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Deregulation – Experiences and recovery

Collective Bargaining in the European Social Model & the Future of Work

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The Neoliberal Labor Market Model (NLMM)

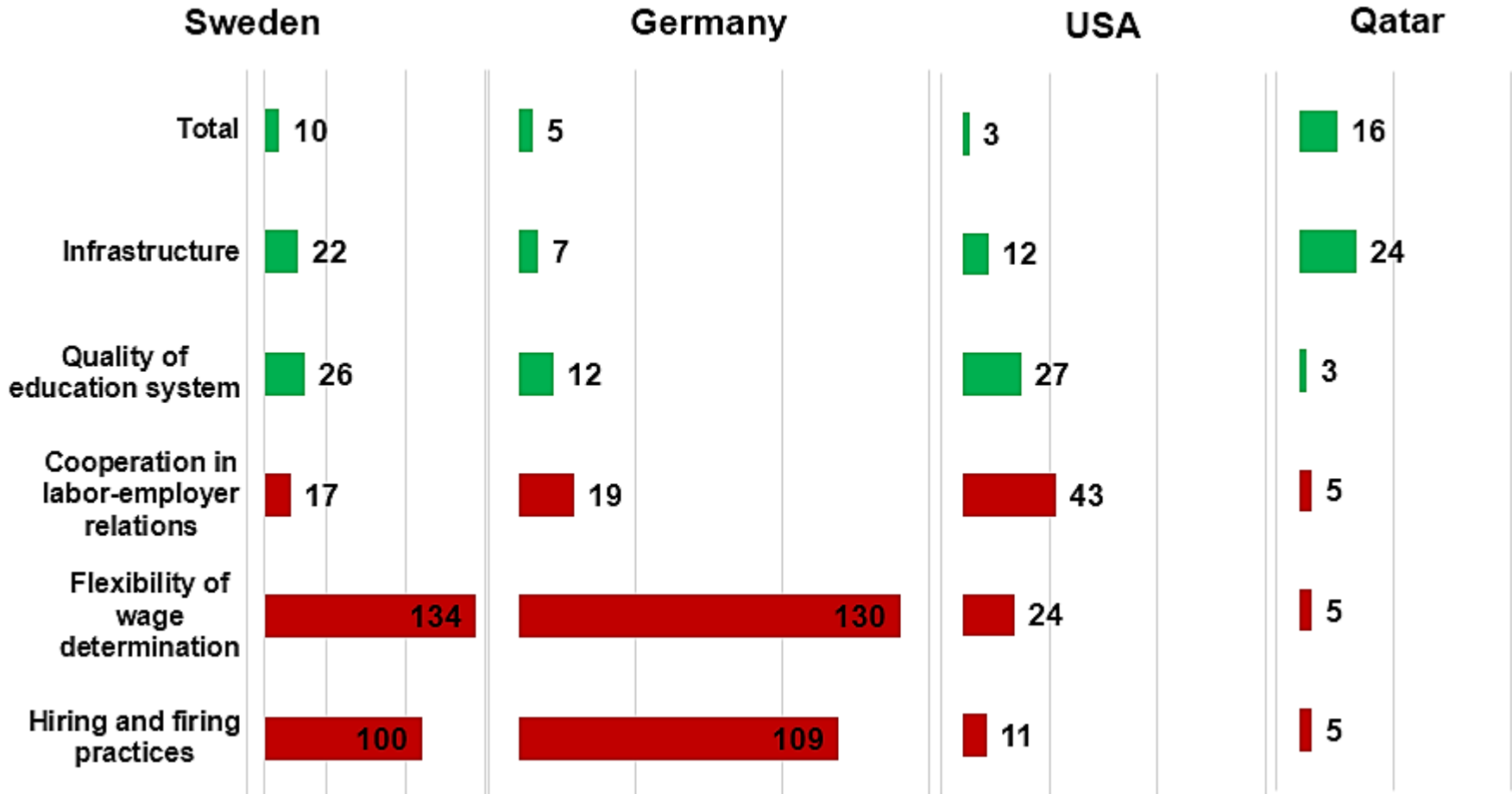
Basic assumptions – equilibrium through

- micro- and
- macro-wage-flexibility
- neglectable trade-offs

Institutions like Collective Bargaining

- no value in itself (like democratic rights)
- a barrier to micro and macro-flexibility
(especially industry wide bargaining, extension of agreements, favorability principle)

