Reducing Inequalities in Europe
How Industrial Relations and Labour Policies Can Close the Gap

Edited by

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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
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 mechanisms¹ 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
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
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.

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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
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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.
1. Curbing inequalities in Europe: The impact of industrial relations and labour policies

Daniel Vaughan-Whitehead and Rosalia Vazquez-Alvarez

1. INTRODUCTION

A key focus of international debate in recent times has been increased income inequalities and their adverse effects both socially and economically. According to the Organisation for Economic Co-operation and Development (OECD, 2015) income inequality is at its highest level for the past half-century and for the International Monetary Fund (IMF, 2015) growing inequalities hamper economic growth. The reduction of inequalities was recently asserted by the international community (2030 Agenda for Sustainable Development; United Nations General Assembly, 2015) and European organisations as an important policy target. It has also been highlighted that the sources of growing inequality emerge from mechanisms in the world of work (ILO, 2014, 2016; Berg, 2015; EC, 2015a; OECD, 2015). The purpose of this volume is to address the question of income inequalities from its root causes, by highlighting that inequalities may be generated from different labour market and industrial relations systems.

Particular attention is thus paid in this volume to how industrial relations – the various interactions that employers, worker representatives and the state may have on a number of issues – and, in particular, collective bargaining (bilateral negotiations between employer and worker representatives, which the European Commission (EC) calls 'autonomous social dialogue' (Andor, 2012: 3; see also EC, 2015b)) and tripartite social dialogue (dialogue and perhaps negotiations between the three sides) may contribute to limiting or even reducing different possible forms of inequality. We also highlight how this relationship may have changed over time. All European countries have put in place a number of labour market reforms that have led to the emergence of new forms of employment
contracts and relations that have affected working conditions. Collective bargaining coverage, mechanisms and contents have been progressively transformed together with the changes in the labour market, legal and policy reforms and the evolving economic and social context. The roles of actors – in particular workers’ and employers’ representatives – have been challenged and transformed.

This volume presents research to further explore the link between social dialogue indicators (collective bargaining coverage, trade union density, collective agreements, tripartite consultations and so on), social dialogue mechanisms (extension mechanisms, renewal of collective agreements and so on) and indicators of inequalities in the world of work.

The key aim is to identify elements of a response to a number of questions: which countries have succeeded in carrying out the necessary reforms (for instance, in the labour market) without generating further inequalities? What type of industrial relations systems seem to perform better in this respect? What type of policy measures, institutions and actors play a determinant role, in particular the social partners and social dialogue to achieve more balanced outcomes? How far could social dialogue help to address the future transformations of the world of work while limiting inequalities?

The scope of this volume goes beyond pay inequalities to address also other types of inequality, such as inequality in the distribution (and perhaps payment) of working time; access or re-access to jobs; access to training and career opportunities; and access to social protection or to pensions. It also looks at inequalities that may affect particular groups of workers, such as women or young people, or those under certain types of work arrangements, such as part-time workers, temporary workers and the self-employed.

This introductory chapter presents some major lessons from the national studies and their contributions to the existing research on the link between industrial relations and inequalities. Countries have been selected to ensure geographical balance and according to their different models of industrial relations as well as differentiated trends in both industrial relations and inequalities. The experts followed a common framework and were tasked with presenting national industrial relations systems and how these systems have addressed inequalities over time, before systematically identifying their possible effects on various inequalities that may be developing in their respective countries. The experts have used databases whenever possible and have also carried out qualitative research and case studies to illustrate their national stories.

The second aim of this introduction is to review some concrete outcomes of collective bargaining at national, sectoral and firm level that may have
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helped to reduce inequalities. For this purpose we extend the number of countries (beyond those covered by national chapters) in order to provide the most extensive overview of such outcomes.

Third, we complement the national stories with a comparative statistical analysis from the European Structure of Earnings Survey (SES, Eurostat) to more accurately identify specific effects of collective pay agreements on pay inequality, working time distribution and work contracts.

Finally, this leads us to a number of policy considerations, which are presented briefly in the closing section and further developed in the national chapters.

2. SOME LESSONS FROM THE NATIONAL STUDIES

2.1 Overview of Recent Studies on the Role of Industrial Relations on Inequalities

Before turning to the contents of collective bargaining presented in this volume, we briefly summarise some of the research on the role of industrial relations in inequalities from various perspectives.

The research has focused mainly on testing the effects on wage inequalities of the presence of collective agreements. These studies generally test the impact of collective agreements on intra-firm wage inequality, as generally measured by the Gini index or other indexes of inequality (P90/P10 for the differences between the top and bottom deciles or P90/P50 and P50/P10 to check disparities in the first or second half of the distribution). This is what is proposed, for instance, in the Spanish chapter and in section 4 below.¹

A number of studies also test how the level at which collective agreements are signed may influence the same indicators of inequality. The literature on the subject suggests that firms with enterprise-level collective agreements have lower wage increases and also higher wage inequality compared with firms with collective agreements at regional or sectoral level.² A number of studies also show that centralised bargaining arrangements are associated with lower wage inequality (for a review see Hayter, 2011: 141–52; 2015). For instance, Blau and Kahn (1996) found lower wage dispersion being associated with a higher level of centralisation. Canal Domínguez and Rodríguez Gutiérrez (2016) also found that firm-level collective bargaining led to more wage dispersion compared with a higher level of bargaining.

The role of extension mechanisms has also been analysed. Blau and Kahn (1996) found that extension mechanisms played a significant role
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in compressing the wage structure. For the period from 1970 to 1990, countries such as Germany, Italy and the Netherlands, which were practising the extension of collective agreements, could limit the growth of wage inequality.

Bargaining coverage is another indicator that was found to influence wage inequality: for instance, Visser (2015) finds a strong negative association between collective bargaining coverage and wage inequality measured by the P1/P10 earnings ratio, and concludes through a study on 32 OECD member states, that coverage would account for 50 per cent of the variance in wage inequality.

Other researchers examined the impact of coordination between different levels of collective bargaining on pay inequality. The evidence is rather convergent and points to a positive correlation. According to the OECD, ‘overall earnings dispersion tends to fall as union density and bargaining coverage and centralisation/coordination increase’ (OECD 2004: 166). The evidence confirms that more centralised and more coordinated wage bargaining has a negative relationship with the level of wage inequality.

A number of studies have also shown some effect of collective bargaining on gender wage inequality. Blau and Kahn (2003) found a significant effect of collective bargaining coverage and the gender pay gap examining 22 countries from 1985 to 1994 (see also Blau and Kahn, 1992; Rubery et al., 1994, 2005; Rubery, 2015). Negative effects on the gender pay gap were also identified along collective bargaining curtailing and public sector adjustments within austerity measures (Karamessini and Rubery, 2015). Firm-level agreements compared with higher level agreements have also shown to be associated with a higher gender wage gap (De la Rica and González, 2007).

A number of researchers have also demonstrated the relationship that might exist between collective bargaining, on the one hand, and low paid workers, on the other (Gautié and Schmitt, 2010; Salverda and Mayhew, 2009).

The different national chapters in this volume measure the above effects through both quantitative and qualitative analyses. Some of the major findings are summarised below.

2.2 A Possible Role on Low Pay

The first lesson from this comparative volume – which is in line with the literature on this aspect – concerns the bottom of the wage scale. The erosion of collective bargaining in a number of countries has coincided with the increase in the low-pay segment (composed of those workers paid below two-thirds of the median wage), often stimulated by labour market
reforms not always adopted with the involvement of social partners, and sometimes adopted despite opposition by the social partners. Income inequality increased rapidly in Germany once the wage-setting system was eroded after the Hartz reforms. The development of so-called ‘mini-jobs’ outside the scope of collective bargaining contributed to increasing the incidence of low pay in Germany to the highest level in the European Union (EU) and, since there was formerly no minimum wage (until 2015) to put a floor under pay levels, wages plunged to a greater extent than in any other EU member state.

A similar process has also been witnessed in the Netherlands, where the number of low paid and their distance from the average income have increased. This was owing to government pressure since the mid-1990s on unions and employers to lower existing wage scales in collective agreements or to introduce new scales much closer to the minimum wage as a means of enabling the employment integration of worker categories with a weak labour market position.

Also noted in a number of European countries covered in this volume is the increased proportion of part-time jobs – including those with a very low number of working hours – among the low paid, something that may also be explained by weak collective bargaining coverage for this category of workers (and which some collective agreements presented in section 3 and Tables 1.2 and 1.3 will try to address).

Conversely, in Sweden, a centralised and coordinated collective bargaining system and a still compressed wage structure have prevented the development of low-paid/low-skilled jobs, but instead have boosted policies favouring an upgrading of skills and have led to the lowest wage dispersion among OECD countries (followed by Finland and Denmark). Similarly, multi-level bargaining, and extension mechanisms, gave Belgium the lowest share of low-paid workers and made it among the top three best performers on wage equality (see Chapter 3 on Belgium).

2.3 Minimum Wage Acting as the Wage Floor of Collective Bargaining

A second lesson from the country stories in this volume is that the minimum wage – which is the result of social dialogue in most EU countries – clearly contributes to limiting wage inequality (since it makes it possible to increase starting wages at the end of the wage scale thus reducing the pay difference with the top), but only if combined with collective bargaining (that brings with it additional negotiation levels to build more floors).

The minimum wage in the United Kingdom, for instance, has contributed to limiting the rise in low pay, but this is not enough considering that there are no additional bargaining rounds. Moreover the proliferation of
various types of work contracts with different wage levels and working conditions has increased inequality. By contrast, the minimum wage in Ireland has helped to reduce inequalities because it has intervened within the framework of a stronger social dialogue framework (at national level) that has limited fragmentation in terms of work contracts and pay conditions.

The case of the Baltic States also shows that progressive adjustment and increases of the minimum wage decided by the social partners have helped to raise wages at the bottom, but have not led to much spillover effect in the absence of collective bargaining. This might explain why trade unions have not had much effect on wage inequalities. The wage premium owing to trade unions’ presence is reduced from 7.6 per cent to less than 2 per cent when other variables, such as skills, location and other features, are taken into account. Belgium offers a contrasting example, with low pay scales in some industries that can be, thanks to additional sectoral collective bargaining, 20 to 30 per cent higher than the nationwide minimum. The chapter on Belgium also shows how higher minimum wages help to reduce the lower-tail and overall wage dispersion.

The minimum wage introduced in January 2015 in Germany has also made it possible to address the difficulties in concluding collective agreements in a number of sectors and regions, and has acted as a floor to further promote collective bargaining. It is revealing that the Minimum Wage Act was part of a legislative package entitled the Act on the Strengthening of Free Collective Bargaining (Gesetz zur Stärkung der Tarifautonomie) which, besides introducing the minimum wage, is also intended to expand collective agreement coverage. In fact, derogations from the minimum wage are possible through collective agreements that are declared generally binding.

Conversely, an active collective bargaining process in a context of overall moderation of the minimum wage, as has happened in the Netherlands for the past two decades, can increase rather than decrease wage inequalities.

### 2.4 Role of Multi-level Collective Bargaining in Wage Disparity

Taking the minimum wage as the wage floor makes it possible, first, to avoid too low wages, while building collective bargaining on it allows wage evolution in terms of a consistent and negotiated wage grid that prevents too high wage differentials. This consistency is strengthened by multi-level bargaining, with wage bargaining at national and/or sectoral level, complemented by wage bargaining at firm level. This effect on wage compression is the third lesson from the different chapters of this volume.

