

TUAC

industriAll Europe Collective Bargaining and
Social Policy Conference
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**Bargaining for a Just
Transition in times of Cost-
of-Living and Energy Crisis**

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Overview

Is the policy narrative on collective bargaining changing ?

Collective bargaining between the cost-of living shock and the fear for wage-price spirals

Bargaining and a Just Transition: A two-way process

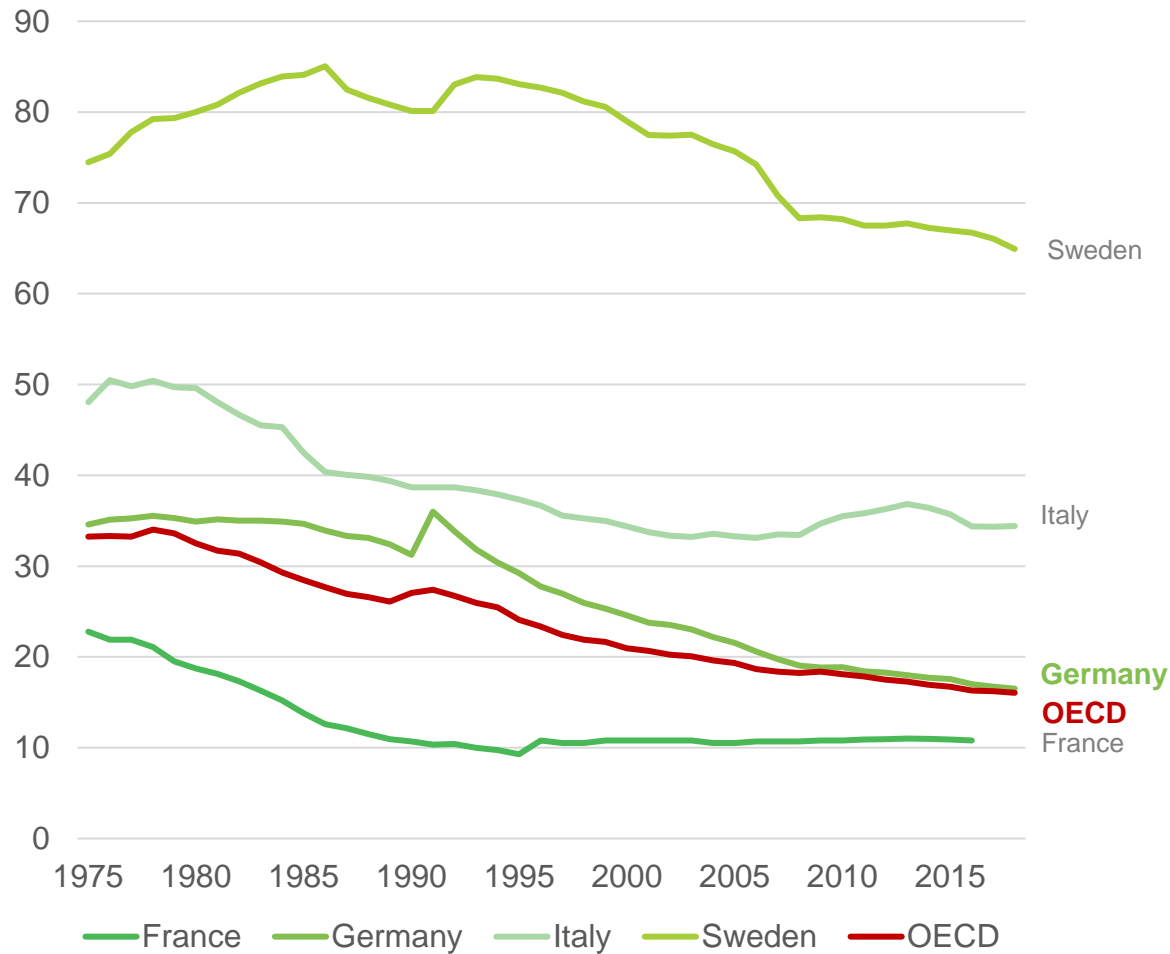
The way ahead : Stronger bargaining coverage AND stronger trade unions

Part I

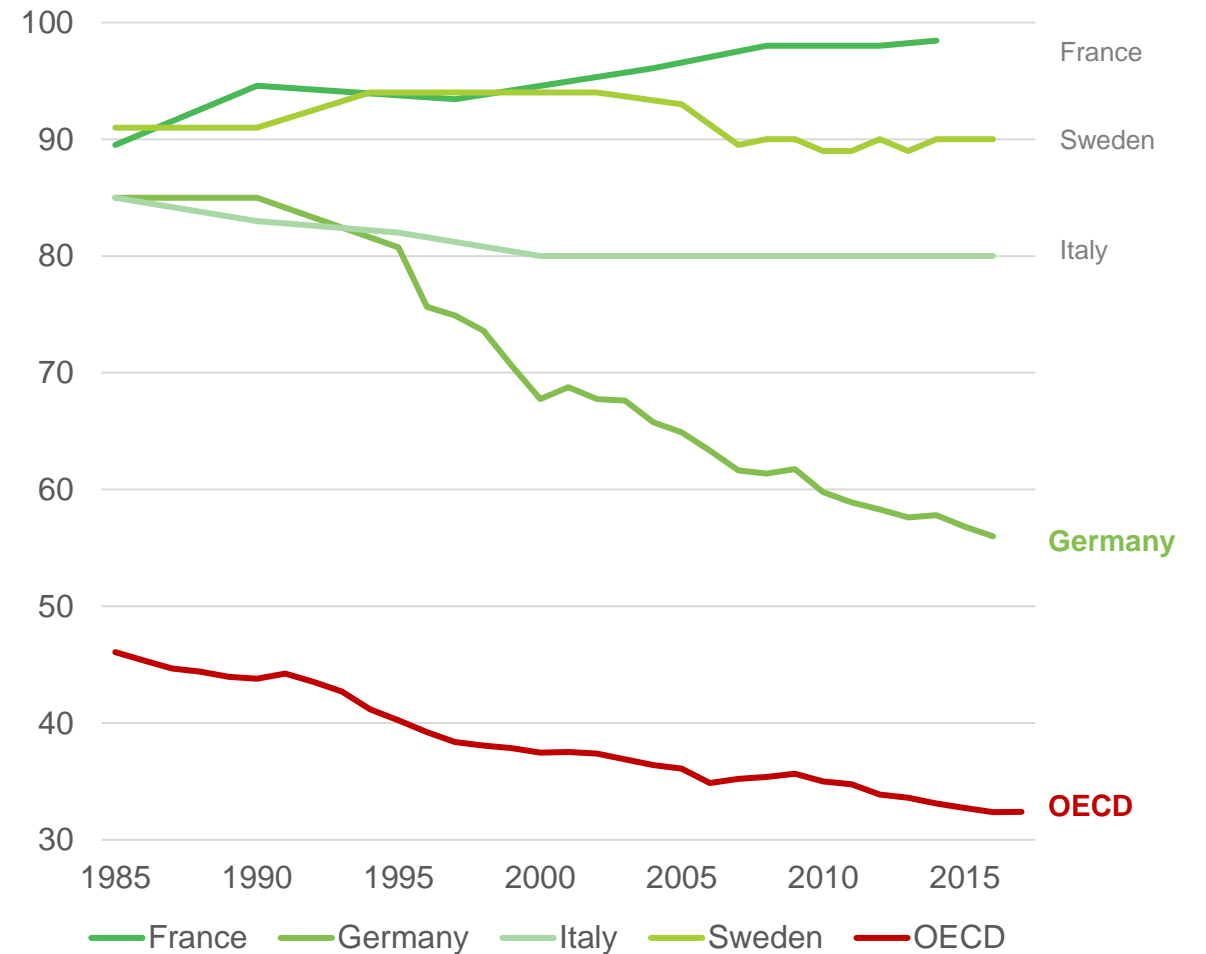
Collective bargaining: Is the policy narrative changing ?