Impact of NLMM on Ranking – Example: The Global Competitive Index of the World Economic Forum



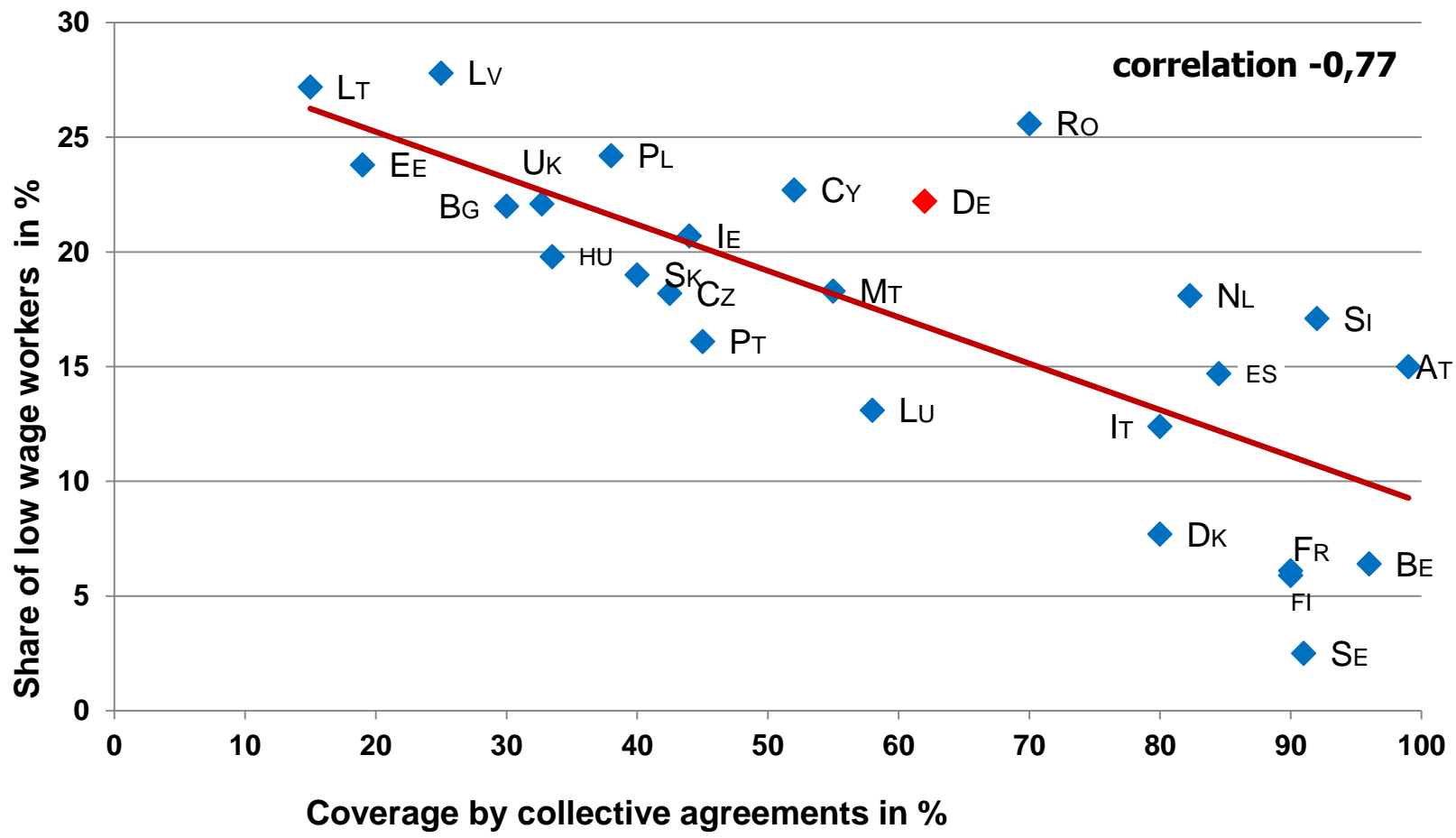
Impacts of the Neoliberal Labor Market Model

- 1. Increase of social inequality – erosion of the middle class**
- 2. Undermining built-in-stabilizers in economic crisis**
- 3. Reduction of efficiency**
- 4. Weakening of democratic institutions**

