
Competitiveness – a prerequisite for wellbeing and convergence in Europe? Comments Odile Chagny (Ires, France)



TUREC Seminar. 1st Trade Union related Economists Conference
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- **Adopting a pragmatical & « policy recommandation » approach to answer the following question :**

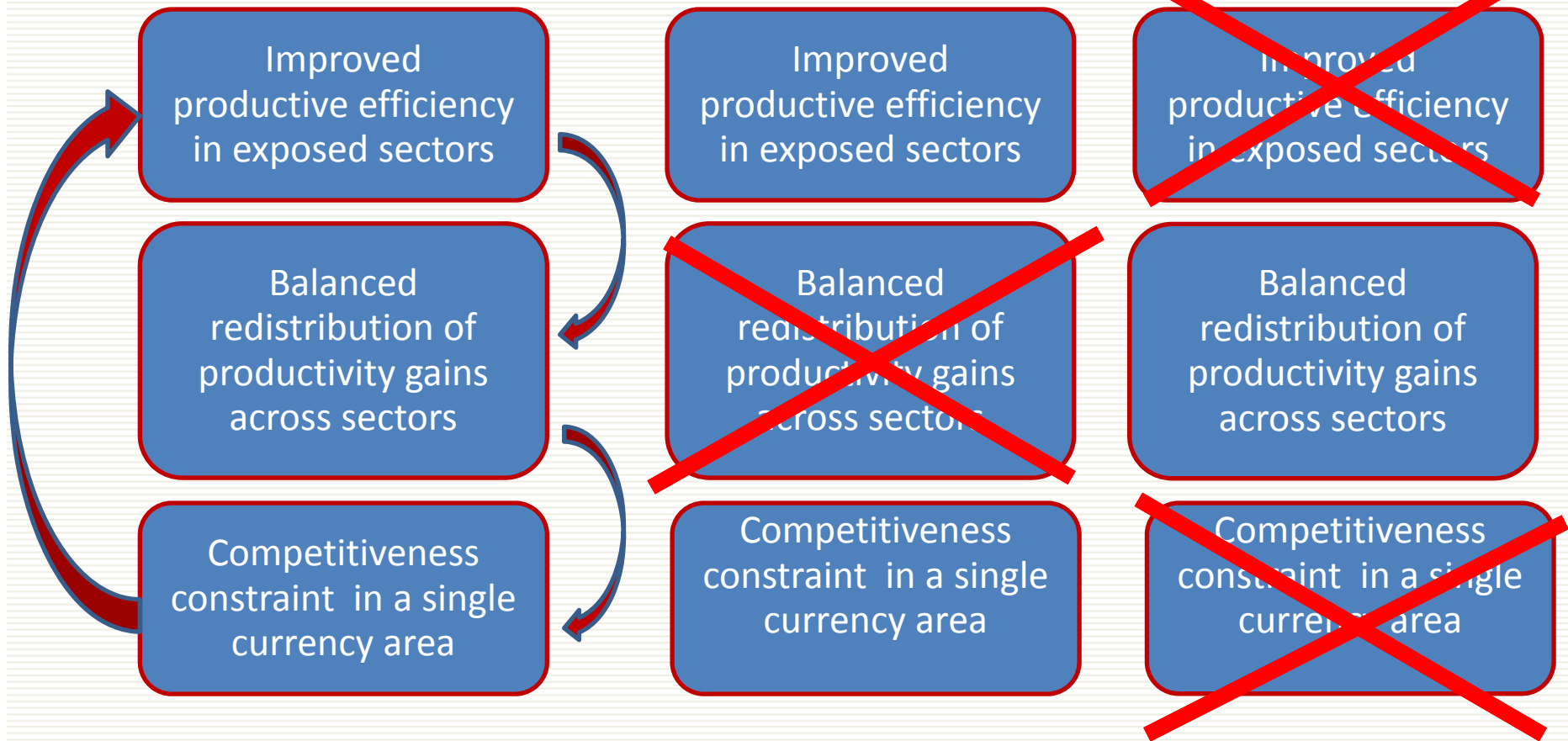
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- Is there any possibility to figure out how an “**optimum wage rule**” for the euro area could look like?
 - **By wage regime, what do we mean exactly?**
 - A **wage regime** = organization of the relationship between wages and labour productivity in Eurozone countries and specifically across sectors)
 - **By optimum wage regime, what could we understand?**
 - An organization of that relationship able to cope with different objectives: social cohesion, real convergence and to respect the competitiveness constraint imposed by a single currency area
 - that would be able to offer a way out of the crisis alternative to that of internal devaluations, their recessionary impacts and the new divergences *across countries they encourage* .
 - **The risks today**
 - To generalize the “german path” [non homogenous across sectors]
 - **The recommandations**
 - to recognize the incompleteness of the European construction,
 - to implement economic policies aimed both at enforcing balanced w