Three decades of weakening labour relations have left significant scars

% of employees who are union members, 1975-2018



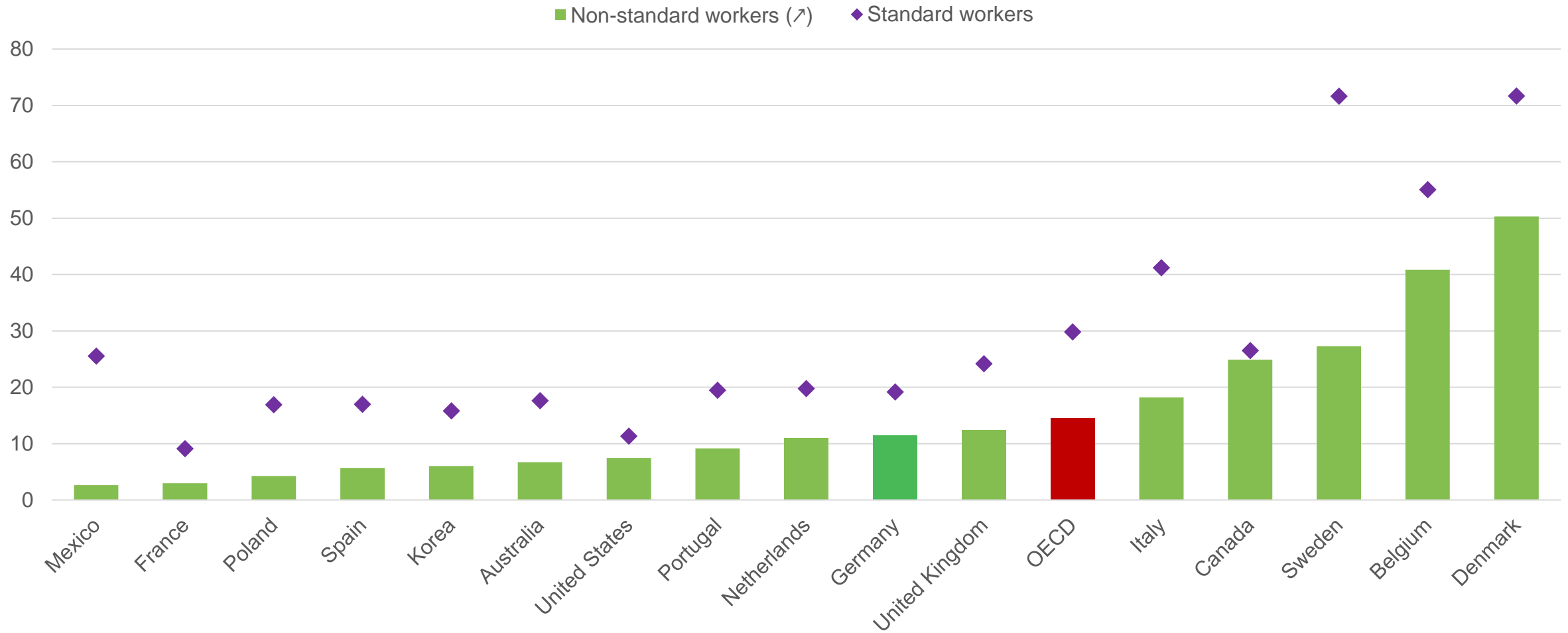
% of employees covered by a collective agreement, 1985-2018



Source: OECD (2019), *Negotiating our way up*, Paris: OECD Publishing.

Besides decentralized bargaining, non-standard employment arrangements are a key driver

Estimated trade union density for standard and non-standard workers (% of employees, latest year available)



Source: OECD (2019), *Negotiating our way up*, Paris: OECD Publishing.

