

***Active Inclusion and Industrial Relations from a Multi-Level Governance  
Perspective (AIRMULP)  
The comparative analysis***

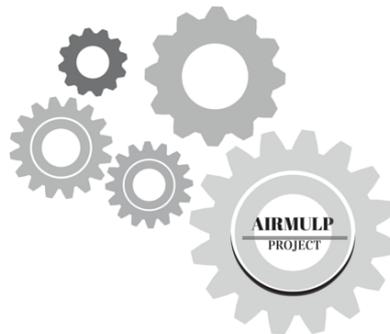
***WP D Report***

***Report n. 4***

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## **1. Introduction. Active inclusion and industrial relations: The multi-level governance perspective.**

AIRMULP project analyses the relationship between the strategy and implementation of active inclusion and industrial relations, at different levels. The adopted analytical approach, based on the multi-level governance analysis, addresses three levels – European, national and territorial - and studies the objectives, strategies and actions of social partner in this field at these levels. This includes the extent to which there is horizontal and vertical coordination between policy-arenas, between actors as well as between the three levels of governance.

This report, together with the AIRMULP final report (n.5), focus on the analysis of multi-level governance. The multi-level dimension is an outcome of the European integration process, based on the idea of the existence of multiple linkages between the EU level and national/sub-national levels, with increased interdependence between levels and governance mechanisms as well as actors. As such, multi-level governance provides the actors involved in the field of active inclusion - included industrial relations actors- with multiple options for actions and interventions, and for choices between these. The multi-level governance approach goes beyond national-level case studies and allows for the analysis of the interdependence between these three levels – European, national and territorial. The project adopts a twofold approach to the multi-level governance: on the one hand, it focuses on *horizontal* governance, namely governance and coordination mechanisms among policies in the field of active inclusion and actors involved in this arena, especially industrial relations actors; on the other hand, it is interested in the *vertical* multilevel governance, and analyses both top-down and bottom-up relations between different levels of active inclusion governance and of industrial relations (European, national and territorial).

The multi-level governance of active inclusion and the role played by industrial relations in this arena are analysed through two different perspectives. This report aims at giving an overview about the relation between social inclusion and labour market regulation in Europe through the analysis of the different forms of inclusive labour markets in EU countries. The “inclusiveness” of EU labour markets is explored through both the quantitative and qualitative dimensions of employment, and the role played by social partners and public policies for the employment quality is also highlighted. Through a quantitative analysis, the report demonstrates the direct and indirect impact – via public policies - of industrial relations on the rise or demise of inclusive labour markets. In particular, the analysis shows that: firstly, high levels of employment do not always correspond to a high level of inclusion in the labour market in qualitative terms, even if there

is a slightly positive relationship between the two dimensions; secondly, that industrial relations practices have a weight in reinforcing employment quality.

In the AIRMULP final report, n. 5, the multi-level governance is analysed from a qualitative perspective through a comparative analysis of the findings from the projects' case-studies. Report n. 5 interconnects the EU level with the national and regional level-analysis of six EU countries (Spain, Sweden, UK, France, Poland and Italy) and adopts a transversal overlook in order to deepen the multi-level governance of active inclusion from both a vertical and horizontal perspectives. Three key issues will be specifically addressed: 1. the policies for active inclusion and the logics of functioning behind these measures; 2. the method of regulation and the role played by the state and social partners; 3. the coordination between levels, policy-fields and actors. This comparative analysis allows to reflect, in the conclusive report, on some core questions related to the relation between industrial relations and active inclusion and the effective impact of the European level of regulation in this field (see final report n. 5).

## **2. Inclusive labour markets and the role of industrial relations. A comparative overview**

### **2.1 The academic and political debate on inclusive labour markets in Europe**

Since the '90s, in the academic debate, different disciplines have developed comparative analysis focused on the diverse combinations between social inclusion and labour market regulation. This literature includes welfare studies (Ascoli 2011, Ferrera 2013, Palier 2010, Pavolini 2003; Saraceno 2013, Thelen 2014), industrial relations and labour market analysis (Crouch 1994, 2009, 2015, Hyman 2008, Keune and Marginson 2013, Meardi 2011, Pedersini 2014), the varieties of capitalism approach and comparative political economy (Amable 2003, Crouch 1999, 2013, Crouch and Streek 1997, Dore 2000, Hall and Soskice 2003, Streeck 1992, 2009).

Beyond the academic debate, inclusion and labour market relationships have been intensely discussed also in the political arena: national and supranational institutions contribute to this debate through a large series of outlets, such as white and green papers, reports, policy advices, etc. Both the academic and the institutional arenas have highlighted that there is a positive relation between the levels of employment and of social inclusion. For this, during the last twenty years, policy ideas that pushed towards high level of employment became mainstream: in many countries, these cognitive maps supported the implementation of labour market policies oriented to produce employment independently from its quality,

according to the logic of economic growth with a weak attention to social inclusion (Keune and Serrano 2014).

This strand of policies has been strongly supported by international institutions. Since the 1990s, in response to high and persistent unemployment in many countries, EU, IMF and OECD policy recommendations addressed various aspects of labour market policies and institutions. At the same time, the OECD job strategy encouraged growth through flexibility, eliminating restrictions and reforming employment security provisions.

With the 2008 economic crisis, labour market policies focused even more on the interventions aimed at bringing the unemployed and the inactive into labour market. Against the backdrop of very high unemployment rates, the EU has made the need to improve the labour market prospects one of its key priorities and has put the promotion of employment at the top of the political agenda.

However, beyond the great attention to the level of employment, part of the literature has also stressed the importance of the quality of employment, focusing on the nature and characteristics of employment (Clasen and al. 2016; Gallie 2007; Reyneri 2013). This strand of research has emphasised two different types of quality. The first one is the job quality, that is related to variables and processes at the workplace level and that is considered as an important driver of productivity and economic performance. In this case, the quality of the working environment (nature and content of the work performed, working-time arrangements and workplace relationships) is measured as key dimension of people's jobs and it is mainly explored through surveys based on individuals' self-reported assessment of their job. A second type of quality refers to *employment quality*, that is related the labour market characteristics (level of atypical employment, long term unemployment, the quota of low wage workers, labour market segmentation as structural inequality among different groups of workers, etc.) that are in large part created by policies. This paper focus on this second type of quality.

By focusing on employment quality, we observe that the relationship between quality and quantity of employment is slightly positive: before the crisis, in some countries, such as the Mediterranean and Anglo-Saxon ones, jobs growth has been largely based on insecure and precarious employment. Since mid '90s, in these countries a consistent part of the created employment was involuntary temporary and part-time, especially spread among women and young people. At the same time, zero-hour contracts, job insecurity, low-wages and exclusion from basic social protection have grown in many EU labour markets, which have become more and more polarised (Streek and Hassel 2003; Gualmini and Rizza 2011; 2013; Thelen 2014). Finally, as a consequence of the crisis, the levels of participation of women, young people, older workers, migrants and the low-skilled has decreased in many EU labour markets. These groups, however, are disproportionately represented in poor quality and low-paid jobs, and the presence of poverty among people and households has raised.

This paper focuses on these topics, analysing the relationship between the quantitative and qualitative dimensions of employment in EU countries (section 3) and studying the direct and indirect impact – via public policies - of industrial relations on the rise or demise of inclusive labour markets (sections 4 and 5). The analysis will show that high levels of employment do not always correspond to a high level of inclusion in the labour market in qualitative terms, even if there is a slightly positive relationship between the two dimensions; second, the direct and indirect role of industrial relations practices in reinforcing employment quality will be underlined.

## 2.2 The quantitative analysis. Methodology

The national and regional case studies (see WP B and WP C reports) have shown that the Strategy of active inclusion, as defined by the EU, is not well-known and it is not directly influencing labour market reforms and regulation in national and regional context, but many of the key concepts behind the Strategy - especially ‘activation’ and ‘inclusion’ - are part of a common cognitive map that is guiding the action of local and national actors. In this report, we will focus on the relationship between industrial relations on the one hand and activation and inclusion on the other.

The active inclusion strategy defines inclusion in the labour market as related to the reduction of the disadvantage of some groups of people, namely, women, young workers, low-skilled, long-term unemployed, migrants. Inclusion related to the quantity of employment is here measured by the discrimination in the level of employment; inclusion related to the quality of employment is measured by the discrimination in the kind/quality of work.

In the next section, we will focus on segmentation of the labour market and the ‘quantitative’ exclusion of the categories mentioned above, usually considered as the vulnerable groups. For exploring these dynamics we selected specific indicators able to identify the degree of disadvantage in the labour market for these specific categories of people. We decided to adopt an index of exclusion (exclusion rate) that underlies the difference between the employment level for certain categories and total employment. For example, the female exclusion rate is calculated as follows:

$$\text{Female exclusion rate} = [EmpRate(F) - EmpRate(T)] / EmpRate(T)$$

EmpRate(F) = Female employment rate

EmpRate(T) = Total employment rate

Moreover, in section four we analyse the general quantitative and qualitative dimensions of employment in the EU countries, beyond the specific vulnerable groups. We have thus selected five indicators from Eurostat database. In line with the indicators usually chosen for this type of comparative analysis, we adopt the total employment rate to measure the quantity of employment, while as for the quantitative dimension, we focus on four indicators: 1. The percentage of low wage earners in the different countries; 2. The level of long-term unemployment, which shows the presence in the labour markets of groups that are characterized by a high and persistent exclusion; 3. The percentage of involuntary temporary employment, which shows the presence of workers that would like a permanent job but cannot find it; 4. Labour productivity, that qualify the quality of labour.

For each of the above mentioned indicators, we calculated the average of the period 2008-2015, in order to represent the average value for the period after the crisis. Then, we have calculated a synthetic index with the four indicators of the quality of employment. All these indicators of employment quality have been analysed in relation to employment level, to identify the relationship between different dimensions of employment quality and employment quantity.