Three specific wage regimes in the Eurozone

« Royal » way

« German » way

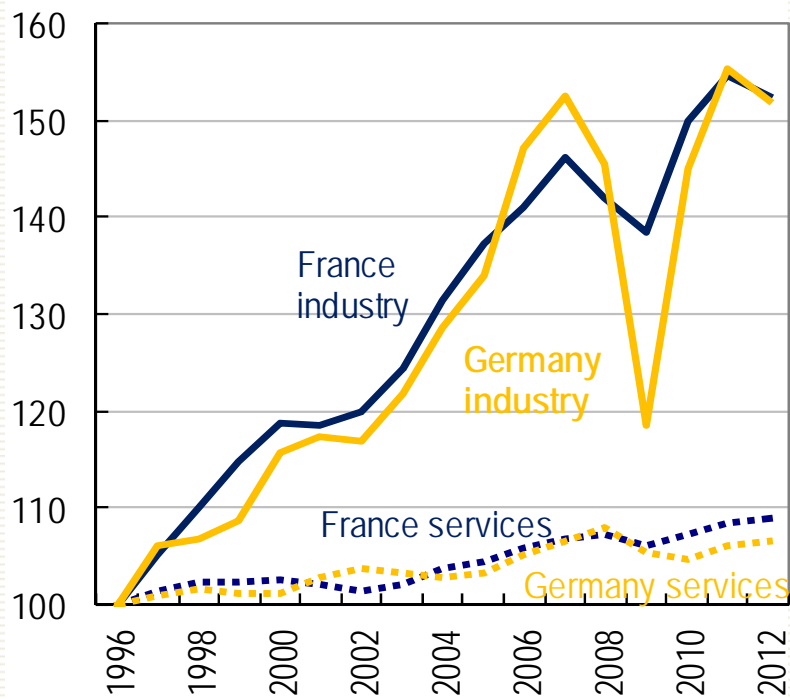
« Southern » way



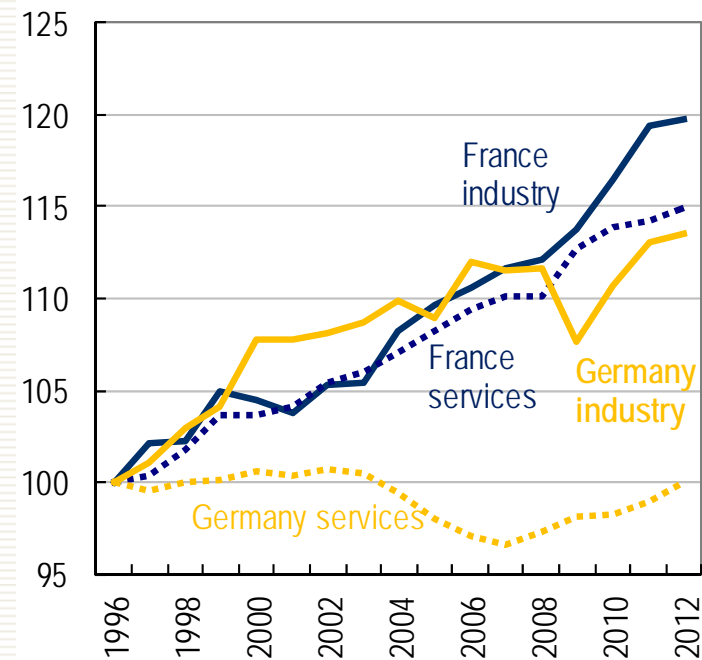
Productivity/wages relationship

Germany was the exception!