The Spanish system of collective agreements, for instance, based on
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higher than firm level bargaining, until the crisis had a compressing effect on wage dispersion, contributing to lower levels of wage inequality. Similarly in Sweden, collectively agreed high wage floors, combined with wage agreements at sectoral and enterprise level, have favoured a relatively compressed wage structure which has prevailed, despite decentralisation of wage fixing in recent years which has brought more wage differentiation. This more balanced outcome in terms of inequality is not limited to wage structure but also concerns working and employment conditions (see Chapter 12 on Sweden).

Collective bargaining only at firm level, without some common framework negotiated at higher levels, may lead to fairly diversified wage outcomes and thus to higher inter-firm and sometimes also inter-sectoral disparities, even if it might reduce within-firm inequality.

Moreover, as observed for instance in the Netherlands, wage agreements at firm level seem to have brought a number of additional bonuses on top of the basic wage, which are particularly important for higher-ranking employees, thus increasing inequalities over time, even if part of that rise cannot be attributed to collective negotiations but, rather, to enterprise wage policies. In the Netherlands, collective agreements have seen their grip on wage formation as a whole diminish, so that wages have not followed the pace of productivity growth. Nonetheless, the structure of wage scales that they impose continues to limit the growth of within-firm inequalities. Belgium is a good example where multi-level bargaining starts with inter-professional agreements followed by negotiations in joint committees or subcommittees in individual sectors that then lead to firm-level agreements, a process that led to 90 per cent collective bargaining coverage and which placed Belgium as one of the very few countries where wage disparity did not increase.

While multi-level bargaining – especially within a coordinated system – would help in reducing wage disparity, this might change if the hierarchy between the different levels is modified. In particular, the fact that there are increasingly more derogations or deviation clauses that allow deviation from general rules – as witnessed recently in Spain, but also in Italy, the Netherlands and others – means that the coordination effect might be disrupted in terms of effects on, for instance, wage disparities (Visser, 2016).

2.5 Promoting More Equal Conditions for Groups Less Covered by Collective Bargaining

By its effect of boosting wages at the bottom end of the wage scale, collective bargaining is helping those categories of workers who are generally under-represented there, such as women, but also other categories of
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workers, such as migrants. National and sectoral agreements in particular make it possible to extend standards to employees with weaker bargaining power, particularly those working in small firms.

This is another lesson from this volume that confirms previous studies mentioned earlier, on the effect of collective bargaining on gender wage inequality. According to the statistical analysis presented in the Spanish chapter, firms with more women not only have lower wages, but also higher wage inequality; a similar process is observed in firms with a high proportion of temporary and part-time jobs. Firm-level agreements (without upper-level bargaining) are also found to be associated with higher wage disparity and a wider gender pay gap. Collective agreements – especially at higher levels – by fixing the same rules for all, represent a way of avoiding discrimination (Pillinger, 2016).

Chapter 2, on the Baltics, confirms that collective agreements have had an impact at the bottom of the scale, and an identified effect on the gender pay gap. Chapter 7, on Ireland, shows that wage inequality fell for Irish men between 1994 and 2001, and for women between 1997 and 2001, the latter in particular being partly attributed to the introduction of the minimum wage in 2000 within a social dialogue framework, as noted earlier (see also McGuinness et al., 2009).

Problems of youth inequality are also presented in this volume. In the Netherlands, enterprises have developed student low-pay schemes that somehow escape from the influence of collective bargaining. Similarly in Slovenia companies in the retail trade, especially supermarkets, have built their business model on the use of young workers at very low levels of pay and with minimum working hours and little use of social dialogue. In Spain, firms with a higher percentage of young employees (under 30 years of age) that were also found to rarely have a collective agreement have experienced more wage inequality.

In Italy, the crisis seems to have led to a substantial worsening of the quality of existing jobs, pay levels and inequalities across socio-economic groups, which has mainly affected young people and low-skilled workers. These are found to have not only the lowest performance in terms of employment and unemployment rates, but also the worst outcomes with respect to job quality, with lower earnings and considerably higher labour market insecurity and higher job strain. They are often confined on temporary contracts and are less covered by collective bargaining. The interest of young workers in trade unions and social dialogue is also very limited.

Collective bargaining can thus also help cover vulnerable groups. For instance, a multi-employer agreement at sectoral or national level can cover more workers since it can be extended to all employers, including those outside the employers’ organisations that negotiated the agreement.
Moreover, if they know that an agreement may be extended and become binding, both employers’ associations and trade unions will be more engaged in discussions. By contrast, single-employer bargaining at enterprise level may often cover only a limited number of workers, and some groups of workers – for instance, those on non-standard contracts – may not be included. In this sense, multi-employer bargaining is more inclusive and helps to limit inequalities between categories of workers.

The econometric exercise presented in the chapter on Spain shows that firms with a higher proportion of employees with temporary contracts also have higher wage inequality, which indicates that there should be more collective bargaining to cover this type of employee.

2.6 Redistributing Working Time More Equally

By fixing a set of standards, collective agreements might also help to improve equality of working time, in terms of number of working hours, access to overtime and payment of working hours. This is another conclusion of this series of national chapters.

Massive use of zero-hours contracts in the United Kingdom shows how intimately working hours may be related to low pay. Insufficient working hours for part-time workers might also represent a source of inequality, as shown in the Netherlands and other countries. We see in section 3 how collective agreements may address and help to better regulate this area. We also test from our comparative database, in section 4, whether collective agreements do help promote a better redistribution of working hours among all employees.

2.7 Contributing to Lower Inequality in Disposable Household Income

The correlation between industrial relations and inequality in terms of disposable household income has not been studied much. Household income is influenced by wages from individual earners in the household – in which collective bargaining plays a role. Wage inequality was found to explain a very important part of incomes inequality (Visser, 2015).

Disposable household income is also very much influenced by tax policy and social security. The social partners in a number of EU countries – for instance in France and Belgium – also manage social protection, a role that they may further increase along with the progressive withdrawal of the state in a number of countries from its function of providing social security and benefits, particularly pensions. The social partners through their participation in tripartite councils can also influence the distribution process. Social dialogue and industrial relations can thus play a role in disposable
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household income through different levers, directly through collective bargaining that influences wages or indirectly through their influence on major reforms currently ongoing in many countries, for example, with regard to the labour market, social security, pensions and taxes. This aspect is further investigated in some chapters in this volume.

2.8 The Important Role of the State

From the evidence provided in this volume, another lesson is that the role of the state has generally remained very important. First to set the rules and also promote collective bargaining and social dialogue (for instance, to sign or renew tripartite pacts or agreements) and, second, because the state often decides to develop mechanisms in order to extend some agreements, also to cover workers not initially included in the bargaining agreement. This was the case in countries with inter-sectoral (Belgium and Ireland) and sectoral wage bargaining (Austria, France, Germany, Spain and parts of Belgium), a process that made it possible to maintain high collective bargaining coverage in a number of countries. In other cases, the government also played a major role in developing some mechanisms, such as wage indexation (in Italy in the 1980s, in Greece in the early 1980s and in Belgium until now). The state also remains the initiator of most labour market reforms, but also social protection, pensions and training reforms. In France, even if social dialogue has accompanied flexibility at least to a certain extent, the initiative for reforms came almost entirely from the state. A good example of coordination with the social partners is given by Sweden, where following the agreements during the crisis and follow-up tripartite talks initiated by the government in 2011, a new law was decided on short-time working in December 2013 that subsidises the short-time working system in case of a severe economic recession while further encouraging collective bargaining.

Social dialogue at national level also cannot be maintained without strong support from the state, to keep it alive, to foster it, and also to use it when major reforms must be decided and implemented. The examples of Ireland and Greece here confirm that, however strong tripartite bodies might be, they will lose influence if the state is not directly supporting them. The nature and format of institutions certainly counts but they may be influenced by the evolving power and willingness of the actors, and by the wider political, economic and social context. Just as public policies can support the role that collective bargaining institutions play in wage policy, discontinuous changes in public policies can erode collective wage setting (Hayter and Weinberg, 2011; Eurofound, 2014; Keune, 2015).

As shown in Chapter 6 on Greece, the decision to remove extension mechanisms, the suspension of the ‘favourability clause’ (given the
prevalence of higher level agreements), the greater difficulties introduced for the renewal of collective agreements, combined with the unilateral decision to cut the minimum wage (traditionally established bilaterally by the social partners) clearly resulted in a rapid reduction in the number and coverage of collective agreements. The number of sectoral or occupational agreements fell from 101 in 2009 to 23 in 2015, while collective bargaining coverage was reduced from 83 per cent in 2008 to 40 per cent in 2013 (a mere 10 per cent in the private sector). This had negative effects on middle-income earners in 2008–10, while the minimum wage reforms also hurt those at the bottom, with increased wage inequality from 2012. The state can also influence inequalities through its policy in the public sector. A number of chapters in this volume also show that the employment and wage cuts, but also the shift towards more fixed-term, less secure contracts in the public sector have led to a radical transformation, making public sector employees in general more vulnerable.

The role of the state is also crucial in ensuring that the mechanisms continue to work, as in Sweden where the state is a major player in promoting training mechanisms that support strong external flexibility, combined with rapid re-employability of workers who have been dismissed. Similarly, it can intervene to set a framework on emerging issues. As an example, in Spain a bill was proposed in September 2016 aimed at guaranteeing equal working conditions for employees working in subcontracted firms in respect of the employees of the subcontracting firm. This is likely to encourage collective bargaining to discuss further the modalities of this, in the sectoral or enterprise context.

The important role of the state explains why we decided in this volume to extend the impact on inequalities beyond just collective bargaining and social dialogue to cover industrial relations more generally, also involving the state and not only workers’ and employers’ representatives.

3. SOCIAL DIALOGUE OUTCOMES ON INEQUALITY: EXAMPLES OF COLLECTIVE AGREEMENTS

This section – and the various chapters in this volume – presents a series of concrete outcomes of social dialogue at national level, but also of collective bargaining at the lower level of the sector, region or enterprise that has managed to reconcile flexibility and security. In Tables 1.2 and 1.3, later in this section, we have complemented the work of the experts with examples of collective agreements in other EU countries that generally confirm the trends described by the experts for their countries.
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This picture allows us to see the trends in terms of collective bargaining on emerging issues in the world of work, and to highlight that the effects of social dialogue and collective bargaining on inequality might derive from this capacity of bargaining to reach agreements that reflect the interests of both employers and workers.

Examples of collective agreements show that flexibility with security can be reached in very different ways. An outcome can be reached in the same area or same policy reform with various elements bringing some flexibility and others ensuring some security; this was the case, for instance, in the national agreement on the labour market reforms in the Netherlands, which improved the contractual position of temporary workers on the security side in exchange for shortened dismissal procedures on the flexibility side.

An agreement on flexibility and security can also be struck in a more general framework – generally negotiated at national or sectoral level – where some elements of flexibility introduced in one area, for instance, wages, can be compensated with some elements strengthening workers’ security in another area, for instance, better coverage of temporary workers with regard to employment.

Finally, an agreement can be promoted in a more general model where some flexibility can be introduced within companies (for instance, to make dismissals easier), but in exchange for security outside companies, as represented by the Swedish case where more external flexibility with fewer obstacles to dismissal has been accepted in exchange for more security for workers to receive the necessary training to find another job after dismissal.

3.1 Seeking Balanced Outcomes through National Consultations on Major Reforms...

The various chapters of this book – for instance, on Greece, Italy and France – converge in describing how adversarial relations between employers and the workers in the 1970s and 1980s were converted into more consensual industrial relations in recent decades with, as a consequence, a clear reduction in social conflicts and days lost owing to strikes. This has also corresponded to the development of tripartite consultations and negotiations and the emergence of social dialogue at national level, with also a number of tripartite pacts (Freyssinet, 2010). All studies suggest that pacts have had the effect of moderating wages, as these pay outcomes grew less than in countries without a pact.