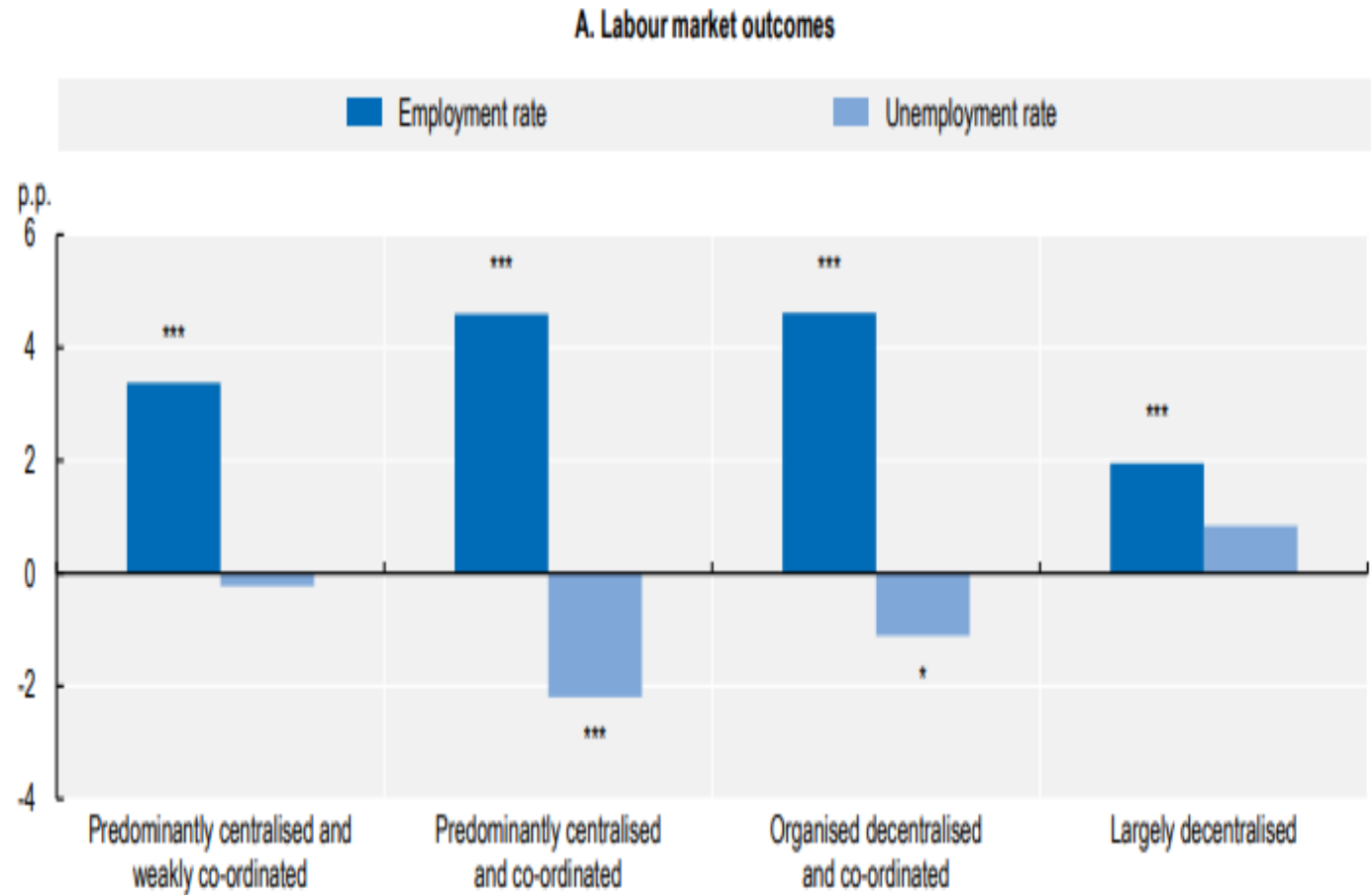
**OECD 2018
Employment
Outlook
reconsidering the
value and
benefits of
collective
bargaining**

Stronger collective bargaining, especially when co-ordinated, is going hand in hand with:

- More jobs: Higher overall employment rates
- An inclusive labour market: Lower unemployment rates for vulnerable groups of workers (youth, women, low skilled)
- Lower inequality, especially at the top versus the bottom of the wage distribution
- Better quality jobs: More work autonomy, training and flexible working time
- Easier transitions in a changing world of work (new technologies, green transition...)

Illustration: Collective bargaining systems and employment outcomes

Difference in percentage points with respect to fully decentralised systems



**Policy
recommendations
from 2018 Jobs
Strategy: “Good Jobs
for All in a Changing
World of Work”**

Promote quality industrial relations systems based on inclusive collective bargaining (with inclusive bargaining = high coverage)



How to achieve such high coverage ?

Best way: Through well - organised social partners based on broad membership

Otherwise: Administrative extension of sectoral agreements to help make collective bargaining systems more inclusive.

European Minimum Wage Directive following a similar track

- 2018 Declaration on a European Pillar of Social Rights
- Workers have a right to fair wages that provide for a decent standard of decent living
- October 2022: Minimum Wage directive adopted
 - Where it exists, statutory minimum wage need to be made adequate (framework to set and upgrade MW, reference values of 60% of the median wage and 50% of the average wage)
 - All countries with a collective bargaining coverage below 80% to provide an action plan to promote collective bargaining

Part II

Collective bargaining between a rock and a hard place : Cost-of living shock versus wage-price spiral fear

Skyrocketing inflation: The full picture

It's not just...

- Demand during pandemic shifting from services to goods/disruptions in global supply chains because of lingering COVID
- Oil supply not keeping up with post-pandemic demand revival
- War in Ukraine

But also...

- Business increasing profits margins (a “profit-price spiral”)
- Excess demand on commodity markets driven by financial speculation

Business not just passing on increased input costs but at same time expanding their profit margins

