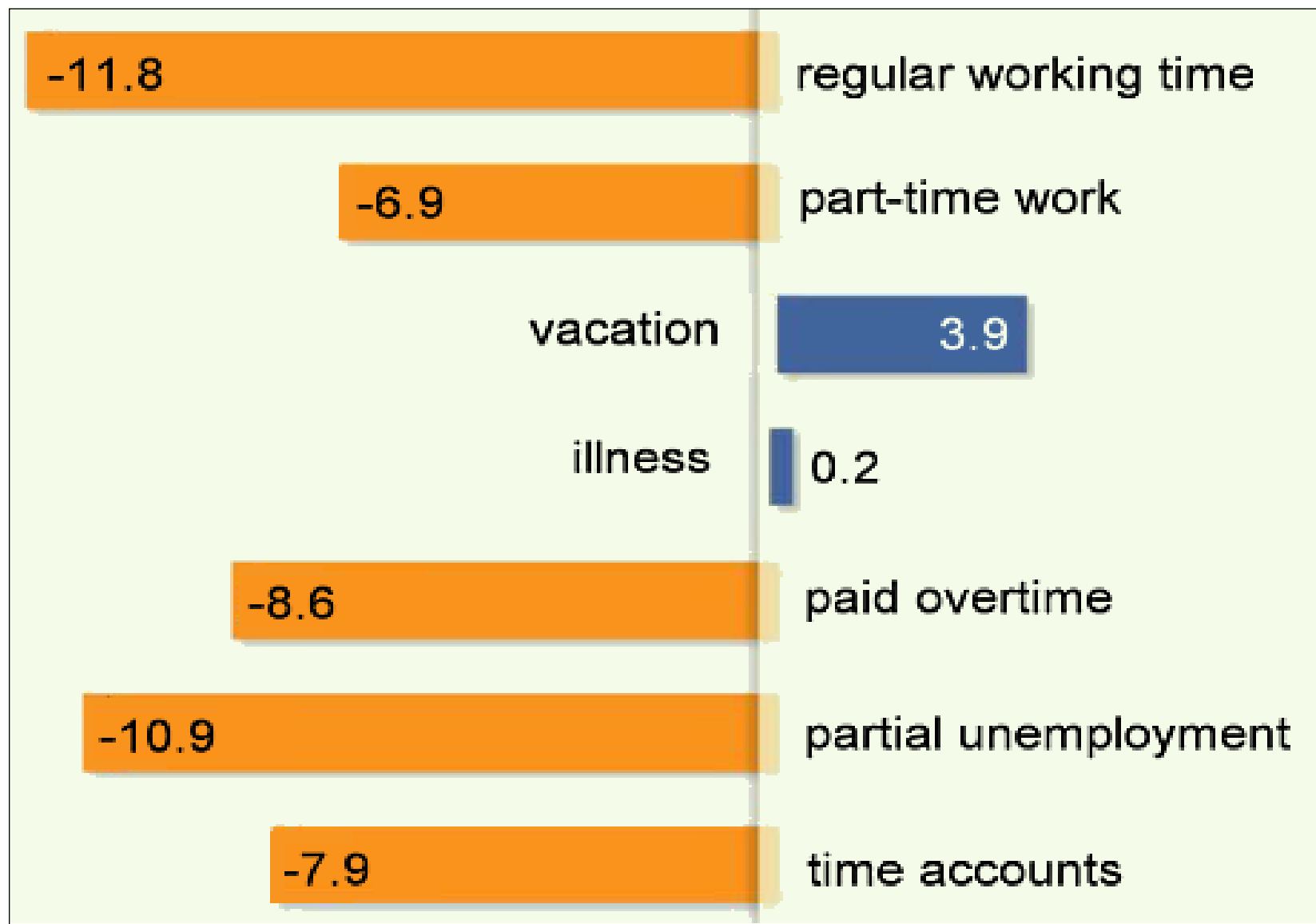
Cumulative change in GDP, number of employees and **average hours worked** per employee, Euro area



