

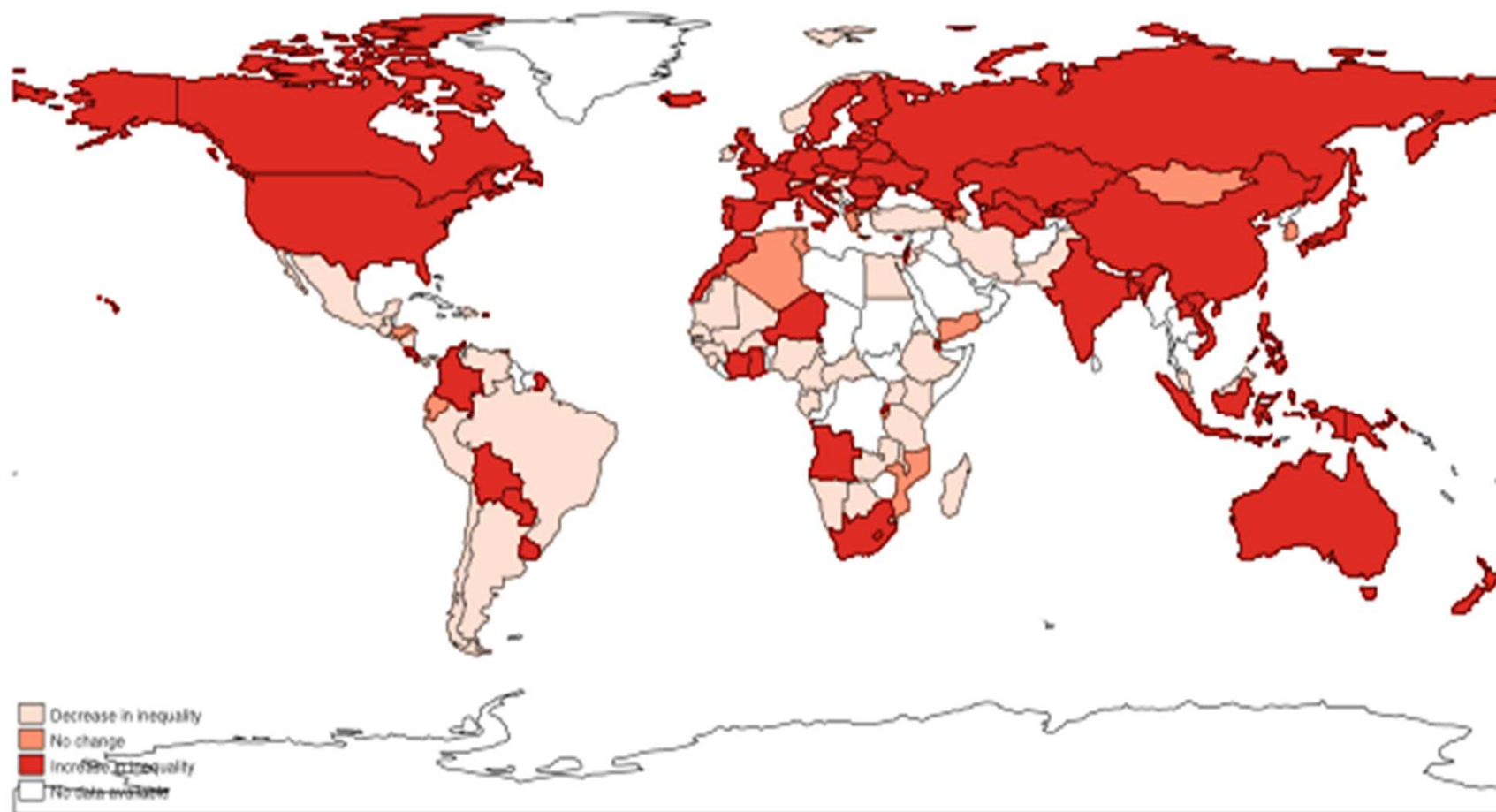
Labour market institutions to enable collective representation and reduce inequality

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Institutions, and Workers' Power

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Changing trends in income inequality around the world



Note: Comparing early to mid-1990s with mid- to late 2000s.