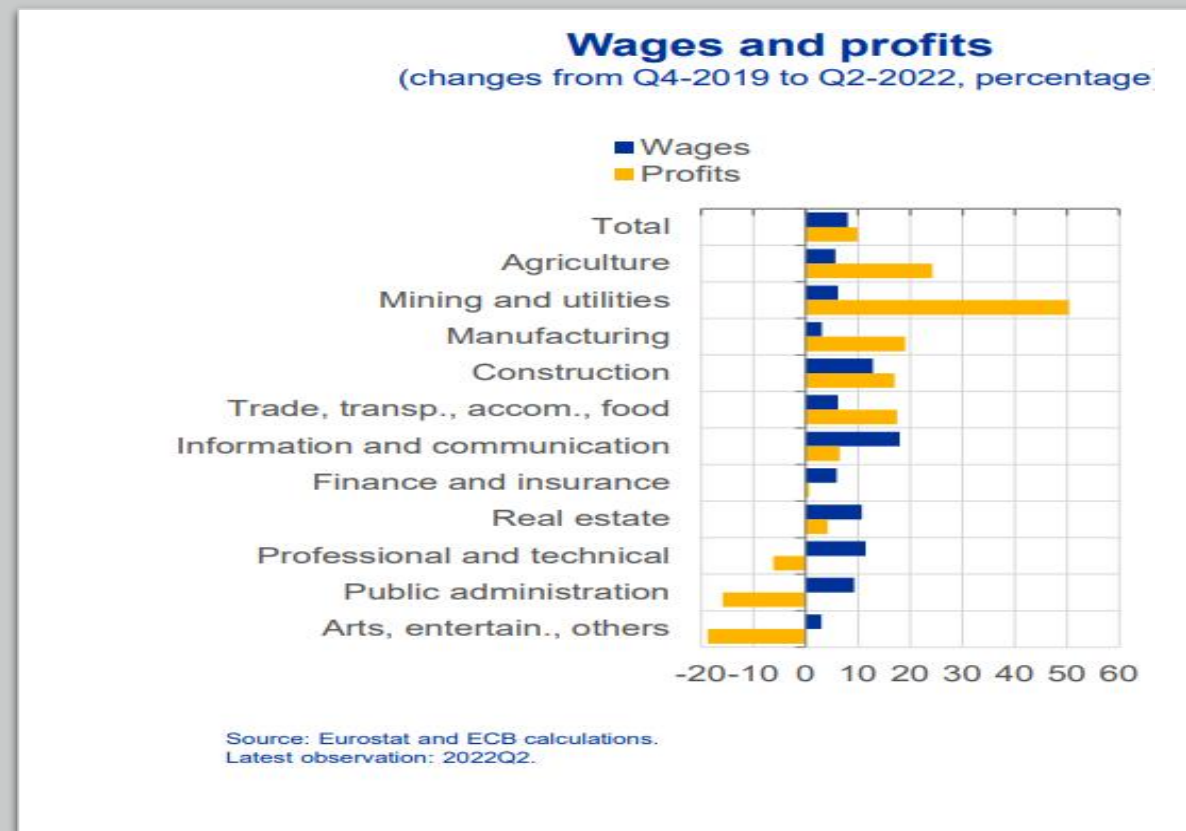
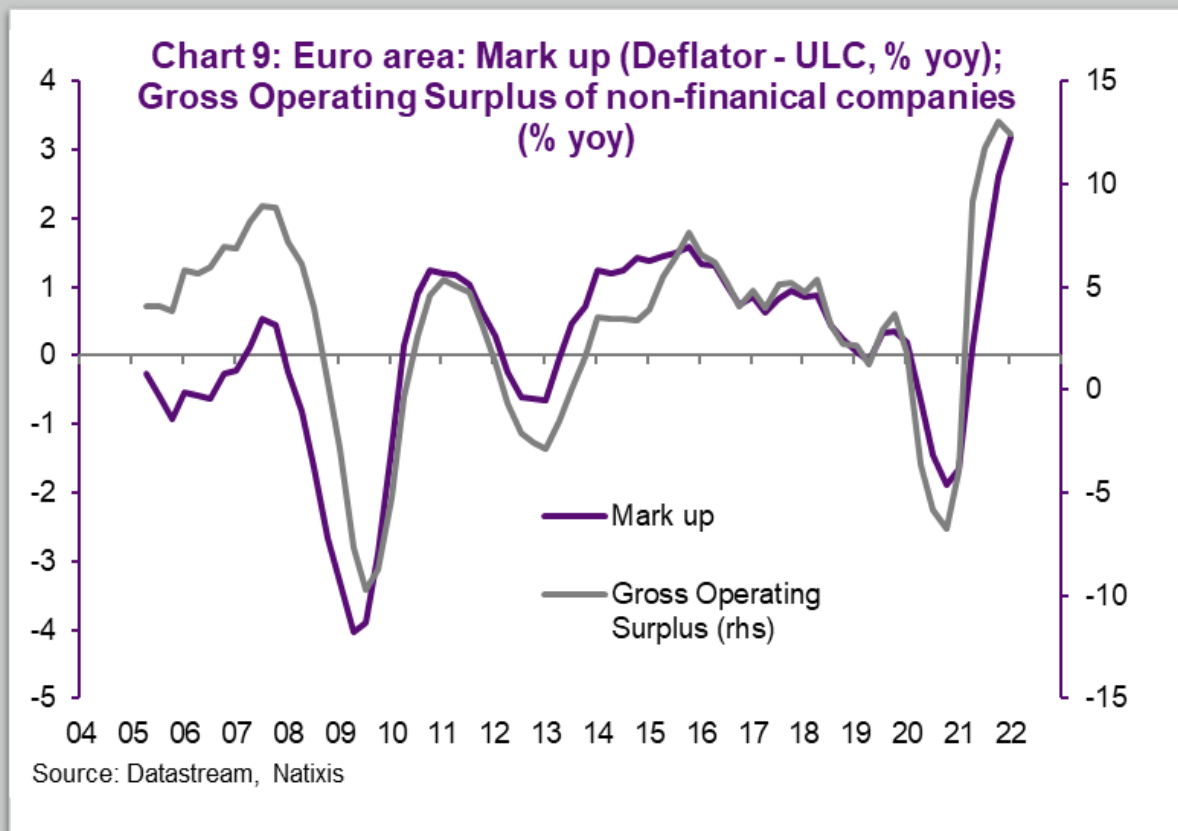
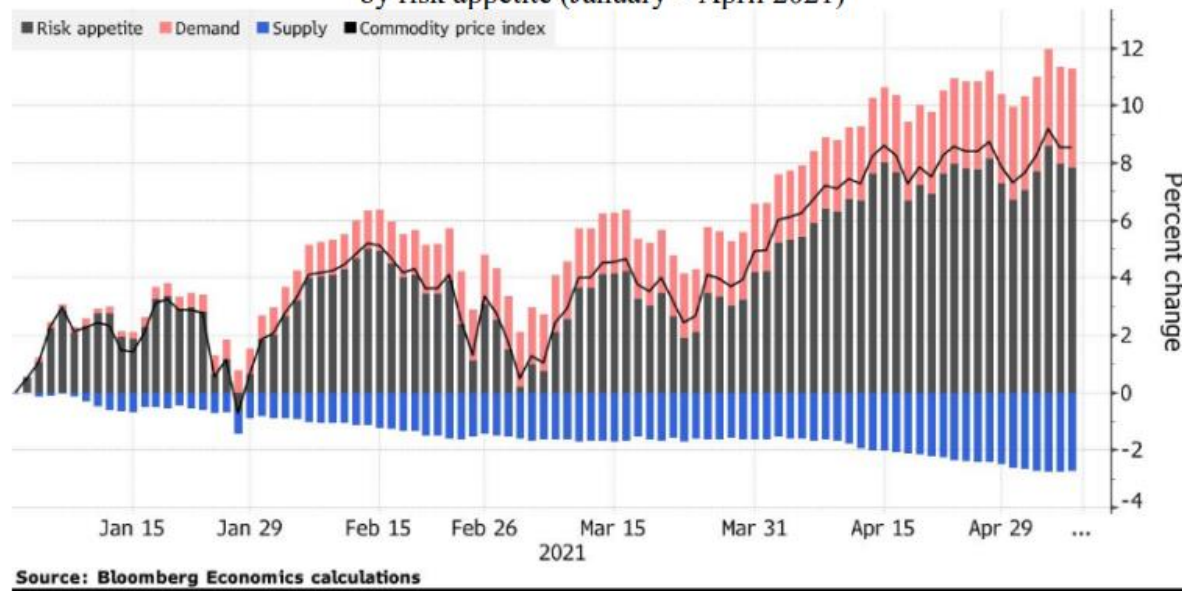


