

Quelle norme salariale pour la zone
euro : coordination ou dévaluation
interne ?

Which wage rule for the euro area:
coordination or internal devaluation?

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Reykjavik, 16th may 2013

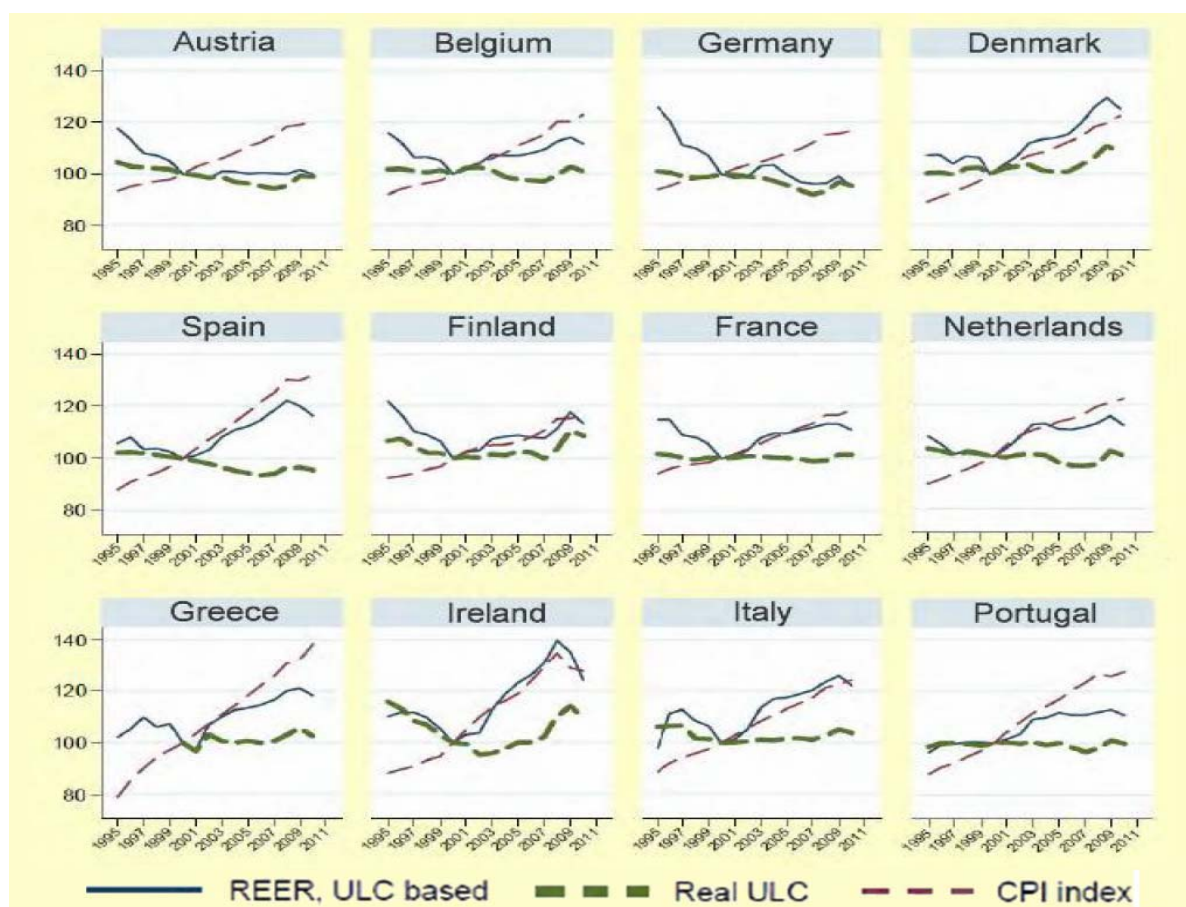
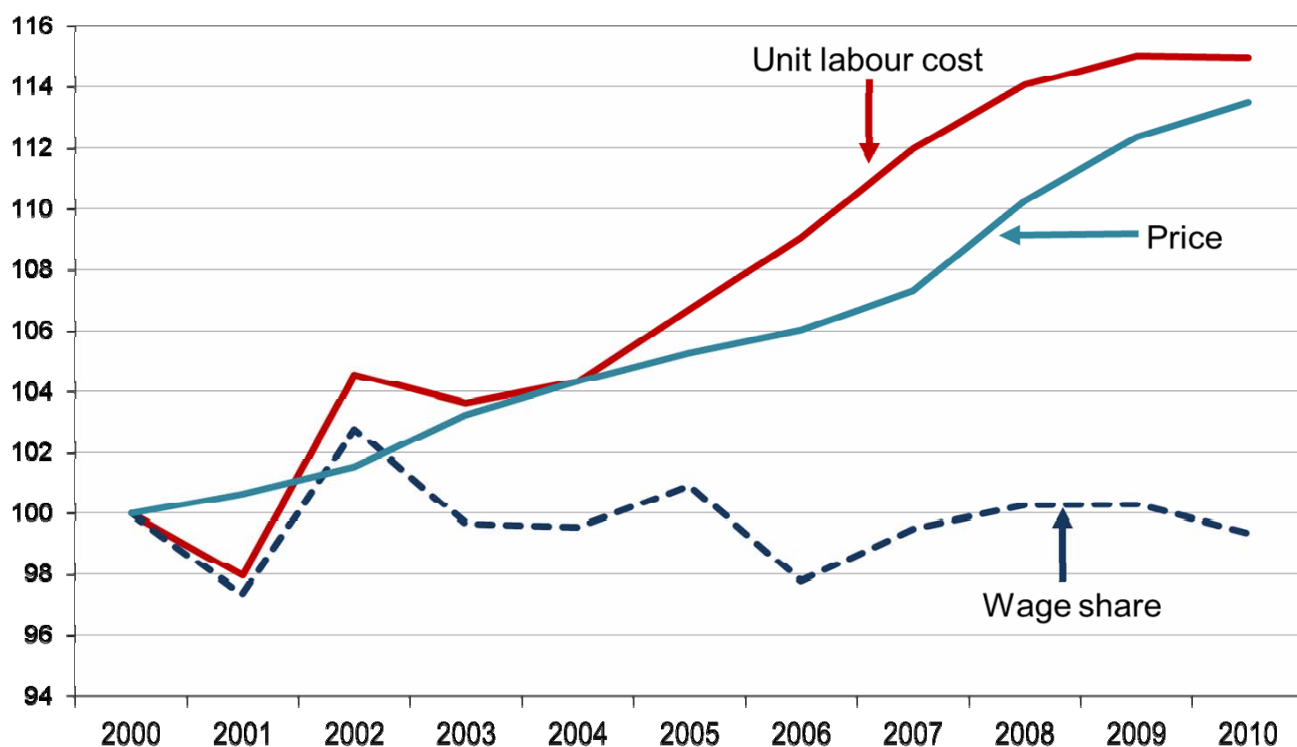