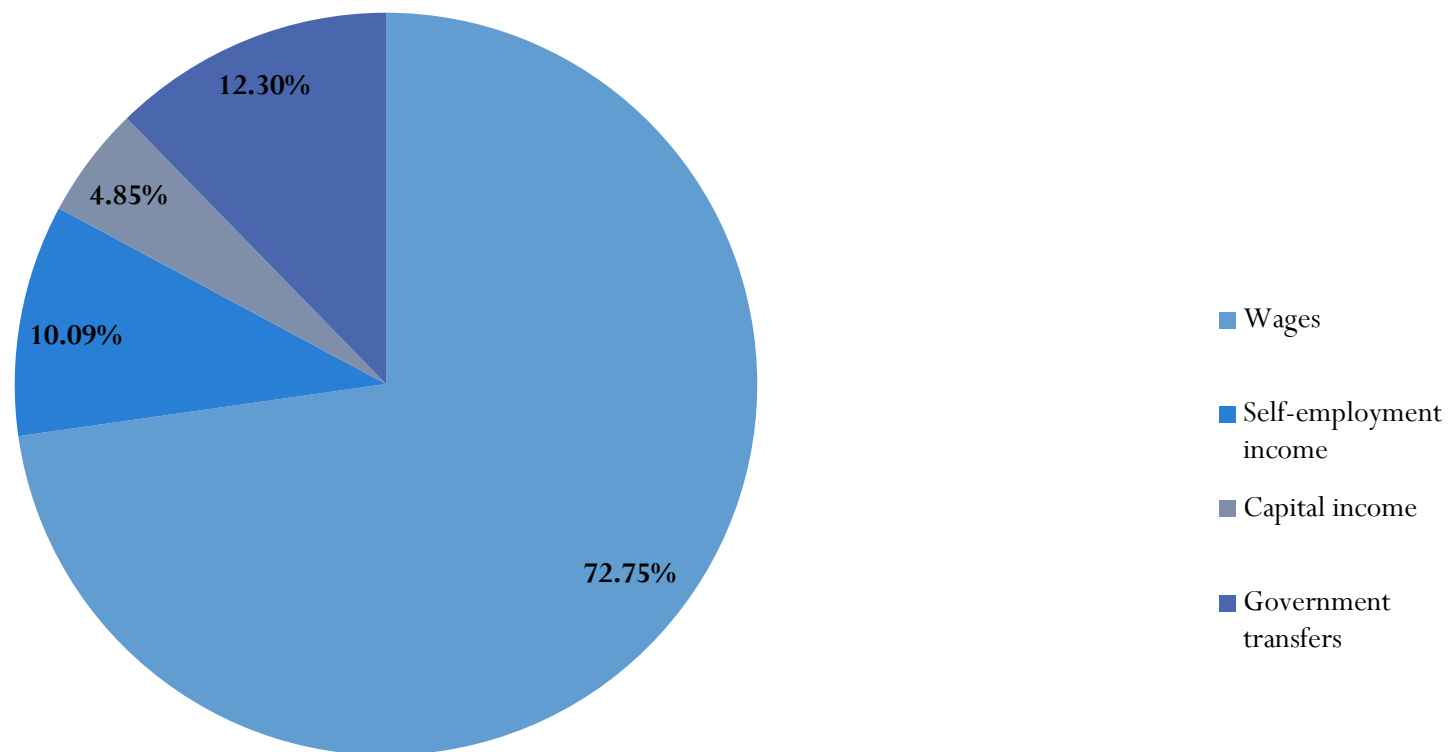
Source: SWIID.

Understanding the drivers of income inequality

- Multiple drivers of rising inequality, many are related:
 - Lower wage shares (increasing profit shares)
 - Decoupling between wages and productivity growth
 - Less than full employment
 - Greater wage dispersion
 - Weakening of national and industrial wage policies (MWs, CB)
 - Non-standard forms of employment
 - Less redistribution
 - Retrenchment and ineffectiveness of welfare state
 - Reduction of taxes and greater regressivity of tax system