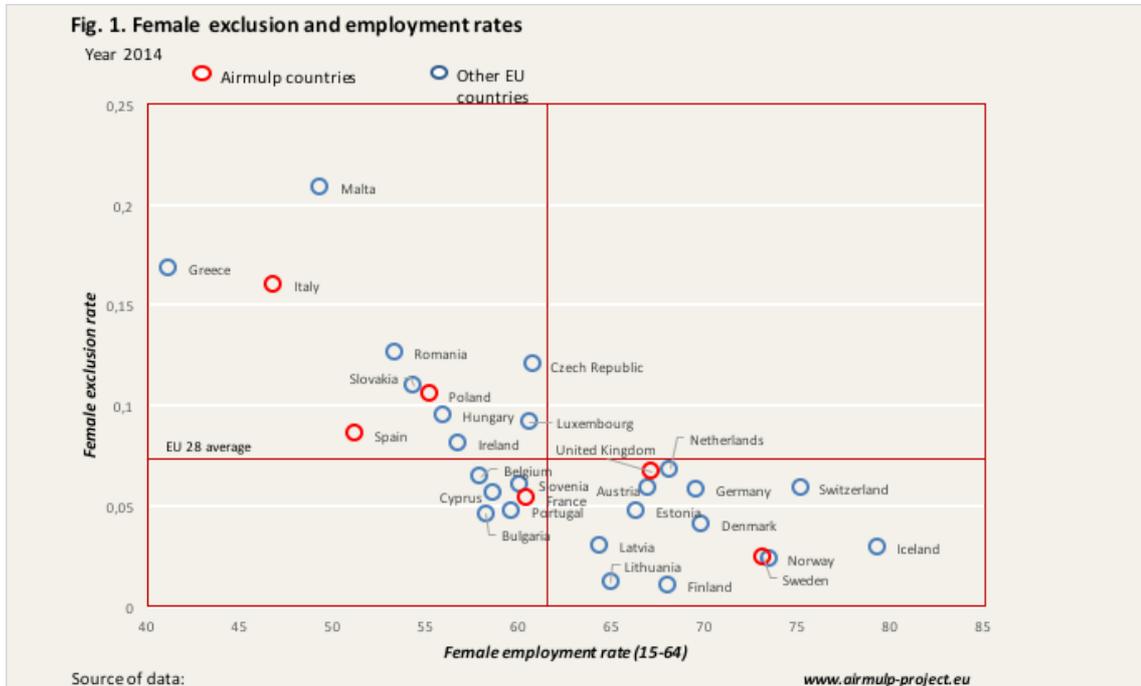
In the second part of this report the index of quality of employment has been related to three indicators concerning the strength of industrial relations, which are also summed in a synthetic index containing: 1. The level of membership; 2. The coverage of collective bargaining; 3. The inclusion of social partners in the policy-making. The data related to membership and inclusion are from the ICTWSS database (Visser 2013) and refer to 2011; collective bargaining coverage is calculated on different national databases.

In the final part the report, we analyse the relation between the quality of employment, industrial relations characteristics and the quality of public policies. In this case, the quality of labour market policies is a synthetic index that gathers together data on investments on active labour market policies and pro-capita expenses for each single unemployed (2014). Other three indicators, GERD, investment in social policies and investment in education refer to the average value for the period 2000-2014 of the expenses of the State in these policy arena as percentage of GDP.

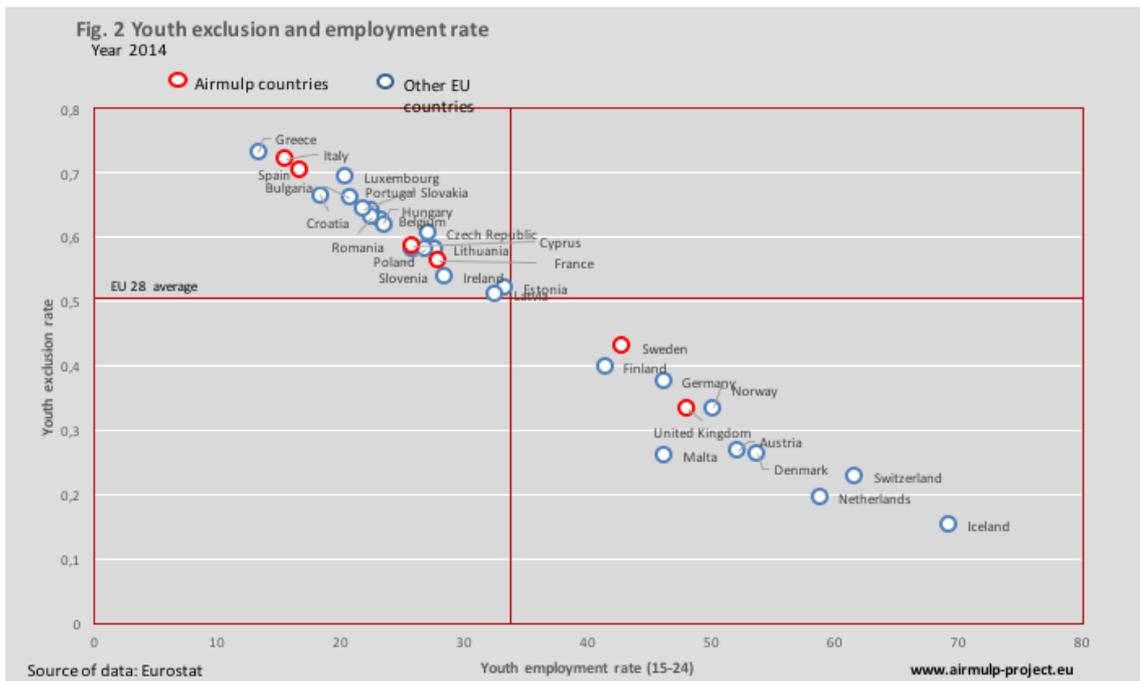
### **3. Varieties of Labour Market Inclusion: The vulnerable groups**

The labour market indicators showcase the disadvantages of some categories of workers, usually identified as the 'vulnerable' groups. Focusing the attention on these groups, a fragmentation of the labour market and employment imbalances clearly emerge. Increasing labour-force participation and raising the employment rate of women and youth is paramount to meeting the Europe 2020 headline target (75% of the population aged 20-64 employed by 2020), counteracting the

shrinking of the working age population in most European Member States, and boosting growth. However, female exclusion from the labour market has different degrees of intensity in EU countries (Fig.1).



Looking at AIRMULP countries, we see that Spain, Poland and especially Italy are characterised by a high level of exclusion and a very low level of female employment. Italy is the country in which women are more disadvantaged, with a very low level of participation in employment and a very high level of exclusion. Also in France, female employment is slightly behind the EU-28 average, but the exclusion rate is much lower compared to Italy and Spain. Finally, low levels of female exclusion characterise also UK and Sweden, where female participation in the labour market is higher than the EU-28 average. Sweden, in particular, is characterized by a high level of employment and a very low level of gender discrimination.

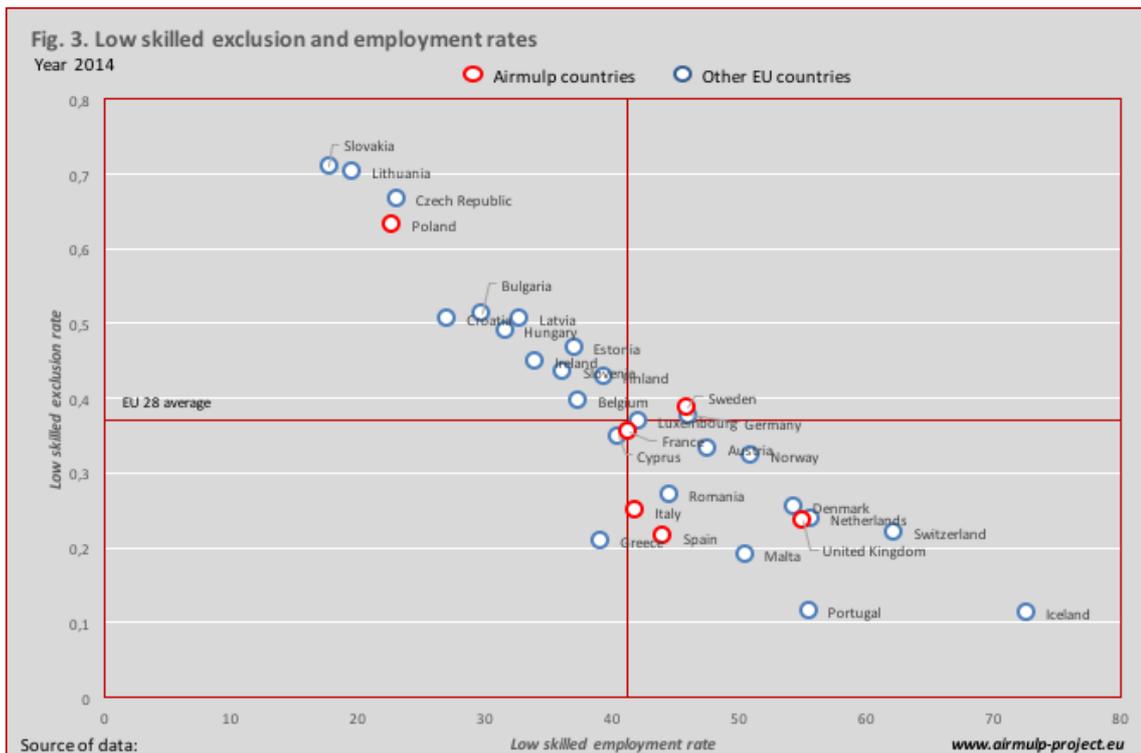


Data show also that youth exclusion in the labour market strongly declines with the rise of employment rate (Fig. 2).

In Italy and Spain we find a severe youth exclusion rate. These are among the EU countries, together with Greece, where young persons – those aged 15 to 24 - are the most disadvantaged in the labour market, with very high unemployment and exclusion rates.

France and Poland also face problems of unemployment and exclusion among young people, but to lower degrees.

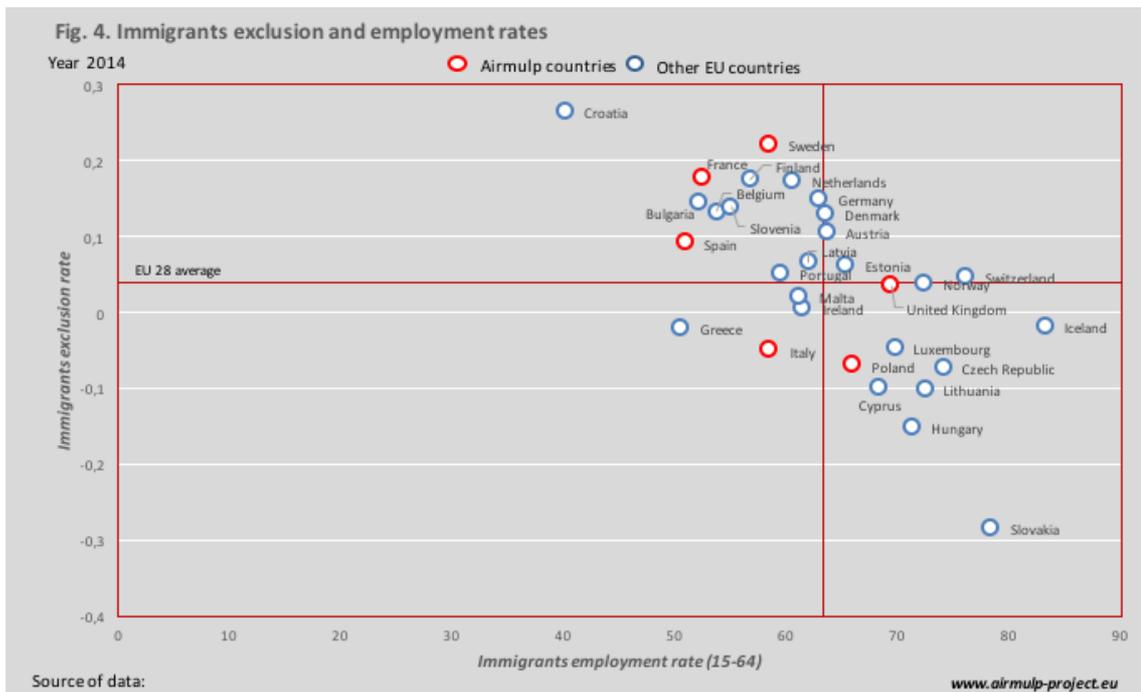
While Sweden and UK are located in the fourth quadrant of the graph, characterised by low levels of exclusion and unemployment. In particular, UK is well below the EU average of youth exclusion.



