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INDUSTRIAL RELATIONS IN EUROPE
FOSTERING EQUALITY AND CROSS-COUNTRY CONVERGENCE?

CONFERENCE ORGANIZED BY THE INTERNATIONAL LABOUR OFFICE
IN COOPERATION WITH THE EUROPEAN COMMISSION
Institutional developments as minimum wage and social protection to fostering convergence

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What role for social policy?

- Economic convergence ≠ Social convergence
- The existence of different models of Welfare State in the EU explains that convergence in GDP pc often is not followed by convergence in social protection.

Spain as example
Economic convergence until the 2009 Great Recession

- Average France, UK, Germany, Sweden, Italy
- Spain
- Spain GDPpc/GDP pc 5 countries (%)

GDP pc (2011 $ PPP)
Without convergence in social protection (until the Great Recession)

Social expenditure as percentage of GDP: EU(15), Spain and country with the maximum and minimum indicator, 1995-2014
With important implications as:

Social protection contributes to lower income inequality.

+ Weakens the intensity of the link between income and wellbeing, as access to health, education, housing is partially decoupled from income.
Income inequality and social expenditure, 2009

\[ y = 0.0331x^2 - 2.0393x + 59.148 \]

\[ R^2 = 0.5152 \]
Dimensions of the Index of Economic Well Being of Spain and average of 9 European countries, 1980-2014

Source: Author’s analysis from Osberg and Sharpe (2016).
The role of industrial relations and social dialogue in social convergence (Spain):

• Social expenditure has been used as a “social wage” to compensate wage moderation (*Pactos de la Moncloa, 1977*)
• A High level of Collective Agreements coverage contributes to lower wage inequality.
• TU initiative behind some of the latest developments of the Spanish Welfare State
  • Creation of non contributory pensions in 1990
  • Extension of unemployment assistance during the Great Recession
  • Basic Income debate (Popular Legislative Initiative)
(2) What role for MW?

- Large variety of approaches to MW in the EU in terms of:

**Existence:**
- Set by CA (Austria, Italy, Denmark, Finland or Sweden)
- Statutory regulations (France, The Netherlands, Spain, United Kingdom or more recently Germany, 2013)

**Level (2016):**
- Average of 21 EU countries: 42.6%
- Max: 50% (Lithuania, 50.3%, Slovenia, 50.7%, France, 47.1%)
- Min: 34.1% Spain.

**Incidence (2014):**
- Average: 6.8% (2014)
- Max: Slovenia: 19%
- Min: Belgium, 04%; Spain: 1%

Far from the 50% - 60% threshold proposed by the 1961 European Social Charter of the Council of Europe.
• Slight convergence in relative MW, partly explained by the changing sample of countries with MW (or information about MW relative level)

STD of MW/Average wage (%)
• Possibility of setting a target in terms of MW level in relation to the average wage of each member state.
• Important in a potential future context of lower CA coverage due to changes in the labour market (deregulation + technical change).

“The implementation of a European minimum wage standard should furthermore take account of the fact that statutory and collectively agreed minimum wages are functional equivalents for the purpose of ensuring the comprehensive application of minimum wages; as such, the European minimum wage standard should not only specify a certain relative level but should also incorporate a range of measures to improve collective bargaining coverage”.
Thank you / Merci beaucoup
Index of Economic Well-Being

Consumption flows:
- p.c. market consumption (adjusted)
- Life expectancy
- Unpaid work per capita
- Leisure p.c.
- Government spending p.c.
- (-) Regrettable expenditure p.c.

Equality:
- Income inequality
- Poverty rate and gap

Economic security:
- Risk from unemployment
- Financial risk from illness
- Risk from single parent poverty
- Risk from poverty in old age

Wealth stock:
- Capital stock p.c.
- R&D p.c.
- Natural resources p.c.
- Human capital
- Net international investment position p.c.
- (-) social cost of environmental degradation

"An Index of Economic Well-being for Selected OECD Countries."
Public Social Expenditure / GDP (%)

2000

Fuente: OECD Stats
Public Social Expenditure / GDP (%)
2016

Fuente: OECD Stats