Similarly in Belgium, social partners negotiate upper limits of wage growth – as a way to balance the automatic indexing of wages – on the
basis of the weighted average of pay developments in neighbouring countries, namely, Germany, France and the Netherlands. Social partners then discuss in joint committees in each sector within those boundaries.

Ireland is also a good example, where a high level of tripartite partnership for years made it possible to limit wage inequalities by providing a frame of wage progression in line with competitiveness, while the minimum wage, also introduced in 2000 after considerable social dialogue, made it possible to establish a floor to avoid an increase in the low-pay segment. These wage guidelines were then implemented by more sectoral and enterprise-type collective agreements, even if those levels remained less developed than in other EU countries. The collapse of that social partnership, as stated in the Irish chapter, led to conditions being decided unilaterally by the employers, a process that led to wages and working conditions less favourable for the workers.

In Germany, there have never been national collective agreements as in most other EU countries. Nevertheless, there have been a few agreements, for example, to establish a productivity-based wage policy through so-called ‘concerted action’ (Konzertierte Aktion) in 1967–77, or the Schröder government’s ‘Alliance for Work’ (Bündnis für Arbeit) in 1998–2003 and the regular national agreements on vocational training for young people. There can be some informal agreements, such as that between the government and the collective bargaining partners during the financial crisis in order to avoid redundancies (see Chapter 5 on Germany).

In the Netherlands, the Wassenaar Agreement of the early 1980s (Hemerijck et al., 2000) was a long-term agreement between unions and employers to restrain wage growth in order to achieve low unemployment rates and inflation. National bodies – mainly the bipartite Labour Foundation (StvdA) and tripartite Social and Economic Council (SER) – and pacts advise the industry-level (and company-level) unions and employers, who are the parties legally permitted to take measures on wages and other aspects of employment in their collective agreements, and on occupational pensions.

Beyond the conclusion of pacts, social partners are often involved in a number of policy-making areas. In Sweden, the industrial relations system plays a fundamental role in regulating the labour market and shaping the development of employment, wage structures and vocational training, but also social protection systems, such as pensions (complementary pension) and unemployment benefits. In France and Belgium (where they are part of governing boards of institutes or agencies in those fields), the social partners are heavily involved in the management of social security, especially public health insurance and unemployment benefits, and participate
in the design and delivery of vocational training. Furthermore, the 2007 Act on Modernisation of Social Dialogue makes it compulsory for the French government to consult national trade unions and employers’ organisations when proposing reforms of industrial relations, employment and vocational training.

In Ireland, one agreed programme, ‘Towards 2016’, set out a framework within which the key social challenges facing individuals at each stage of life are tackled, focusing on the needs of children, young adults, people of working age, older people and people with disabilities, and proposing government actions across policy domains ranging from health and education to transport, housing, regional and rural development, tourism, energy, enterprise and sustainability. In this respect, social partnership might be seen as ‘settling the distributional questions’ (Chapter 7, s. 3, in this volume).

In those countries in which such levels and forms of dialogue are the most developed, more balanced reforms could generally be achieved that have also contributed to limiting the growth of inequalities.

In France, although the state maintains a strong role, several important reforms have been carried out on the basis of social bargaining and national agreements that were then transposed into law. In recent years, there has been an increased participation of social partners in labour market reforms, especially in the recent crisis, with agreements that provide more labour security for workers in exchange for increased labour market flexibility: in 2008 agreement was reached on the possibility for workers to keep their health and training entitlements in case of layoffs (in exchange for the possibility to agree on the termination of indefinite contracts); in 2013 on setting minimum working hours for part-time employees (in exchange for eventual layoffs and wage cuts in case of economic difficulties); and in 2015 on individual training accounts to improve lifelong learning (in exchange for a reduction of employers’ vocational training contributions). The recent Act on ‘Rules relating to labour, social dialogue modernisation and secure occupational trajectories’ (July 2016) was also intended to develop this negotiation process by reforming social dialogue, but the bill was passed without sufficient social dialogue and thus led to strikes and public demonstrations.

In Slovenia, the strength of industrial relations (with tripartite mechanisms through the tripartite Economic and Social Council, minimum wages, collective bargaining at different levels and strong trade unions and employers’ organisations) made it possible early in the transition to follow a type of restrained negotiated incomes policy that allowed some wage moderation in exchange for more trade union involvement in reforms, such as on social protection and pensions. The progressive erosion of the
bargaining power of trade unions, which coincided with the growth of non-standard employment somehow changed that balance and progressively led both employers and the government to use social dialogue less, something that was further accelerated by the economic crisis. The weaker involvement of the tripartite council in many cases ended in imbalanced outcomes in favour of flexibility and that often led to strikes to reject them (see Chapter 10 on Slovenia).

For example, the introduction of a new law on mini-jobs without social dialogue in Slovenia led to a reform that gave priority to flexibility without security measures. However, the minimum wage increase in 2013 did not incorporate major employers’ demands either.

With the crisis, many other governments implemented interventions hurriedly and often without proper consultation with the social partners.

These conflicts in a number of countries also led in some cases to the fall of the government, thus leading to political instability as well.

In Spain, although there is a tradition of national tripartite social dialogue with the conclusion of national pacts or national agreements, in 2010 the reform of collective agreements was decided without effective consultation and agreement with the social partners. This led, for instance, to the decision that when a collective agreement expires, its conditions will only be applicable for one year. The lack of social dialogue in labour market reforms also led to ‘imbalanced’ reforms in favour of flexibility and to the detriment of security. For instance, the first of the labour reforms eased the terms on which firms can modify working conditions (Article 41 of the Labour Code), an option that is widely used by firms to change working conditions, further strengthened by the possibility of having a derogation from upper-level collective agreements at company level.

In this context, flexibility might have gone too far – as documented in this volume – without compensating security, for instance, with the rapid growth of self-employed who receive very low income and lack social protection, as in the Netherlands, Slovenia and many other signatory countries.

At the same time, social dialogue at national level has brought some innovative outcomes (see Table 1.1), for instance, introducing some security to the trend towards more flexibility in the use of temporary contracts. In France, for instance, tripartite dialogue has led to better coverage of fixed-term workers through a decrease in the minimum number of months to obtain entitlement (four months since 2008) and the recent creation of cumulative rights (droits rechargeables) in 2015.
Table 1.1  Examples of innovative agreements at national level, selected EU countries

<table>
<thead>
<tr>
<th>Items/country</th>
<th>Wages and working conditions</th>
<th>Working time</th>
<th>Employment</th>
<th>Training</th>
<th>Gender equality/NSFE equality</th>
<th>Private social protection</th>
<th>Social dialogue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>2009–10 inter-professional agreement on tackling the crisis, including premiums (above indexation) of 125 euros in 2009 and 250 euros in 2010, without increasing costs for employers; higher benefit for temporarily unemployed; employers’ new social tax reductions to recruit long-term unemployed</td>
<td>2016 cross-sectoral agreement on working time (No. 35), on temporary agency work (No. 36), and on Leave for compelling reasons (No. 45)</td>
<td></td>
<td></td>
<td>2008 agreement for gender neutrality in job-grading systems</td>
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<tr>
<td>Croatia</td>
<td>Dec. 2016 agreement on basic salary increase for civil servants and public employees (by 2% in 2017)</td>
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<tr>
<td>Estonia</td>
<td>Dec. 2016, agreement on minimum wage for cultural workers with higher education</td>
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</table>
### Finland

<table>
<thead>
<tr>
<th>Event</th>
<th>Details</th>
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<tbody>
<tr>
<td>Oct. 2011–13</td>
<td>Framework agreement (covering 94% of workers) to ensure competitiveness and employment, which offers a pay increase of 4.3% over the period.</td>
</tr>
<tr>
<td>Aug. 2013</td>
<td>Employment and growth agreement (covering 90% of workers) provided for modest wage increase over a two-year period and also covered non-pay issues, such as changes in social insurance contributions and unemployment benefit rules.</td>
</tr>
<tr>
<td>Feb. 2016</td>
<td>Competitiveness Pact stipulated an increase in annual working time of 24 hours, wage freeze for 2017, and holiday bonuses of public sector employees would be temporarily reduced. It also provides for job creation measures.</td>
</tr>
</tbody>
</table>

### France

<table>
<thead>
<tr>
<th>Year</th>
<th>Agreement Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>2008 agreement with the possibility for workers to keep their health and training entitlements in case of layoffs.</td>
</tr>
<tr>
<td>2008</td>
<td>Agreement on agreed termination of indefinite contracts.</td>
</tr>
<tr>
<td>2008-2009</td>
<td>Inter-sectoral agreements about short-time working and some reintegration schemes for workers.</td>
</tr>
<tr>
<td>2008</td>
<td>Agreement on training individual accounts to improve lifelong learning.</td>
</tr>
<tr>
<td>2013</td>
<td>2015 agreement on eventual layoffs and wage cuts in case of economic difficulties.</td>
</tr>
<tr>
<td>2013</td>
<td>Agreement on health setting minimum working hours for part-time.</td>
</tr>
<tr>
<td>2015</td>
<td>Reduction of employers’ vocational training contributions.</td>
</tr>
<tr>
<td>2015</td>
<td>Inter-sectoral agreement on agreed termination of indefinite contracts.</td>
</tr>
<tr>
<td>Items/country</td>
<td>Wages and working conditions</td>
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<tr>
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</tr>
<tr>
<td>Germany</td>
<td>Productivity-based wages (Konzertierte Aktion in 1967–77) Dec. 2016 agreement in Railway and Transport on innovative one-off payment of €550 between October 2016 and March 2017</td>
</tr>
<tr>
<td>Greece</td>
<td>National General Collective Labour Agreement (EGSSE) signed by social partners for 2016 on inclusive labour</td>
</tr>
</tbody>
</table>
Markets and unemployment, on the refugee immigration problem (but not on minimum wage)

<table>
<thead>
<tr>
<th>Country</th>
<th>Agreement/Protocol Details</th>
<th>Years</th>
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</thead>
<tbody>
<tr>
<td>Ireland</td>
<td>2011 IBEC–ICTU national protocol for orderly industrial relations and local bargaining in the private (unionised) sector, renewed for 2012 and 2013</td>
<td>2013–16 (the Lansdowne Road agreement in the public sector to limit (restore) employment and wage cuts)</td>
</tr>
<tr>
<td>Lithuania</td>
<td>2009 national agreement provided for measures to combat the recession, including cuts in public administration expenditure and an obligation not to reduce basic salaries of civil servants</td>
<td>2016–19</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>2016–19 new wage agreement in the public sector on wage increase of 1.5%</td>
<td>Feb. 2016</td>
</tr>
<tr>
<td></td>
<td>2016–19 new agreement in the public sector for more flexible part-time work arrangements Possibility to reduce working</td>
<td></td>
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<tr>
<td></td>
<td>Feb. 2016 social partners’ agreement for quality at school and training for teaching</td>
<td></td>
</tr>
<tr>
<td>Items/country</td>
<td>Wages and working conditions</td>
<td>Working time</td>
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</tr>
<tr>
<td>Malta</td>
<td>Private social protection</td>
<td>time by increments of 10% to between 90% and 40% of full working time</td>
</tr>
<tr>
<td>Malta</td>
<td>Social dialogue</td>
<td></td>
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<tr>
<td>Portugal</td>
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<tr>
<td>Portugal</td>
<td>Private social protection</td>
<td></td>
</tr>
<tr>
<td>Portugal</td>
<td>Social dialogue</td>
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</tbody>
</table>

Malta's tripartite national social dialogue institution, commissioned studies on low pay that recommended the minimum pay to be pegged to a ratio related to the basic average or median wage.

Portugal's 2016 tripartite commitment on the minimum wage.