The relationship between low skilled exclusion and employment rates is rather interesting and shows the connection between the labour market characteristics and model of development of the countries and the pattern of exclusion (Fig. 3).

Looking at AIRMULP countries, we find the highest exclusion rate and lowest employment rate among low skilled people in Poland. In Italy and Spain low skilled employment rate is higher than the EU-28 average and exclusion rate is below the EU-28 level. In these countries, indeed, employment rate of low skilled persons is quite high, like in the UK. Sweden and France, conversely, are closer to the EU-28 average in this case, showing that in these countries low skilled people face much more difficulties in the labour market than highly skilled persons.

Finally, patterns of inequality between migrants and the overall majority populations in the labour market emerge clearly in many European countries, and AIRMULP countries also in this case represent interesting examples.



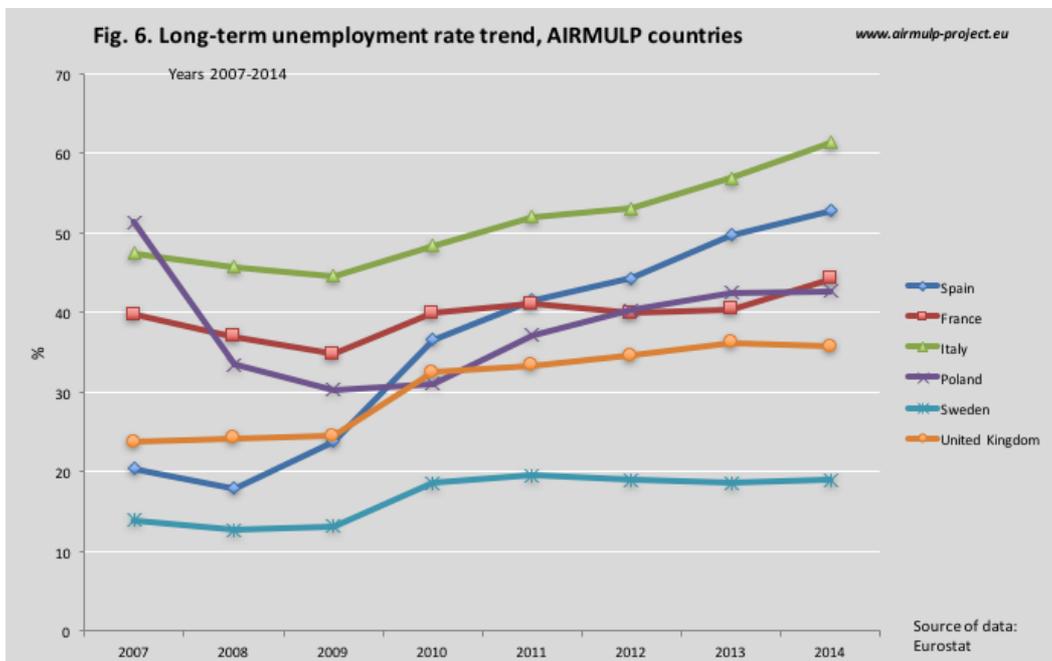
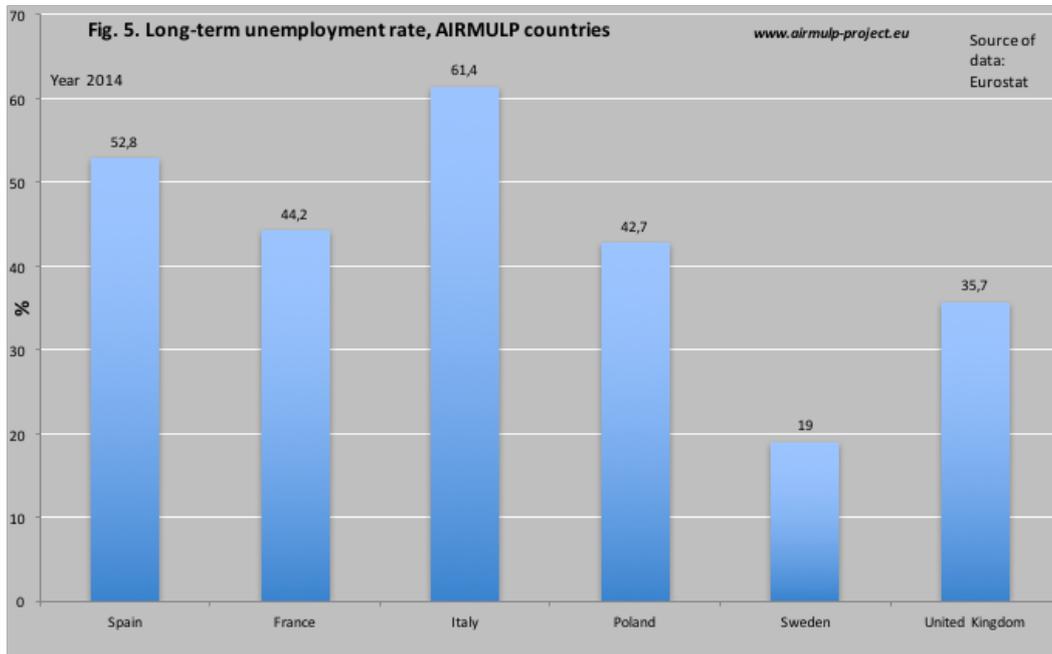
In Sweden and France migrants face significant structural disadvantages in the labour market. As data show, in these countries exclusion rate is well above the EU-28 average while employment rate is below the EU-28 average. Also Spain provides evidence of this.

Italy shows a low level of migrants employment rate but also of exclusion rate: here the difference between migrants and total employment rates is lower than the other countries.

Finally, UK and Poland are the only AIRMULP countries where employment rate of migrant persons is higher than the EU-28 average, but they show a different degree of migrant exclusion: in UK it is higher than in Poland.

Moreover, long-term unemployment rate (the number of people who are out of work and have been actively seeking employment for at least a year) is another indicator of labour market exclusion that have to be included in the analysis.

Unfortunately, for this group of people it is not possible to calculate the exclusion rate. However, the analysis of the level of this kind of unemployment underlines some important patterns (Fig. 5 and 6).



Long-term unemployment (LTU) experienced a notable growth especially in Spain and in Italy, following the crisis of 2008: six years after the beginning of the crisis,

the problem remains severe in Southern Europe where a protracted crisis pushed up overall unemployment, and with it long-term joblessness.

At the same time, it should be noted that there is a high level of long-term unemployment also in Poland, France and the UK.

Summing up, it is possible to identify different paths of 'quantitative' exclusion in the labour market.

Spain and Italy are the AIRMULP countries in which there is a combination of high levels of long-term unemployment with a high level of discrimination for young people and women. A lower level of discrimination affects low skilled and, to some extent, also immigrants in these countries.

On the contrary, Poland has a very high level of exclusion for low skilled and for women, that coexist with a low level of discrimination for immigrants.

In France, youth, low skilled and migrants face more difficulties in the labour market, but long-term unemployment rate is lower the EU-28 average, like in Poland.

The United Kingdom and Sweden are characterised by the lowest level of long-term unemployment and 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.

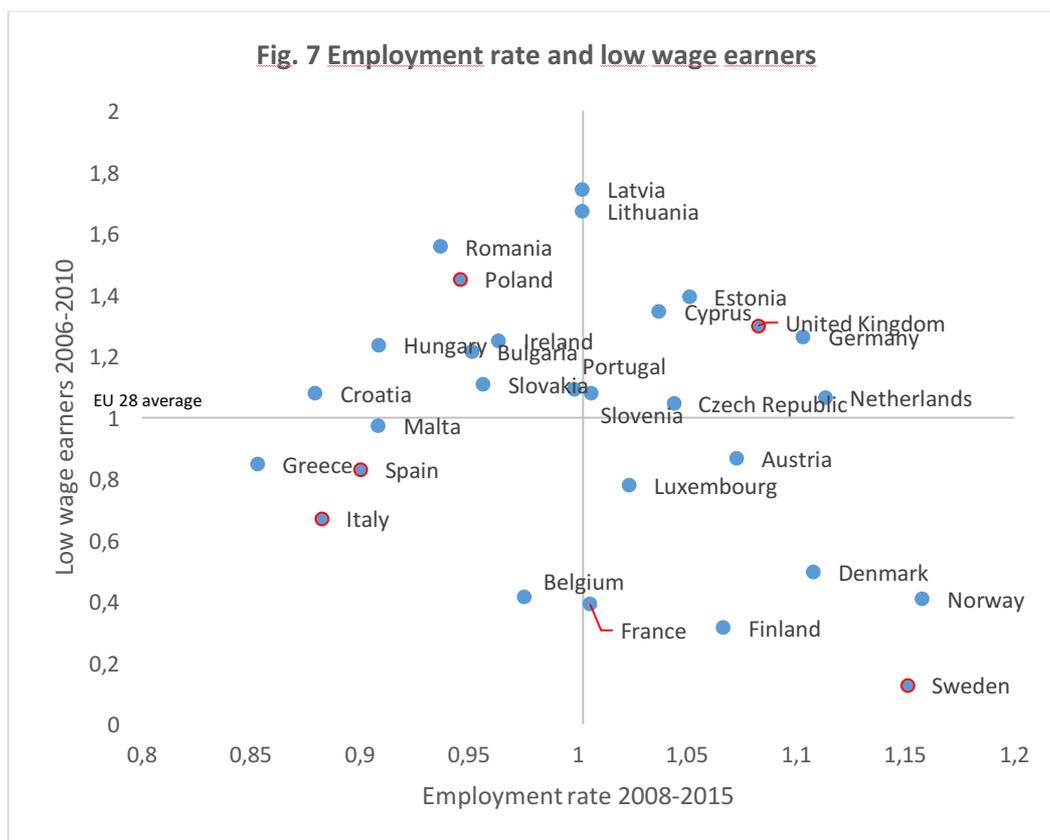
The analysis of quantitative exclusion seems highlighting that two countries, which are very different in terms of labour market regulation and belong to diverse models of capitalism, such as Sweden and the United Kingdom, have similar results in term of inclusion/exclusion. In other words, two very different models of capitalism – the Nordic and the Anglo-Saxon ones – seem to have similar results in terms of inclusion in the labour market of vulnerable groups. However, the analysis of the 'quantity of labour' is not enough to explaining the processes of inclusion/exclusion. The quality of labour is another important dimension which affect labour market inclusion and has to be included in the analysis.