Institut de Recherches Economiques et Sociales

1.

Why high wages are not the
source of the crisis
and trade imbalances

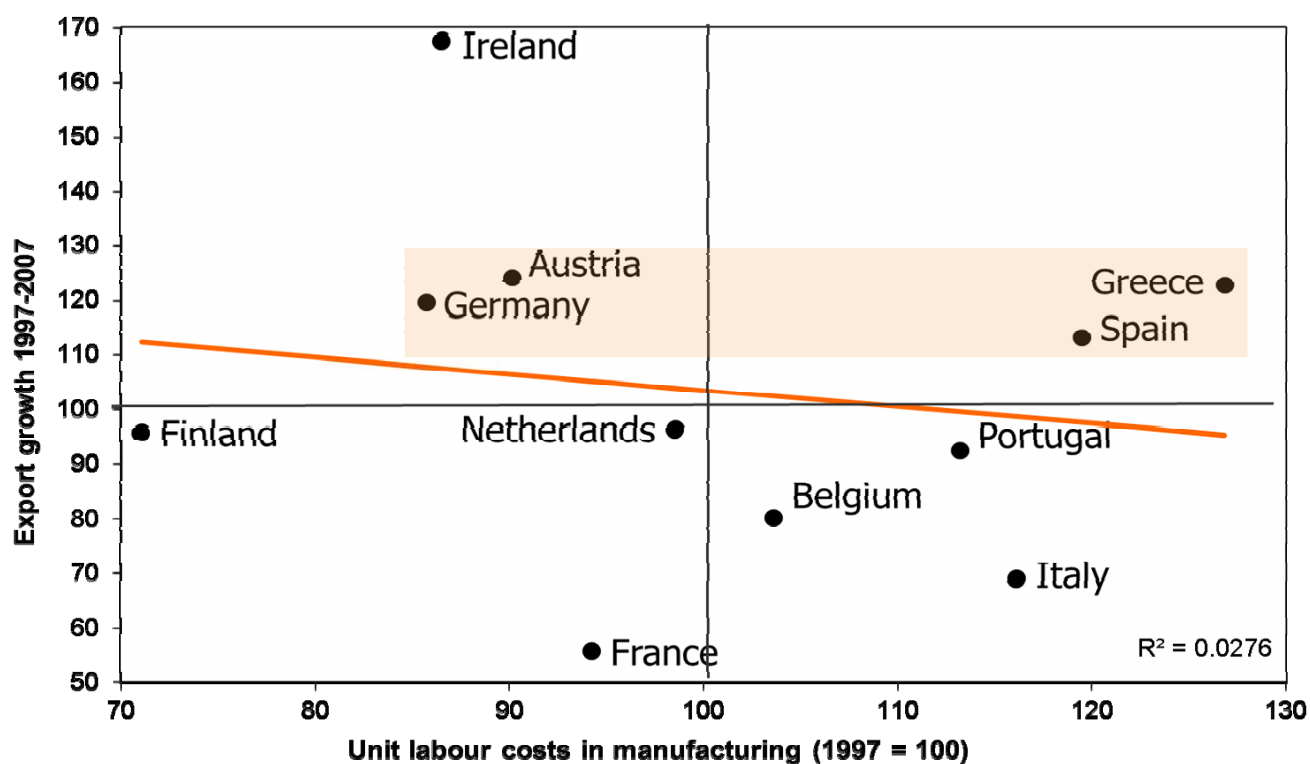
Unit labour cost, price and wage share Greece 2000-2010