2016 debate on the revitalisation of collective bargaining.
Spain 2013 agreement on labour conflicts, mediation and arbitrage

2014 agreement on (extending means tested) unemployment assistance

2008–10 fifth national collective agreement for temporary agency workers

2011 agreement on the reform of public system of pensions

2015–17 agreement on employment and collective bargaining

Slovenia 2017–19 wage agreement for wages in the central public sector

Social Agreement 2015–16 signed in Feb 2015, after six years without a pact. The agreement covers 12 areas and enumerates 140 goals: finance, sustainable economic development, new investment cycles, public sector, etc. However, a dispute over the Minimum Wage Act led to the withdrawal of employers’ support in Nov. 2015

In Dec. 2016, government and social partners signed new rules on the functioning of the main national body for social dialogue, the Economic and Social Council of Slovenia (ESSS)
<table>
<thead>
<tr>
<th>Items/country Wages and working conditions</th>
<th>Working time</th>
<th>Employment</th>
<th>Training</th>
<th>Gender equality/NSFE equality</th>
<th>Private social protection</th>
<th>Social dialogue</th>
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<tbody>
<tr>
<td><strong>Sweden</strong></td>
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<tr>
<td>Number of framework agreements signed by various sectors in 2009/10 on temporary layoffs and short-time working schemes, in response to the crisis</td>
<td>From 2007, national agreement provided for three years (last one in 2016) an ‘equality allowance’ for low pay among women to be further negotiated at sectoral level</td>
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</table>
3.2 . . . and through Innovative Collective Agreements

Collective bargaining at intermediary and firm level is used to complement national social dialogue and agreements in most EU member states, where two-thirds of workers are covered by some form of collective agreement (Van Gyes, 2012), with a general rule widespread in European countries that more decentralised agreements (for instance, at company level) must improve wages and working conditions agreed in higher agreements at sectoral and national levels. Over recent years, however, we have seen that a number of derogation clauses have been added to allow enterprise agreements to define their own standards by negotiation, even below higher negotiated standards, something that might distort the previous hierarchy and coordination of standards between levels.

3.2.1 At sectoral/regional level

Table 1.2 presents a sample of selected agreements in various countries to illustrate the rich process of collective bargaining at intermediate (sectoral/regional) level on a diversified range of topics. The issues discussed very often include inequality either to better extend coverage to groups of workers that were excluded or to negotiate some flexibility/security outcomes.

In the Netherlands the process is fairly extensive because collective agreements are the core instrument for unions and employers to influence labour market outcomes, and there is a possibility – at the prerogative of the Minister of Social Affairs and Employment – to declare industry-level collective agreements generally binding for non-organised employers and employees. It is interesting that in the crisis collective agreements were extended to workers in a number of sectors, such as contract cleaning, security services, waste disposal and personal care. Since these sectors have a large share of temporary agency workers and of migrant workers, this process could certainly help to level up working conditions and reduce the inequalities faced by these groups.

Trade unions and employers' organisations in Sweden are also structured along sectoral/industry lines, and the Swedish bargaining system remains fundamentally a two-tier system – which thus remains centralised and coordinated – where bargaining takes place first at the industry/sectoral level and afterwards at the company level. These collective agreements at the industry level, and even at the company level, are often extended and improve the statutory universal basic social protection in the form of higher replacement/compensation rates or a longer period of entitlement, for example, regarding unemployment and sickness benefits, parental and training leave and pensions (occupational pensions).

Similarly in Slovenia, the fact that sectoral collective agreements cover
a relatively wide array of issues appears to be conducive to package deals that include several elements of flexibility and security.

The case studies in the metal and trade sectors (see Chapter 10 on Slovenia) show that collective bargaining can significantly adjust the combination of flexibility and security to sectoral circumstances. Moreover, the collective agreements in those two sectors have managed to put more emphasis on internal flexibility (and especially on working time and functional flexibility, but less on wage flexibility) rather than on external flexibility, which is often not good for workers’ security, nor for factories, which generally prefer to maintain a motivated labour force and a good social climate in order to increase their prospects of growth. In the electrical industry, provisions for the elimination of wage supplements that were previously included in the minimum wage were inserted in the collective agreements until the legal redefinition of the minimum wage in 2015.

While the law of 2013 introduced some possible derogation at enterprise level from higher-level – mainly sectoral – agreements, it also enabled the unions to start negotiating various security provisions in other areas of the ‘bargaining package’, and in some cases to use them to bring reluctant employer organisations to the bargaining table.

In Germany, because of the trade union structure, the industry level has emerged as the dominant bargaining level. However, income inequality in Germany has increased dramatically owing to the erosion of its wage-setting system, which followed the inclusive model until the mid-1990s. This increase was particularly noticeable in those industries and companies in which workers were neither covered by a collective agreement nor represented by a works council. They therefore found themselves in wage negotiations without the protection of the two main institutions – free collective bargaining and codetermination – that constitute the German model of industrial relations.

At the same time, a number of issues have been developed at sectoral level. For instance from 2014, an agreement was reached in the metal industry between IG Metall and the employers to entitle employees to a training agreement with a maximum time horizon of seven years, during which they will be able to work part-time, or take leave, eventually going to study for a degree while saving up certain elements of their pay in a training account to cover the period of absence (see Table 1.2). This agreement seems to take into account the various phases of the life course and should be beneficial both for the employees, who can better manage work and their personal life, and for the companies, which can benefit from a more motivated and better trained labour force. In Austria, since 2013 a new, innovative element was introduced in collective bargaining – the so-called free time option. Two sectoral-level collective agreements concluded in
### Table 1.2  Examples of innovative agreements at sectoral, regional and enterprise level, selected EU countries

<table>
<thead>
<tr>
<th>Extension of sectoral/ firm collective agreement</th>
<th>Wages and working conditions</th>
<th>Working time</th>
<th>Employment</th>
<th>Training</th>
<th>Gender equality/ NSFE equality</th>
<th>Private social protection/ pensions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria 2016 agreement</td>
<td>2016 agreement in the private health and social care, on pay increase, increase on standby rates, allowances for dirty, arduous or dangerous work</td>
<td>2016 agreement in metal industry on new working time model</td>
<td>2015 agreement for service providers in data processing and data technology (on employment, working conditions and flexitime accounts)</td>
<td>2016 sectoral collective agreements on educational leave and/or time off for other further training purposes</td>
<td>2009 agreement for ‘in-sourcing’ self-employed couriers</td>
<td>2015 agreement for emergency and medical workers on guaranteed six weeks’ annual leave</td>
</tr>
<tr>
<td>2013 free-time option agreements in electronics and mining and steel (to improve work-life balance and to reduce working hours instead of pay increases)</td>
<td>2016 agreement in the ceramic and stone industries on wages and also free-time option</td>
<td>2016 agreement for emergency and medical workers on guaranteed six weeks’ annual leave</td>
<td>16 months in stone and ceramics, 16 months in metal industry</td>
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<tr>
<td>2013 free-time option agreements in electronics and mining and steel (to improve work-life balance and to reduce working hours instead of pay increases)</td>
<td>2016 agreement in the ceramic and stone industries on wages and also free-time option</td>
<td>2016 agreement for emergency and medical workers on guaranteed six weeks’ annual leave</td>
<td>16 months in stone and ceramics, 16 months in metal industry</td>
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Table 1.2 (continued)

<table>
<thead>
<tr>
<th>Extension of sectoral/firm collective agreement</th>
<th>Wages and working conditions</th>
<th>Working time</th>
<th>Employment</th>
<th>Training</th>
<th>Gender equality/NSFE equality</th>
<th>Private social protection/pensions</th>
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</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>Agreements on short-time working</td>
<td></td>
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<td></td>
<td>Sectoral agreements also applied to agency workers Joint committees for gender neutrality, including on career breaks 2016 agreement for hairdressing and beauty care against gender discrimination 2016 charter for diversity in banking sector</td>
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</tr>
<tr>
<td>Denmark</td>
<td>Agreements in manufacturing and banks on possibility to pay profit-related pay</td>
<td>2014–17 agreement in manufacturing to open ‘free choice’ accounts for</td>
<td>Series of agreements for the building of the Metro and the Greater Copenhagen</td>
<td>2016 agreement in postal sector on breaks, paid leave but also on a skill development</td>
<td>2014–17 agreement for commercial and clerical workers on maternity protection for</td>
<td>2014–17 company agreements such as at Danske Bank group, including on pensions and</td>
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<tr>
<td>Country</td>
<td>Agreement Details</td>
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<td>Finland</td>
<td>2016 agreement in the IT sector</td>
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<td>November 2016 agreement on wages and extension of annual working time in technology industry</td>
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<td>2017 agreement in commercial sector on paid leaves</td>
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<td></td>
<td>2012–14 agreement at Akava to reduce gender pay gap by allocating 0.5% of total wage costs</td>
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<tr>
<td>France</td>
<td>More than 700 sectoral agreements per</td>
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<td></td>
<td>Firm agreements on short-time working</td>
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<td>2016 agreement on unemployment insurance regime</td>
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<td>September 2016 first company-level agreement</td>
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<td>2012–14 agreement at EDF for equal</td>
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<td></td>
<td>Agreements on early retirement</td>
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</table>
Table 1.2 (continued)

<table>
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<tr>
<th>Extension of sectoral/firm collective agreement</th>
<th>Wages and working conditions</th>
<th>Working time</th>
<th>Employment</th>
<th>Training</th>
<th>Gender equality/NSFE equality</th>
<th>Private social protection/pensions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm agreements mainly on wages and working time for artists (intermittents)</td>
<td>Also on modalities of 35-hour working week</td>
<td>for artists (intermittents)</td>
<td>on digital transformation signed at Orange, including to prepare employees for future changes</td>
<td>pay between men and women and also for part-timers</td>
<td>Agreements on early retirement</td>
<td></td>
</tr>
<tr>
<td>Firm agreements mainly on wages and working time in exchange for working time flexibility and wage moderation</td>
<td>Also on modalities of 35-hour working week</td>
<td>Also on modalities of 35-hour working week</td>
<td>on digital transformation signed at Orange, including to prepare employees for future changes</td>
<td>pay between men and women and also for part-timers</td>
<td>Agreements on early retirement</td>
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</tr>
<tr>
<td>Germany</td>
<td>Collective agreement in the steel industry in 2010, providing for equal pay for equal work for all temporary agency</td>
<td>Sectoral agreements (for example, in the chemical industry on a working time corridor of 40–35 hours a week and in the metal industry)</td>
<td>Agreements on recruitment of trainees/apprentices even during the crisis</td>
<td>Training agreement in 2014 in the metal industry to secure a shift to regular employment for temporary agency workers after 18 months</td>
<td>Agreement in the metal sector on employer-subsidised partial retirement scheme</td>
<td></td>
</tr>
</tbody>
</table>
workers
Similar agreement in metal and electric industry in 2012 granting seniority bonuses to temporary agency workers ThyssenKrupp Steel AG Europe agreement to cover subcontractors

35–30 hours) Company agreements on working time flexibilisation (reduction of working time) outside the company Can also be fed by partial retirement scheme

2012 agreement in metal industry giving works councils right to set limits to the use of temporary agency workers (and also subcontracted)

Hungary

2013 agreement in water sector to motivate companies to sign equality plans (for women and Roma)