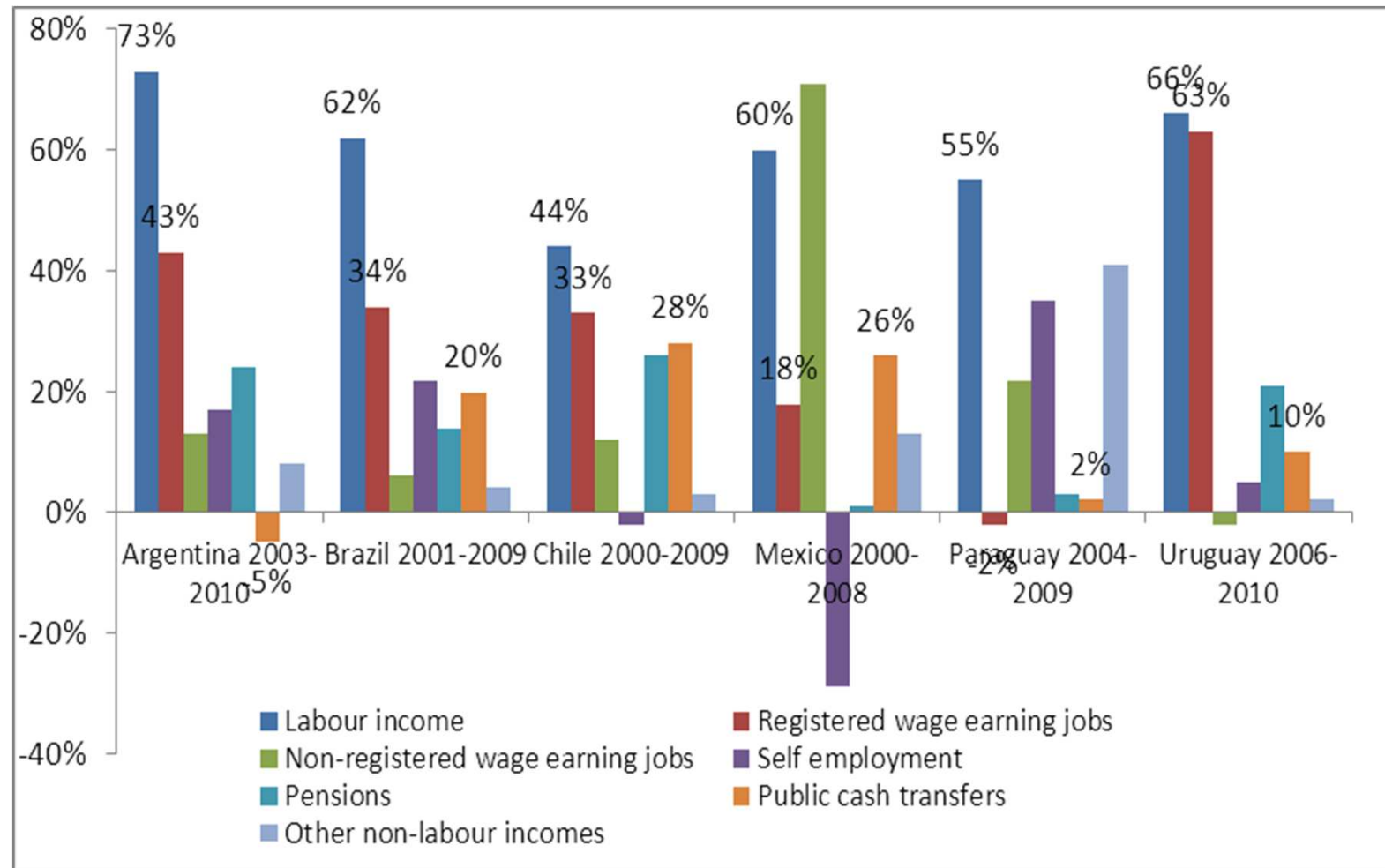
The Importance of Income from Work

Components of disposable income, working-age population, OECD-30, mid-2000s



Source: OECD, 2011.

Improvements in employment and wages led the fall in inequality in Latin America



Source: Keifman and Maurizio, 2012.

LMIs and Low-Wage Work

- A 2010 comparative study of retail jobs in the food and consumer electronics sectors in 6 industrialized countries (from edited volume, *Low-Wage Work in the Wealthy World*)
- Study revealed large differences in pay, working hours, turnover and working conditions, despite similar trends of technological innovation and the rise of big box retailers.

Retail Job Characteristics across Six Industrialized Countries, mid-2000s

	Percentage that are low-wage*	Annual labour turnover (%)	Part-time workers (%)	Value-added per hour worked, 2005 euros, PPP
Denmark	23	36	50	21.94
France	18	20	28	29.55
Germany	42	20	47	26.36
Netherlands	46	27	70	23.43
United Kingdom	49	26	51	24.59
United States	42	50	28	25.41

Source: J. Gauthié and J. Schmitt, eds., “Low-Wage Work in the Wealthy World,” Russel Sage Foundation, 2011 .