Impacts of the Neoliberal Labor Market Model

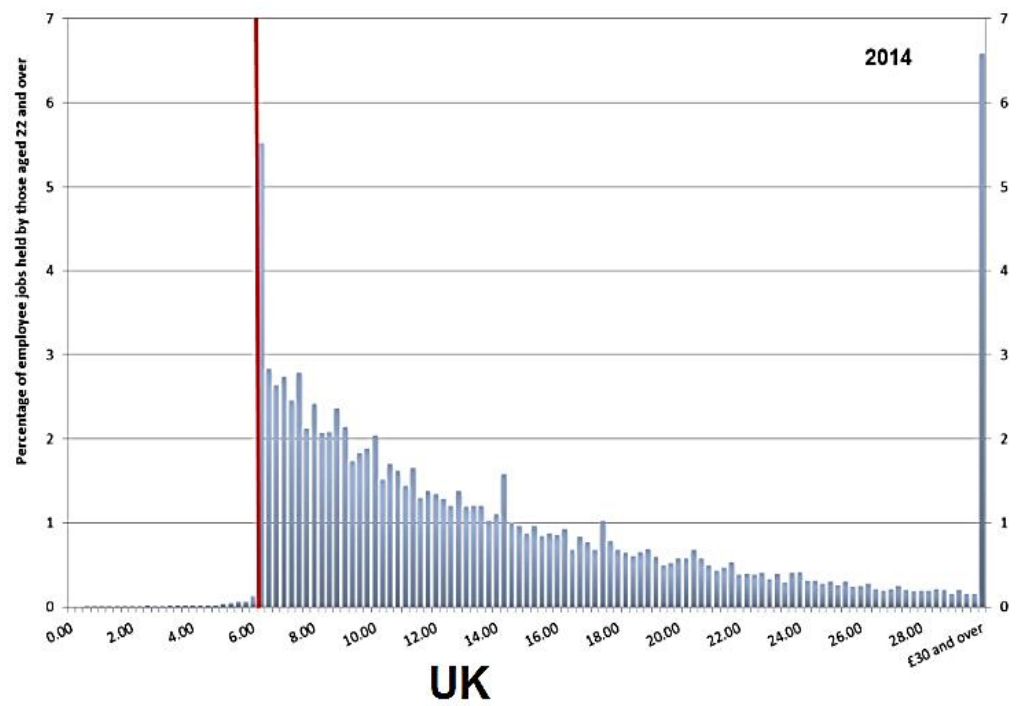
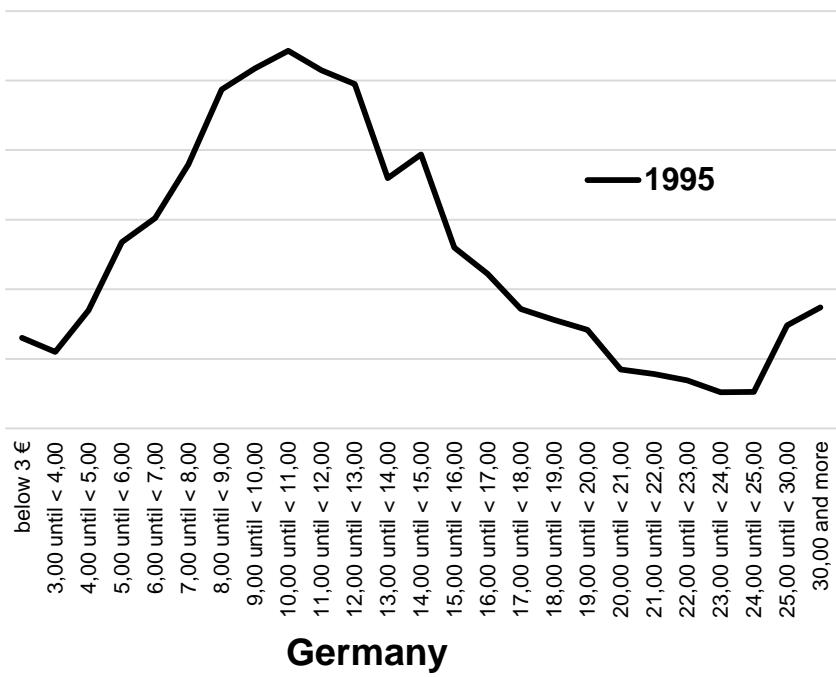
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Coverage by collective agreements (2008) and low wage share (2010)