2014 agreement in railways for equal pay
<table>
<thead>
<tr>
<th>Extension of sectoral/firm collective agreement</th>
<th>Wages and working conditions</th>
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<th>Training</th>
<th>Gender equality/NSFE equality</th>
<th>Private social protection/pensions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ireland</td>
<td>2016–19 new pay agreement for contract cleaners; 2016 local pay agreements bargaining; majority of companies awarded pay increases</td>
<td>2015 agreement for home helpers and workers in retail to ensure a minimum number of working hours</td>
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<tr>
<td>Italy</td>
<td>November 2016 agreement for wage increase in the public sector</td>
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<tr>
<td>Agreement on the distribution of bonuses related to companies’ results at SKF</td>
<td>July 2014 agreement in the commercial sector on vocational training that will be provided by sectoral parity institutions; also provided broader</td>
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<td></td>
<td>'Inter-generational' pact at company Luxottica to encourage workers close to pension to take 50% part-time work to allow young workers to be hired on a permanent basis</td>
</tr>
<tr>
<td>Country</td>
<td>Description</td>
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</tr>
<tr>
<td>Latvia</td>
<td>As part of a 2016 cooperation memorandum in construction aimed at halving the shadow economy by 2019, new electronic identification card systems managed by social partners to ensure the selection of qualified workers and to record worked time</td>
<td></td>
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<tr>
<td>Luxembourg</td>
<td>2016 new collective agreement in the financial sector also</td>
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</table>
Table 1.2  (continued)

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<thead>
<tr>
<th>Extension of sectoral/firm collective agreement</th>
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<th>Training</th>
<th>Gender equality/NSFE equality</th>
<th>Private social protection/pensions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Netherlands 2013 agreement in postal and parcel delivery sector to improve working conditions of self-employed deliverers by converting them into employment contracts</td>
<td>aimed at adapting the collective agreement to the ‘generation Y’</td>
<td>Slovenia 2016 agreement in hospitality and tourism industry for</td>
<td>Collective agreements at sectoral level promoting equal</td>
<td></td>
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</tr>
<tr>
<td>Spain</td>
<td>2013 agreement in the region of Catalonia to foster competitiveness and reduce unemployment and non-standard employment</td>
<td>2013 agreement in mass catering, notably to increase minimal hours of part-time monitors</td>
<td>Agreement on conversion of temporary contracts (10%) or limiting percentage of temporary work 2011 agreement of offices, Salamanca, setting minimum of 60% of employees with open-ended contracts</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>2016 agreement in the cleaning sector on non-discrimination and equal treatment for all workers (with specific initiatives in favour of equal pay, training, promotion of women)</td>
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</tr>
<tr>
<td>Extension of sectoral/firm collective agreement</td>
<td>Wages and working conditions</td>
<td>Working time</td>
<td>Employment</td>
<td>Training</td>
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</tr>
<tr>
<td>Sweden</td>
<td>400 companies in engineering industry short-time working agreements on reduction in working hours and in wages</td>
<td>Framework agreement on temporary layoffs, wage adjustments and training in metal industry in March 2009</td>
<td>2010 new job security agreements between municipal and county council employees with professional training path aimed at enhancing their employability and promoting their occupational mobility</td>
<td>Sectoral agreements on an ‘equality allowance’ in sectors dominated by women and with low pay (largest increases in retail and municipal sectors)</td>
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</tbody>
</table>
2013, in the electronics and mining and steel sectors, included for the first time the option of converting pay rises into extra time off work, a practice that further developed in 2016 (see Table 1.2).

The chapter on France also shows that sectoral agreements are numerous (more than 700 per year). They focus mainly on wages, and sectoral collective agreements seem to have enabled a better wage progression (+2.5 per cent in 2015) over recent years. The recent agreement in the culture sector is a good illustration of how a better balance can be achieved between flexibility (required considering that most tasks in this sector are short term) and security (with the need to compensate such flexibility with access to unemployment benefits once in inactivity) after months of negotiations.

In Spain, once a collective agreement is signed, its provisions are extended automatically to all employees working in the relevant area, beyond those belonging to the signatory organisations. As a result, nearly 75 per cent of Spanish employees used to be covered by collective agreements. This broad coverage of collective bargaining, together with this combination of levels, was found to have an equalising impact in terms of wages and working conditions.

Some innovative agreements were also signed at regional level, for instance, on fostering competitiveness while reducing unemployment and non-standard employment in Catalonia. These agreements also aim at developing the transition of temporary workers into permanent employment and facilitate working-time flexibility. The Spanish authors point to the fact that only 10 per cent of firms, affecting roughly a quarter of employees (with intermediate-level agreements), include provisions on the conversion of fixed-term contracts into open-ended contracts, and less than 3 per cent of collective agreements establish limits on the ratio between temporary employees and overall labour force. However, a few regional (Salamanca) or sectoral agreements (for security workers) set a clear minimum of 60–65 per cent open-ended contracts in contracts overall (see Table 1.2).

Interestingly, some sectoral collective agreements in a number of countries also set a minimum number of hours for part-time workers, which is important in a context of growing involuntary part-time working reported in most EU countries (for example, this applies to 60 per cent of part-time employees in Spain), a major source of income inequality. For instance, the collective agreement for security workers in 2015 in Spain set a minimal limit of ten hours per week for monitors – who earlier tended to work only 45 minutes a day – thus leading to more equality, and to lower the gender gap, given that most monitors are women. In France, a minimum of 24 hours a week was also set in some sectors.

The above examples of multi-level bargaining contrast with the United
Kingdom, which has opted instead for a decentralised system of collective agreements at enterprise level. However, a continuous deterioration of trade unionisation, a decrease in the number and coverage of collective agreements, especially in the private sector, increasingly fewer representative bodies to enable workers to have a say, has been accompanied by increased wage inequality, with the exception of the public sector, which has maintained more centralised agreements and good coverage in terms of trade union members and collective agreements. Interestingly, Ireland, which is characterised by a similar collective bargaining system decentralised at enterprise level, was able to limit inequality growth with more success, thanks to an overall social dialogue framework at national level, at least until the financial crisis.

Greece is an example of a country that has been shifting since the crisis from a multi-level to a decentralised collective bargaining system. The Greek chapter documents that this shift, including the interruption of social dialogue in areas such as the minimum wage, has led to a number of reforms that promoted flexibility without much security. This is particularly striking for young workers who have incurred more wage inequality through a minimum wage fixed at a lower level for those aged under 25, combined with a new inequality in the distribution of working time, with a growth in the number of young workers stuck in involuntary part-time status.

3.2.2 At enterprise level

An increasing number of issues While some decentralisation of collective bargaining towards the enterprise level is reported in most EU countries (see section 4), it is also important to note that collective bargaining at this level is being rapidly extended to new topics and policy areas (see Table 1.2). Agreements are developing on issues such as equal pay for work of equal value (often called by social partners as ‘equal pay for equal work’ agreements) and notably to reduce gender inequalities, but also on working time – with a number of agreements on how to improve the quality of part-time employment – and possible solutions to increase the capacity of companies to be flexible while allowing layoffs.

In France, while new rules tend to favour the development of decentralised social bargaining and to simplify the organisation of the industrial relations system, there has been an increase in social partners’ commitment to negotiate at the firm level on wages and other topics, such as working time, work organisation, collective health insurance and gender equality, with a recent trend to oblige companies to reach an agreement on some issues. In case of failure to reach an agreement at the company level, an
action plan has to be implemented: that principle applies to gender equality (since 2006) and to seniors’ employment at companies employing 50 or more people (since 2008).

At the same time, a number of chapters in this book highlight the lack of negotiation on flexibility and security issues at firm level, probably indicating a lack of coordination between national and enterprise level collective bargaining.

By contrast, the second case study in the chapter on Slovenia shows how the good coordination between upper-level and enterprise collective bargaining could improve the working conditions of agency workers in a major electric company. This innovative agreement was first facilitated by the law, which demands equal treatment and does not allow for deviations in this area. Second, the fact that the sectoral collective agreement set the establishment of parity committees at firm level as mandatory gave the union in the company an opportunity to raise the issue with the management relatively easily. The articulation between different levels thus represents an indispensable element for ensuring equality outcomes, in this case on equal treatment for agency workers compared with other workers. It is also relevant in terms of trade union strategy to observe that the union was able to unionise the agency workers only after their efforts to stand up for them and their rights.

In Germany, the range of topics covered by collective agreements has also been expanded significantly in recent years, for instance, promoting unified pay scales or inter-firm mobility, and lifelong learning to respond to new requirements by technological change, as well as gender equality and work–life balance. In particular, collective agreements seem to play an activating function for training within the companies, and the presence of works councils seems to boost training, as shown in the chapter on Germany.

A number of agreements have emerged in a number of countries to help to reduce inequality faced by workers in non-standard employment, in terms of securing them regular employment, improving their wages, bonuses and non-wage benefits, scheduling working hours and improving the work environment (ILO, 2016a). Agreements have been concluded in, for example, Germany to secure regular employment for temporary agency workers, for instance in the metal and electrical industry after a period of 18 months, in the absence of any objective reasons to continue the temporary contract. Another 2012 agreement in the metal sector also grants social partners the possibility to set negotiated limits on the proportion of the workforce that can be temporary or subcontracted. In Ireland collective agreements were also concluded to ensure a minimum number of working hours to home helpers and workers in the retail sector, as a way
Reducing inequalities in Europe

to introduce more equality in the scheduling of hours for part-time and on-call workers. In the Netherlands, an agreement led to the conversion of 80 per cent of self-employed deliverers (who were paid well below the legal minimum wage) into employment contracts (Drahokoupil, 2015: s.4, para. 2). In Italy, trade unions (the Italian General Confederation of Labour, CGIL, the Italian Confederation of Workers’ Trade Unions, CISL, and the Italian Labour Union, UIL) since 1998 have put in place special structures and social dialogue mechanisms for representing non-standard workers, including those in dependent self-employment, which led to some innovative agreements to regulate the relationship between the employer and such workers (a relationship called ‘co.co.co’ for ‘collaborazioni coordinate e continuative’) as in the telecommunications, credit and research sectors, and nearly 100,000 individual contracts.

There are also innovative agreements at firm level in some countries (see Table 1.2) for addressing the wages and working conditions of workers of subcontracted firms (and to extend the contents of the collective agreement to those firms), who often face worse working conditions (Zimmerman Verdejo et al., 2010). The rapid increase in subcontracting (not only in some sectors, such as construction, but in almost all) thus represents a major source of growth of inequality, in terms of wages and working conditions, that could be addressed and limited through collective bargaining.

Collective bargaining can also help to improve the wages and working conditions of women. In Sweden, it was decided by national agreement in 2007 that women would be allowed an ‘equality allowance’ with the purpose of equalising wages, especially in low-pay sectors dominated by women. This led to collective agreements signed in individual sectors, the largest allowance being achieved in the retail and municipal sectors, most dominated by women.

Collective agreements at firm level also aim to promote employment and growth. In France some innovative agreements took place in 2013 and 2016 in the car industry (Renault, Peugeot) that made it possible to avoid layoffs and boost recruitment in exchange for a number of new flexibility measures (see Table 1.2 and also Chapter 4 on France).

The chapters in this volume also try to identify the issues that negotiations at enterprise level should develop further. The Spanish authors for instance attract attention to the fact that a very low percentage of firms have agreements to improve the wages and working conditions of temporary workers, even though Spain has one of the highest percentages of temporary contracts (25 per cent of total work contracts). Although the role of temporary contracts on the ‘flexibility’ side has been clear during the crisis – with a reduction only in 2009 of temporary employment, which affects almost 1.1 million people, while open-ended employment was still
Growing— they were not accompanied by sufficient ‘security’ measures through social dialogue and collective agreements.

At the same time, the possible derogation to higher-level agreements introduced in a number of countries – such as Spain, Italy and, more recently, France – has affected the link between higher-level (national, sectoral or regional) and firm-level collective agreements. As indicated in the chapter on Italy, because contracts can derogate from higher-level collective agreements, except for the pay structure, ‘representation has been pulverised, and within each firm, there is a variety of contracts’. The case of FIAT, for instance, breaking away from national representation and from the national contract in order to activate a new tailor-made contract, seems to have influenced industrial relations in Italy (see Chapter 8 on Italy).