Source: Eurostat, National Accounts

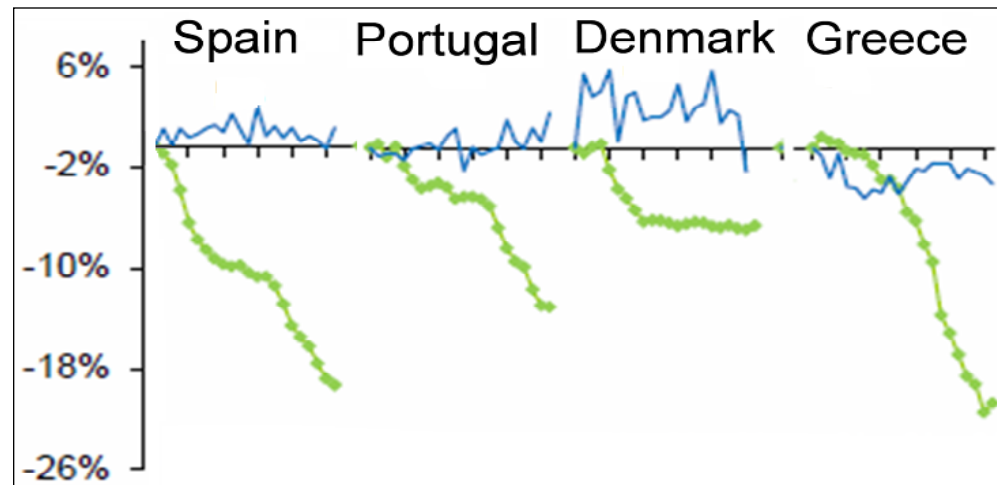
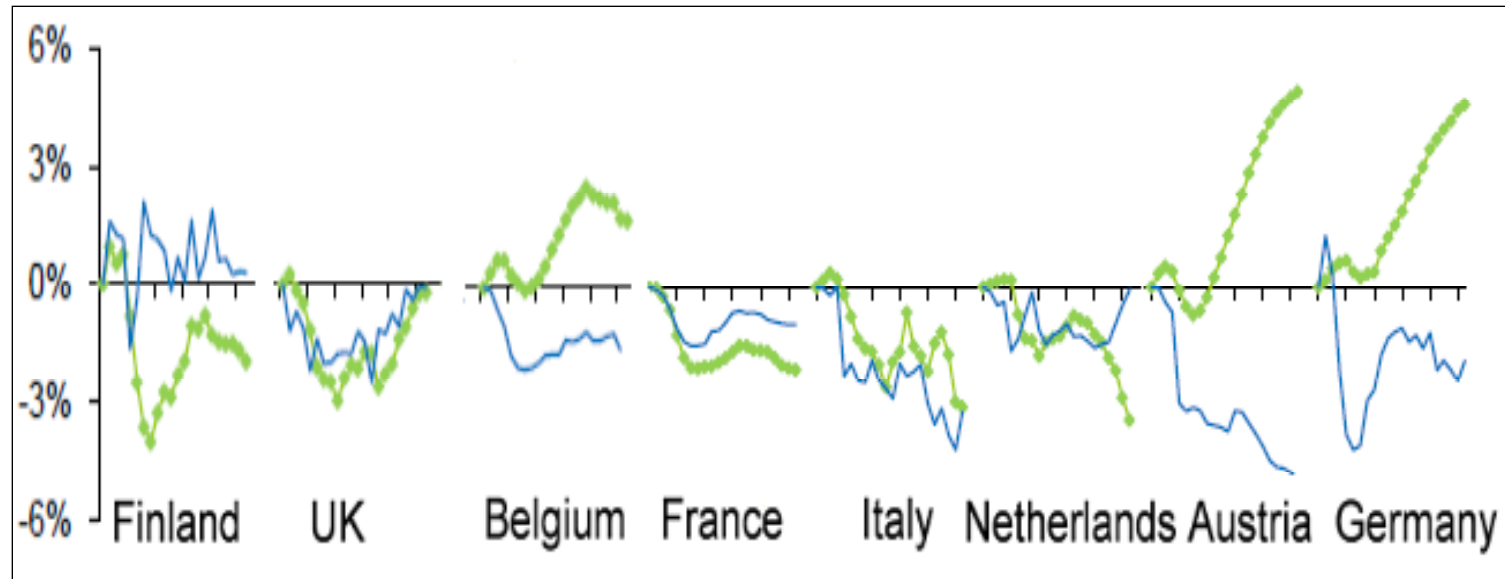
Germany

The components of the reduction of annual hours worked in 2009



Source: IAB

Working time and employment (cumulative changes 2008Q1-2013Q2)