Figure 6

Taste for commodities: Global price increases have been mainly driven by risk appetite (January – April 2021)

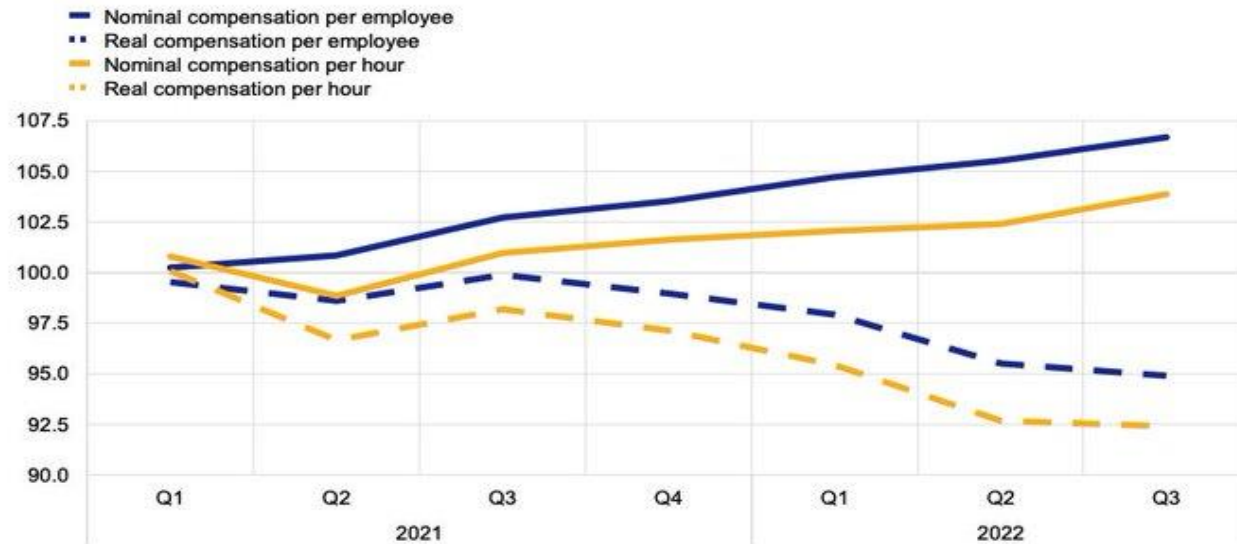


Source: Van Roye and Orlik (2021).

Driving global price of commodities:
“Risk appetite”

Consequence: Declining Purchasing Power of Wages

Nominal and real wage growth (consumer wages)
(index: Q4 2020 = 100)



Sources: Eurostat and ECB staff calculations.

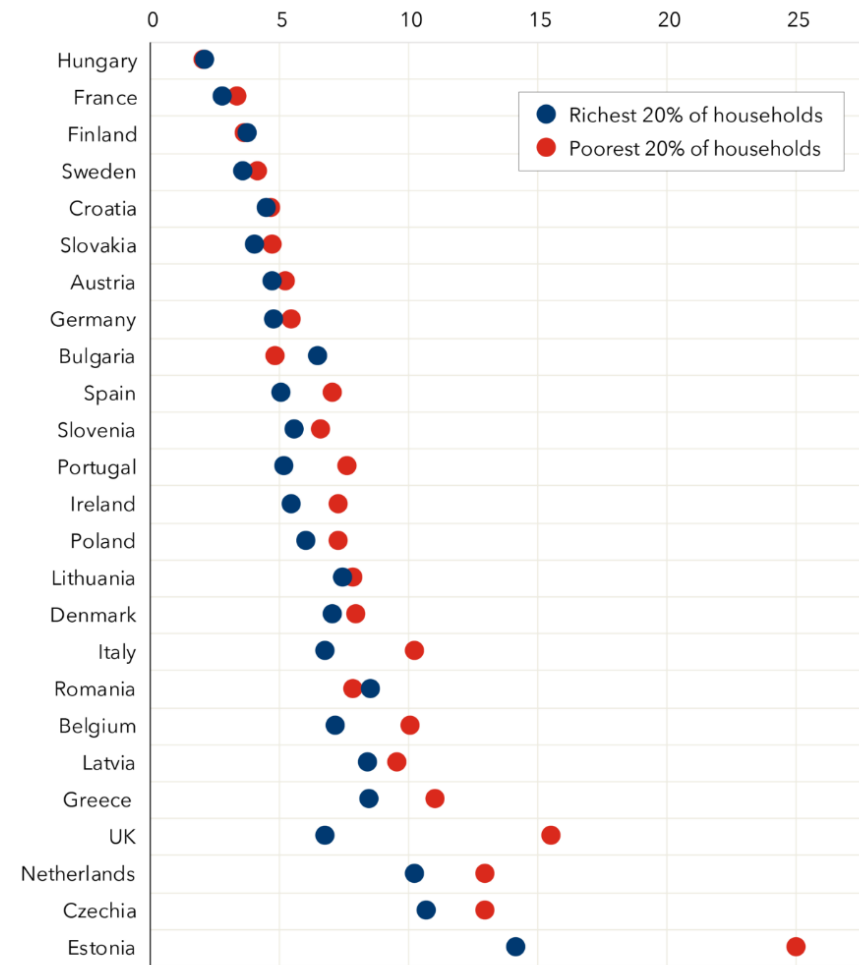
Notes: Real compensation per employee and per hour are calculated using HICP (consumer wages).
The latest observations are for the third quarter of 2022.