Productivity developments in France and Germany

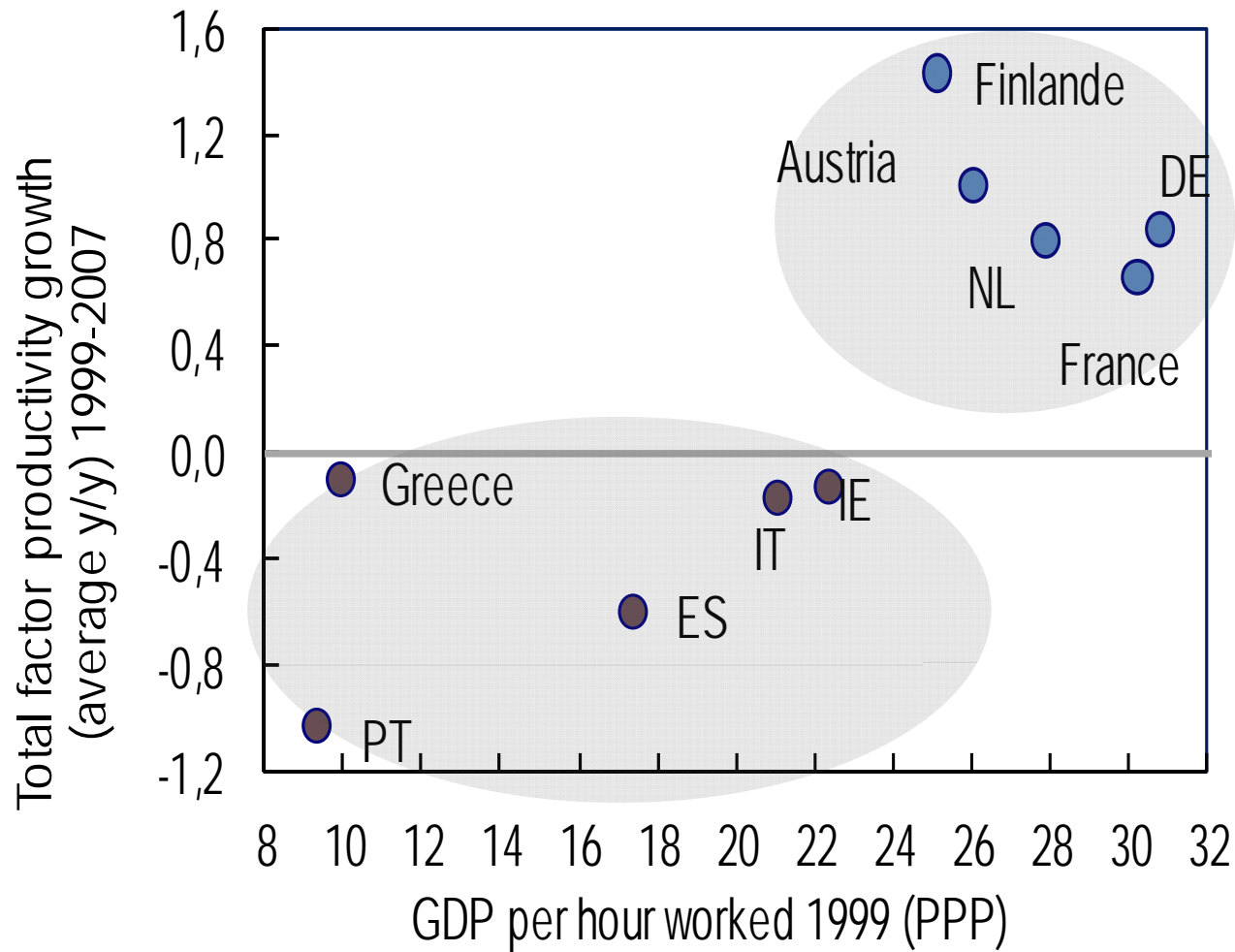


Real wage developments in France and Germany

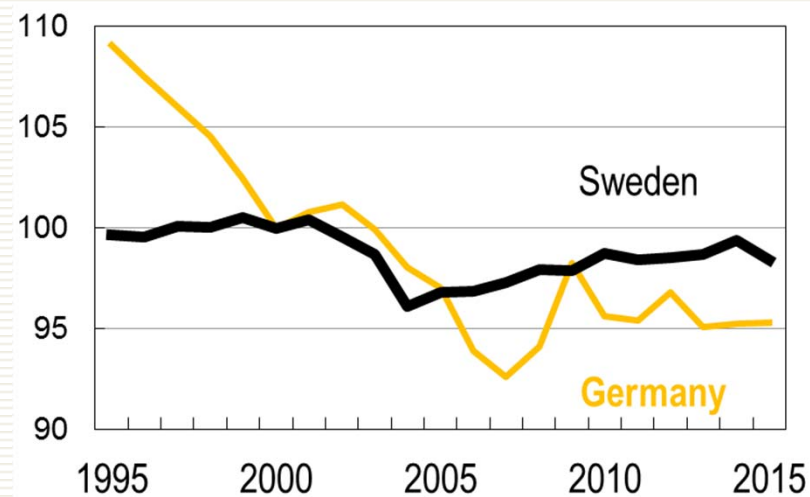
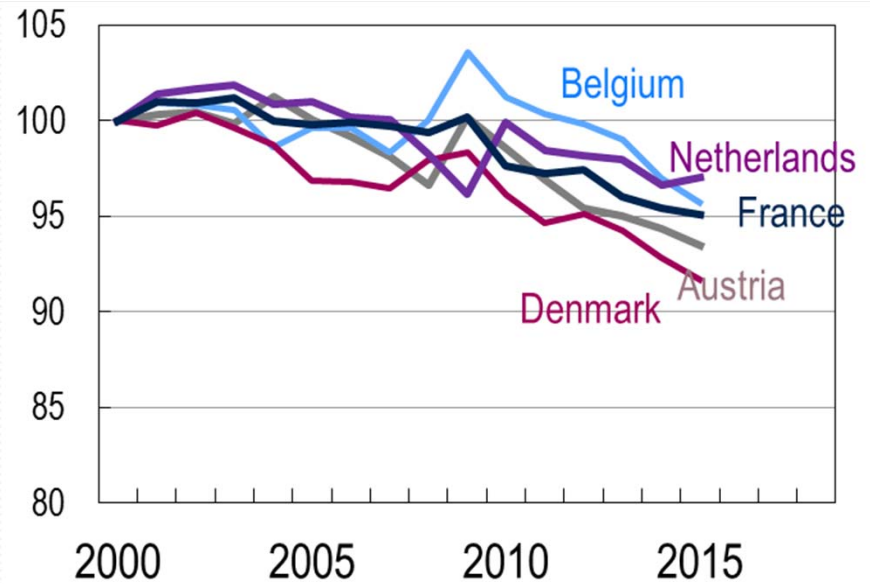
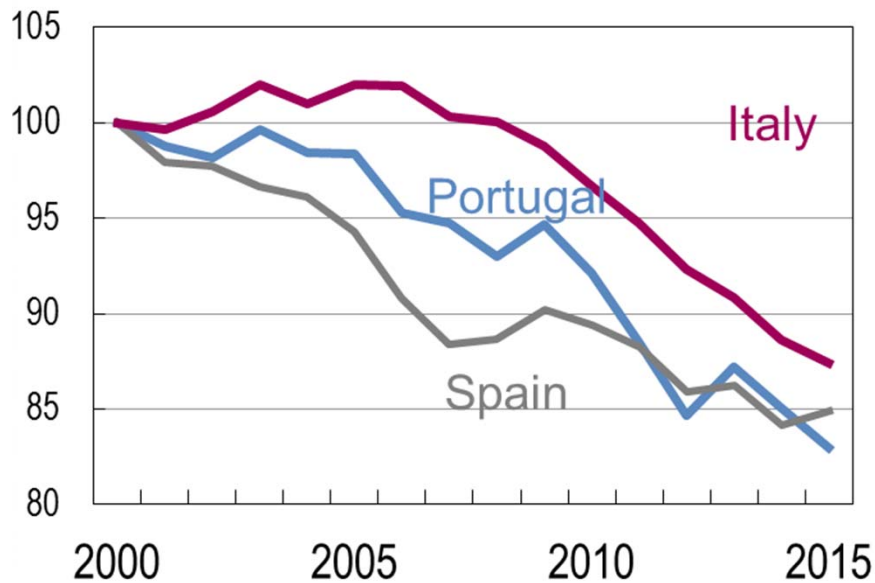