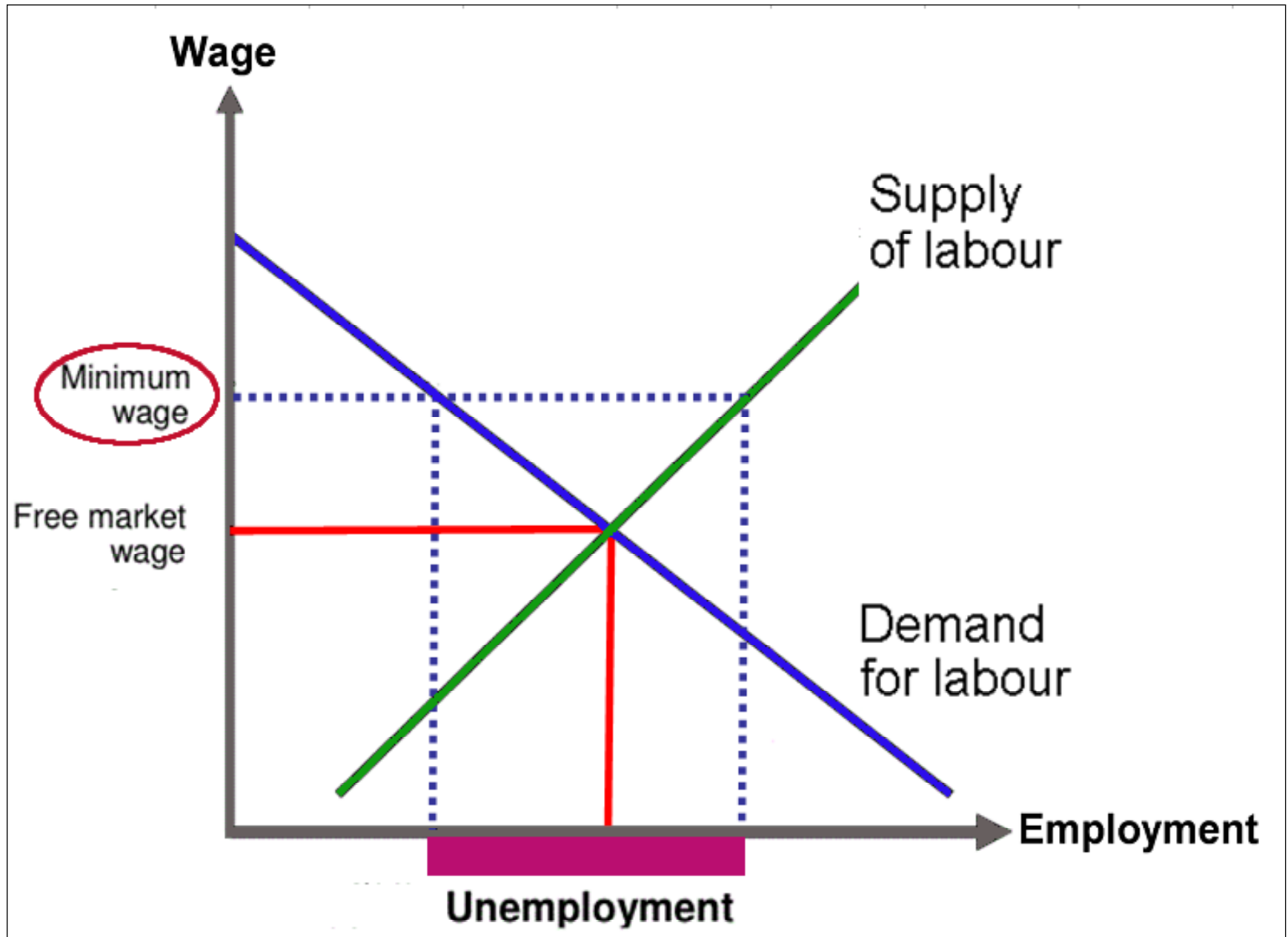


Source:
Eurostat,
National
accounts

 Employees  Hours worked per employee

Structural reforms

The mainstream (“neoliberal”) theory of unemployment



European Commission Staff
Assessment of the 2012 National Reform Programme
and Stability Programme for Greece

- ***Nevertheless**, it is expected that the structural reforms, particularly those in the labour market, the liberalisation of several sectors and a number of measures to improve the business environment, should help promote competition, spur productivity, increase employment and reduce production costs, thus contributing to an increase in employment and limiting poverty and social exclusion **in the medium term**.*