- Price hikes hitting much less resilient wage bargaining systems
- Wage indexation to prices mostly a thing of the past...
- ... time lags where it still exists

Bottom of the distribution under much pressure

Poorest under pressure

The cost-of-living increase is larger for lower-income households.
(cost of living increase from higher energy prices, in percent of total household spending)



Sources: Bloomberg Finance L.P., Eurostat, and IMF staff estimates using CPAT.
Note: Price increases compare the current projected prices for 2022 based on May 2022 futures prices, with those based on January 2021 futures prices.

Policy makers going opposite ways

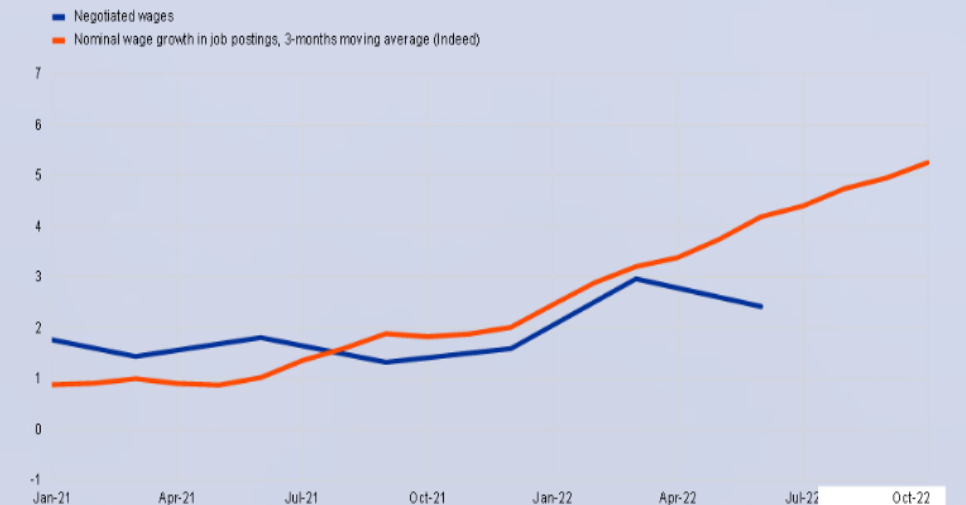
To protect living standards, OECD is recommending...

- Comprehensive negotiations between governments, workers and firms to fairly share the cost
- Consider adjusting minimum wages
- Rebalancing bargaining power between employers and workers, so that workers can effectively bargain for their wage on a level playing field”.
- Giving a new impetus to collective bargaining

.... while central banks fear a “1970’s style” wage-price spiral

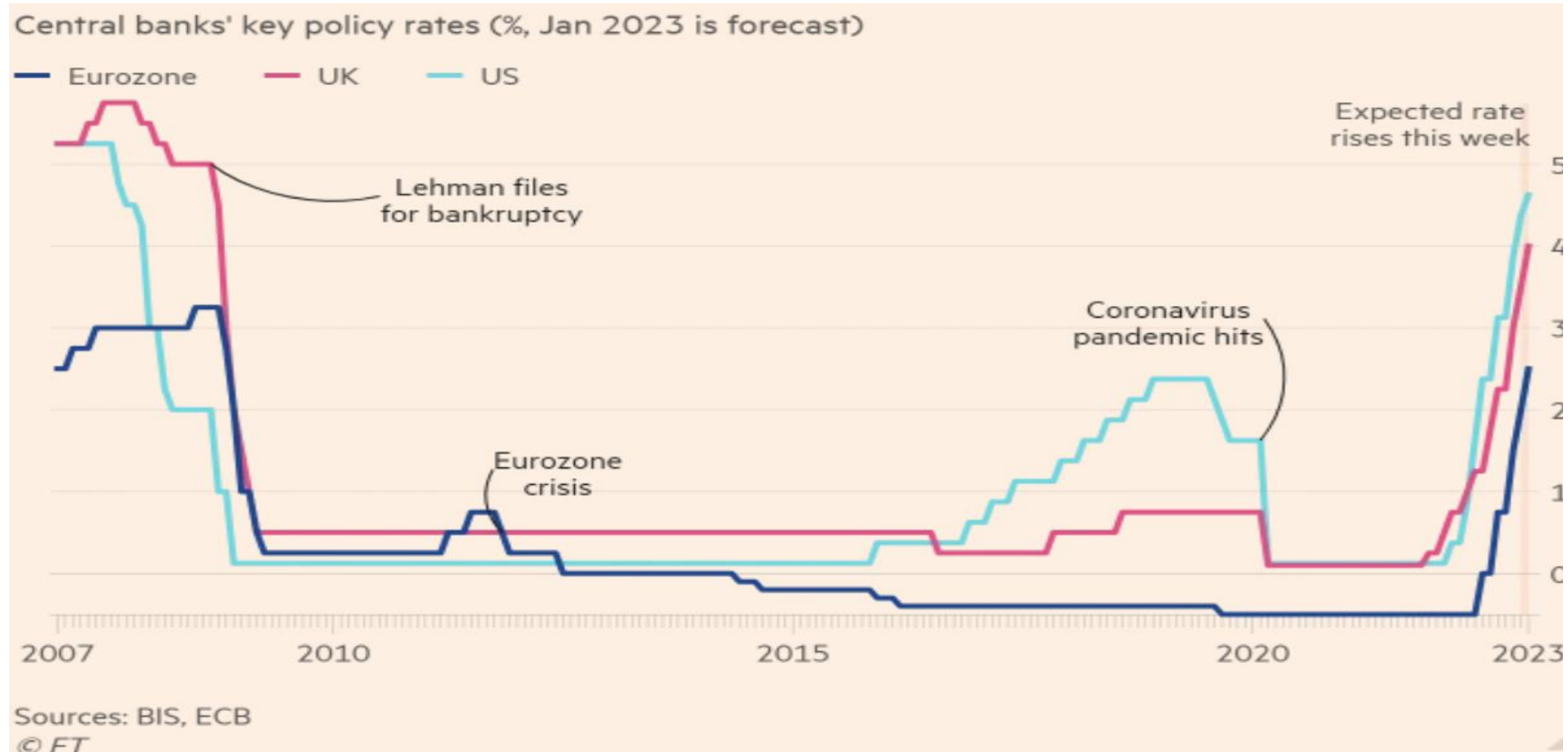
Negotiated wage growth and nominal wage growth in job postings

(annual percentage changes)



Sources: ECB, Indeed and ECB calculations.