How contract type affects earnings

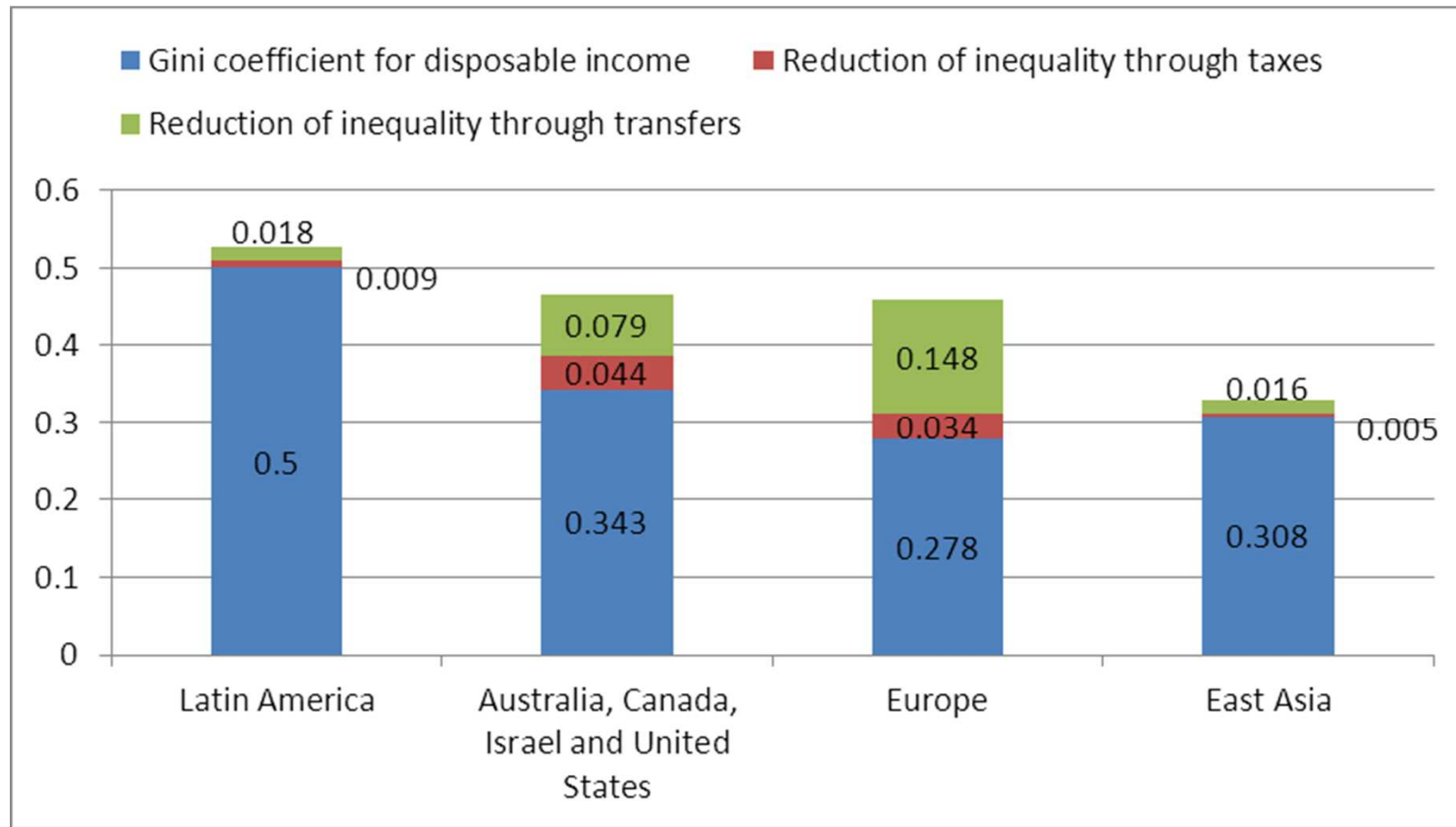
- Wage penalties associated with fixed-term contracts, part-time work and no contract (informal waged employment).
- Atypical contracts (and informal contracts) also tend to have fewer social protection benefits and benefit less from training.
- Countries with greater percentage of atypical employment tend to have greater wage inequality; much greater dispersion of earnings among informal workers.

LMIs and the Inequality of Different Groups

- Minimum wages, EPL, unions are portrayed as helping insiders to the detriment of outsiders (women, racial and ethnic minorities).
Evidence to the contrary, particularly with respect to earnings.
 - Women, minorities, youths, and migrants tend to be over-represented among the low-wage workforce in most countries. As such, they benefit most from MW and collective bargaining policies.
 - E.g., MW increases in Brazil directly benefitted more women (13.8% of women earned MW compared with 5.9% of men). Increases lowered male-female wage gap and white-black wage gap.
 - Gender wage gap is highest among countries with neither strong CB nor a high value statutory minimum wage (Rubery and Grimshaw, 2011).