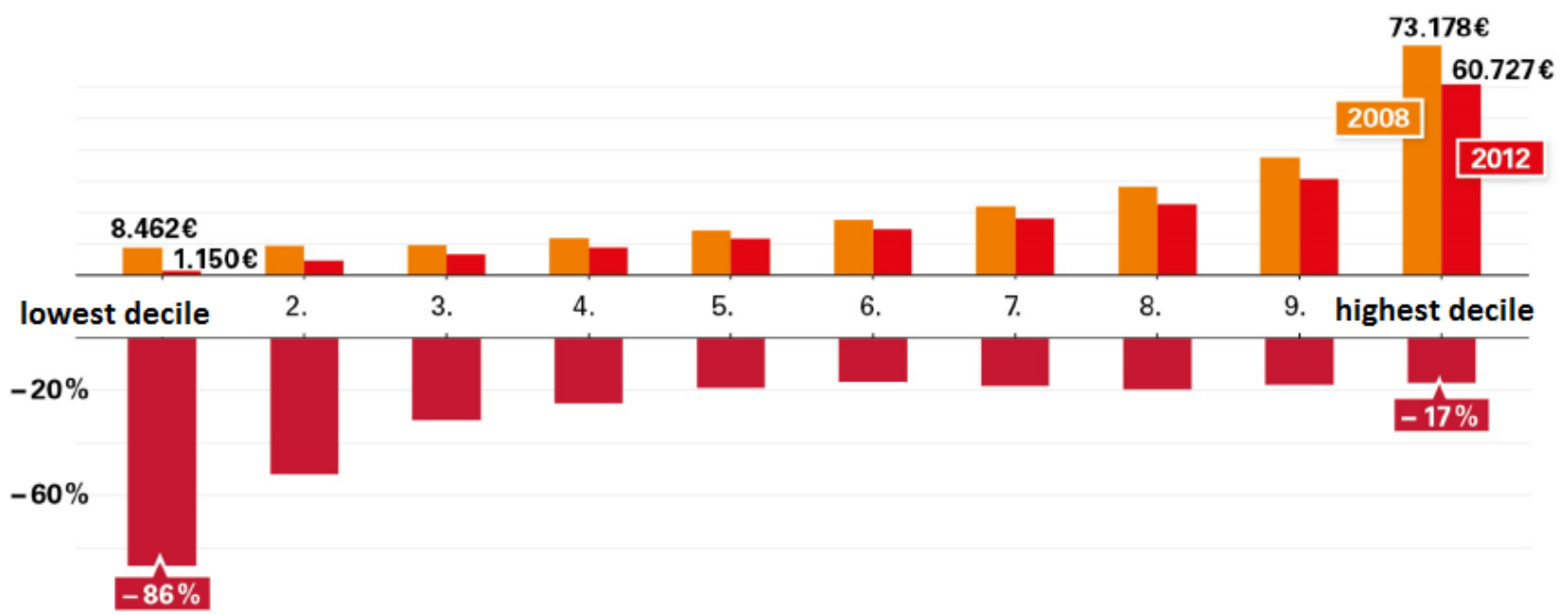
Source: Bosch/Weinkopf 2013; Visser 2011; Bezzina 2012, own calculations

Two real cases: UK 2014 and Germany 1995



Source: : SOEP 2012, own calculations; Dickens (2015): The Low Pay Commission and the National Minimum Wage. Presentation to NEDLAC