#### **4. The different combinations of quantity and quality of employment**

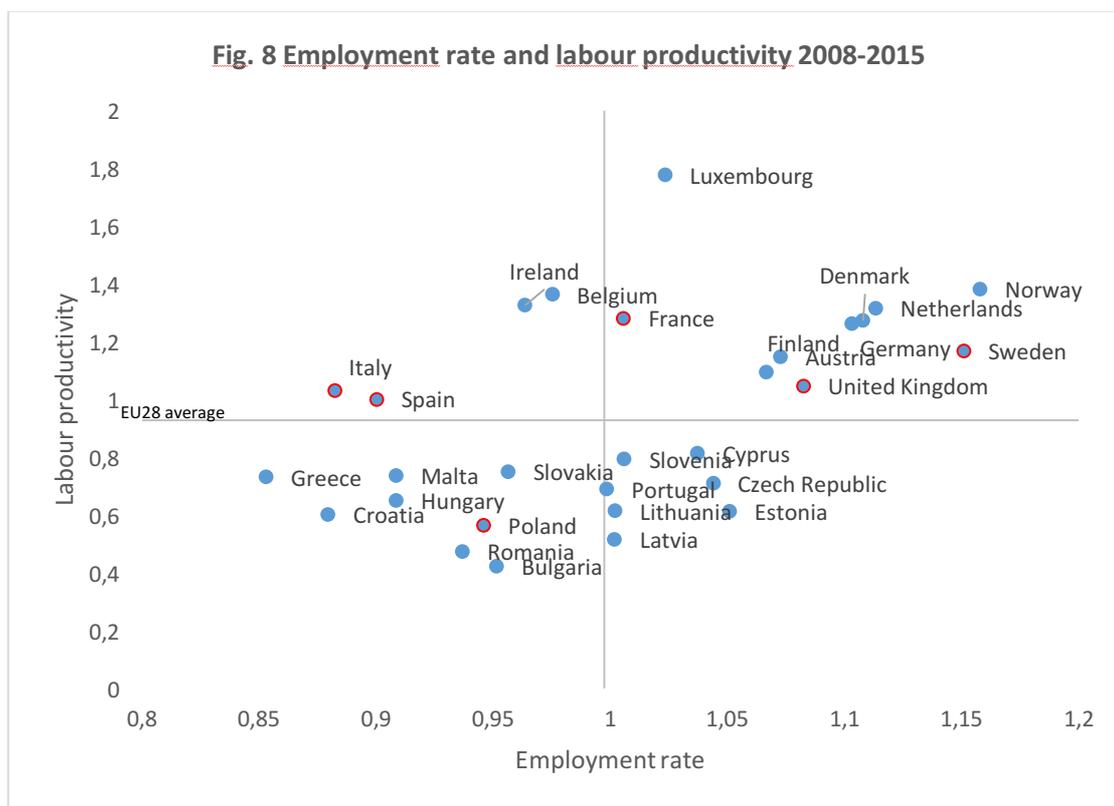
The relationship between quantity and quality of employment is here observed through different indicators. The quantity of employment, measured through the total employment rate, is related to four indicators of employment quality: low wage earners, labour productivity, long-term unemployment and involuntary temporary employment. Here we focus only on the relationship between quality and quantity, without describing and explaining trajectories of single countries for each of the dimensions considered.

The analysis shows that the relationship between quality and quantity of employment varies according to the kind of indicator taken into account. In particular, for some dimensions the relationship between quality and quantity is more direct. For example, the level of long term unemployment tends to be lower in countries with higher level of employment rate, and this is quite obvious: countries with problems of unemployment and with a non-dynamic labour market usually suffer of major problems in term of long-term unemployment. In other cases, the relationship is less clear or absent, as in the cases of involuntary temporary employment or the level of low wage earners. For this reason, before using a synthetic index on employment quality it is important to analyse the relation between employment quantity and every single component of the synthetic index.

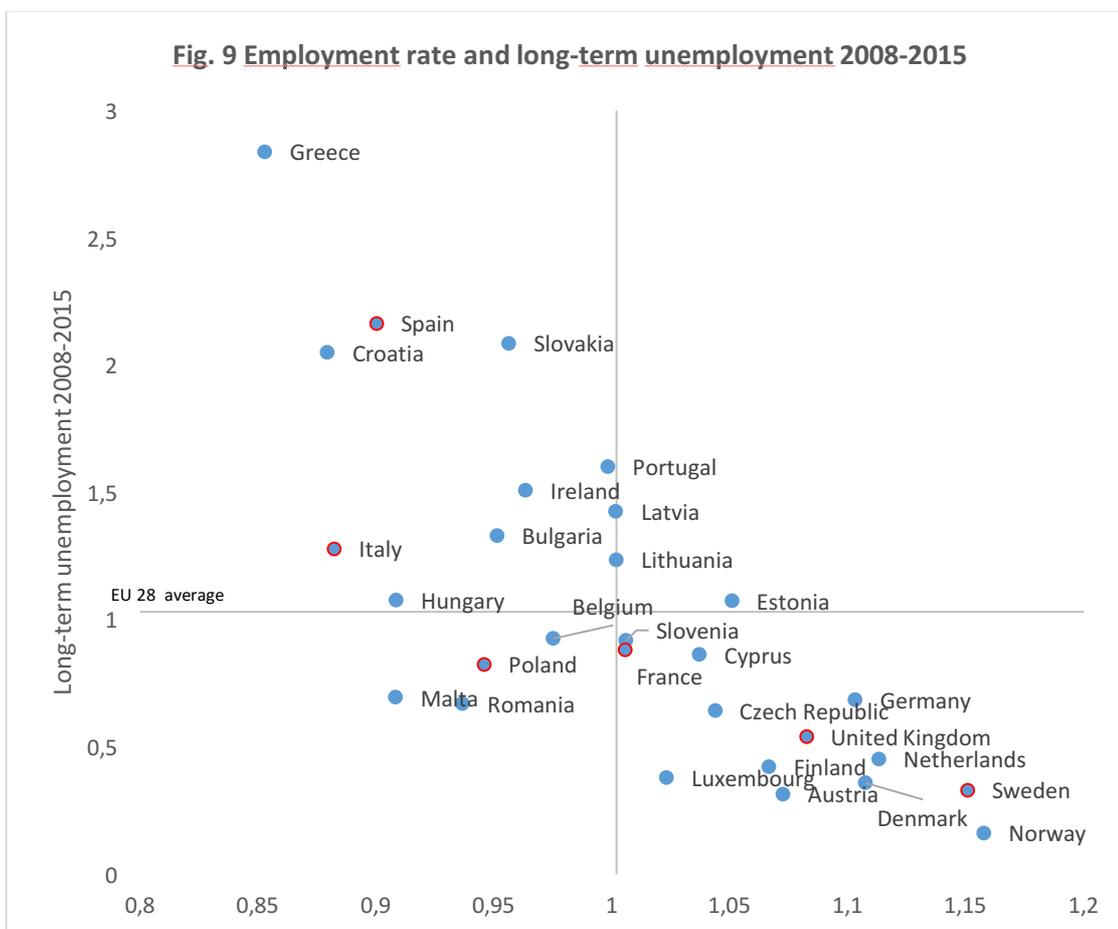
Looking at the relationship between employment rate and the level of low wage earners, it emerges that the European countries are characterised by very different situations, as their location in all the four quadrants of the figure 7 shows. The four Scandinavian countries have all high levels of employment together with a low level of low wage earners. A second group of countries combines high employment rates with also high levels of low wage earners: here we find countries which belong to different models of capitalism, like the UK, Germany, the Netherlands. A third group of countries is characterised by a low level of low wage earners and low employment rate, i.e. the Baltic and Visegrad countries, while in most of the Mediterranean countries salaries reach an intermediate threshold but the employment rate is quite below the EU average. In other words, data in graph 1 show that not all the countries with high employment rates have low levels of low wage earners.



Also the labour productivity, adopted as indicator of the quality of employment in figure 8, highlights that there is not always a strong relation between quantity and quality of employment. High labour productivity and high employment rates can be found in all the Scandinavian countries, in some continental country – i.e. Germany and Austria - and in the UK. Some countries are characterised by high employment rates and low productivity: these are Czech Republic, Portugal, Slovenia, Estonia, Lithuania and Latvia. Another important part of EU countries belongs to the low productivity and low employment rate group: such group is composed by Greece, Slovakia, Hungary, Croatia, Poland, Romania and Bulgaria. Finally, Italy, Spain, Ireland and Belgium show low levels of employment rate but their labour productivity is above the EU average. All this shows that also in this case the relationship between employment quantity and quality – here measured through labour productivity – is quite weak.

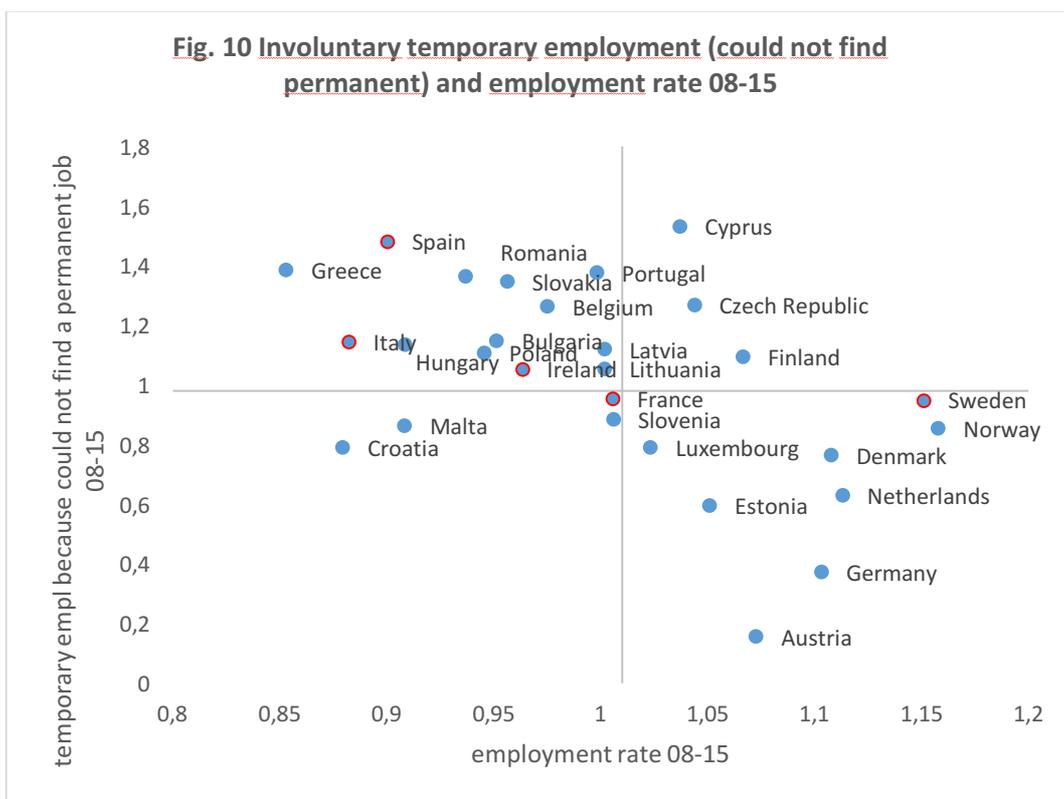


As said, a stronger relation between quantity and quality of employment emerges if we use long-term unemployment as indicator of the quality of employment, which shows forms of high and persistent exclusion from the labour markets (figure 9): many countries combine a low level of long term unemployment with high employment rates. All Scandinavian countries belong to this model, but also some continental countries (especially The Netherlands, Austria and Germany). In this part of the graph we find also Czech Republic, Slovenia and the UK. The Mediterranean countries are characterised, on the contrary, by high levels of long term unemployment and low levels of employment rates. This is the case for Spain, Portugal, Italy, Greece, but also for some countries of the CEE, like Hungary, Bulgaria, Croatia and Slovakia, and finally also for Ireland. Very few countries belong to the group of those with a long-term unemployment below the EU average and also low employment rate: Belgium, Poland, Romania and Malta.

