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DG Employment, Social Affairs and Inclusion
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AIRMULP POLICY PAPER



Active Inclusion and Industrial Relations from a Multi-Level Governance Perspective (AIRMULP)

Policy Paper No. 4:
*Active Inclusion and Industrial Relations:
A Multi-Level Analysis*

The AIRMULP Project

Objectives of the research

The AIRMULP Project focuses on the **relationship between the active inclusion strategy and industrial relations**.

More specifically, the project is concerned with the analysis of active inclusion issues – e.g. social exclusion, in-work poverty, labour market segmentation, long-term unemployment and gender inequalities, income support and inclusive labour markets – in the framework of social dialogue and collective bargaining, **at three different levels, namely European, national and sub-national (regional and/or local)**.

The research examines objectives and strategies as well as successes and failures of social partners at these levels. This includes, where possible, the identification of good practices and of comparative lessons. Besides, the Project studies the **interactions between levels**, i.e. the extent to which there is vertical coordination between the three levels. As it is well known, in fact, agreements signed at European level (such as autonomous framework agreements), national-level tripartite social negotiation, territorial pacts and regional collective bargaining are more and more interconnected, and their implementation and functioning depend on how coordination is effective.

The Project is sub-divided into **four work packages (WP)**. In detail, WP A focuses on the European level, WP B on the national level, and WP C on the sub-national (regional and local) level, while WP D is devoted to the analysis of **multi-level governance**.

The analysis concentrates on **six European countries**, each of them showing specific problems of labour market under-performance and/or inequalities: **France, Italy, Spain, Poland, Sweden, and the United Kingdom**.



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Scientific approach / methods

AIRMULP uses a mix of qualitative and quantitative methods of data collection and analysis. In particular, it carries out:

- Analysis of available statistical data;
- On-desk analysis of scientific literature and official documents concerning active inclusion policies (included the current EU, national and regional legislation, the available texts of social pacts and collective agreements);
- Interviews with key informants (such as representatives of the social partners at each level, members of EU institutions as well as national, regional and local governments, various stakeholders, and other qualified actors).

Coordinator

Prof. **Luigi Burroni**, University of Florence (Italy)

Consortium

The Project relies upon a consortium of four academic institutions from four European countries:

- **AIAS** (Amsterdams Instituut voor Arbeidsstudies), University of Amsterdam (Netherlands), Prof. Maarten Keune;
- **DSPS** (Dipartimento di Scienze Politiche e Sociali), University of Florence (Italy), Prof. Luigi Burroni (project coordinator);
- **IRRU** (Industrial Relations Research Unit), Warwick Business School (UK), Prof. Guglielmo Meardi;
- **QUIT** (Centre d'Estudis Sociològics Sobre la Vida Quotidiana i el Treball), Autonomous University of Barcelona (Spain), Prof. Antonio Martín Artiles.

Duration

24 months (from 15 December 2014 to 14 December 2016)

Funding Scheme

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Website

<http://www.aimulp-project.unifi.it/>

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Work Package D (WP D)

Active Inclusion and Industrial Relations: A Multi-Level Analysis

Research units in charge of the work package

AIAS, University of Amsterdam (Netherlands); **DSPS**, University of Florence (Italy); **IRRU**, Warwick Business School (UK)

Objectives of the work package

WP D focuses on the relationship between active inclusion and industrial relations from the perspective of **multi-level governance**, as an outcome of the European integration process, following the institutionalization of the European Social Dialogue (ESD).

The idea of “multi-level” governance, specifically, implies the existence of multiple linkages between the EU level and the national/sub-national levels, with increased interdependence between levels and governance mechanisms as well as public and private actors. As such, multi-level governance provides the actors of industrial relations with multiple options for regulatory intervention, and for choices between these.

This Work Package has a key role in the overall project, because the multi-level governance approach to the study of industrial relations gives the possibility of going beyond simple case studies. It allows for the analysis of what happens at the three main levels – European, national and sub-national, either regional or local – with specific attention to the interconnections between the levels as well as to the constraints and opportunities they create for social partners.

More in detail, a twofold approach to multi-level governance has been adopted: on the one hand, in fact, we focus on “horizontal” governance, namely governance and coordination mechanisms between different actors and policy arenas in the field of industrial relations; on the other hand, we draw attention to “vertical”, multi-level, governance, analysing top-down and bottom-up relationships between different levels (again, European, national and sub-national).

This approach may provide an innovative standpoint to look at recent trends and processes of change in European industrial relations.



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Preliminary key findings of the work package

In the first phase of the project the **comparative analysis** aimed at drowning a preliminary **overview of inclusive labour markets** in the EU countries. In the second phase of the project the multi-level comparison will be realised. In order to identify trends within the EU societies, a comparative analysis based on quantitative data related to the active inclusion strategy have been conducted. The analysis on inclusive labour markets distinguishes between two types of inclusion, which are not always correlated: 1. **Inclusion related to the quantity of employment**, measured by the discrimination in the level of employment. 2. **Inclusion related to the quality of employment**, measured by the kind/quality of employment (in work poverty, level of low wages workers, etc.). In order to look at the quantitative inclusion in the labour market, an indicator which measures the degree of disadvantage in the labour market for specific categories of people (women, youth, immigrants, low skilled people) has been selected.

