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## Informal EPSCO Summary of Discussions *Riga, 21 – 22 April 2015*

The European labour markets are facing short term and longer term challenges. The legacy of the financial and economic crisis is still present in many of the EU Member States with a gradual but rather slow recovery. The impact of the crisis has not been even across the different groups, with some being hit particularly hard and with a few aspects of the insider-outsider divide becoming more pronounced like increasing levels of long term unemployment and some precarious forms of employment. Labour markets in EU are experiencing profound changes with traditional medium qualified manufacturing jobs disappearing and technological change along with population ageing becoming major developments.

Social dialogue in its many facets has traditionally been a corner stone of the European Social model and an essential element for a democratic society representing historical developments. Discussions on its relevance and importance have been reinvigorated again recently in different fora including in relation to better functioning of the Economic and Monetary Union, its social dimension and European economic governance.

Much of the debate on inclusive growth and inclusive labour markets can be linked to the potential contribution of the social dialogue in its different forms - there is a centrality of work in many people's lives, economic and social balance has to be struck for sustainable Government decisions and the labour market and social reforms have to be carried out in a socially acceptable way acknowledging that there will be both winners and losers from those. At the same time labour is not a commodity and people have to be able to make a decent living out of the money they earn from work, hence social dialogue can be at the same time be viewed as a framework condition for balanced income distribution with Member State income levels still being in the process of convergence.

However other framework conditions have changed in the labour markets in EU - units of employers are smaller than they used to be, hence space for collective action has become more limited, the role and importance of the different service sectors and value chains has increased, enterprises are competing globally and the boundaries of enterprises are moving as a result of outsourcing processes facilitated by technology, all those developments are taking place at an accelerated pace with new forms of work (account work, crowded work etc.) emerging and spreading. However for social dialogue to be genuine, credible and contemporary both sides - employers and employees - have to be well represented and an appropriate a balance of powers has to be struck.

The recent crisis has tended to weaken the traditional social dialogue going into the direction of more decentralization with the main reasoning behind it being the attempt to better reflect the position of outsiders. Responses to labour market challenges such as segmentation should strive towards protection with safe transitions to all rather than the lower protection level for all. In some cases social dialogue has become more thematic focusing on specific labour market related issues for example pension reforms. "With power comes responsibility", that means social dialogue has to be credible, responsible, open and transparent and at the same time its power has to be founded by sufficient representation and legitimacy. The profile of those belonging to trade unions and to some extent the same is true for employers organizations has not kept up with the profile of labour market participants what can have consequences for how social dialogue structures are perceived in Member States with different other social movements and the social media increasingly claiming or even taking over some of the more traditional activities of the social partners.

Wages are a crucial element of job quality and according to Treaty of Functioning of the EU a national competence with social partners being responsible for this policy field in several MS. For some time already and for possibly different reasons wage bargaining is becoming more decentralized, this route has been particularly encouraged in some of the hardest hit Member States including with more opt-out and derogation possibilities and with stressing the need for faster correction of imbalances, however there is a need

to be mindful of the constraints of such systems to tackle excessive wage increases during times of faster development. Decentralization can take place in a coordinated or less coordinated manner or evolve into a signaling mechanism for wage bargaining with more derogations meaning that the outcome does not reflect the economic developments sufficiently well. Wage bargaining systems should reflect productivity developments and overall macroeconomic situation in an adequate way keeping in mind however that other costs like energy costs might have a comparable effect on competitiveness considerations. In cases with very low union density or it being concentrated in specific fields and with a lot of small and micro enterprises, wage setting at company level might tend to depict the developments better.

Minimum wages have recently gained particular attention, when set at appropriate levels with relevant supportive policies in place those can improve job quality and reduce in-work poverty. Setting minimum wage levels at the right level however is a challenge where not only productivity developments but other aspects as well need to be taken into account. The setting of minimum wages has to be evidence based and transparent, there is scope for mutual learning among Member States on this. Existence of a statutory minimum wage does not preclude traditional wage bargaining, rather it gives a floor for other wages to be determined however attention has to be paid to concerns of possible compression of wage scales and hence subsequent impact on incentives to gain additional training and skills if minimum wages are set at too high levels.

There is no golden rule for wage policies in EU Member States, the need for coordination of different levels of wage bargaining to better reflect productivity and other developments has to be stressed and above all - the need for being open to new developments and approaches in this field and mindful of what is done by other Member States in this field.

Where necessary, strengthening of capacity of social partners might yield noteworthy results if support is adequately designed and stresses the autonomy of social partners and the need for social dialogue to be viable and for keeping incentives to attract new

members as well including new emerging social dialogue actors in the process. Timely involvement of social partners in line with national practices in the EU economic governance framework at national and European level has the potential of strengthening the social dimension of the EMU. Considerable progress has been made in discussions with EMCO and SPC in this regard including on implementation of the CSRs.