Central banks not just “watching” but also “acting” (1)



Central banks not just “watching” but also “acting” (2)

Central banks do not have a “magic wand”

- What central banks do is to make credit more expensive...
- .. so that business, households, governments spend, invest and consume less;
- ... economy goes into crisis;
- ... unemployment goes up;
- ... wage demands and dynamics stay low and compressed...
- ... and the dreaded wage-spiral is avoided

This is problematic

- Blocking collective bargaining from attempting to restore real wages after profit margins have ballooned cements these high profits
- Crisis triggers even higher inequality: (1) Rising unemployment will depress wages more than it will depress prices → profit margins maintained (2) Workers at the lower end of the wage distribution will be first to lose jobs and to see wages compressed
- Triggering crisis may well be unnecessary. Specific supply shocks cause inflation to be temporarily higher. By the time higher interest rates have reach full impact (it takes 1 to 2 years for monetary policy to reach full impact on the economy), inflation may already be falling

Collective bargaining trying to strike a balance

Multi –year agreements that recognise that high inflation is transitory

- One-off inflation bonuses....
- ...and frontloaded robust wage increases
- ... to restore purchasing power lost over course of 2022
- while wage dynamics return to lower inflation compatible numbers in the second phase of the agreement
- Example: German metal and chemicals
- This should work to somewhat calm down monetary policy makers

Interplay between social partners and governments

- Social pacts raising (minimum) wages substantially higher....
- while alleviating financial pressure on employers by lowering their social security contributions
- Example: Portugal 2023 – 2026 agreement raising wages (5%) and minimum wages in return for employers getting energy cost support and tax deductions

Part II

Bargaining and a Just Transition: A two-way process

Collective bargaining supporting the Just Transition (1)

- Transition to a low-carbon, green economy = process of (intense) change
- Key lesson from labour markets and workplaces = workers are not against “change” but against losing all control and sense of security and stability when “changes” in their jobs and workplaces are being imposed on them. Especially so as workers know management will be pursuing its own interests.
- Involving workers and their representatives in this process of change together with collective bargaining to commit management to a certain standard of behaviour allows to overcome resistance and make the process of change smoother

Collective bargaining supporting the Just Transition (2): Skills, training and re-training

- Collective bargaining improves wages but also other working conditions, especially for workers in a weak bargaining position. Access to training = part and parcel of good working conditions
- Worker representation overcoming individual worker reluctance to expose knowledge weakness to their employers
- Sector-level bargaining: Tool to overcome the employer “free rider” problem of individual employers underinvesting in necessary training as sector level agreement pools training resources to invest in skilled workers for the entire sector

An example of social dialogue gearing a just transition

- ENEL: Solid system of industrial relations, high union density
- 2012 Protocol on Industrial Relations: Strengthening union participation in business decision processes (thematic committees working pre-emptively, role of trade unions, region and local- based)
- Closure of 23 thermoelectrical plants from mid-10”s
- Measures taken through social dialogue and collective bargaining:
 - Early retirement: 5000 workers older workers leaving, 3000 young coming in
 - Job stability at ENEL: System to jointly manage the redeployment of workers (occupational retraining, support relocation of workers)
 - Futur-e project: To address indirect job losses by attracting new investment in local communities: ENEL first considering existing venues for new investment. Setting-up a bottom-up driven process (local stakeholders) to develop a conversion plan attracting new external investment

Just Transition to empower trade unions and collective bargaining (1)

- Institutionalising social dialogue and role of trade unions in just transition
 - Canada- Vancouver: Just Transition roundtable for coal power workers and communities
 - New Zealand: Just Transition Unit devising regional plans involving trade unions and employers
 - Australia: Industry-wide multi-employer redeployment scheme for retrenched coal power workers
 - South-Africa: Green Accord (national level) resulting in joint workplace committees to advance energy efficiency plans