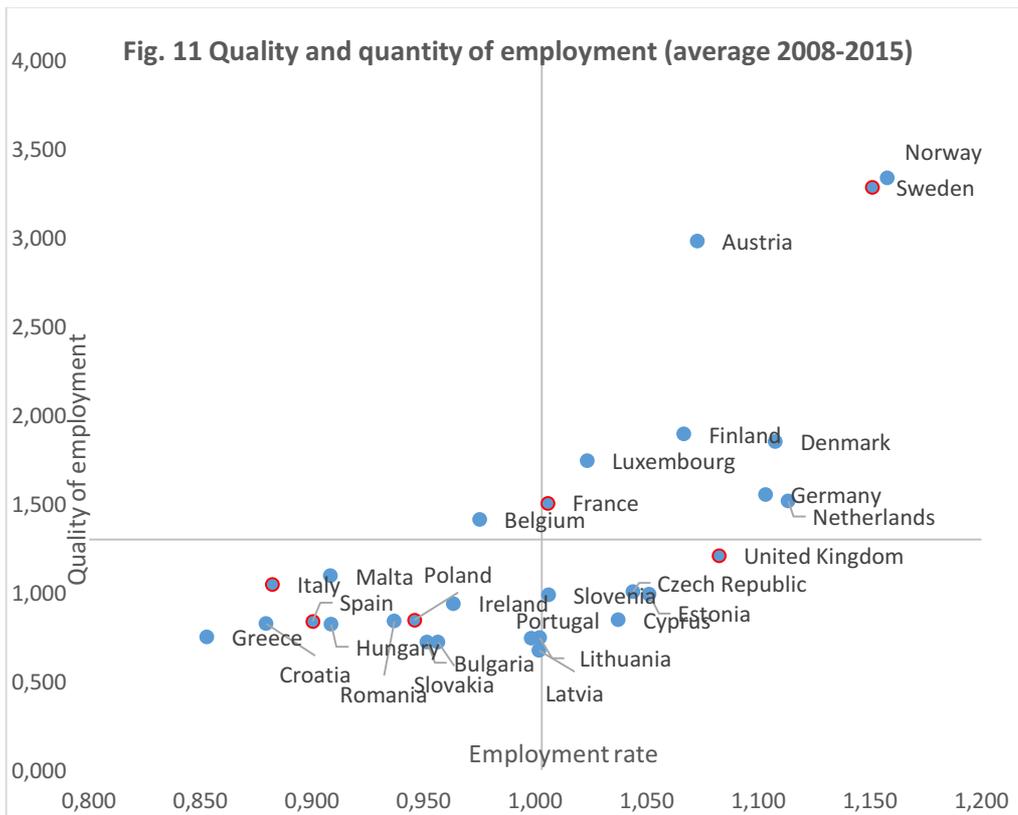


Finally, also if we associate involuntary temporary employment and employment rate we find a more direct relation between quantity and quality of employment. Most of the European countries here taken into account are located in two of the four quadrants (fig. 10). To the quadrant with high employment rates and low involuntary temporary employment belong the Scandinavian countries and some of the European continental countries, i.e. Germany, Austria, Luxemburg, but also Estonia. In the quadrant with high involuntary temporary employment and low employment rate are located all the Mediterranean countries – Greece, Spain, Italy and Portugal – together with Ireland and some CEE countries: Hungary, Romania, Slovakia, Bulgaria and Poland. Few countries have high levels of employment rate and high involuntary temporary employment - Czech Republic, Finland, Cyprus – or low levels of both: in France and Slovenia the employment rate is just below the EU average<sup>1</sup>.

<sup>1</sup> For the UK the data on involuntary temporary employment is not available on Eurostat database.



If we combine a synthetic index of the quality of employment – composed by the four indicators listed above - with the employment rate, we can observe that there is a slightly positive relation between quantity and quality of employment. Three combinations emerge (figure 11): high levels of both quantity and quality of employment characterise the Northern European and some other countries of the continental model (The Netherlands, France, Germany, Austria); low levels of both quantity and quality of employment denote the Mediterranean countries, which are all in this part of the graph, together with Ireland, Romania, Poland, Bulgaria and Hungary, and Slovakia, Lithuania, Latvia. Czech Republic, UK, Slovenia, Estonia and Cyprus are characterised by high levels of employment rate but a low quality of employment. Belgium is the only country where the quality of employment is above the EU average while the employment rate is just below it.



Summing up, the relationship between quality of labour and level 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.

How industrial relations influence the level of qualitative exclusion/inclusion in the labour market?

## **5. Models of industrial relations, inclusion and growth**

To explain the multiple equilibria between quality and quantity of employment it is also necessary to take into account the key role played by the actors of industrial relations, particularly highlighting three main aspects. First, strong unions and employers' associations are compatible not only with high levels of job quality, but also with high levels of quantity of employment. Second, having strong unions and employers associations is not, however, guarantee of competitiveness and inclusion: there are countries with large and influential trade unions which recorded a growth of labour market exclusion or segmentation. Third, if you want to understand the relationship between quality and quantity of employment it is important to look at the 'structural' features of the system of industrial relations: collective bargaining coverage, ability to influence and inclusion in policy-making and the membership rate. A high coverage of collective bargaining, in fact, is often associated with a reduction labour market exclusion; a high influence of representative associations in the policy-making mechanisms can promote the development of effective policies to combat social exclusion and support inclusion in the labour market; high membership can foster an encompassing attitude of unions and employers associations. But focusing on these structural features, as does much of the comparative political economy is not enough. It is also important to deepen the logics of action of collective actors: if these actors adopt the logic of most encompassing type, representative organizations follow 'including'

strategies and tend to create minor conditions 'dualism' and segmentation in terms of guarantees and rights; while associations that follow the logic of protection of specific interests, even if they are influential, can favor the production of inequalities.

As is well known, the countries of Northern Europe share a long historical tradition of neo-corporatism founded on a strong labor movement, a few representative organizations, very inclusive, with a very large number of subscribers, connected to the sectors most exposed to competition, constantly involved in relating to the labor market adjustment processes, tax policy, welfare, provision of services and to their organization with consolidated participating institutions at central and decentralized levels. The logic of action of such unions are always of type 'including', to protect the general interests as well as sectoral. This structure has encouraged the consolidation of rights and protections that rely on principles of universalistic, and consequently a massive investment in social policies devoted to trigger the reduction of inequalities and to favour the rise of inclusive labour market. At the same time, the choice of trade unions and employers' associations to pursue proactive action has strengthened the competitiveness of the economic system. These characteristics of the industrial relations system are confirmed by the involvement of associations in policy-making practices that is very high in all five Nordic countries. Such participation in the political arena has also been favored by high levels of membership: unionization in these countries is around 70% (Denmark, Sweden and Finland) and in Norway, the country with lower union density in this model, amounted to 55%. As for the extension of collective bargaining, the countries of Northern Europe model are characterized by a centralized bargaining which favored extensive coverage, well above the European average, around 90% in Finland and Sweden, 80% in Denmark and 70% in Norway. Such a structure, however, did not rule out the presence of mechanisms that favored labour market decentralization. In these countries, therefore, the logic of action of the associations have favored both the rise of employment level, quality of employment and the emerging of inclusive labour market.

The institutional framework and the historical tradition of the continental countries have fostered a strong participation of representative organizations within the policy-making mechanisms: a system of regulation based on a combination of a 'state activator' of consultation on the one hand and organizations representing interests with a quasi-public connotation. The inclusion of trade unions is in the highest continental model over other models, despite the unionisation rate is not higher than the European average - with the exception of Belgium. Medium and low levels of membership, together with a high ability to influence the policies and also a high coverage of collective bargaining, equal to that of the Nordic model. However, it should be remembered that in

some countries of the continental model the organizations representing the interests followed a strongly sectoral logic of action, which has given great importance to the interests of the strongest sectors of the workers, thus promoting a segmentation of protection in the labor market, with the emerging of a process of flexibilisation at the margins.

Industrial relations in the Anglo-Saxon model are characterized by a medium-low unionization, by bargaining that takes place mainly at company and individual level, and by the absence of social consultation. It is a pluralist model, where interest organizations have developed into a kind of 'organizational free market' and not of participation in the political area (Crouch 2001; Schmitter 1974). In this model it has gradually decreased the contribution of organizations representing the interests of developing policies for inclusion and competitiveness. Since time is also an ongoing process of decentralization. This is why the UK was defined as a 'model collective bargaining disintegrating'. Collective bargaining, when present, is focused on the enterprise level and not of the sector, with the result that industrial relations in these countries have a dimension of 'micro-adjustment'. In the Anglo-Saxon model is, by historical tradition, a clear distinction between the regulation of wages and working conditions on the one hand and the regulation of issues related to social protection and the rights of citizens on the other; the consequence is that the social partners have addressed these issues rarely, and for this reason the level of inclusion in policy-making processes is less than that found in other models of capitalism. In terms of agency, representative organizations have therefore followed the logic of more specific action, sectoral and 'company-based' and less oriented to protect interests of a general nature. The effect of such associative adjustment and logic of action has been to open spaces to market adjustment, which has been able to support high levels of employment but much less inclusion in the labour market in term of employment quality.

An intermediate level of inclusion in policy-making practices is what we find in the Mediterranean model: during the 90s there was a heavy reliance on consultation practices. For example, both in Italian and in the Spanish case, the State has often delegated to a number of important decisions the social partners in the labor market and welfare. The representative organizations in these countries have sometimes tended to protect specific interests, but at the same time, the low institutionalization of consultation practices has encouraged their involvement in a very unstable way with peak and decline of social trilateral negotiation: by this point of view, consultation experiences mainly aimed to the preparation of measures and policies to reduced public spending and not to the development of tools and rights for those who have been exposed to new social risks in the labour market. The mix between a sectoral representation and limited space for the consultation has indirectly favored the emergence of different protection regimes. Even so, in recent years, there has been a substantial abandonment of trilateral

negotiation also joined to a weakening of the social consensus in respect of these organizations. As for unionization, the weight of representative organizations, in comparison to other European models, is intermediate, higher in Italy and lower in Spain. Finally, with regard to collective bargaining, even in this model, the sectoral level is the most important and the coverage is medium-high. It should be noted the growth in the use of opt-out practices in collective agreements and the emergence of decentralization processes; this process occurs in the presence of relatively weak trade unions at company level, and for that reason did not favor a virtuous circle of participation, competitiveness and inclusion in the workplace.

As for central Europe, limited and weak institutional framework of industrial relations have not created the conditions for a strong support to inclusion in the labour market.

In conclusion, the differences between the various models confirm that strong unions are not only compatible not only with high levels of labour market participation but also with a high level of employment quality, as shown by the capitalism of northern Europe.