**Negotiated solutions in the crisis** Collective bargaining has also made it possible to achieve negotiated responses to the crisis (Vaughan-Whitehead, 2011), even if win-win outcomes may be more difficult to reach in such a context because it may exacerbate the diverging interests of employers and workers.

Several countries, such as France, Austria, Belgium and the Netherlands, expanded their short-time working arrangements (or ‘work-sharing’), and Germany used these schemes intensively – through intensive collective bargaining and a series of agreements at both sectoral and company level, as shown in Table 1.2 – so that they avoided most layoffs and unemployment in the crisis, a process that the German authors in this volume call the ‘German employment miracle’. These arrangements are good illustrations of win-win agreements because they allowed employees to keep their jobs (of course by accepting lower working time and also often wages), while helping the companies to preserve their internal human capital and safeguard their industrial capacities. In Germany agreements between trade unions and employers to continue the recruitment of trainees even within the crisis also turned out to be a successful way of avoiding youth unemployment while maintaining human capital. Germany is a good example of successful joint management of the financial crisis based on the mobilisation and coordination of all bargaining levels (national, industry, region and company).

In Sweden, wage moderation, and not wage cuts as in some other EU member states, characterised collective bargaining during and after the crisis. At the same time, Sweden, following its tradition, has adjusted to the 2008 global economic crisis through a mix of negotiated numerical flexibility and active support for dismissed workers through active labour market policy measures and/or negotiated agreements helping redundant workers to find new jobs rapidly or to enhance their employability. Since
2015, nine out of ten dismissed workers have found a new job or became self-employed within seven months following their first contact with the Job Security Foundations (presented as one case study on Sweden). Furthermore, around 70 per cent of the displaced workers obtained an equal or higher salary in their new job.

In other cases, however, the crisis also led in other directions, with social dialogue being minimised or even avoided.

In Spain the massive increase in unemployment resulting from the economic recession of 2008–13 led to a revision of many of the core elements of the system of industrial relations, including collective agreements. The 2012 reform gave priority to firm-level collective agreements in most of the items bargained (wage, overtime, working time and work–life balance). While the intention behind this change in regulation was to adjust bargaining – and the resulting collective agreement – to the individual firm and its economic circumstances, these changes also led to the reduction in the number of workers benefiting from collective agreements. Moreover, the wage growth bargained in collective agreements signed after the 2010 reform was found to be lower than that bargained before it. A similar outcome is reported in Greece after deep transformation of national social dialogue, collective bargaining and minimum wage fixing.

Moreover, all the examples of sectoral, regional and enterprise agreements covering both flexibility and security issues presented in Tables 1.1 and 1.2 confirm the importance of collective bargaining at those three complementary levels in order to find the right equality balance. This also confirms Marginson and Galetto’s (2014) demonstration (from the example of the metal sector in a few EU countries) of ‘the capacity of collective bargaining to address issues of flexibility and security at sectoral and company level’. At the same time, they conclude that so far ‘package agreements addressing forms of flexibility and security are not unknown at sectoral level but they are less widespread at company level’, even if we can see from our examples in Table 1.2 that an increasing number of firm collective agreements – although, so far, in a limited number of countries – are addressing equal pay for work of equal value and some new issues, such as non-standard employment and subcontracting. More examples are provided in the chapters that also develop in-depth illustrative examples on the impact of social dialogue on inequalities (see Table 1.3). The case studies presented by the experts have been chosen to illustrate national stories about industrial relations and inequalities, while at the same time providing a good picture of best practices in terms of collective agreements at national or sectoral level (banking, public sector, cultural sector and automobile) or regional or enterprise level. More generally, the case studies present industrial relations initiatives that cover issues relevant to
### Table 1.3 Case studies in selected European counties (presented in individual chapters)

<table>
<thead>
<tr>
<th>Country</th>
<th>First case study</th>
<th>Second case study</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baltic States</td>
<td>Inequality issues in a few enterprise collective agreements in Estonia</td>
<td>Collective agreements and inequality in micro-enterprises in Latvia</td>
</tr>
<tr>
<td>(Chapter 2)</td>
<td>Social dialogue to reduce the gender pay gap</td>
<td>Collective bargaining effects on inequality through a better work–life balance</td>
</tr>
<tr>
<td>Belgium (Chapter 3)</td>
<td>Inequality in private social protection at workplace</td>
<td>Innovative collective agreement in the cultural sector</td>
</tr>
<tr>
<td>France (Chapter 4)</td>
<td>Boosting minimum wages and collective bargaining</td>
<td>Enterprise agreement (ThyssenKruppSteel AG Europe) to manage steel subcontractors</td>
</tr>
<tr>
<td>Germany (Chapter 5)</td>
<td>Public–private sector divide and inequalities</td>
<td>Security and flexibility measures to improve youth employment and wages</td>
</tr>
<tr>
<td>Greece (Chapter 6)</td>
<td>Inequality, social dialogue and public sector pay</td>
<td>Managing macroeconomic shocks through social dialogue: what effects on inequality?</td>
</tr>
<tr>
<td>Ireland (Chapter 7)</td>
<td>Flexibility and security in public employment services: comparing</td>
<td>Outcomes of two different labour relations models: Ferrari and Lamborghini</td>
</tr>
<tr>
<td>Italy (Chapter 8)</td>
<td>Lombardy and Marche</td>
<td></td>
</tr>
<tr>
<td>The Netherlands</td>
<td>Inequalities, collective bargaining and youth minimum wage</td>
<td>Negotiations to address pay inequality in the banking sector</td>
</tr>
<tr>
<td>(Chapter 9)</td>
<td>Flexibility/security and inequality in collective agreements in trade and metal sectors</td>
<td>Social dialogue and collective bargaining effects on inequality in a large metal company</td>
</tr>
<tr>
<td>Spain (Chapter 11)</td>
<td>Tackling low hours through collective agreement in mass catering</td>
<td>Innovative way to reduce accidents at work in construction</td>
</tr>
<tr>
<td>Sweden (Chapter 12)</td>
<td>Role of industrial relations and flexicurity for promoting technological change and skills upgrading</td>
<td>Job Security Councils and transitional agreements to illustrate the Swedish flexicurity regime</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>Initiative for improving working conditions among the subcontracted social care workforce</td>
<td>Use of agency work and inequalities</td>
</tr>
<tr>
<td>(Chapter 13)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
inequalities (equality of conditions in terms of pay, working hours, health and safety, access to social protection, and work–life balance) and/or are relevant to specific categories of workers (gender pay gap, youth employment, working conditions of social care workers, public sector employees, agency workers and workers employed by subcontractors).

4. COMPARATIVE RESULTS AT EUROPEAN LEVEL: WHAT EFFECTS ON INEQUALITIES?

Having reviewed theoretical expectations and plunged into some of the national stories and contents of collective agreements on inequality in a number of EU countries, this section provides some statistical facts. What are the trends in collective bargaining and collective agreements, and how interrelated are they with inequality trends? What is the impact of collective agreements on different types of inequality? We test the impact of the presence of a collective agreement and the level of such agreements on three types of inequality: wage inequality (and we take this opportunity also to check the impact of collective bargaining on the gender pay gap); inequality in the conditions associated with different types of work contract; and, finally, inequality in the distribution of working time (with a particular focus on the gap between part-time and full-time workers).

The objective is to use data representative of wage employees in Europe – the Structure of Earnings Survey (SES) – in a number of selected countries to analyse the relations between social dialogue and labour market outcomes that reflect both inequalities and job security. We first review the dynamics of collective pay agreements (CPAs) as identified in the data, and then we provide estimates of the correlation between collective pay agreements and measures of (1) hourly wage inequality; (2) the gender pay gap; (3) contractual agreements; (4) full-time versus part-time prevalence; and (5) work intensity by means of ‘working hours’.

Overall, the empirical estimates confirm a positive effect of collective pay agreements on the reduction of inequalities, including the gender pay gap, and on the working conditions associated with employment contracts, such as temporary and part-time work.

4.1 Dynamics of Collective Pay Agreements in Europe and Inequalities (2002–10)

4.1.1 Overall changes
Using the SES, Figure 1.1 shows the distribution (proportional representation) of enterprises in two groups: those that claim to have a collective pay
The impact of industrial relations and labour policies

agreement – any type, from national to enterprise type of agreement – and those that claim that none of their wage employees are covered by collective pay agreements. Figure 1.1 – as for all those that follow in this section – is based on the weighted average of 16 countries in Europe, as provided by the data. The figure shows that between 2002 and 2010 there was a considerable decline in the proportion of enterprises claiming to have some form of pay agreement: whereas in 2002 about 79 per cent of all enterprises were covered by some form of collective pay agreement, in 2010 the estimates had declined to 66 per cent, a 13 per cent drop. A similar picture emerges when we look at the proportion of employees covered by pay agreements, with a decline from 71 to 66 per cent.

This means that in the period from 2002 to 2010 each percentage drop in the fraction of enterprises covered by some form of collective pay agreement resulted in a 0.38 per cent drop in the fraction of wage employees covered by some form of agreement. The fact that the value of the elasticity is below 1 (0.38) would imply that in 2010 the mix of firms that remained under some form of collective pay agreement was larger in size than in 2002; that is, the evidence would suggest that it is the smaller establishments that are most likely to have lost coverage from the different types of collective pay agreements over the period.

The Appendix (Figure 1A.1) shows similar estimates to those presented above, but using only eight countries – Belgium, Bulgaria, Cyprus,
Estonia, Hungary, Latvia, Lithuania and the United Kingdom – because the dynamics of ‘types of collective’ pay agreements in these countries is consistent with the information provided by the ICTWSS dataset. Therefore, a similar analysis can be completed as above, but distinguishing six categories of enterprise: those covered by (1) national pay agreements; (2) sectoral agreements; (3) enterprise agreements; (4) other, but with some sort of agreement; and a category (5) of enterprise that ‘is not covered by any type of collective pay agreement’ (used in the analysis as the default category).

The results show that the proportion of enterprises with a sectoral agreement remained fairly stable (increasing in 2006 and declining in 2010), but that there was a significant decline of enterprises covered by enterprise agreements: whereas in 2002 about 28 per cent of all enterprises were covered by a collective pay agreement at enterprise level, in 2010 the estimates had declined to 16 per cent. Instead, the proportion of enterprises without any collective pay agreements had increased dramatically, from 45 per cent in 2002 to 60 per cent in 2010.

Figure 1A.2 in the Appendix shows the same dynamics, but based on individuals rather than on enterprises as the measurement unit. The figure shows that, proportionally, employees have also lost coverage, with less enterprise collective agreement in favour of more ‘sectoral’ types and even more towards ‘no coverage at all’. It is interesting that the change occurred well before the global financial crisis: in 2006 the proportion of enterprises (and individuals) covered by collective pay agreements at enterprise level had already declined to levels also observed in 2010. What continued to change between 2006 and 2010 is an overall (across-Europe) increase in the number of enterprises and individuals who are now classified as without a collective pay agreement. This leads to a first conclusion that the decentralisation described in previous sections does not systematically mean a collective agreement at enterprise level, but may mean instead a shift to no collective agreement at all.

In order to further understand the relationship between collective pay agreement coverage and the size of establishments, and how such a relationship has changed over time, we carry out the same estimates but disaggregating by size. The SES distinguishes between small (between 10 and 49 wage employees), medium (between 50 and 249 employees) and large enterprises (500 or more employees). Using these three categories, and on the basis of the weighted average of our larger sample of 16 selected countries in Europe as provided by the data, Figure 1.2 shows that the fraction of small enterprises covered by some form of collective pay agreement has declined by 27 percentage points: from 71 per cent in 2002 to about 44 per cent in 2010. This is
Note: The size of enterprises is between 10 and 49 employees (small), between 50 and 249 (medium) and 250 or above (large). Enterprises with nine or fewer wage employees are not included in the survey (by Eurostat definition).