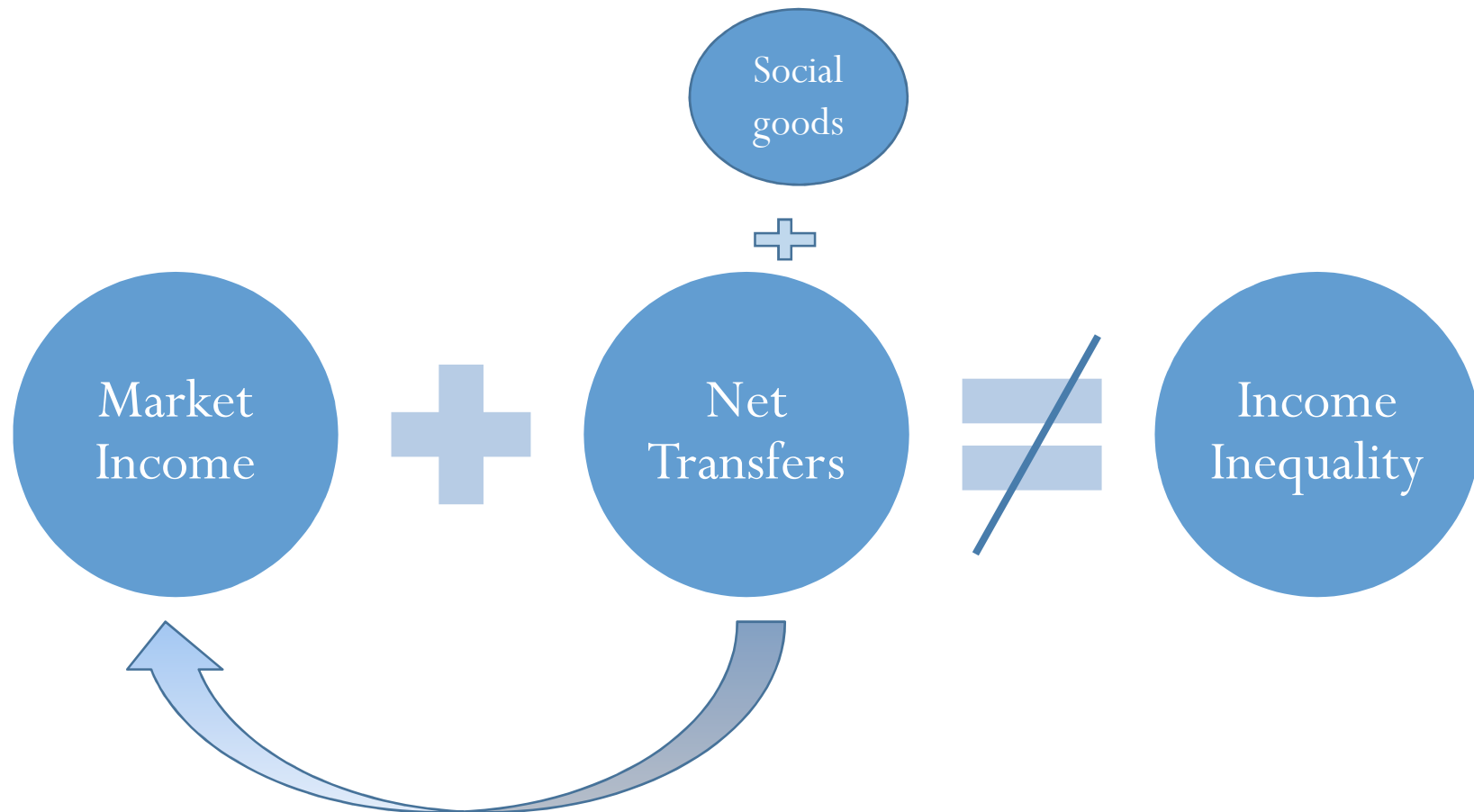
Redistribution policies

Impact of taxes and transfers on income inequality, regional averages (c. 2000s)



Source: Luebker, Chapter 9.