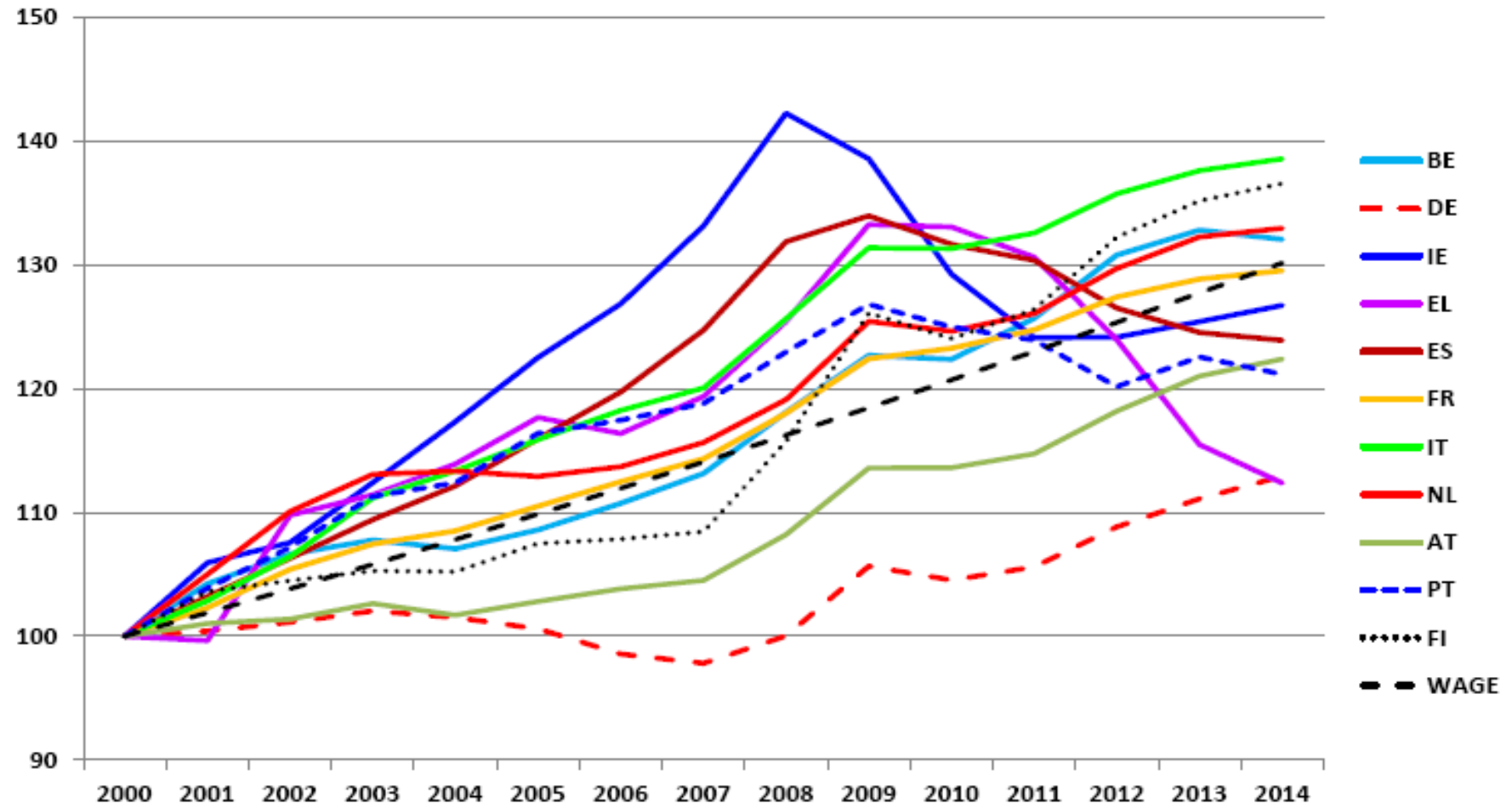
Impact of austerity policy on household-incomes in Greece 2008 – 2012