Source: Chagny et Husson 2015

Productive convergence did not take place



We are experiencing a « historical » shift since 2009



Dominant analysis summary

- ❖ Dominant analysis, especially originating from the European Institutions, postulates that excessive wage growth was the main cause of the crisis in the euro area.
- ❖ Consistently, wage moderation and structural – mainly labour market, but not only there – reforms are presented as the key levers for rebalancing the euro area
- ❖ These recommendations are directed toward more decentralisation in collective bargaining and an industry level connection of wages with labour productivity.
- ❖ **This perspective amounts to abandoning the idea of a general optimum wage rule. In other words, such proposals do not aim at implementing real convergence within the euro area. Instead of seeking how to consolidate an optimum wage regime, their goal seems to move away from it.**

Alternative wage policies are realistic, and proposal are on the table

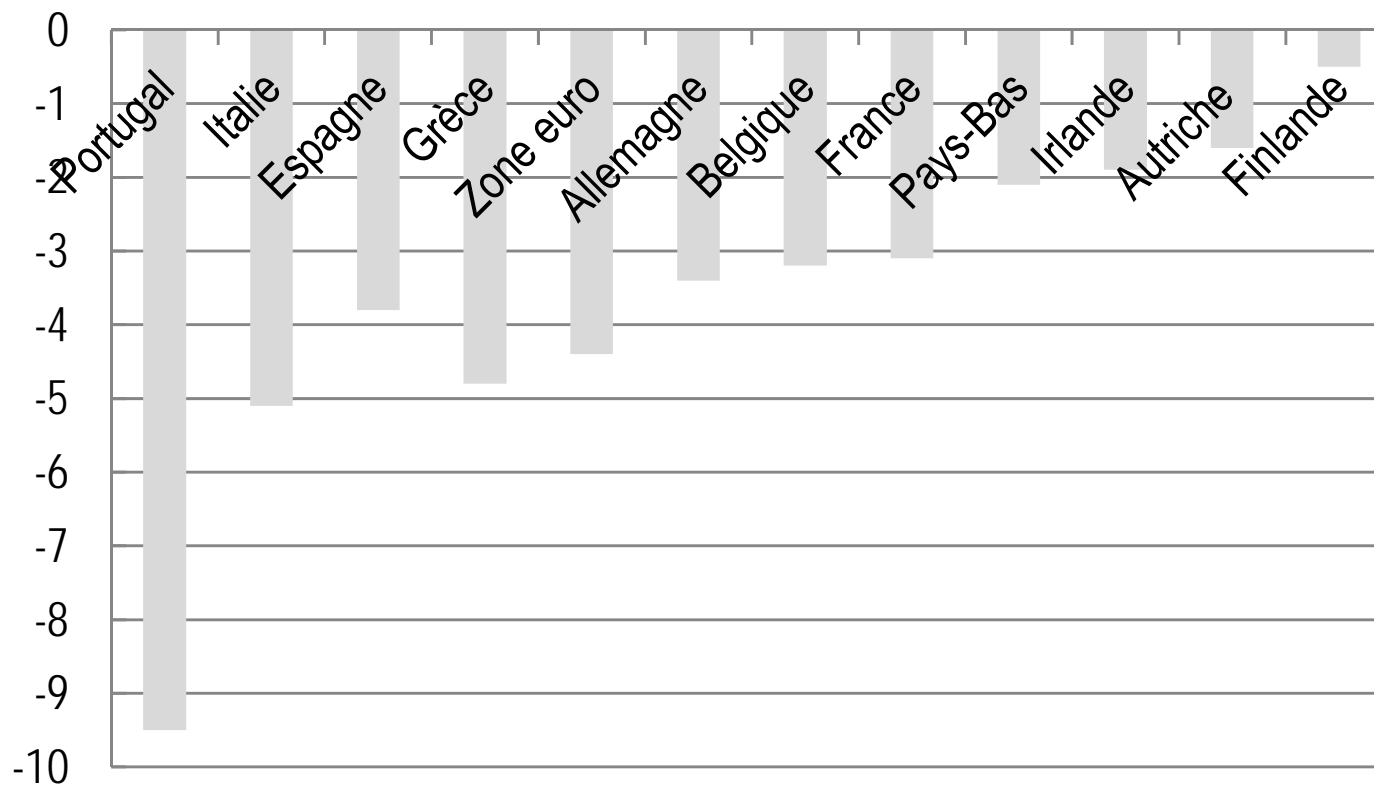
- ❖ The 'golden rule' that indexes wages on inflation and average productivity is the fairest rule for distributing productivity gains and systematic capture by firms – primarily to benefit shareholders – in the name of competitiveness is not economically or socially sustainable.
- ❖ At European level, the aim of avoiding an increasing wage gap across sectors and to prevent deflationary risks would benefit from the introduction of a **minimum wage system**.
- ❖ Only transfers and investments directed towards sectors in which productivity can be raised significantly in the catch-up countries would trigger convergence of productivity gains, which in turn constitutes the material basis underlying the homogenisation of wage earners' living standards. This is the perspective proposed by the European Trade Union Confederation with its plan 'for investment, sustainable growth and quality employment' (ETUC 2013) and its proposals for wages and collective bargaining (ETUC 2014)

Thank you for your attention



We are experiencing a « historical » shift since 2009

Ecart entre le taux de croissance des salaires dans les services et l'industrie 2009-2013