Transfer policies and social goods affect market participation and income



How public services affect income distribution

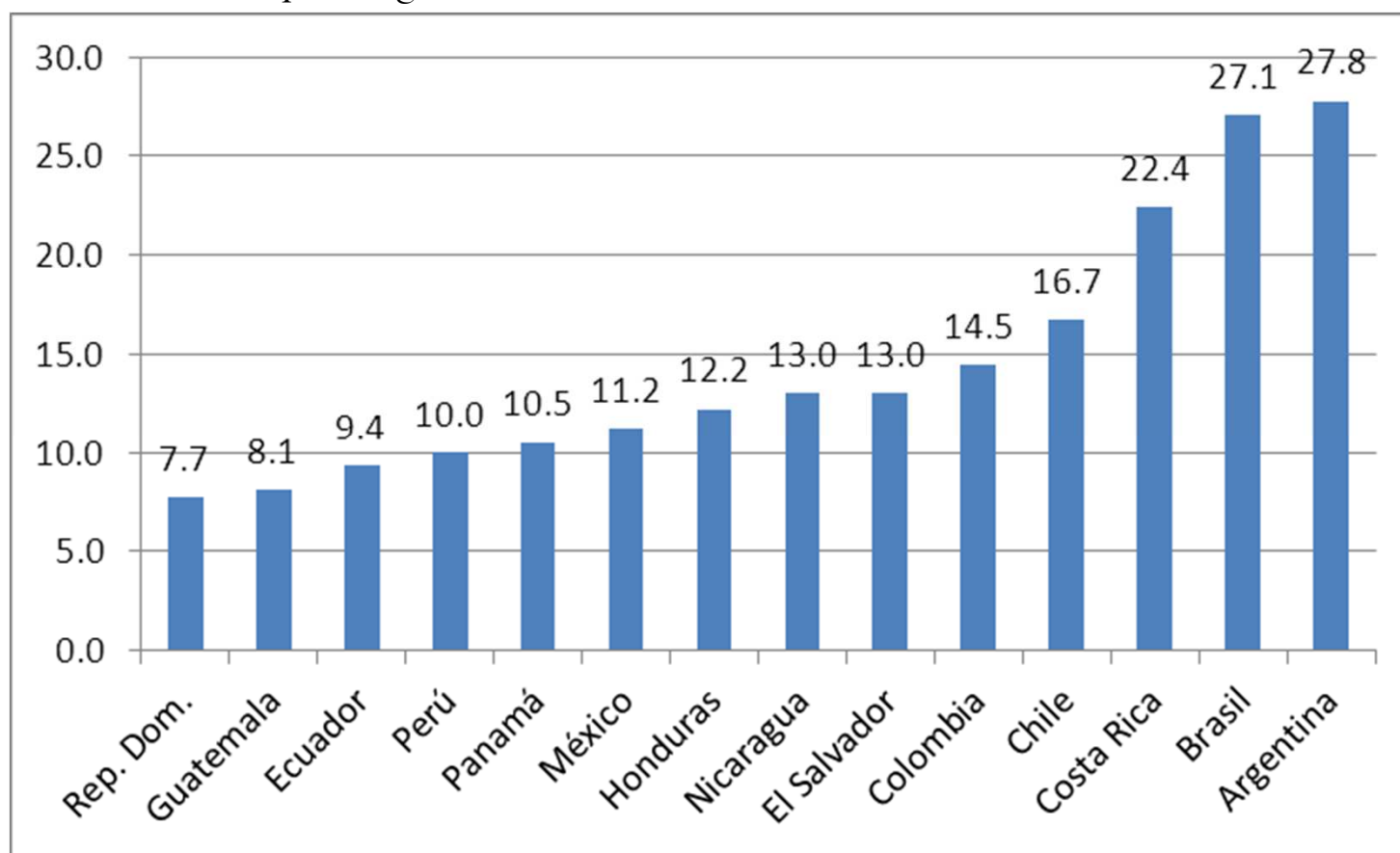
Table 5. Income-increasing effect of in-kind benefits from public services by quintile, OECD-27 average, 2007

	Q1	Q2	Q3	Q4	Q5	Total
Education	30.6%	18.5%	14.2%	10.4%	5.6%	11.8%
Health care	34.9%	22.2%	15.8%	11.8%	7.2%	13.9%
Social housing	1.8%	0.7%	0.4%	0.2%	0.1%	0.4%
ECEC	4.5%	3.0%	2.4%	1.5%	0.8%	1.8%
Elderly care	4.0%	1.9%	0.7%	0.4%	0.2%	0.9%
Total	75.8%	46.4%	33.5%	24.3%	13.7%	28.8%

Source: OECD, 2011.