Impacts of the Neoliberal Labor Market Model

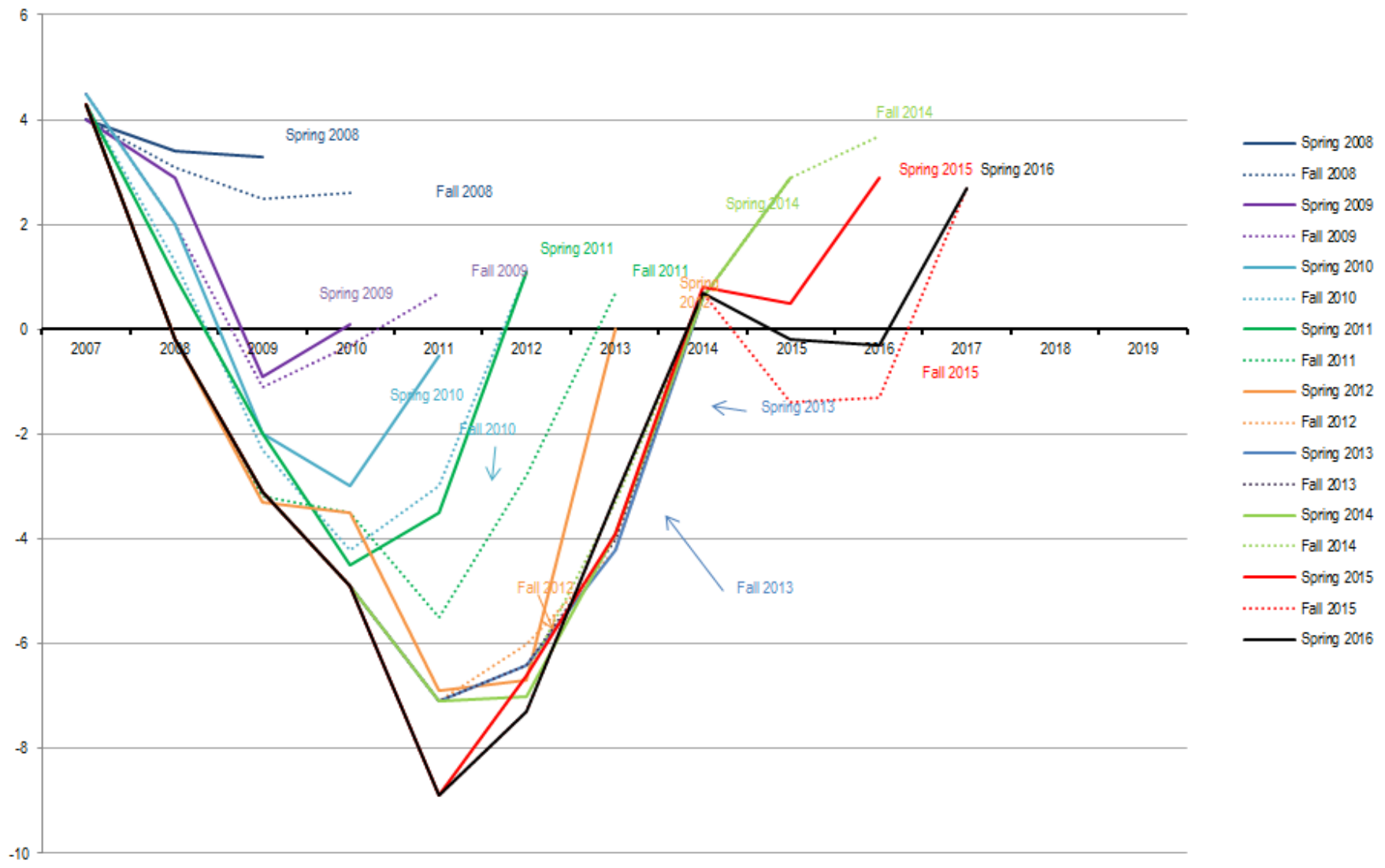
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Nominal unit labour costs in EU countries 2000 - 2014



Source: Eurostat

Forecast Errors on Greek GDP by EU Commission



Source: EU Commission

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Reduction of Efficiency

Micro-flexibility encourages low-road business-models

No profit from the benefits of co-ordinated CB which research has shown like:

- **Extension of scope and time horizon of CB: negotiations on internal flexibility (skills, w-time)**
- **Reduction of transaction costs for companies – highly important for SME's**
- **Levelled playing fields for companies: Encourages investments in skills**
- **Reduction of bureaucracy – creation of labour standards according to the needs of industries – unburden the state from interventions**

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Weakening of democratic institutions

- **Trade-unions give employees a voice in political decisions**
- **Fragmentation of CB marginalizes unions**
- **Increasing inequality reduces participation in political life like in voting in political elections**

**Result: - No countervailing power to business lobbying -
easier for special interests to influence political
decisions**

Conclusion

Clearly negative impacts of labor market deregulation

But caution:

- **Opposition to neo-liberalism not sufficient**
- **Rigid and unsustainable labor market institutions and resistance to all reforms support demands for deregulation**
- **Continuous need to reform collective agreements**
- **The positive impacts of co-ordinated CB do not come automatically – require trust between social partners and modernization of CA (*for example w-time flexibility for employees as well as for emmployers*)**