	2015	2014	2013
AUSTRIA		Tax wedge	Différentiel de salaire hommes/femmes
Belgique	Wages/Productivity	Wages/Productivity	Wages/Productivity
Bulgarie	Min wage	Min wage	
Croatie	Wages/Productivity	Wages/Productivity	
Finlande	Wages/Productivity		Wages/Productivity
France	Wages/Productivity Min wage	Tax wedge	Labor cost/competitiveness Min wage
Allemagne	Tax wedge	Tax wedge Min wage	Wages/demande intérieure Social contributions
Hongrie		Tax wedge	Tax wedge
Italie	Wages/Productivity	Réforme du système de fixation des salaires	Wages/Productivity
Lettonie	Tax wedge		Tax wedge
Lituanie	Tax wedge		
Luxembourg	Wages/Productivity	Wages/Productivity	Wages/Productivity
Pays Bas		Differentiated wage increases	
Portugal	Wages/Productivity Min wage	Wages/Productivity Wage moderation Exemptions collective agreements	
Roumanie	Min wage	Min wage	
Slovénie	Min wage	Min wage	Min wage
Espagne	Wages/Productivity	Competitiveness, social contributions	
Salaire/productivité	7 pays	4 pays	4 pays
Salaire minimum	5 pays	4 pays	2 pays
Fiscalité sur le travail	3 pays	5 pays	4 pays

Country Specific Recommendations



Internal devaluation : the last avatar of Governance Recommendations

❖ 2015 EUROPEAN SEMESTER

❖ European Commission, 13 May 2015, Country Specific Recommendations Communication :

“The promotion of job creation also requires **real wages to move in line with productivity developments and reflect differences in situations across industry and companies**. Taking into account different conditions for competitiveness and productivity developments across and within sectors may require some flexibility for **differentiated wage developments**. These should be designed with the involvement of the social partners, in line with national practice and tradition. If wage setting mechanisms result in wages that are not in line with productivity levels and trends they can lead to employment losses or segmentation of labour markets ».

❖ 5 PRESIDENT REPORT “: Completing Europe’s Economic and Monetary union

“The creation by each euro area Member State of a national body in charge of tracking performance and policies in the field of competitiveness is recommended. These Competitiveness Authorities should be independent entities with a mandate to ‘**wages are evolving in line with productivity** and compare with developments in other euro area countries”

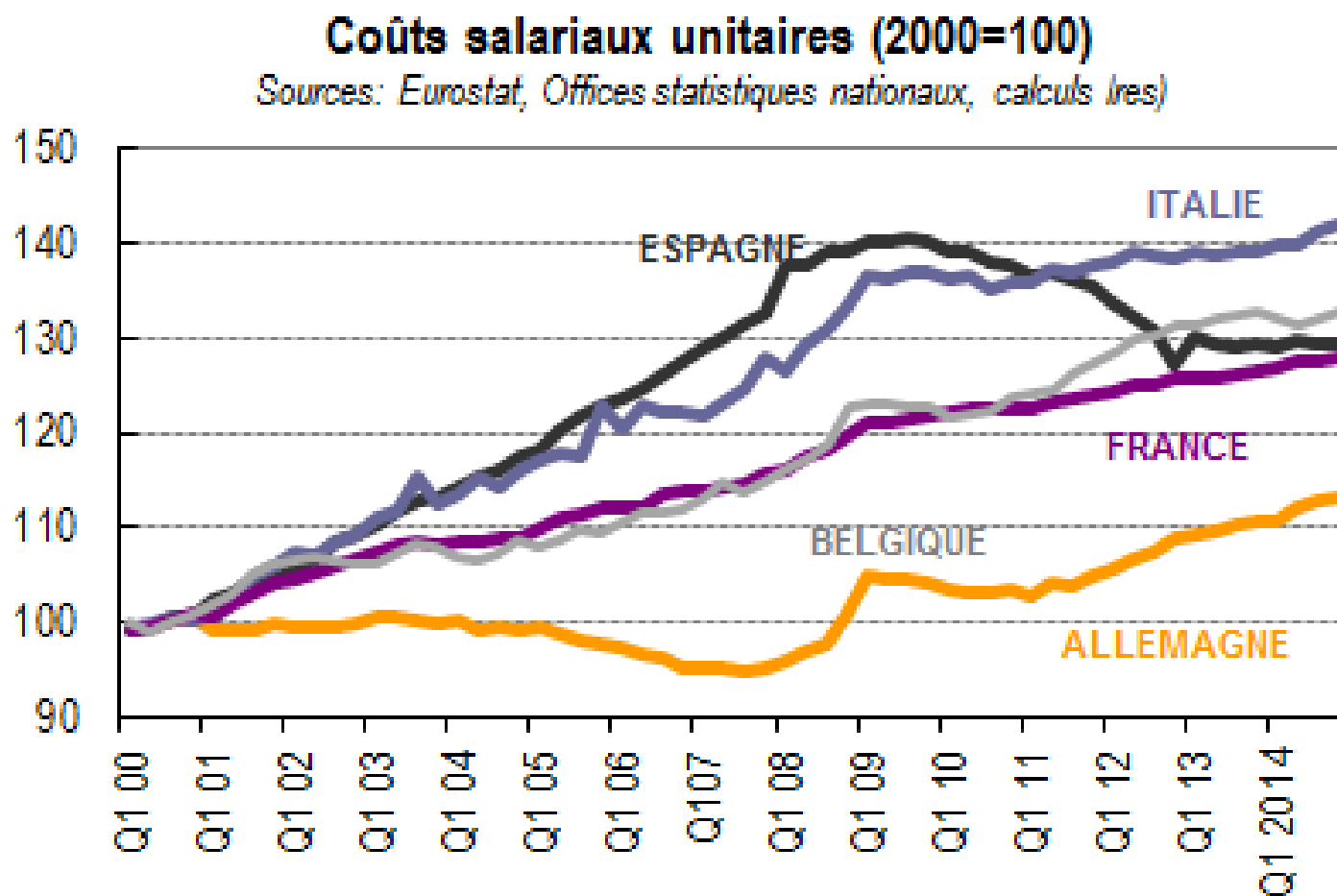
❖ **such proposals do not aim at implementing real convergence within the euro area.**