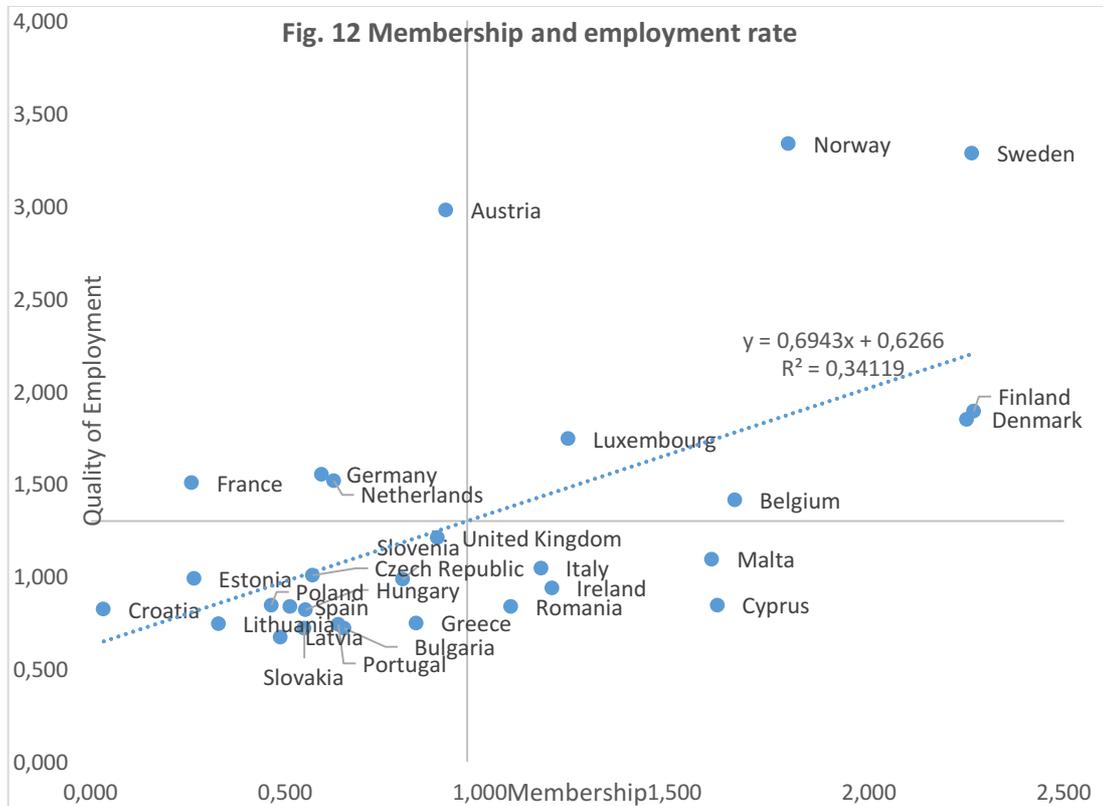
## **6. Industrial relations and the quality of employment**

The analysis of the impact of industrial relations on inclusive labour markets shows that social partners can have both a direct and indirect role for reinforcing employment quality. In particular, the membership, the coverage of collective bargaining and the inclusion of social partners in the policy making may affect the quality of employment. We will see that it is possible to find a process of employment growth in a context of weak industrial relations (i.e. UK) but it is less common to have an increase of the quality of employment where industrial relations lack of strength.

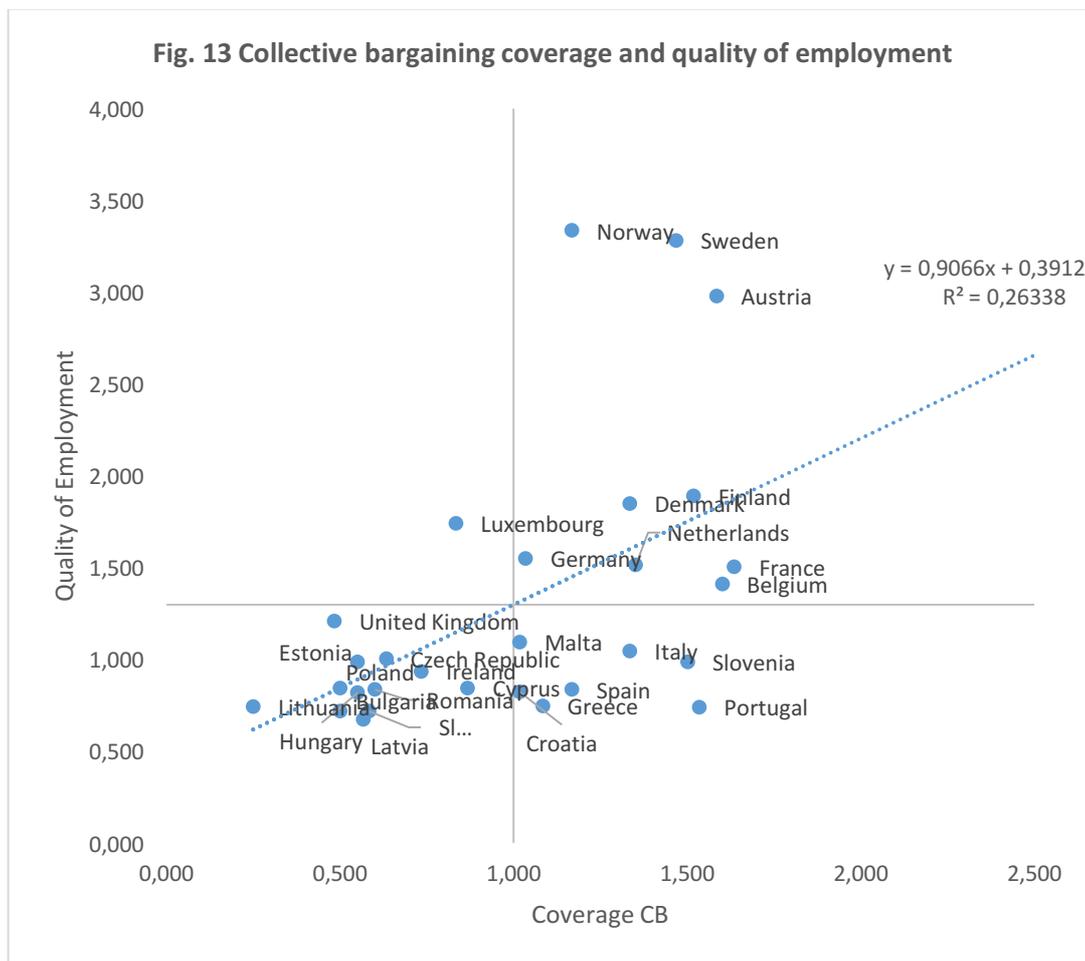
The literature on industrial relations shows that the quality of employment is particularly affected by the collective bargaining coverage and by the inclusion of social partners in the process of policy making - more than the membership: the collective bargaining coverage insures the broad extension of contractual rights; the participation of trade unions in the policy making may affect the reforms in a pro-labour logic.

According to our analysis, in fact, the relationship between membership and quality of employment is not particularly strong (Fig. 12). High levels of membership can be found in countries where the quality of employment is high, like the Scandinavian ones, but also where the quality is below the EU average, like in Italy or Ireland. Most of the country with a low membership rate, on the contrary, have also low employment rates: this is the case for the rest of the Mediterranean countries and CEE countries. Finally, many countries belonging to the Continental model combine medium or low membership rates with a quality

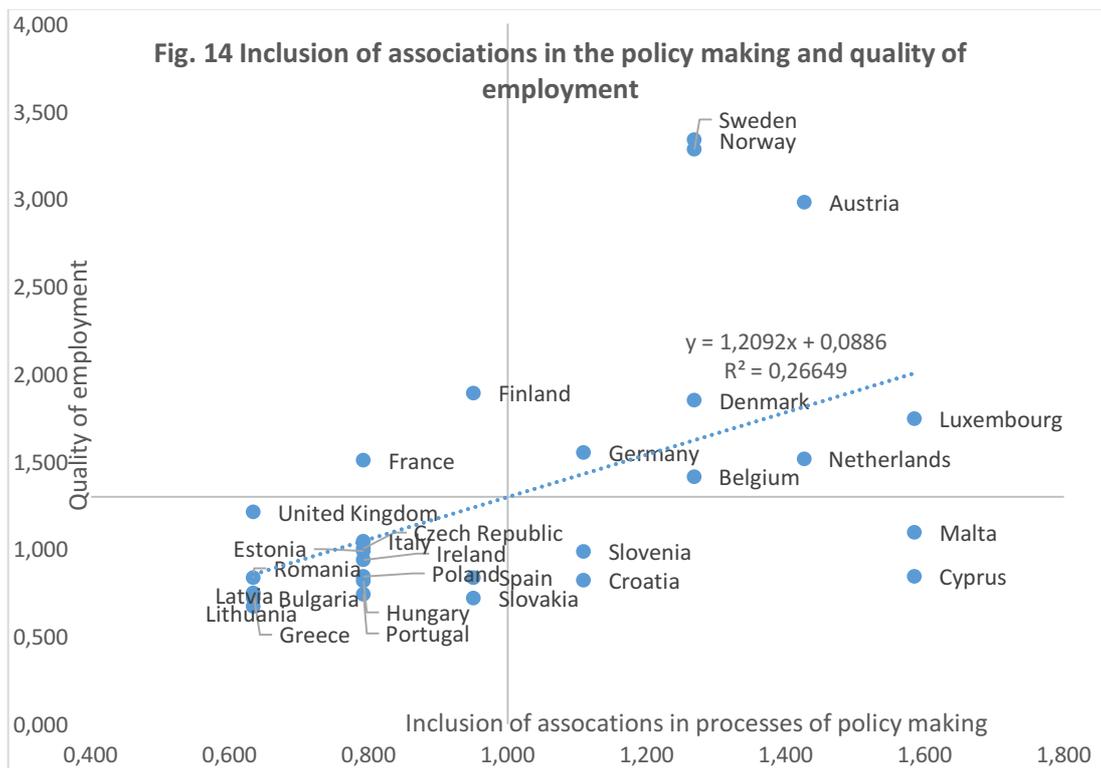
of employment which is above the EU average, like Germany, The Netherlands, France.



The relation between quality of employment and collective bargaining coverage is more evident (fig. 13): almost in all the countries where the level of the coverage is low, also the quality of employment is below the EU average (the only exception is Luxemburg). While if we look at the countries where the collective bargaining coverage is higher than the EU average, we observe that not all of them are characterised by a high level of quality of employment. The Scandinavian countries, together with the Continental ones (Austria, France, Belgium, The Netherlands) have high rates for both dimensions, but all the Mediterranean countries and Slovenia, Malta and Croatia combine high coverage and low quality. This results suggest that the collective bargaining coverage is important but it does not determine nor assure the quality of employment; at the same time, low coverage is strongly linked to low quality of employment.