Source: ILO estimates based on the SES for 22 countries, period 2002 to 2010.

Figure 1.2 Collective pay agreements and enterprise size, 16 EU countries, 2002–10 (percentage)
considerable if we compare it with the decline among medium-sized enterprises (10 percentage points, from 78 to 68 per cent) or the almost negligible decline in the fraction of large enterprises covered by pay agreements (1.5 percentage points, from 86 per cent to 84.5 per cent).

4.1.2 Changes in the coverage of collective pay agreements by economic sector

Collective pay agreements changed over the period – in terms of enterprises and individuals – for the nine sectors identified in the dataset: mining and quarrying, manufacturing (light and heavy), construction and utilities, trade (retail and wholesale), hotels and restaurants, transport and communications, real estate and financial services, social services (services to public administration, health and education) and other (private sector) services.

It is also interesting to analyse at what level (national, sectoral or company) collective pay agreements may have declined the most. Over the period observed, the coverage of national collective pay agreements declined in all sectors. There was a significant increase in sectoral pay agreements, but in some sectors (in particular trade, as well as hotels and restaurants) an increasing number of enterprises opted for no collective pay agreement.

4.2 How Related Are Trends in Collective Agreements and in Inequalities?

The second step consisted in showing the correlation between collective agreements and measures of inequality in the labour market, in particular, wages, hours worked and contractual conditions.

4.2.1 Wage inequality: lower where social dialogue is stronger

We started by exploring trends in wage inequality using the ratio of various percentiles. As defined in the latest version of the Global Wage Report (ILO, 2016b), measuring wage or income inequality should not stop at a comparison between the 10th versus the 90th decile, in order not to miss the fact that inequality – and therefore wage inequality – seems to be very much driven by what happens starting at the top 10 per cent, and in particular at the top 1 per cent. Because of this, we review the following ratio-based measures of inequality: using real gross hourly wages we estimate the value of these at the 1st, 10th, 50th, 90th and 100th centiles and estimate the ratios P100/P1, P100/P10, P90/P10, P50/P10 and P90/P50.

Figure 1.3 plots the ratios for each of the two groups of enterprises, those with and those without collective pay agreements, comparing the movement for the period 2002–10. We observe that for all periods wage
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Note: Estimates are based on real hourly wages which includes contractual wages, overtime payment and non-regular bonus and benefits. All measures are based on real values with base year 2010. We estimate the ratios on a country-by-country basis – for each of the 16 economies and for each of the three periods – and use group-specific weight to find the weighted average according to the two groups. All values are based on a representative sample of the 16 economies with data collected in October of each of the years.

Figure 1.3 Wage inequality and collective pay agreements, 2002–10 (percentage)
inequality is consistently lower if there is some form of collective pay agreement – the only exception is the ratio P100/P1 for the year 2002, which may be the result of an outlier (among those with a collective pay agreement).

A comparison between 2006 and 2010 also confirms two points: first, the wage distribution for enterprises with some form of pay agreement is clearly more compressed than that estimated in enterprises without a collective pay agreement; that is, for all ratios estimated we find that these are always larger among enterprises without a collective pay agreement. The picture is consistent over time: social dialogue helped to maintain lower levels of inequality over the period. Second, comparing 2006 and 2010 shows that there was not much change in terms of wage inequality over time, neither for those with nor those without a collective pay agreement. Considering the evidence described before (from Figure 1.1, an increase in the proportion of enterprises and wage employees without coverage) this would suggest that, overall, there was an increase in wage inequality in the population (overall), because those that show greater inequality (not covered by collective pay agreements) weigh more in 2010 compared with their relative weight in 2002.

4.2.2 Gender inequality: declining and influenced by social dialogue institutions

It has been recognised that in the presence of strong industrial relations – which embodies the presence of minimum wages and collective bargaining – the gender pay gap (GPG) is lower. As discussed in previous sections, it is reasonable to suppose that at enterprise level, the existence of social dialogue institutions would result in a smaller gender pay gap. We saw in the previous section that some collective agreements promote equal pay for work of equal value, which may contribute to lower gender inequalities. However, to what extent does the evidence at enterprise level point towards lower gender inequality in the presence of collective pay agreements?

Figure 1.4 shows the estimates of the gender pay gap based on the weighted average of the 16 countries from the SES dataset, using real gross hourly wages for the period 2002–10 with the base year in 2010.

The results confirm that the gender pay gap among wage employees who benefit from collective pay agreements is smaller than in enterprises without collective pay agreements. It is important to note that both groups display considerable gaps in wages between male and female. Nevertheless, over the period, the decline in the gap was greater among those enterprises with collective agreements than those without. Also, in 2010 the gap among wage employees without collective pay agreements was about 40 per cent
higher than the gender pay gap among wage employees in enterprises that had some form of collective pay agreement.

4.2.3 Work contracts: temporary work higher when social dialogue lower
The SES provides individual base information on contractual agreements: individuals are identified with either a temporary or an indefinite contract. This allows us to extend to the topic of collective agreements the comprehensive analysis completed recently on the use of temporary contracts by Aleksynska and Berg (2016) and the ILO (2016a). We use the information in the SES to construct a variable that identifies each establishment in the data with one of the following six categories: (1) establishments where all wage employees have an indefinite contract; (2) where 75 per cent or more wage employees have indefinite wage contracts; (3) between 50 and 75 per cent have indefinite contracts; (4) between 25 and 50 per cent; (5) between some and 25 per cent; and (6) all workers are temporary. By default, all who are not indefinite contract wage employees are temporary workers.

Figure 1.5 shows the results over time and for both establishments and
Figure 1.5  Categories of contractual agreement and collective pay agreements, 2002–10 (percentage)
individuals, comparing establishments with and those without some form of collective pay agreement. First, the proportion of enterprises that fall in the first category (that is, all employees have an indefinite contract) is higher in the two groups: 70 per cent in the enterprises with a collective pay agreement and 67 per cent (that is, slightly lower) in the enterprises without a collective pay agreement. Over time, the proportion of enterprises with all employees having an indefinite contract is declining, while the percentage of enterprises with all workers on a temporary contract is increasing. These trends are confirmed in the national case studies presented in this volume, which show an even sharper increase of temporary contracts in most recent years.

4.2.4 Part-time: industrial relations securing more working hours
Together with hourly wages, working time is the variable that ultimately determines overall work-related earnings for each individual. Therefore, a review of inequality would be incomplete without providing estimates of hours worked (per week) according to the strength of social dialogue institutions, as well as by type of collective pay agreement.

The SES provides information on hours worked, so that for each employee we know how many hours they worked per week, how many of these were contractual hours and how many were overtime work. Likewise, the survey identifies whether the workers are classified as full-time or part-time at the enterprise where they work.

Using this information, Table 1.4 shows average hours worked per week by all employees, distinguishing between full-time and part-time workers. The table disaggregates the information to compare the two groups according to the type of collective pay agreement.

<table>
<thead>
<tr>
<th>By type of collective pay agreement:</th>
<th>All employees</th>
<th>Full-time employees</th>
<th>Part-time employees</th>
<th>Percentage of part-time wage employees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average hours worked per week</td>
<td>% of which are overtime</td>
<td>Average hours worked per week</td>
<td>% of which are overtime</td>
</tr>
<tr>
<td>Some form of CPA</td>
<td>35.1</td>
<td>2.9</td>
<td>38.2</td>
<td>2.8</td>
</tr>
<tr>
<td>No CPA</td>
<td>35.3</td>
<td>2.3</td>
<td>39.2</td>
<td>2.2</td>
</tr>
</tbody>
</table>

*Note:* ILO estimates using the 2010 SES. Absolute values reflect hours worked per week; proportions show the fraction of hours worked per week that count as overtime.
According to Table 1.4 there is great similarity in terms of hours worked per week between full-time workers: on average they work about 38 to 39 hours per week. Where we find more discrepancy is among part-time workers. In enterprises with collective pay agreements the average number of hours worked part time is on average about 21 hours per week, declining to 18 hours among enterprises without a collective pay agreement. Considering that the proportion of ‘overtime’ is similar between the two groups (about 2.9 or 3 per cent), this would imply that the number of contractual hours offered to part-time workers in enterprises with no collective pay agreement is significantly lower than the number offered to part-time workers in enterprises with some form of collective pay agreement. Collective agreements thus seem to guarantee part-time employees a higher number of working hours, which will then ensure them a higher income. This effect of collective agreements on the number of working hours thus makes it possible to limit rises in wage disparity.

Finally, we observe that the proportion of wage employees who work part-time in enterprises without a collective pay agreement is also higher (at 21.2 per cent) compared with the proportion in enterprises with some form of collective pay agreement (18.7 per cent), which seems to limit, too, systematic recourse to part-time working.

5. POLICY CONSIDERATIONS

Our statistical analysis is in line with some of the most recent trends in collective bargaining and industrial relations, and with a number of relationships with inequalities found in several chapters of this volume and in the relevant literature.

First, our analysis confirms that a decentralisation is taking place towards more collective bargaining at enterprise level, but also the progressive disappearance of collective agreements in some companies and some sectors, such as hotels, catering, cleaning and retail. Countries with a low level of social dialogue institutions are also witnessing a further decline in the coverage rate of collective agreements.

While some decentralisation is also observed in countries with strong social dialogue institutions – with notably a decrease in national consultations and negotiations – the sectoral level remains strong. This level of bargaining is also rich in terms of issues discussed and outcomes negotiated on flexibility and security, as shown by the series of agreements we presented at that level. We can also find innovative agreements concluded at firm level on emerging issues, such as equal pay for equal work, to
reduce inequalities faced by women, but also on measures to better cover non-standard forms of employment and how they combine with more flexibility in the labour market. New agreements also appear on the emerging issue of subcontracting or outsourcing to avoid differentiated wages and working conditions, and thus increased inequalities. No doubt, in the current transformations in the world of work, with increased automation, changing tasks and increased mobility, it will be necessary to negotiate similar agreements to ensure balanced outcomes in terms of employment, training, wages and working conditions.

This direct impact of collective bargaining on the nature of the world of work certainly explains the correlation we also found in our analysis between collective agreements and inequalities, not only pay inequality but also inequality in terms of working time distribution and the probability of having certain forms of work contract. First, collective agreements – especially at the higher level, according to national studies – were found to play a role in curbing pay inequalities. Countries with high social dialogue institutions, such as Belgium and Sweden, have managed to keep wage inequalities at relatively low levels. The impact of collective bargaining on low pay – especially in combination with the minimum wage – and on wage compression (especially when there are multiple levels of negotiation) are some of the mechanisms at work identified in this volume. Second, the presence of a collective agreement was also found to reduce the gender pay gap. We saw that an increasing number of collective agreements at different levels promote equal pay for equal work, something that contributes to lower gender inequalities. Third, the proportion of enterprises with all workers holding a permanent contract is higher where there is some sort of social dialogue (with a collective agreement), as highlighted in the chapters of this volume. Fourth, the presence of a collective agreement does not seem to generate a lower or higher proportion of part-time workers, but to ensure, where there are part-timers, that they will receive sufficient working hours. We have provided examples of this type of collective agreement in this introductory chapter. We also saw – notably through the multiple examples of collective agreements in Tables 1.2 and 1.3 but also in national chapters – that collective agreements can improve the working conditions of workers under non-standard forms of employment.