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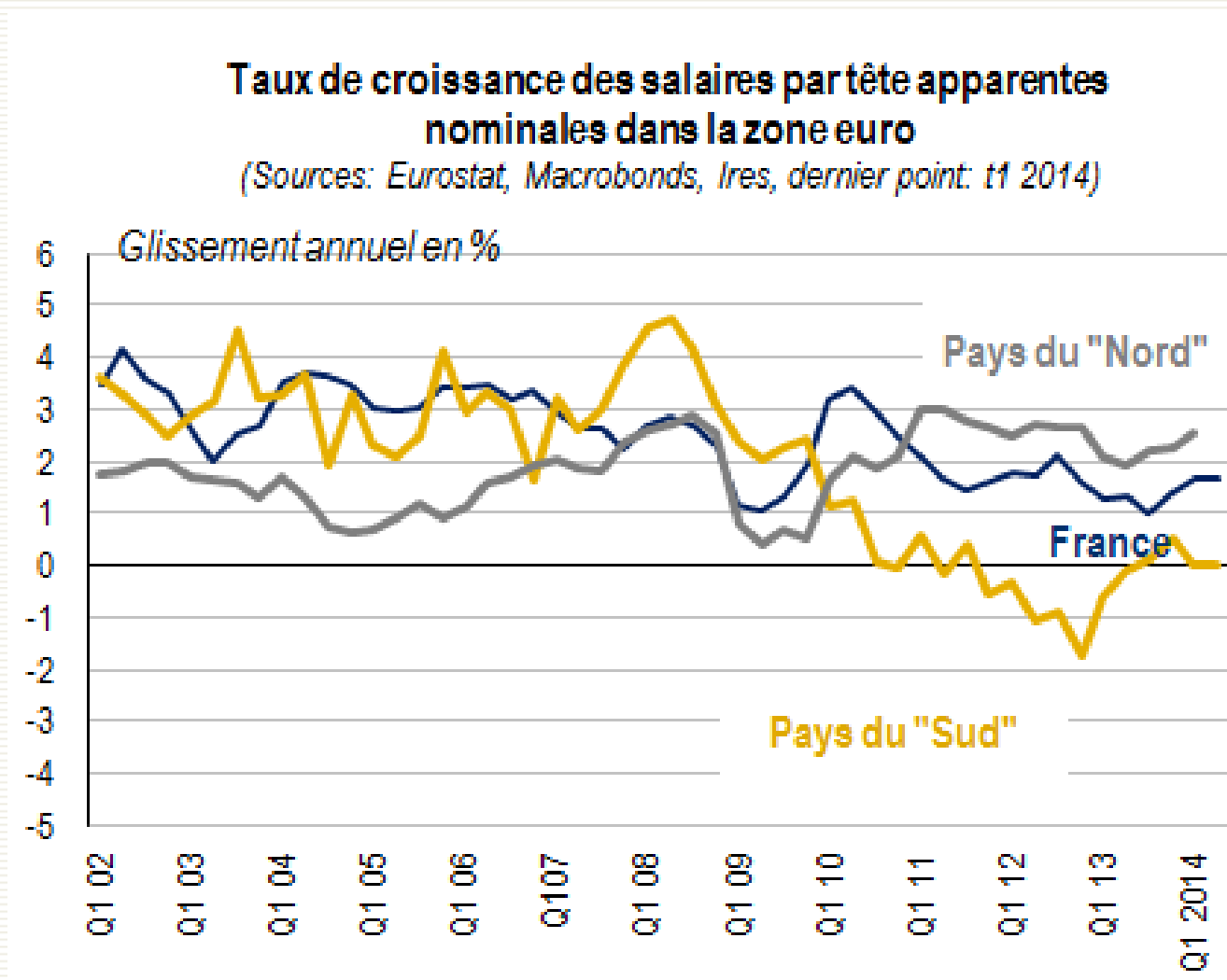
Annexe