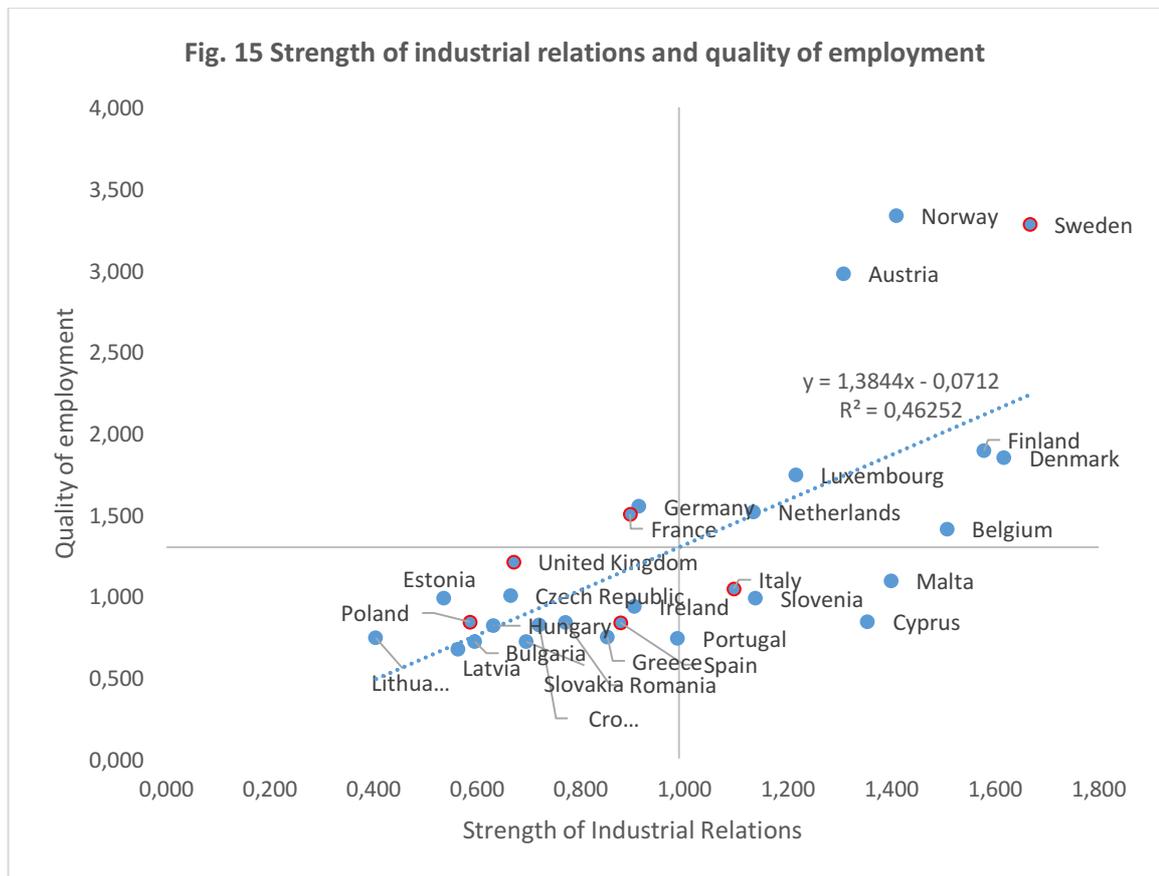
It is very interesting also to look at the relations between quality of employment and inclusion of associations in the policy making. Also in this case most of the European countries are located in two quadrants of the graph 8: high levels of inclusion of social partners in the policy making are related to high quality of employment for the Scandinavian and Continental countries. Here the exceptions are Finland and France, characterised by low levels of inclusion and high quality: in this case the state has implemented polices independently from the associations that have guaranteed quality standards. Few and small countries have high levels of inclusion in the policy making of social partners and low quality of employment: Slovenia, Croatia, Malta and Cyprus. Most of the countries where inclusion is low, show also low quality of employment. This is the case for the UK, Ireland, the Mediterranean countries and many CEE.



These three indicators, which show the role played by industrial relations, can be summarised in a synthetic index representing the “strength” of industrial relations, which can be also associated to the quality of employment.

Figure 15 shows that there is an important relationship between the strength of the industrial relations system – measured with the synthetic index that gather together membership, CB coverage and inclusion in policy making - and the quality of employment. European countries are divided in three main groups: the Scandinavian countries and some of the Continental ones combine high quality of employment together with strong industrial relations – with the exception of Germany and France where industrial relations strength is just below the EU average . The Anglo-Saxon, Baltic and Visegrad countries, on the contrary, are located in the quadrant characterised by low quality of employment and weak industrial relations. In a different position we find Italy, Slovenia, Malta and Cyprus: here to a strong role of social partners do not correspond a high quality of employment. Thus, it is possible to say that when we are in a situation of “weak” industrial relations – low levels of membership, low inclusion in policy making and low coverage - employment quality tends to be low, with the two notable exception of France and Germany. When industrial relations are strong (high membership, high coverage and high levels of inclusion) employment quality tends to be high, in this case with the exception of Italy, Slovenia, Malta and Cyprus. In other words, 23 countries out of 29 are located in a quadrant that

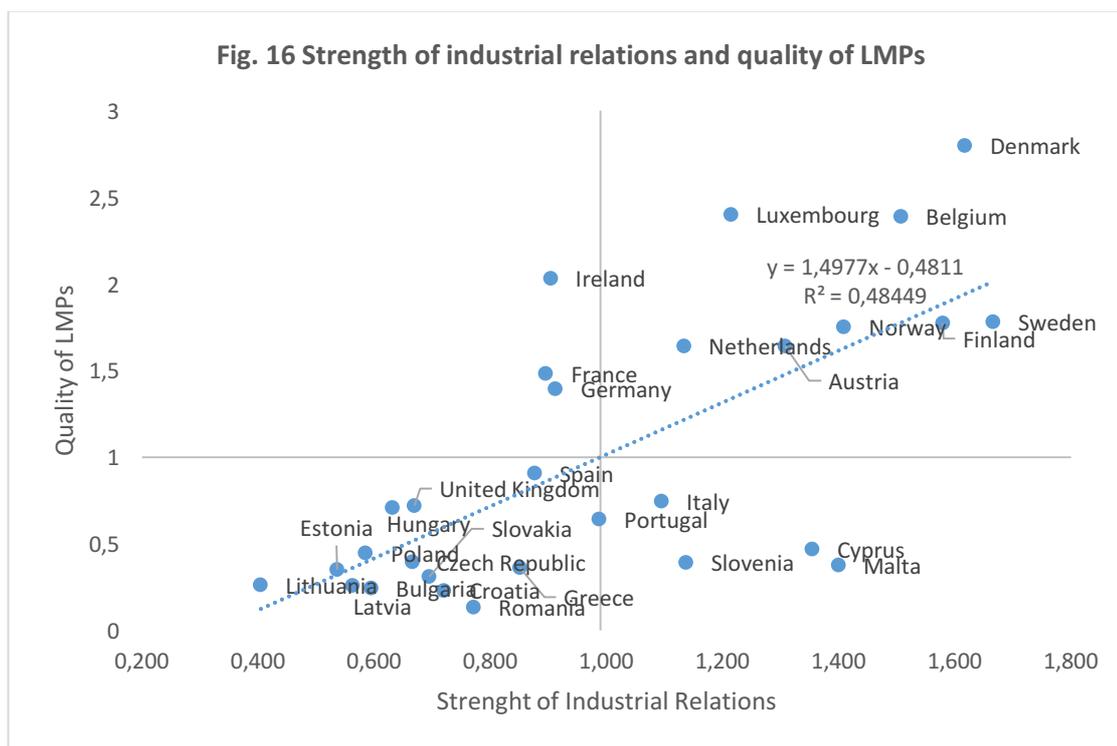
confirms the relations between the strength of industrial relations and the level of employment quality.



To sum up, we have observed that the relation between quantity and quality of employment is slightly positive, but such relationship depends on the dimension of quality that is taken into account. It is strong when associated with long term unemployment, while it is weak in connection with low wage earners and involuntary temporary employment. As for the relation between industrial relations and quality of employment, this is quite relevant. The two synthetic indexes of the strength of industrial relations and quality of employment show a positive relation. This association is, on the one hand, a direct relation, like for the CB coverage, which increases the quality of employment ensuring a broader extension of labour rights; on the other hand, the influence of industrial relations on the quality of employment is indirect, as we underline in the following section.

## **6.1 Industrial relations, public policies and employment quality**

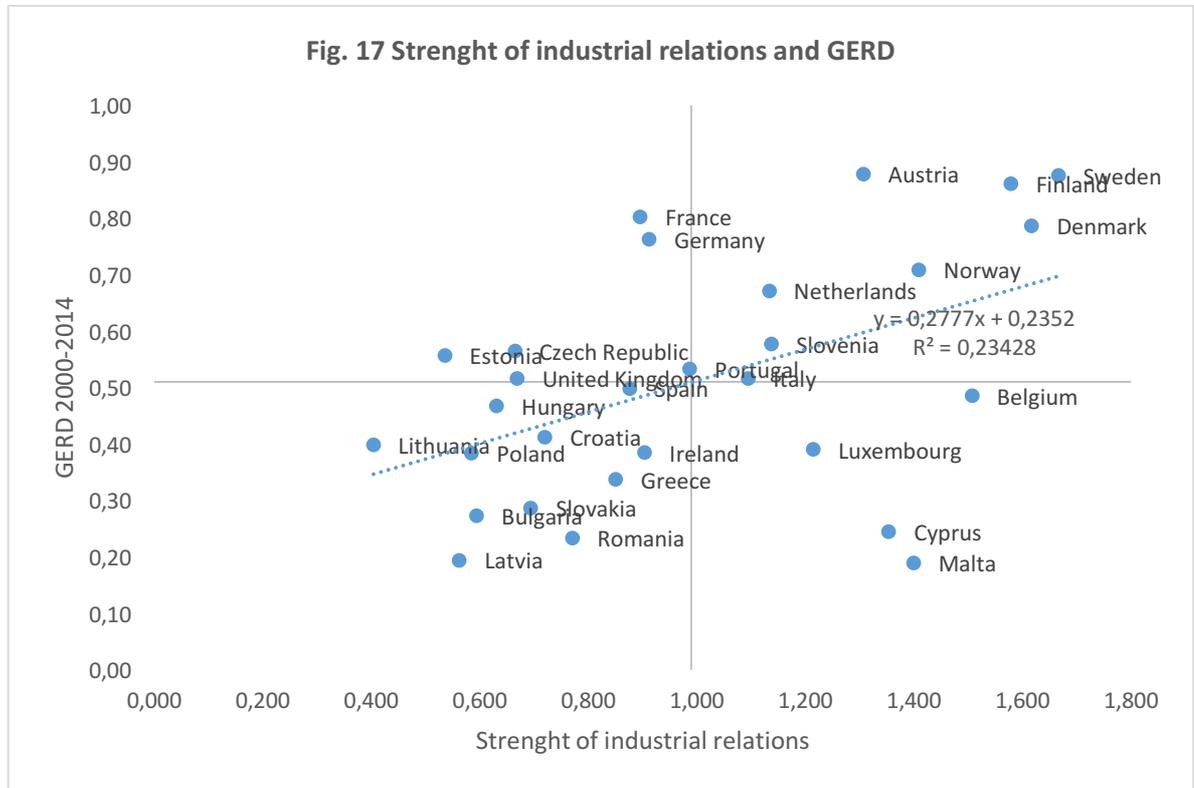
As we have already underlined, the strength of industrial relations is related to employment quality in different ways: for example, collective bargaining coverage can reinforce employment quality enlarging the coverage of rights to wide groups of workers. But it is also important to emphasise the indirect relationship between employment quality and the strength of industrial relations. In particular, the involvement of industrial relations actors in the policy making affects public policies and measures and, consequently, the quality of employment. Figure 16 confirms that in the countries where social partners are stronger, and where we find high levels of inclusion of associations in the policy making, the quality of active labour market is higher than the EU average, and the quality of employment as well. Figure 16 shows similar results of graph 9 in terms of countries' position, with the Scandinavian and many continental countries located in the quadrant with high quality of labour market policies and a stronger position of social partners, while the Baltic, Visegrad and many Mediterranean countries are in the opposite quadrant with low levels of quality of activation measures and weak industrial relations. Italy, Slovenia, Malta and Cyprus, are, together with France, Ireland and Germany, countries where the relationship between the strength of social partners is not influencing the quality of LMPs and also France, Germany, this time together with Ireland, where a good quality of labour market measures is not linked with strong industrial relations.