The analysis of quantitative inclusion/exclusion underlines that **different paths of ‘quantitative’ inclusion** in the labour market can be identified. Among AIRMULP countries, Poland, Spain and Italy are the countries in which there is a high level of discrimination for young people and women, and especially for low skilled in Poland. In France, youth, low skilled and migrants face more difficulties in the labour market. The United Kingdom and Sweden are characterised by a low level of discrimination rates for many of the groups here analysed, that goes hand in hand with higher employment rates. An exception is the case of migrants’ vulnerability in the Swedish labour market. These two countries, which are very different in terms of labour market regulation and belong to diverse models of capitalism, have similar results in term of inclusion in the labour market. The analysis of the ‘quantity of labour’ alone can not explain these processes: the quality of employment is another important dimension which affect labour market inclusion and has to be included in the analysis.

Three indicators in order to measure the quality of employment have been also selected: in-work at risk of poverty rate, the level of low-wage workers, and the labour productivity. The analysis of ‘in-work at risk of poverty’ shows that the relationship between ‘quality of labour’ and ‘quantity of labour’ (total employment rate) is not always tight. In some countries, like Poland, Italy and Spain, the low employment rate is associated with a high level of in-work at risk-of-poverty rate. On the contrary, in the UK, high levels of employment go hand in hand with a medium-high level of in-work at risk-of-poverty rate that is higher than the EU-28 average. France and Sweden are the AIRMULP countries where the share of persons who are at work and have an equalised disposable income below the risk-of-poverty threshold is below the EU-28 average. The relationship between low wage earners rate and employment rate confirms that ‘quality’ and ‘quantity’ of employment follow different patters. Some countries, like the UK, are characterised



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by high employment rate which coexists with a high percentage of workers in poverty due to low-paid jobs. Differently, in some countries the level of employment is very low but the percentage of low wage earners is below the EU-28 average, like in Italy and Spain. This data stress the difference between Sweden and UK: these two countries have a similar level of employment rate, but the percentage of low wage earners is very low in Sweden and very high in UK. Finally, also labour productivity and employment are not always or everywhere positively correlated. On the one hand, data show that Italy, Spain and UK have a similar labour productivity rate, but very different employment rates. On the other, employment rate in France is much lower than in UK, but in France the labour productivity is higher, like in the Swedish case.

The relationship between quality and quantity of employment appears weak. Considering the countries of AIRMULP project, UK is characterised by low quality jobs but high employment rate, while Sweden shows a balance and a combination between quality and quantity of employment. France is facing challenges related to labour market inclusion, especially concerning youth employment, but is maintaining a degree of job quality higher than the EU average. On the contrary, Mediterranean countries and Poland face much more difficulties in terms of inclusion in the labour market: both employment rate and the quality of job are below EU standards.

If we combine the quantitative and qualitative dimensions in two synthetic indicators, one for the quality and one for the quantity of labour market inclusion, a **variety of models of inclusion** emerge among the EU 28 countries.

- **1st model** made by countries with a high level of quantitative inclusion and a low level of qualitative inclusion, such as Germany, the United Kingdom or Portugal.
- **2nd model** is given by those countries characterised by a high level of both qualitative and quantitative inclusion, such as Denmark, Norway, Finland and Sweden.
- **3rd model** gathers together countries with low level of quantitative and high level of qualitative inclusion, such as France or Belgium.
- **4th model** combines low quantitative and low qualitative exclusion; Italy, Spain and Poland can be found in this type.

Data show also that **the involvement of industrial relations' actors in the policy-making affects positively labour market inclusion processes**, both in its quantitative and qualitative dimensions. The same is true for collective bargaining coverage and trade union membership, that foster the "high road" of inclusion based on high quality of employment. More in general, there is a positive association between the 'weight' of industrial relations and the quality of



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employment.

The analysis of the association between industrial relations features and the quality of employment shows that among AIRMULP countries, Sweden and the UK represent two opposite cases: Sweden is characterised by a high level of qualitative inclusion associated with a high participation of unions in policy making, a high level of unions membership and with a high level of collective bargaining coverage. The UK is characterised by a low level of qualitative inclusion associated with a low participation of unions in policy-making, a low level of unions membership and with a low level of collective bargaining coverage.

Along with industrial relations features, there are other variables that are associated with quantitative and qualitative inclusion in the labour market, as the national and regional case studies show. In particular, **active labour market policies (LMP services) and the quantity of expenditure on social protection are positively associated with the quality of employment**. The same is true for unemployment support. In other words, the quantity of expenses in labour market policies, in social protection and in income support for unemployed is associated with a high level of quality of employment. At the same time, there is also a strong positive association between quality of employment and quality of social policies (measured as the ability of social policy to reduce poverty and income inequality).

Preliminary conclusive remarks:

- ✓ This analysis highlights different models of inclusion among EU countries. Differences are related to the diverse national welfare systems, labour market structures, and industrial relations systems.
- ✓ Among AIRMULP countries, Spain, Italy and Poland are characterised by both low quality and low quantity of employment. France has a level of employment below the EU average that coexists with a high quality of employment. Sweden is in the quadrant with high-quality and high quantity of employment. Finally, the United Kingdom is characterised by high quantity and low quality of employment.
- ✓ These different models show that a high level of employment (quantitative inclusion) does not always mean high level of inclusion in the labour market (in qualitative terms).
- ✓ The involvement of industrial relations' actors in the policy-making affects positively labour market inclusion processes, both in its quantitative and qualitative dimensions. The same is true for collective bargaining coverage and trade union membership, that foster the "high road" of inclusion based on high quality of employment.
- ✓ But there are also other variables that influence



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inclusion/exclusion processes. In particular, the expenditure in ALMPs and the quality of policies show the capacity of politics in steering and determining labour market inclusiveness. For this reason, in order to better understand processes of inclusion in the labour market it is important to “bring politics back-in”.

- ✓ Thus, the agency of political actors, together with the institutional capability and the structure of industrial relations, are three elements which affect the possibility of the different models to increase the inclusiveness of the labour market.



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