“Assessing the Links Between Wage Setting, Competitiveness, and Imbalances”
European Commission *Note for the Economic Policy Committee* , 2011

If there is a relation between unitary labour costs and export performance, it is weak and of a secondary order of magnitude (...) and hence the former cannot be the cause of the latter.

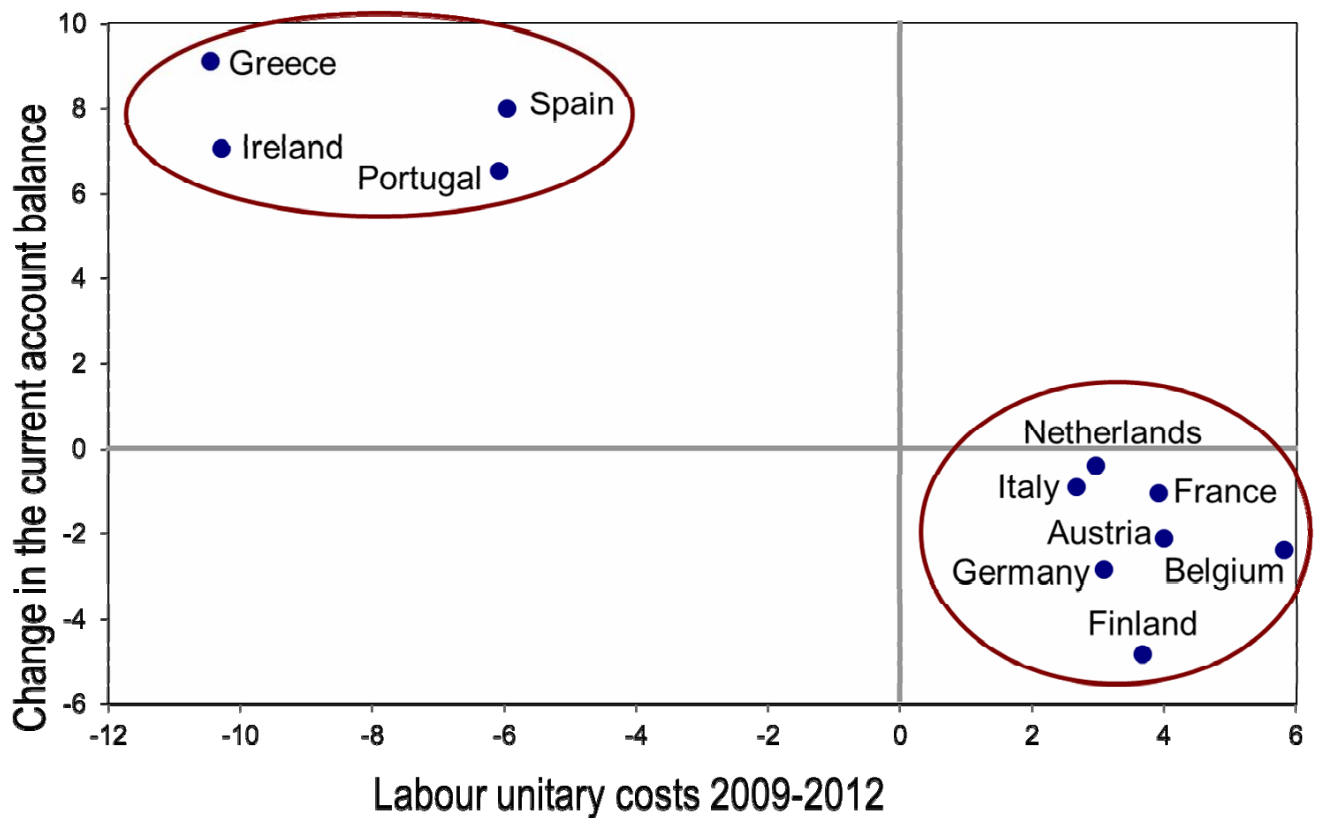
European Commission, *European Competitiveness Report 2010*.