Fiscal adjustment and “structural reforms”: **more of the least**

FISCAL ADJUSTMENT

- cuts in public spending and public sector wages
- unfair tax increase (VAT)

SHRINKING THE WELFARE STATE

- reduction of unemployment benefits
- reduction of social benefits
- privatising public pension schemes

LABOUR MARKET FLEXIBILITY

- reduction of minimum wages: a ‘minimal’ minimum wage’
- weakening of collective bargaining institutions
- deregulating labour laws

Wage Bargaining Framework: employment-friendly reforms

- ✓ decrease minimum wages
- ✓ decrease the bargaining coverage or (automatic) extension of collective agreements.
- ✓ reform the bargaining system **in a less centralized way**, for instance by
 - removing or limiting the "favourability principle"
 - introducing/extending the possibility to derogate from higher level agreements
 - negotiate firm-level agreements.
- ✓ overall reduction in the wagesetting power of trade unions.



Changes announced and/or adopted to industrial relations, collective bargaining systems and certain aspects of labour law

	Industrial relations	Dismissal rules	Working time legislation	Atypical contracts
Belgium				**
Bulgaria				**
Cyprus				
Czech Republic				*
Estonia				
Finland				
France				**
Germany				
Greece *				**
Hungary				**
Italy				**
Ireland *				
Latvia				
Lithuania				
Luxembourg				**
Netherlands				
Poland				*
Portugal *				
Romania				**
Slovak Republic				*
Slovenia				*
Spain				**
Sweden				**
United Kingdom				

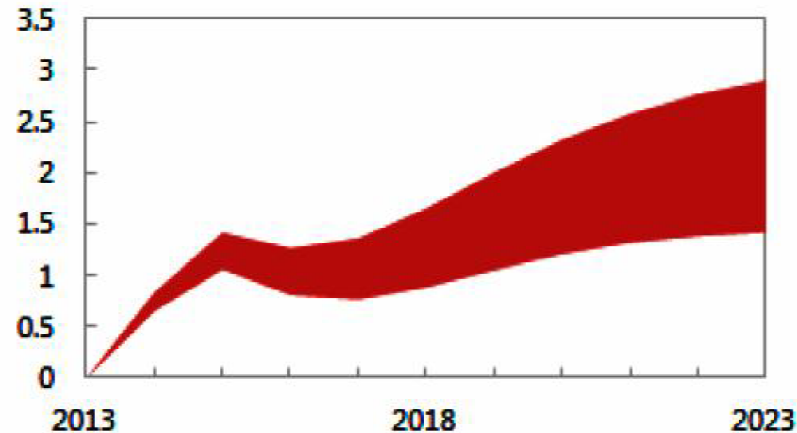
New types of contract (*) in particular for young people (**)

* countries with a Memorandum of Understanding with the Troika (EU, IMF, ECB)

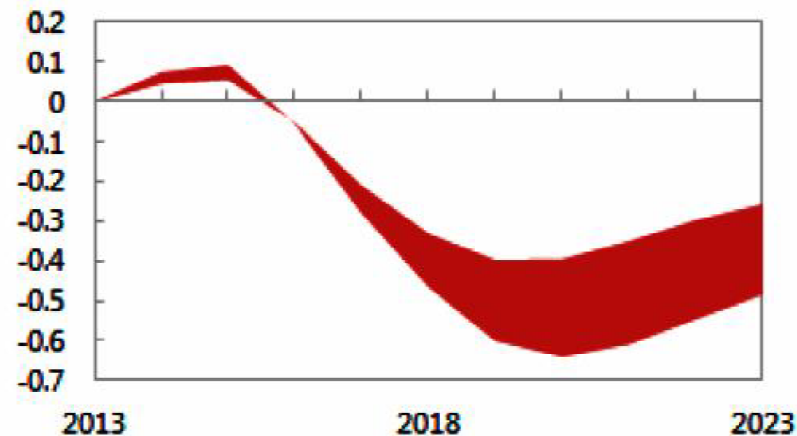
Source: “The crisis and national labour law reforms”, ETUI Working Paper 2012.04

Impact of Labour Market Reforms in the Euro Periphery

Employment



Real wage



“Fiscal Consolidation in the Euro Area: How Much Can Structural Reforms Ease the Pain?”
Derek Anderson, Benjamin Hunt, Stephen Snudden, *IMF Working Paper*, October 2013

Tenuous link:

labour market institutions and unemployment

- ✓ International organizations and mainstream economists have consistently promoted the view that labour market rigidities are responsible for high unemployment, and that wide-ranging institutional deregulation is an appropriate policy response.
- ✓ Yet, as demonstrated by recent literature, the empirical support for the deregulatory view is ambiguous.
- ✓ We find rather thin support for the deregulatory view.
- ✓ Overall, our findings challenge the policy orthodoxy that comprehensive deregulation is the universal solution to unemployment.