Social spending remains inadequate in many parts of the developing world

Social spending as %GDP, 2009



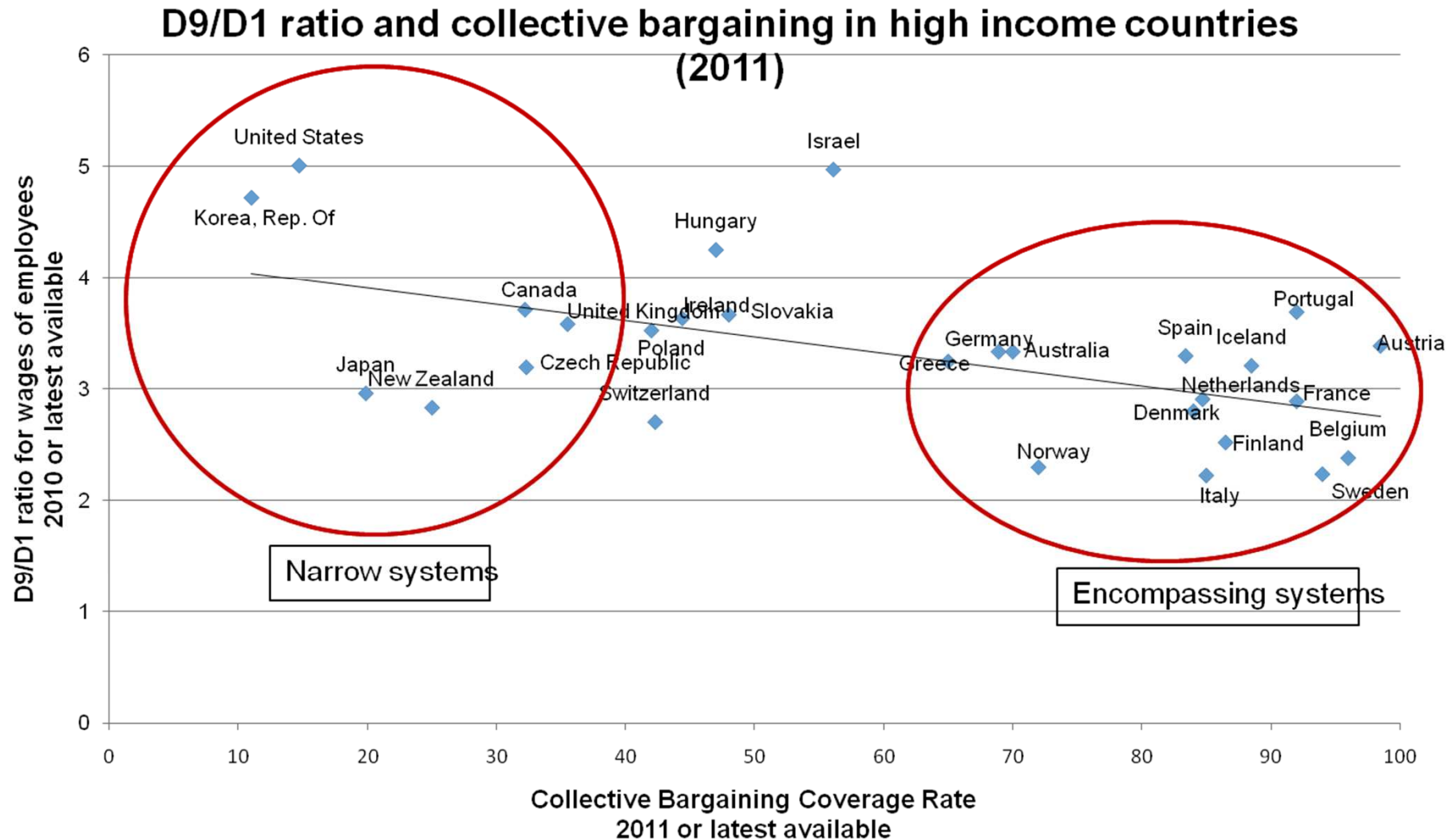
Source: CEPAL.

How collective representation can help
to reduce wage and income inequality

What do unions do (to reduce inequality)?