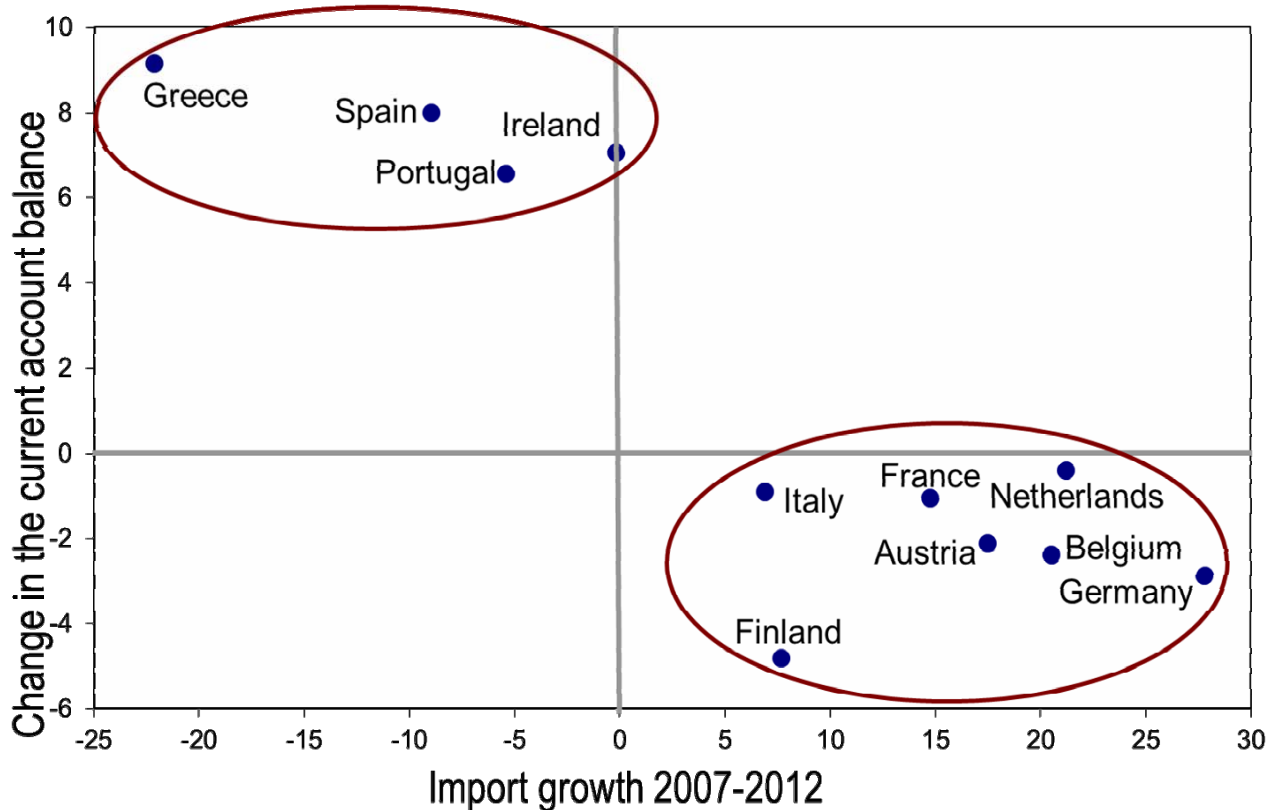
2.