Empowering (2): US Inflation Reduction Act and prevailing wage as conditionality

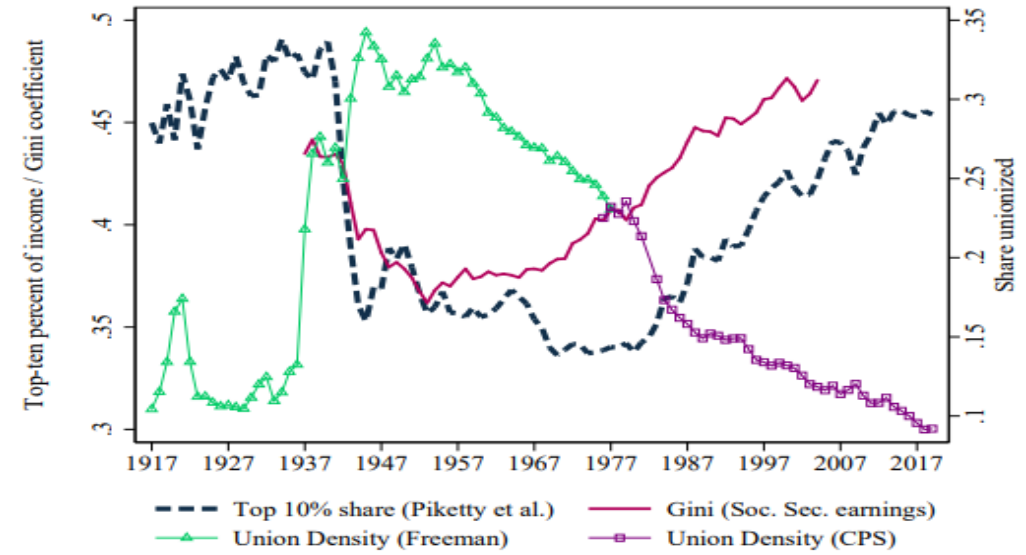
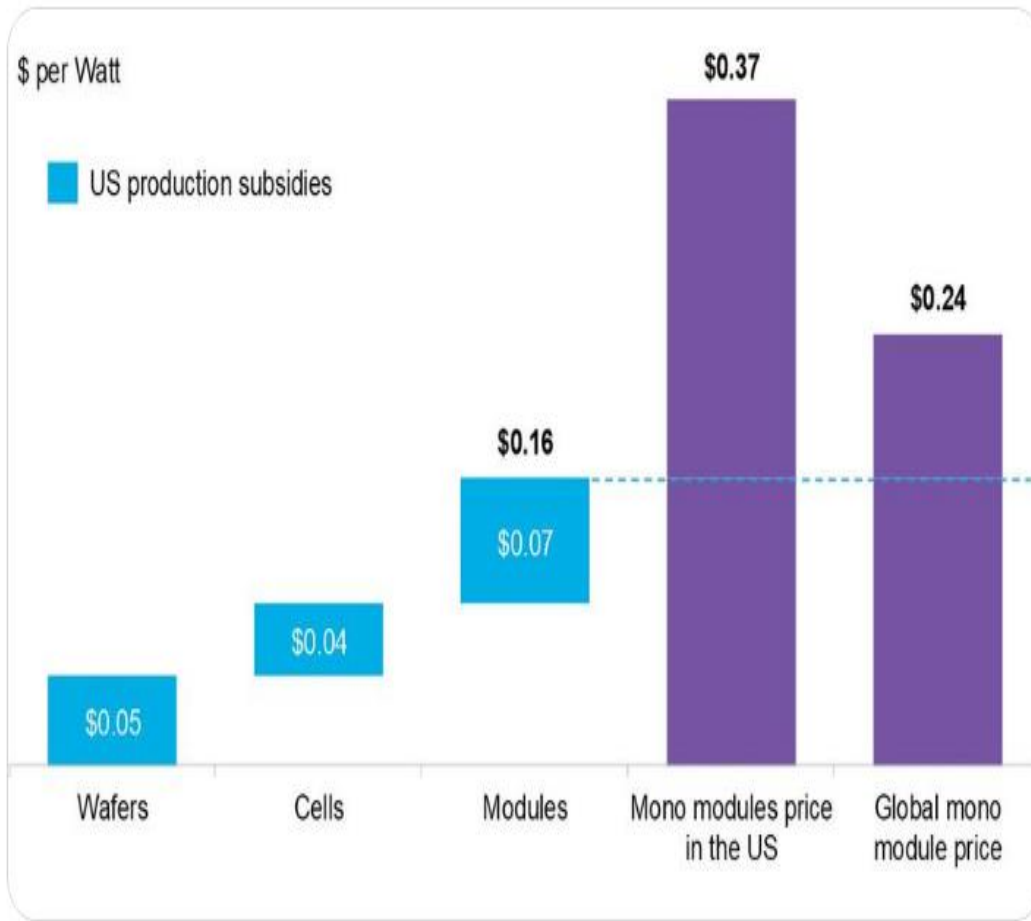


FIGURE I: UNION DENSITY AND INEQUALITY MEASURES, 1917-2019

Data sources: Top share individual income inequality from Piketty, Saez, and Zucman (2018). Union density is number of unionized workers as a share of non-agricultural workforce from Historical Statistics of the United States, together with individual union density as a share of employed civilian workers ages 16 to 65 from the Current Population Survey. We discuss these data sources in detail in Section II.B and Appendix E.

Part IV

**The way ahead : Higher bargaining coverage
AND stronger trade unions**

Building Back Inclusive Collective Bargaining Systems

Europe

- Romania:
 - December 2022 : Thresholds to elect worker representatives and recognise a trade union lowered
 - National (sector) bargaining agreement allowed again
- Spain (Tri-partite agreement December 2021):
 - Hierarchy of sector collective bargaining over company-level bargaining
 - Ultra-actividad restored.: Existing agreement remains valid until new one is agreed

Rest of the world

- Australia: Fair Work Legislation Amendment (Secure Jobs, Better Pay) seeks to strengthen existing system of enterprise bargaining by, among other, providing worker representatives with a bigger role
- Canada: Baigent-Ready model : “Master” bargaining contract automatically applied to any business in the sector and region that gets organised.
- Wage Boards (US New York, Seattle) bringing together representatives from workers, employers and public authorities to set minimum standards in sectors where organising workers is very difficult. Most recently, Fast Food California US/ 10

New Zealand: Fair Pay Agreements

Context

- Policy reforms in late 1980's trigger serious decline of the collective bargaining system (70% union density)
- Consequences: Rising inequality, race to the wage bottom in sectors with workers in a weak bargaining position
- Pandemic: "We have to do better when essential workers are concerned"

Fair Pay Agreements Bill March 2022

- Installs a process to set minimum (wage) standards for a sector or occupation
- Unions only represent workers and only they can initiate the process, either by gathering support from 10% of/or 1000 workers or by way of a public interest test
- NZCTU and BusinessNZ are default bargaining party
- Draft agreement to be voted by both sides (Employers having one vote per employee)
- If vote (and new bargaining) fails, Employment Relations Authority decides

Fair Pay Agreements and Trade Unions

NZCTU view

- Use FPA's to create collective bargaining and trade union experience for the many workers who have never known it
- Practical experience: Pay equity bargaining in sector of home support workers. Legal victory benefiting half of workforce exchanged for a bargaining process covering the future and the entire workforce

How FPA's connect workers with trade unions

- FPA-process starts by getting workers to support it (10% or 1000)
- Unions entitled to contact information of all workers covered
- When negotiating the FPA, employers must allow workers to attend two 2-hours paid trade union meetings
- Once there is a FPA, unions have access to workplaces to discuss FPA related matters

The opportunities for Unions to organise on the back of this transformation is enormous, especially in sectors that we have not seen growth in for years.



**Thank you for your
attention**