Les cartes rebattues

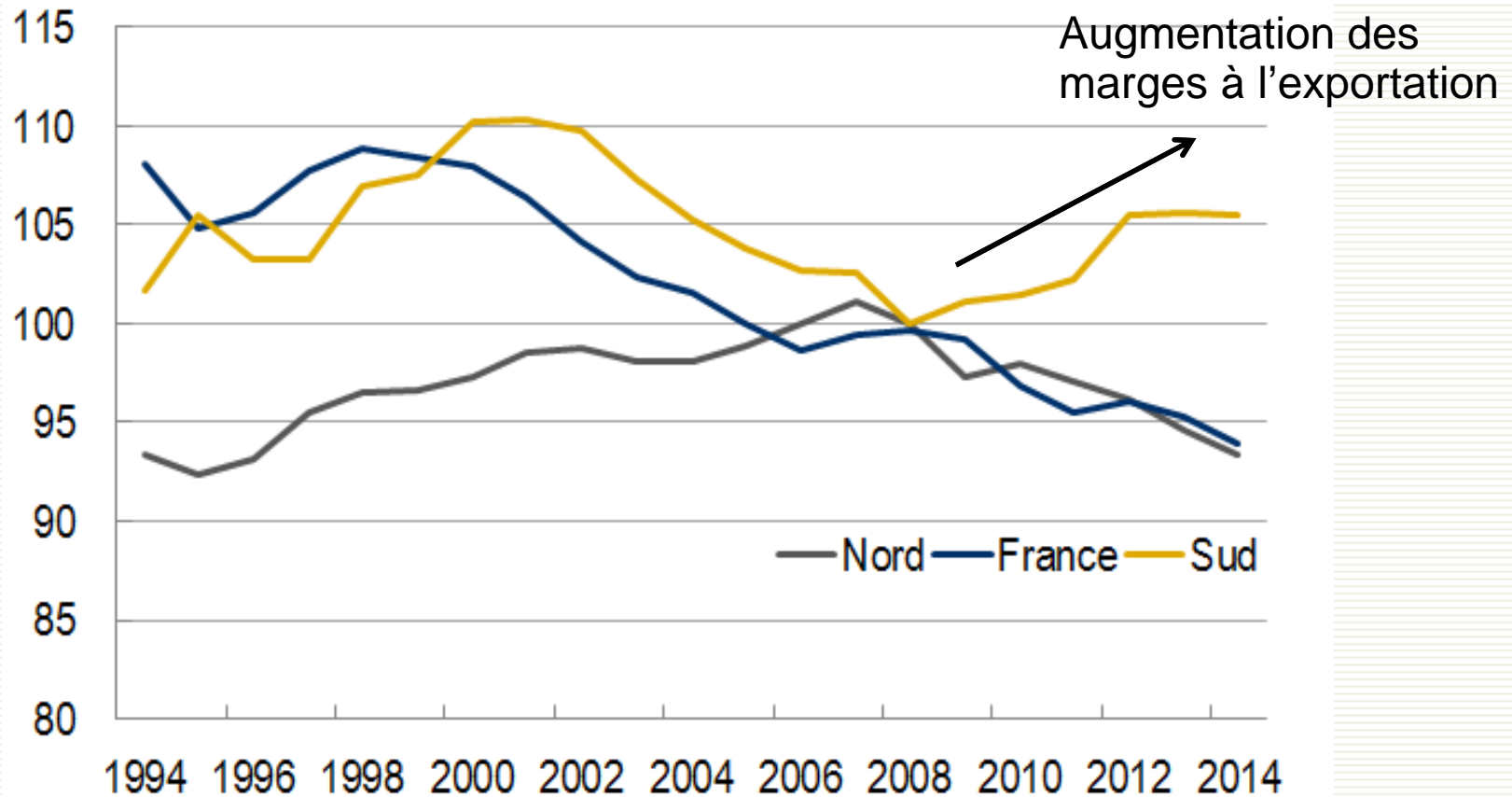
Des situations de compétitivité radicalement bouleversées depuis la crise