Why low wages are not
a way to restore
competitiveness

Less wages ➡ more competitiveness?



NO ! Recession ➡ less imports ➡ less trade deficit



Wage Bargaining Framework: employment-friendly reforms

- ✓ decrease minimum wages
- ✓ decrease the bargaining coverage or (automatic) extension of collective agreements.
- ✓ reform the bargaining system in a less centralized way, for instance by
 - removing or limiting the "favourability principle"
 - introducing/extending the possibility to derogate from higher level agreements
 - negotiate firm-level agreements.
- ✓ overall reduction in the wagesetting power of trade unions.

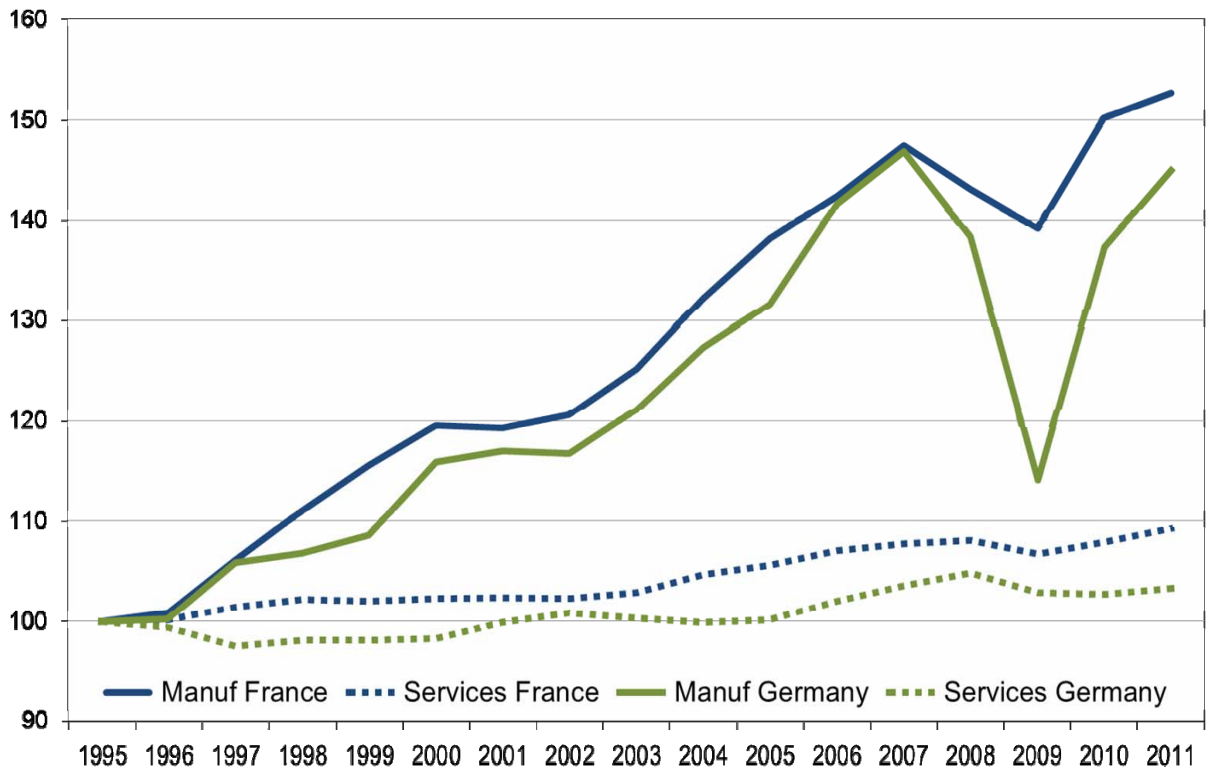


3.