Sabina Avdagic and Paola Salardi

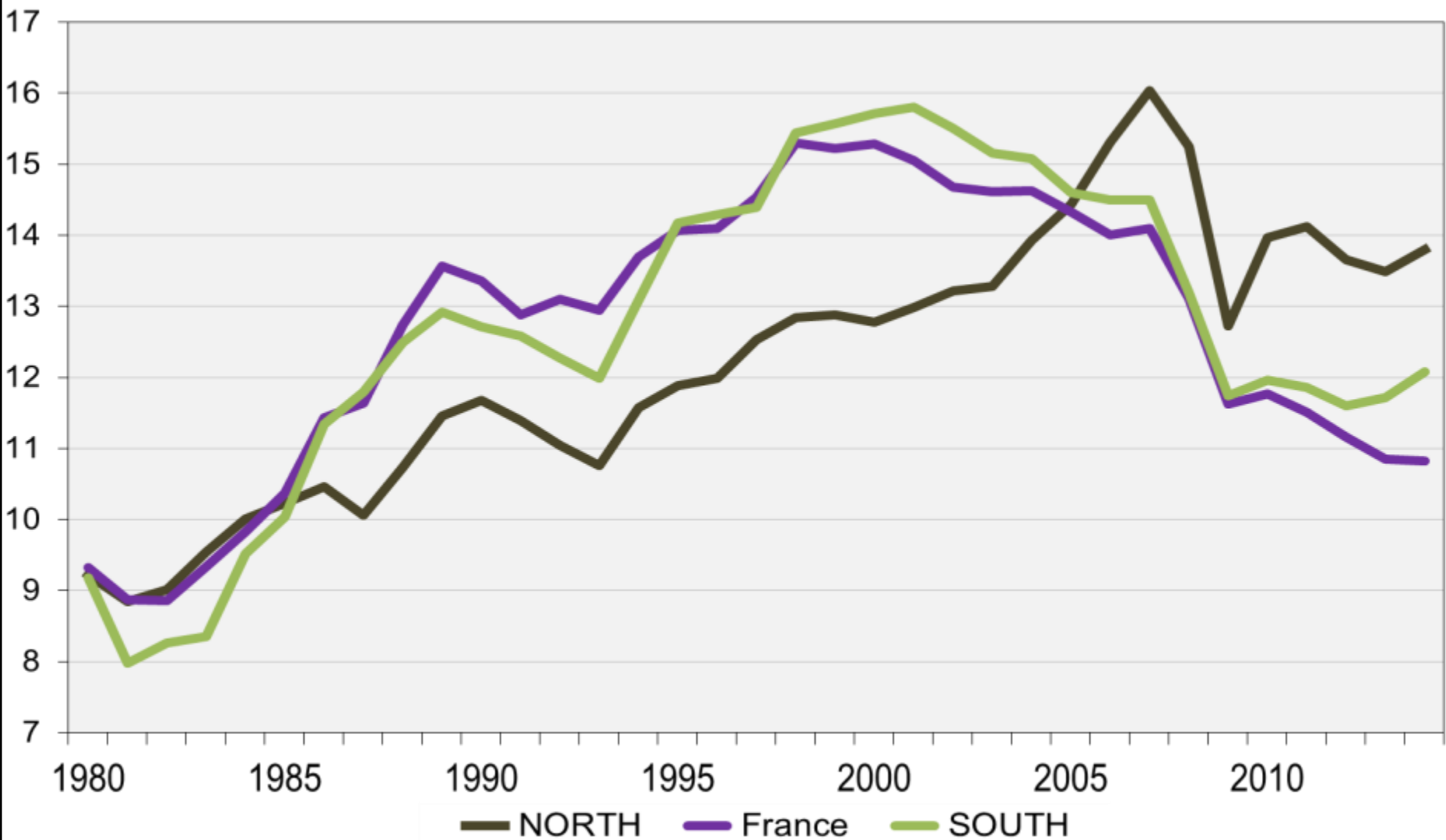
“Tenuous link: labour market institutions and unemployment”