On a assisté depuis la crise à une inversion des dynamiques salariales

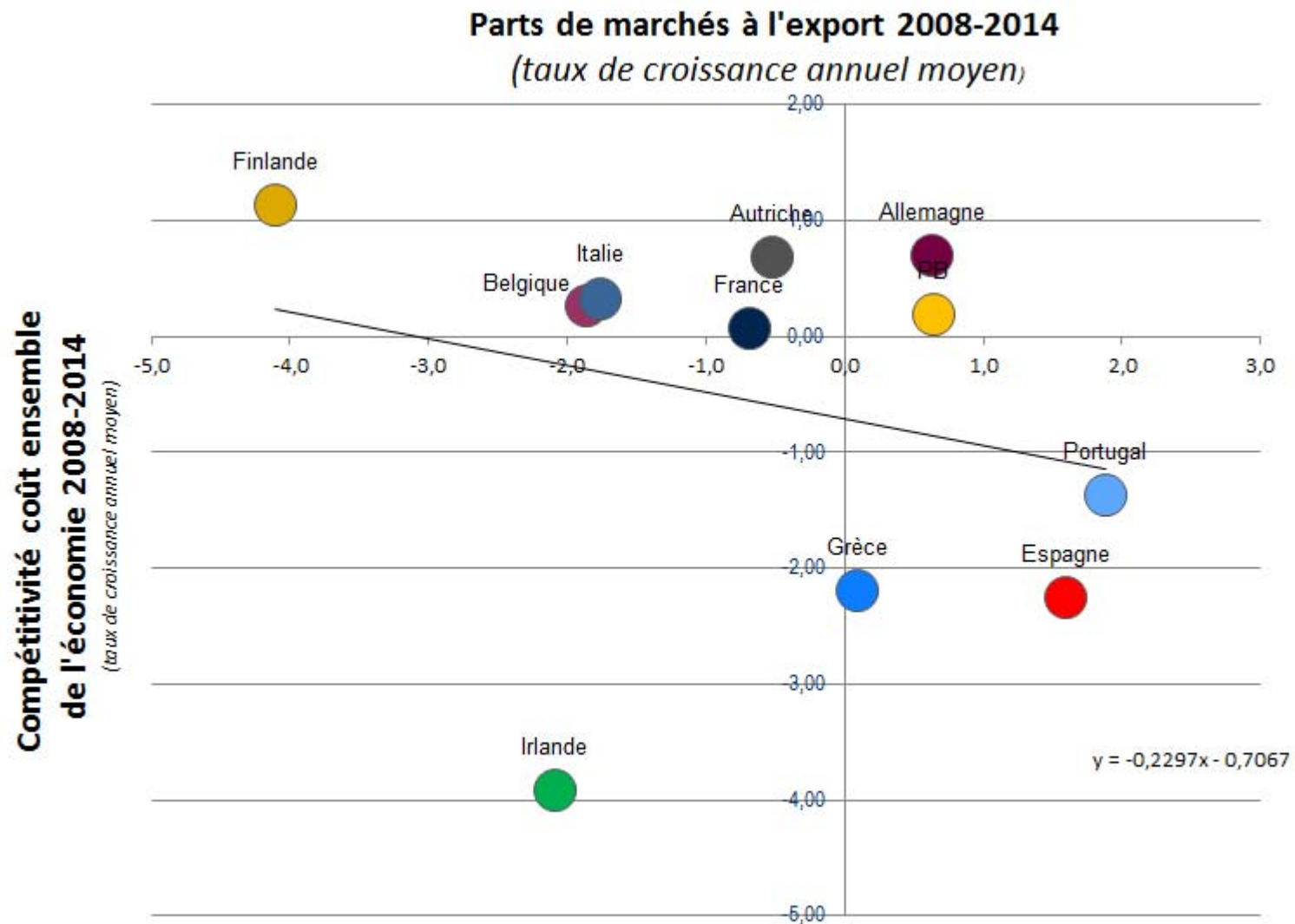


Mais l'amélioration de la compétitivité coût a peu été répercutée dans les prix → MARGES!



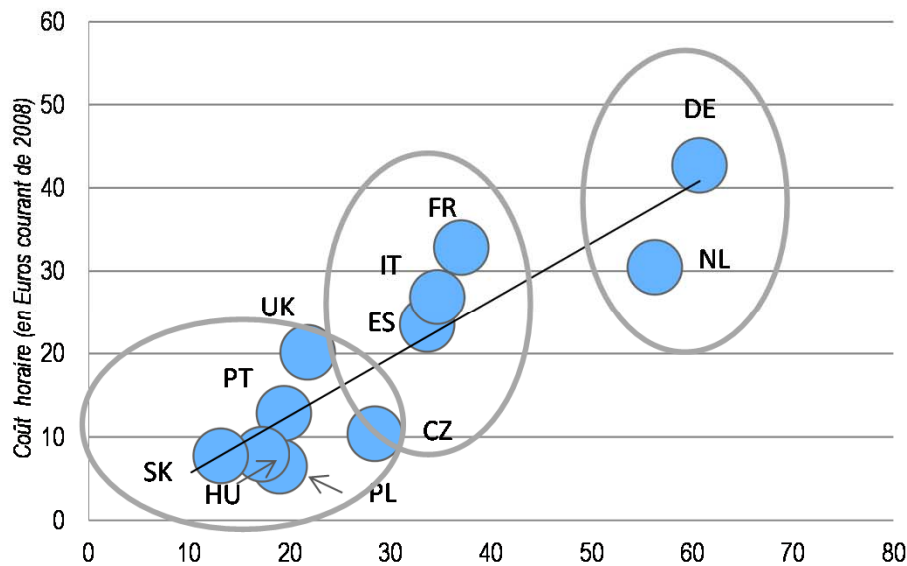
Zone euro Nord: Allemagne, Autriche, Belgique, Finlande, Pays-Bas ;
Zone Euro Sud: Espagne, Grèce, Irlande, Italie, Portugal

Avec quels effets?



La France est de plus en plus prise en tenaille entre l'Allemagne et les pays d'Europe du Sud

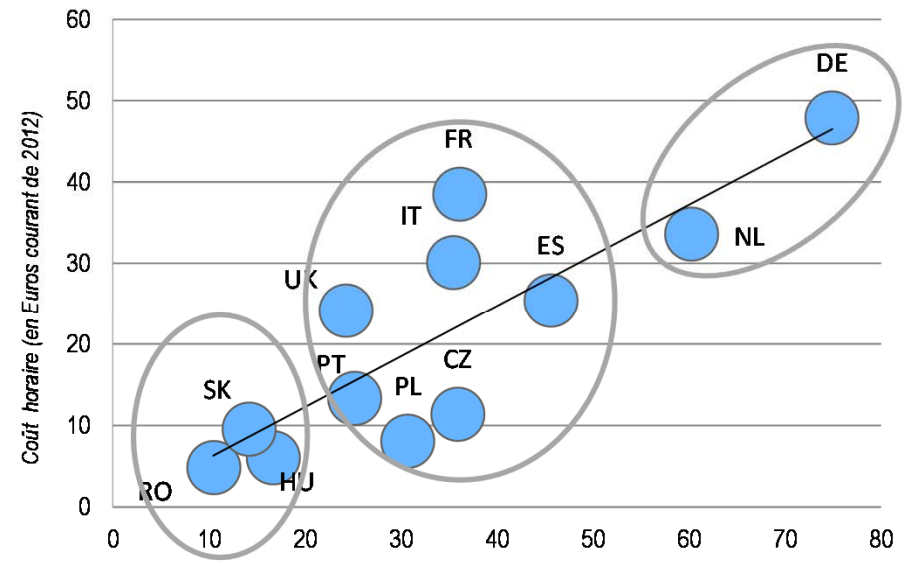
Productivité horaire et coût horaire en 2008 (niveau)



Productivité horaire (mesurée ici en Euros constant de 2005 par heure travaillée)

Sources: Eurostat, Offices statistiques nationaux, sources automobiles, calculs Ires

Productivité horaire et coût horaire en 2012 (niveau)



Productivité horaire (mesurée ici en Euros constant de 2005 par heure travaillée)

Sources: Eurostat, Offices statistiques nationaux, sources automobiles, calculs Ires