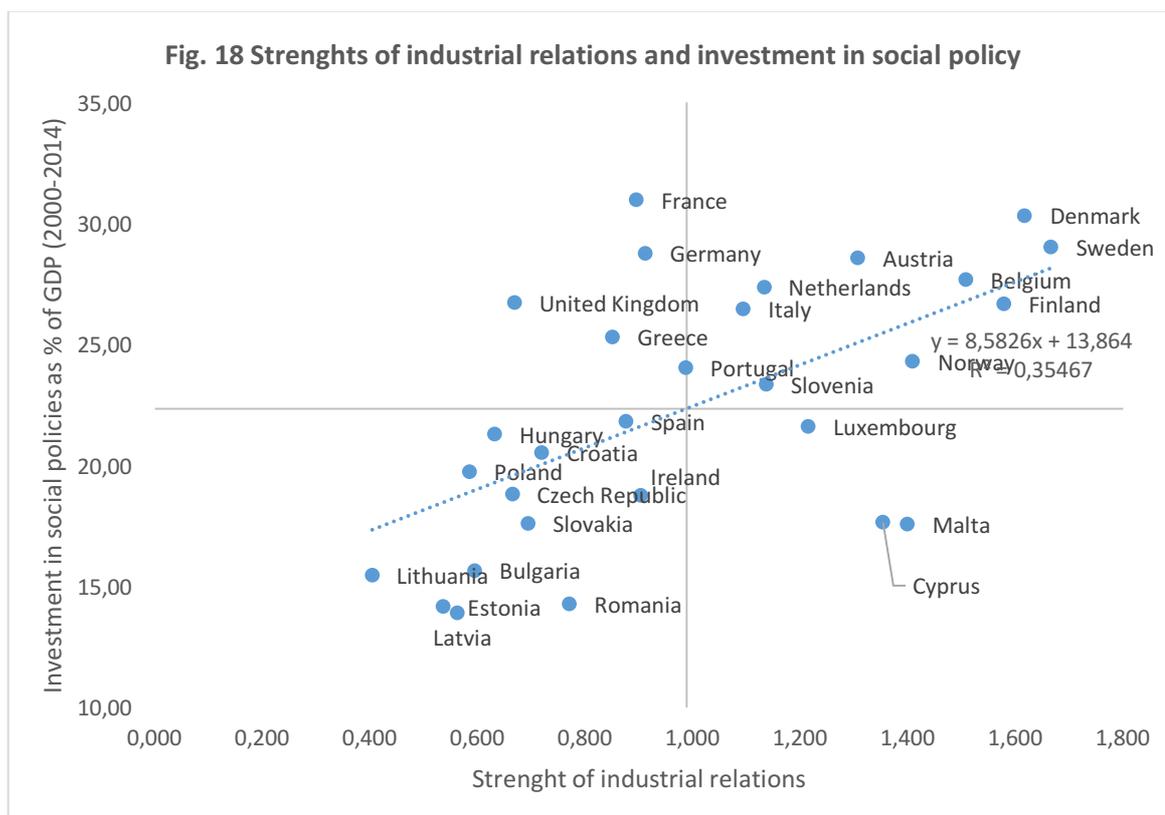
The positive relation between industrial relations strength and quality of public policies is confirmed also by the analysis presented in graph 17, 18 and 19. In these cases the synthetic index which represents the strength of industrial relations has been combined with three more strategic public policies directly linked to the quality of employment: the gross domestic expenditure on R&D (GERD), the investment in social policies and the expenses in education.

Graph. 11 supports the hypothesis that in the countries where social partners are included in the policy-making the most, like the Scandinavian ones, the State's investment in research and development tends to be higher than the other European countries, while to a weak position of social partners corresponds a lower level of investment in this field, as the case of the Baltic countries, Visegrad and Anglo-Saxon countries show. The Mediterranean countries also result below the EU average on this, with the exception of Italy and Portugal, which are slightly above the EU average. Within the Continental model, Austria and The Netherlands confirm the relationship between industrial relations and quality of national investment on R&D, while Belgium is characterised by strong social partners but lower levels of GERD and, in the opposite condition, France and Germany have

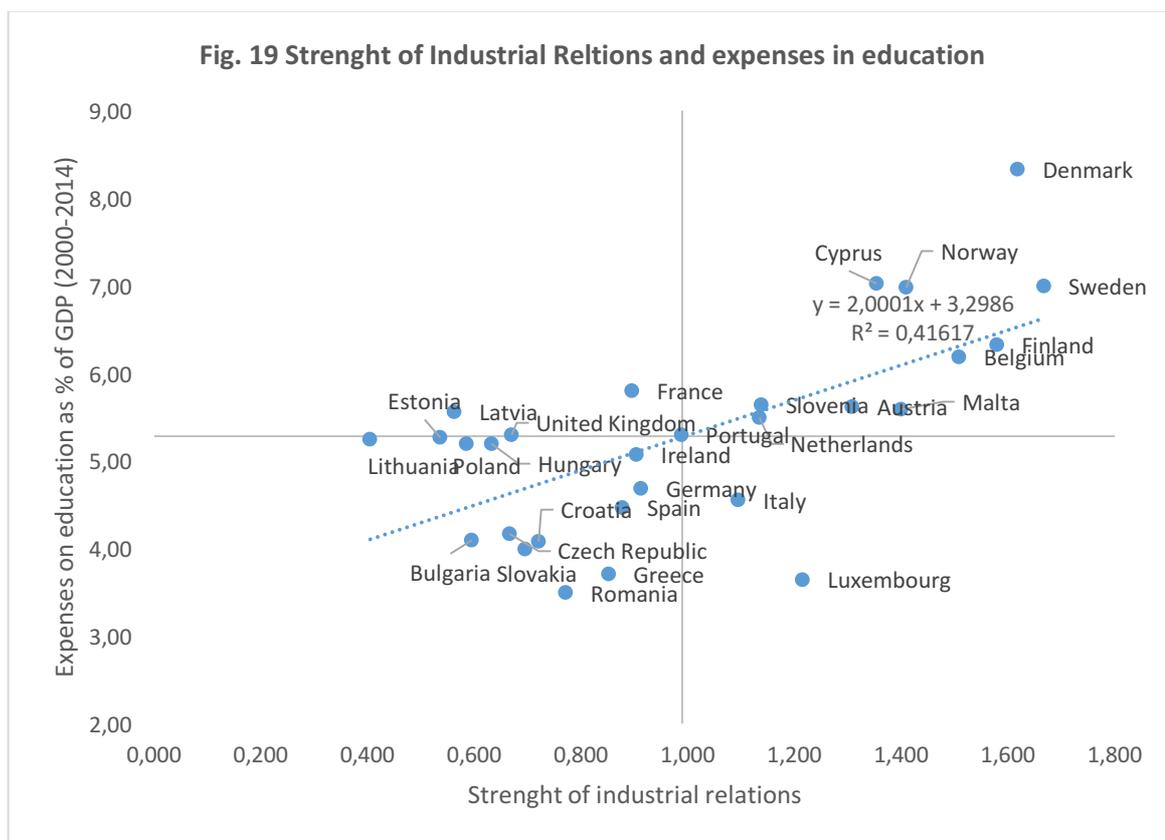
quite high levels of GERD in a context of medium influence of social partners in the policy making.



A similar position is highlighted in graph 18, where the strength of industrial relation is associated with the investment in social policy. Again, social partners can have a direct or indirect impact on public policies addressed to combat social exclusion, poverty and unemployment. A direct influence is possible when social partners are included in the policy making, like in the Nordic and some Continental countries, while an indirect form of influence can take place when social partners act and mobilise in order to avoid the reduction of rights and social protection standards. Social partners play a role in guaranteeing the standard of living for workers and social programs. The polarisation among the European countries is evident also in this case: Scandinavian and some Continental countries (Austria, The Netherlands, Belgium) have high levels of investment in social policies and stronger industrial relations; a medium degree of both dimensions characterises the other Continental countries and some Mediterranean ones, while the Baltic and Eastern European countries have low levels in both the combined indicators.



Finally, another important policy field which plays a role in the quality of employment is the expenses in education. Social partners contribute to the national policy making on education and training, an arena where in the last years many states have operated drastic cuts due to the financial situation resulting from the economic crisis. The investment in this policy field depends on states' priorities and resources, but social partners can affect it and can be directly involved in this. The significant variation across countries, highlighted above, exists also in this case. Graph 19 shows that the group of countries where social partners have a legitimate place in the nation's affairs tend to have also higher investment in education, while in the opposite quadrant the Eastern and Baltic countries, together with Ireland and Spain, have low investments and weak industrial relations.



## 6.2 Quality of employment and industrial relations. Conclusive remarks

This analysis highlights different models of inclusive labour markets among EU countries. Differences are related to the diverse institutional configuration of economic regulation, of national welfare systems, labour market structures, and industrial relations systems. These dimensions affect different output in terms of employment growth and social inclusion in the European countries, with a varieties of models. 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). For instance, the Mediterranean countries 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 medium-high quality of employment. The Scandinavian and many Continental countries are able to combine high-quality and high quantity of employment and finally, the Anglo-Saxon model is characterised by high quantity and low quality of employment. The strenght of social partners and the involvement of industrial relations' actors in the policy-making affects positively labour market inclusion processes, especially in its qualitative dimensions. The same is true for collective bargaining

coverage that fosters the “high road” of inclusion based on high quality of employment. In particular, we have emphasised two possible processes and mechanisms of influence of industrial relations on employment quality. The first one is a direct influence: collective bargaining coverage can influence the quality of employment protecting rights and measures related to the improvement of working conditions. Naturally, this relation is not automatic: there are cases of sectors in which unions are particularly weak and industry-wide agreements do not guarantee a high level of employment quality. The second mechanism is more indirect: the strengths and the involvement of social partners in policy making practices favour the set-up of policies more addressed to follow the high road of development, based on investments on innovation, social policies, labour market policies, education.

The expenditure in these policies and the quality of policies show the capacity of the State, together with other actors, in steering and determining labour market inclusiveness, and the importance for social partners to influence its action. It is also interesting to note that a strong role of industrial relations favour the employment quality but that it is also favourable to high level of employment, such as the example of Nordic countries show, all of them characterised by strong industrial relations and high employment rate; this shows that the action of unions is not always against competitiveness.

For the above mentioned reason, in order to better understand processes of inclusion in the labour market, it is important to “bring politics back-in” and looking at the political agency and at the role of social partners in influencing it. The agency of political actors, together with the institutional capability and the structure of industrial relations, are thus very important elements which affect the possibility of the different models to increase the inclusiveness of the labour market.

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