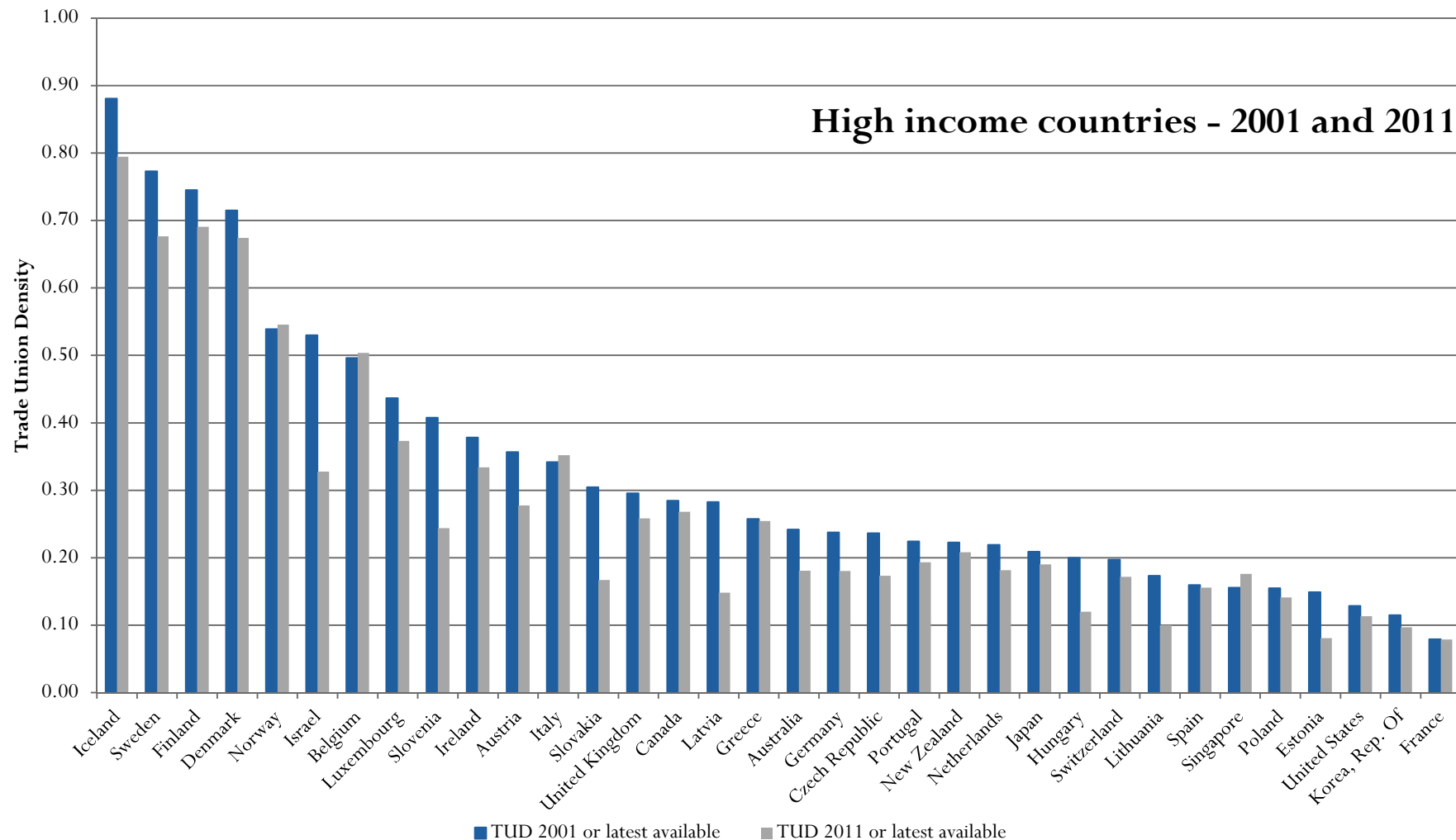
- Flying-top: provide “countervailing power” to offset market dominance and prevent winner-take-all economy (Freeman, 2011)
- Redistributive policies: strong association between union strength (density) and higher levels of expenditure on social protection (Traxler and Brandl, 2009)
- Reduce wage inequality: compress wage structures and reduce differences between groups of workers
- Parity for atypical workers: regularise contracts, equal pay for non-regular contracts

Higher collective bargaining coverage, more centralized.....less wage inequality



Source: ICTWSS Database (Version 4.0 – April 2013) and OECD Stats

Decline in membership and erosion of CB accounts for one third of rise in inequality.....



Source: ICTWSS Database (Version 4.0 – April 2013)

Negotiating parity for precarious workers

Issue	Outcome	Agreement
Employment	Limit segmentation	USA: IKEA Swedwood & IAMAW supported by BWI (2012): Limits the number of temporary workers that can be hired and requires them to undertake safety training before entering plant.
	Transition to regular employment	France: Caterpillar & FO, CFTC and CGT - Grenoble and Echirolle plants (2012): transformation of 80 precarious labour contracts to convert in 2012 into permanent contracts.
Wages and working time	Equal pay	South Africa: Metal Engineering and Industries Bargaining Council (2011 – 2014): All workers procured through Temporary Employment Service to enjoy existing terms and conditions of employment outlined in the Main Agreement. Duration limited to four months, after which employment regularised. Portable entitlements to industry fund.
	Narrowing pay gap	Netherlands: ABU &, FNV, CNV, De Unie and LBV (2009 – 2014) initially derogated from the principle of equal pay. Renewed agreement signed in July 2012 introduces user (equal) pay as of day 1 to be implemented by 2015. Germany: IG Metall & BAP and iGZ (2012): sector-related supplement to close the pay gap between regular and temporary workers, works agreement to agree on engagement of temporary agency workers.