Socio-Economic Review (2013) 11

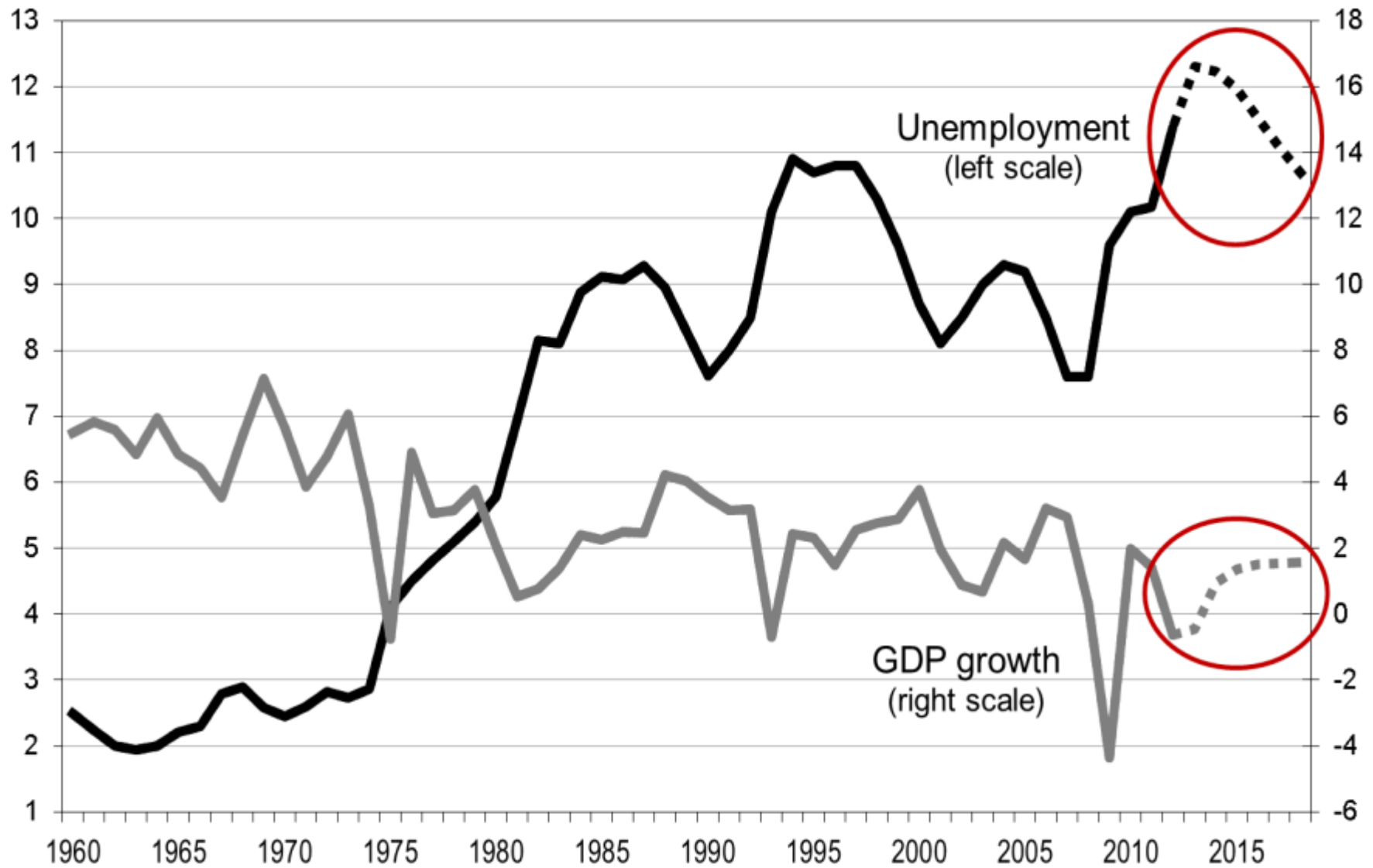
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Grey shades of forecasts



Two working hypothesis

1. the objective of structural reforms is to restore profits
2. the crisis is a turning point that will lead to fundamental changes in job status and labour relations