Productivity, wages and prices
Germany / France
A sectoral approach

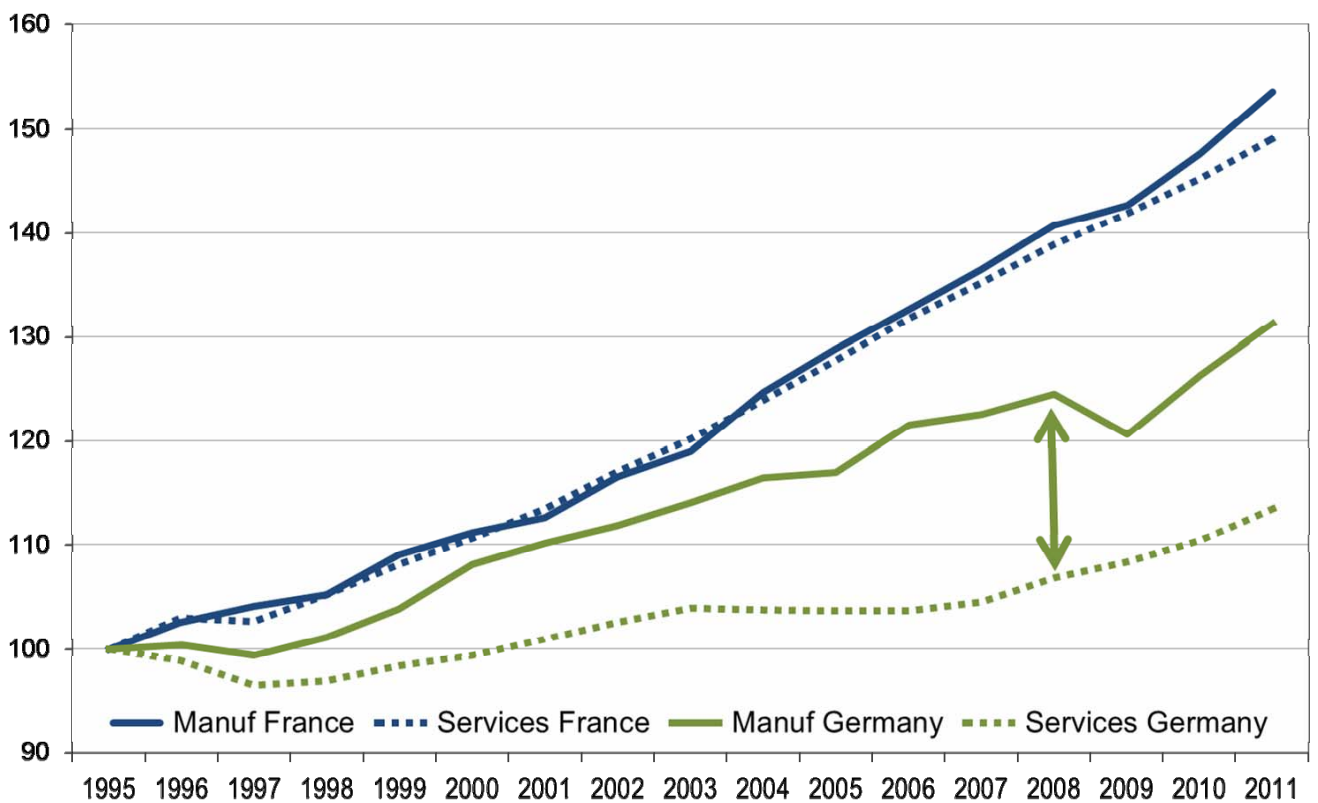
France-Germany: manuf vs services

Productivity: same structure



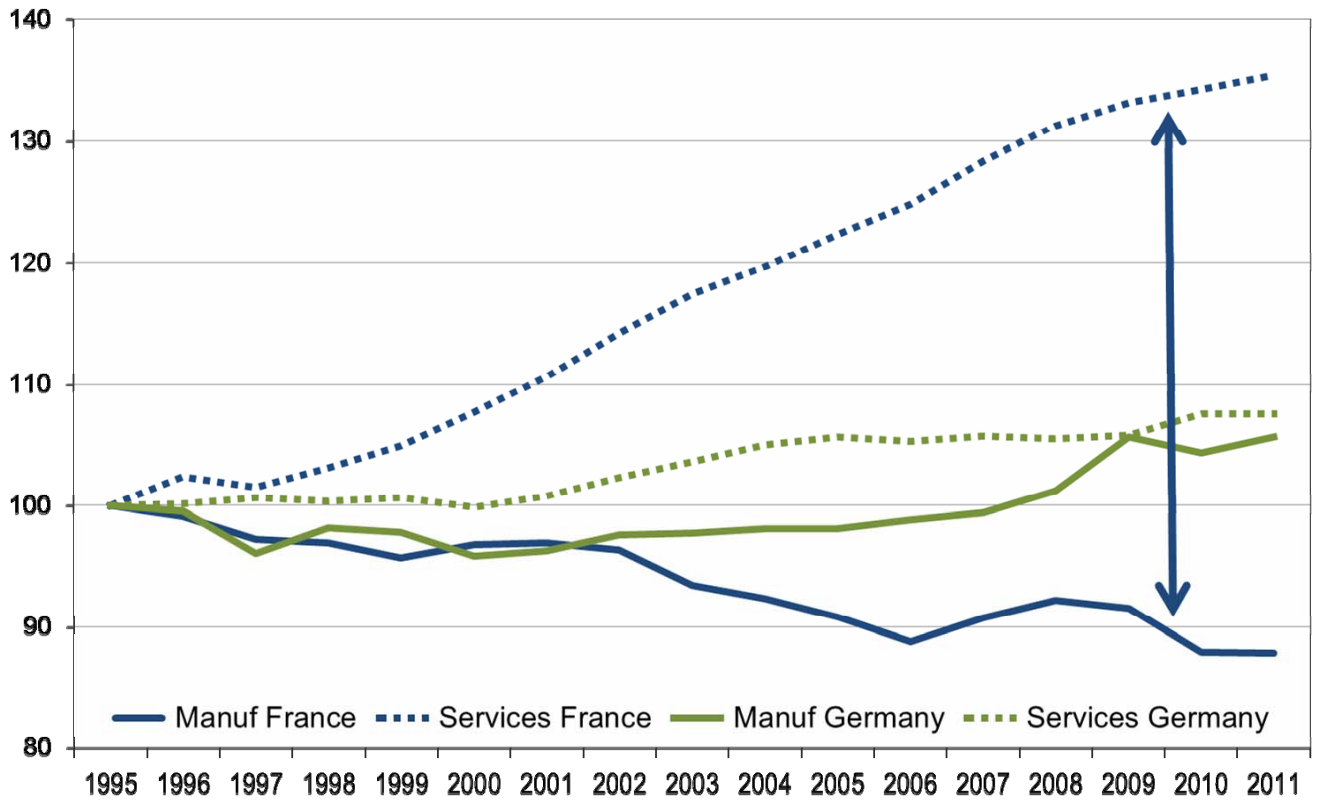
France-Germany: manuf vs services

Wages: a gap in Germany



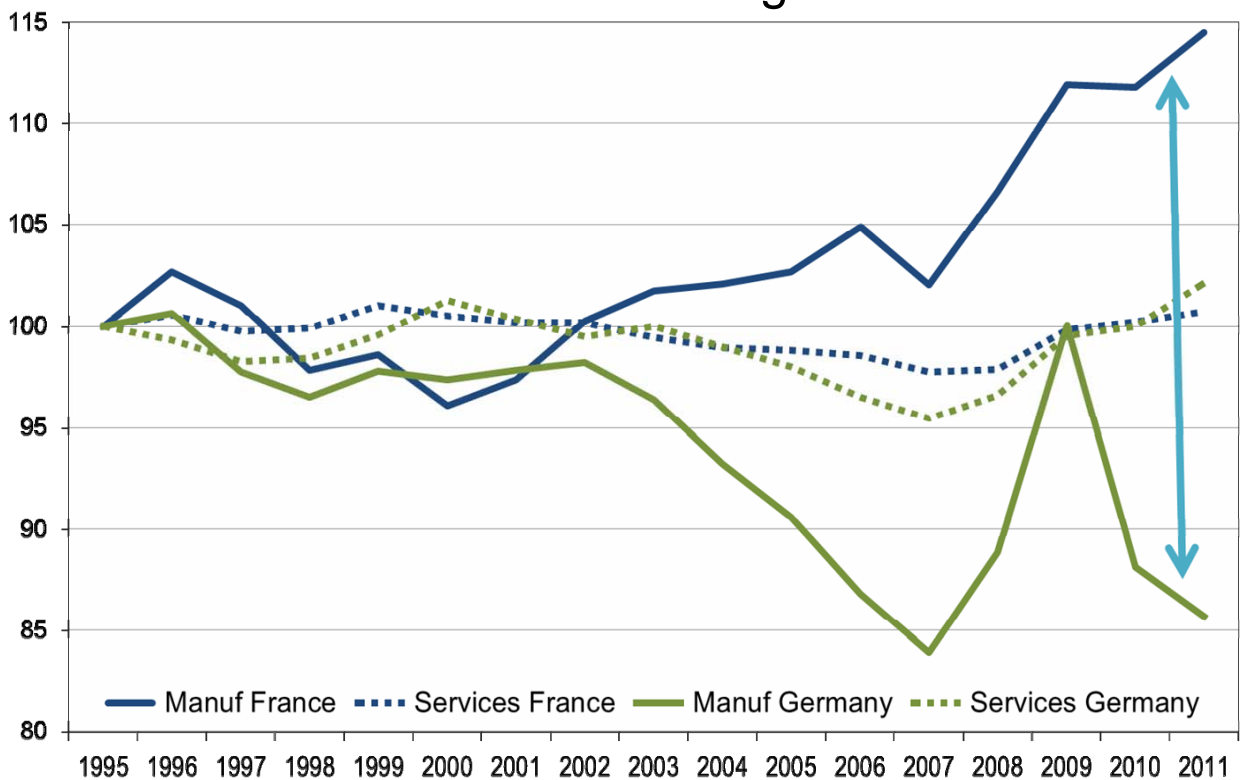
France-Germany: manuf vs services

Prices: a gap in France



France-Germany: manuf vs services

Wage share: a gap between Germany and France in the manufacturing sector



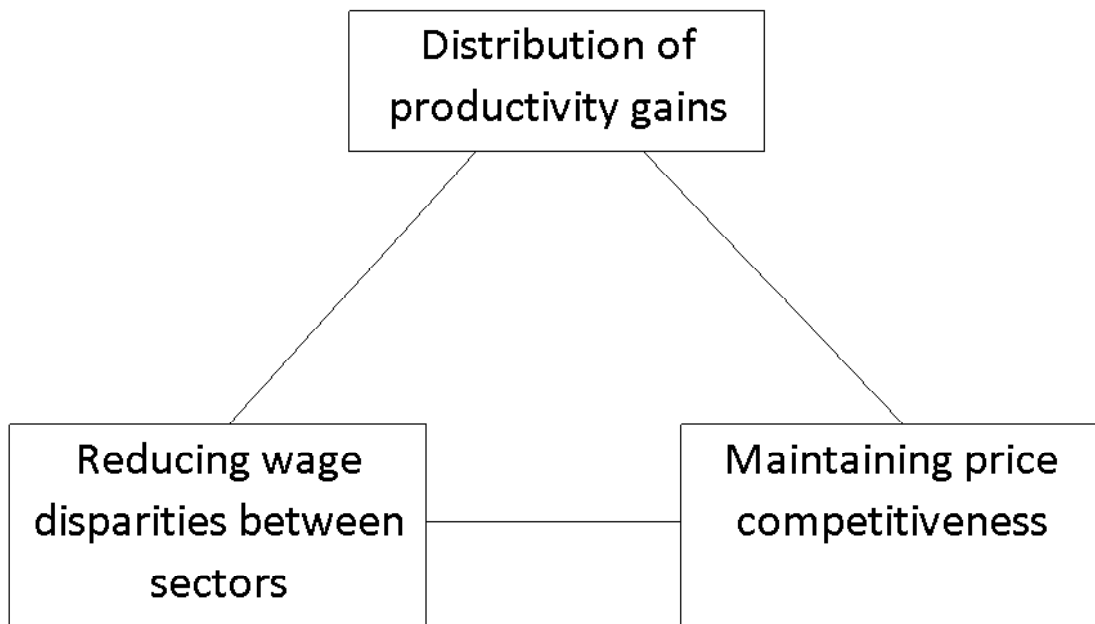
4.

In search of an optimal wage rule: An incompatibility triangle?

The classical rule (a reminder):

Wage = price + productivity

An incompatibility triangle?



Is there a way out of the triangle?

1. A wage rule: an overall rise of wages according to the general price index and the average productivity
 - ▶ fair distribution of productivity gains
2. A “price rule” to obtain an equalization of profit rates between sectors: the relative sectoral prices should vary inversely with the relative sectoral productivities
 - ▶ constant profit share in all sectors
3. transfers and investments (structural funds) in the productive sector to ensure a faster productivity growth in the catching-up countries
 - ▶ convergence of inflation rates between countries

Very tentative conclusions

- The underlying logic of the Commission's recommendations is to question the social model(s). It leads to a prolonged recession, social regression and generalized hyper-competition.
- European integration was truncated, but the exit from the euro could cost even more.
- A refondation of Europe needs a coordinated refusal of the counter-reforms and a proposal for the implementation of solidarity rules. But it is “not an easy path” but a “demanding climb.”