The assessment provided in this volume of a continuous decline of collective bargaining, despite its positive effects in limiting inequalities and generating innovative outcomes in terms of flexibility and security, requires a strong policy agenda. Inequalities are increasingly found to have an adverse effect on economic growth and social cohesion (IMF, 2015; OECD, 2015), so collective bargaining to curb such inequalities represents an important lever that must be maintained and even strengthened. This policy agenda requires the commitment of all actors.
Trade unions have to find new strategies, and this volume presents some innovative initiatives to tackle emerging trends in the world of work, such as the growth of non-standard forms of employment or the increasing recourse to subcontracting. Some interesting developments can be observed, with trade unions overcoming some deterioration of the balance between flexibility and security by influencing the bargaining process. For instance, in Germany, trade unions were confronted with the introduction of derogation clauses in their collective agreements, but managed nevertheless to increase their influence in sectors with high density rates by involving members in company-level bargaining.

Similarly in Italy, trade unions started to organise in order to be able to provide a necessary framework for a number of non-standard forms of contract. Trade unions are also meeting other challenges, such as extending the coverage of collective bargaining to non-standard forms of employment, or taking part in training programmes or training accounts that would help employees to develop lifelong learning, which is particularly important considering that with automation many jobs will disappear and new jobs will be created.

Employers could also benefit from an increased use of collective bargaining to influence flexibility and security outcomes in the enterprise, and thus to implement the necessary reforms and introduce the necessary flexibilities without compromising, but rather increasing, workers’ security. Employers might also discuss the possible consequences of a move to a world with no collective agreements and examine the value added that multi-level bargaining with a combination of higher agreements (at national and sectoral level) and enterprise agreements could offer them in terms of employment, human capital, social climate and economic growth.

This volume clearly emphasises that the social partners are dealing with a range of inequalities and that social dialogue mechanisms, such as collective agreements that include issues related to flexibility, security, employment status, training and so on, can be effective in addressing the various forms of inequality, which have deepened over the recent past.

Finally, the role of the state remains central. National social dialogue and collective bargaining institutions could be strengthened where the state decides to play a supportive role and to use social dialogue effectively as a policy tool. This is especially important because in this way the social partners could contribute to policy reforms on issues such as taxation, insurance and social protection, which will determine future inequality outcomes.

By contrast, the recent weakening of social dialogue institutions – often with the motive of lowering labour costs and boosting competitiveness – has not necessarily led to the expected effects on economic growth, while they have seriously aggravated inequalities along with a rapid decline in
collective bargaining coverage. The influence of collective bargaining and social dialogue on key aspects of reforms (such as pensions, social security, working time, wages and subcontracting) and on inequalities – which we identify in this volume – should thus give additional motivation to policy-makers and social partners to sustain and strengthen, rather than to weaken, social dialogue and collective bargaining, and to put them among their policy priorities. Forthcoming transformations in the world of work will require increasingly more negotiated outcomes and policy solutions so that they better match the changing aspirations and needs of social and economic actors in Europe.

NOTES

5. The average level of the lowest scale in the ministry’s monitoring sample of collective agreements has clearly declined, falling by more than 10 per cent, which has had an impact on inequalities.
6. The authors also explain that the burden will then be placed on open-ended contracts, concluding also with the lack of full job security among open-ended employees.
7. The quantitative analysis in section 4 is based on data from the SES, an employer–employee match dataset provided by Eurostat and representative of enterprises (and their wage employees) for all EU and European Economic Area (EEA) member states. Each of the national statistical offices from these countries is obliged to provide survey data representative of the population of enterprises; the data include variables that describe the characteristics of the enterprise (for example, size, economic sector or regional location, among others), the characteristics of the workforce (for example, age of wage employees, education, gender or occupational skill, among others) and the wage structure of all wage employees in the given enterprise (contractual wages, overtime earnings, bonuses and benefits, number of hours worked per week, weeks worked per year and general information on the working conditions of each wage employee working in the surveyed enterprise at the time of the survey). The data are collected every four years (with the first wave starting in 2002) and reflect information from October and up to October of the given year. The last available wave at the time of writing is that of 2010. The data include all (private) economic sectors (that is, they exclude civil service entities and their employees) representing enterprises with ten employees or more; that is, it excludes micro-enterprises. Eurostat collects and consolidates the information so that the final product is a homogeneous set of variables across countries and time periods. Therefore, the data can be used on a country-by-country basis, but also as a unique dataset that reflects the average wage structure in Europe. Whether the data are used for a given country or for all countries to obtain Europe-wide estimates, the analysis relies on the use of frequency weights (also provided in the data by Eurostat) so that the sample is representative of
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the population. In total, there are more than 30 countries in the data. However, not all countries are provided to all researchers; each project proposal is reviewed by each of the countries, which then decide on a discretionary basis to provide the data for analysis. For the ILO, a total of 22 countries were provided for all periods available (2002, 2006 and 2010). These countries are Belgium, Bulgaria, Cyprus, Czech Republic, Estonia, Finland, France, Greece, Hungary, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Spain, Sweden and the United Kingdom. The data supplied provide information on about 22 million wage employees and about 1.1 million enterprises. For more information on the SES, see http://ec.europa.eu/eurostat/web/microdata/structure-of-earnings-survey (accessed 10 November 2017).

8. We selected the countries for which we have a collective pay agreement distribution that is consistent with industrial relations dynamics over the given period (2002–10) and consistent with the Jelle Visser industrial relations dataset.

9. At the time of writing, data from the SES were not yet available for 2014 (latest survey conducted). Information provided by the experts in their chapters seems to confirm for the most recent period the trends identified in this section.

10. The SES provides information about the type of collective pay agreement that predominates at the enterprise. Each enterprise is asked to declare ‘if’ the enterprise operates under some type of pay agreement, or not’. For those that declare that they operate under some type of collective pay agreement the question is then ‘what type of collective pay agreement covers at least 50% of the employees in this local unit?’ The responding enterprise can select one of six categories, namely, a collective pay agreement at national level, or at sectoral level, or at sectoral-regional level, at enterprise level including all the units of the enterprise, at enterprise level but covering some units of the enterprise, or ‘any other type of collective pay agreement’ not covered above. In the results presented, we have grouped these six categories into one: has some form of collective pay agreement. This is compared with enterprises without collective pay agreement. On the other hand, the Appendix shows the grouping of the six categories into four: national collective pay agreements, sectoral collective pay agreements, enterprise collective pay agreements, and ‘other (but with some sort of agreement)’.

11. The SES provides the variable ‘collective pay agreements’ for all 22 countries. However, the estimates we present includes only seven of these countries (Belgium, Bulgaria, Cyprus, Estonia, Hungary, Latvia and Lithuania). Owing to data anomaly in the indicator for collective pay agreement, we have dropped the following countries from our sample: Italy, The Netherlands, Norway, Poland, Spain and Sweden. In the Appendix the selection is based on a comparison of the dynamics of the variable on collective pay agreements in the SES with external sources that provide a comprehensive qualitative description on collective bargaining and pay agreements in several countries (see http://www.uva-aias.net/en/ictwss, accessed 11 November 2017).

12. Approximately 1 million enterprises were surveyed in the 22 countries over the three periods covering 2002 to 2010. The proportional representation of small enterprises for 2002, 2006 and 2010 was 42 per cent, 39 per cent and 40 per cent, respectively; of medium-sized enterprises, 29 per cent, 22 per cent and 25 per cent, respectively; and of large enterprises, 28 per cent, 38 per cent and 35 per cent, respectively. In terms of what proportion of employees belong to each category we observe that these proportions remain relatively constant over time: about 26 per cent for small enterprises, about 20 per cent for medium-sized enterprises and about 54 per cent for large enterprises.

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APPENDIX

This Appendix shows similar estimates to those presented above, but using only eight countries: Belgium, Bulgaria, Cyprus, Estonia, Hungary, Latvia, Lithuania and the United Kingdom. The dynamics of ‘types of collective’ pay agreements in these countries is consistent with the information provided by the ICTWSS dataset. Therefore, a similar analysis can be completed as above, but distinguishing five categories of enterprise: those covered by (1) national pay agreements; (2) sectoral agreements; (3) enterprise agreements; and (4) other (but with some sort of agreement). There is also a category of enterprises that is ‘not covered by any type of collective pay agreement’. Estimates for this latter are identical to those presented above for the so-called ‘no CPA’ category.

Table 1A.1 is based on Figures 1.1 and 1.2. It shows, for each type of CPA, the period-to-period percentage change in wage employees for each percentage change in enterprises.

![Figure 1A.1](distribution-of-enterprises)
The impact of industrial relations and labour policies

Figure 1A.2  Distribution of individuals (wage employees) by type of CPA (percentage)

Table 1A.1  Period-to-period change in wage employees to changes in enterprises by type of collective pay agreement (percentage)

<table>
<thead>
<tr>
<th>Type of Collective Pay Agreement</th>
<th>Elasticity 2002–06</th>
<th>Elasticity 2006–10</th>
</tr>
</thead>
<tbody>
<tr>
<td>National level collective pay agreement</td>
<td>0.04 (decline)</td>
<td>−1.8 (increase)</td>
</tr>
<tr>
<td>Sectoral collective pay agreement</td>
<td>1.4 (increase)</td>
<td>−0.2 (increase)</td>
</tr>
<tr>
<td>Enterprise level collective pay agreement</td>
<td>1.3 (decline)</td>
<td>1.02 (decline)</td>
</tr>
<tr>
<td>Other type of collective pay agreement not mentioned (but has)</td>
<td>−2.4 (decline)</td>
<td>2.3 (increase)</td>
</tr>
<tr>
<td>Does not have any type of collective pay agreement</td>
<td>0.82 (increase)</td>
<td>0.24 (increase)</td>
</tr>
</tbody>
</table>
Source: ILO estimates based on the SES.

Figure 1A.3 Collective pay agreements and enterprise size, 2002–10 (percentage)
The impact of industrial relations and labour policies

Note: Estimates are based on real hourly wages which includes contractual wages, overtime payment and non-regular bonus and benefits. All measures are based on real values with base year in 2010. We estimate the ratios on a country-by-country basis – for each of the 22 economies and for each of the three periods.

Figure 1A.4 Wage inequality and collective pay agreements, 2002–10 (percentage)
Gender pay gap by type of collective pay agreement

![Graph showing gender pay gap by type of collective pay agreement](image)

**Figure 1A.5** Wage inequality and type of collective pay agreement, 2002–10
Figure 1A.6  Categories of contractual agreement by type of collective pay agreement, 2002–10 (percentage)
Figure 1A.6 (continued)
### Table 1A.2 Hours worked and overtime (2010)

<table>
<thead>
<tr>
<th>By type of collective pay agreement:</th>
<th>All employees</th>
<th>Full-time employees</th>
<th>Part-time employees</th>
<th>Percentage of part-time wage employees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average hours worked per week</td>
<td>% of which are overtime</td>
<td>Average hours worked per week</td>
<td>% of which are overtime</td>
</tr>
<tr>
<td>National</td>
<td>31.4</td>
<td>1.3</td>
<td>33.6</td>
<td>1.2</td>
</tr>
<tr>
<td>Sectoral</td>
<td>32.6</td>
<td>2.7</td>
<td>38.0</td>
<td>2.5</td>
</tr>
<tr>
<td>Enterprise</td>
<td>35.5</td>
<td>3.4</td>
<td>39.8</td>
<td>3.3</td>
</tr>
<tr>
<td>Other (but with some sort of agreement)</td>
<td>31.6</td>
<td>5.9</td>
<td>38.8</td>
<td>3.9</td>
</tr>
<tr>
<td>No CPA</td>
<td>34.5</td>
<td>2.2</td>
<td>39.7</td>
<td>2.0</td>
</tr>
</tbody>
</table>

*Note: CPA = collective pay agreement.*