

Trade unions' collective bargaining efforts have serious implications for social and economic equality in European countries

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The role of trade unions in promoting social justice has been challenged by rising social and economic inequality in several European countries. [Angie Gago](#) writes that while levels of inequality vary from country to country, the general rise in inequality experienced across Europe is associated with a change in the redistributive character of trade unions' collective bargaining. She argues that trade unions must participate in salary negotiations and legitimise their institutional role, while at the same time using collective bargaining to push for social justice.



Trade unions are crucial to achieving equal societies due to their involvement in social justice. During the last few decades, however, this function has been questioned because of the increase in inequality in rich and developed societies where trade unions still retain part of their influence.

Although the increase in [salary disparity](#) is usually associated with changes in economic factors, such as technological change, globalisation and capital mobility, there exists an [open debate](#) about the influence of national politics and the institutional context of each country on halting [rising inequality](#). Comparing liberal countries to corporatist countries, we can see whether labour institutions have influenced the increase in inequality.

Some countries, such as the United Kingdom, are liberal market economies where labour rights are deregulated and trade unions play a residual role. However, countries like Denmark and Sweden are social market economies with solid corporatist institutions in which trade unions have bigger memberships and where we can find higher union density. Inequality hits all of them, but with a different intensity.

According to an [OECD report](#) produced in 2011, the difference between the richest 10 per cent and the poorest 10 per cent in states has increased, but in countries like the UK this increase has been more significant than in other continental European or Nordic countries. There are two factors which might have influenced this outcome. First, corporatist countries historically have greater equality, thanks to the social pact between capital and labour after the Second World War. In those years, trade unions, together with Left, Christian-Democrat and Social-Christian parties, played an important role in the creation of welfare states and the achievement of social and labour rights for the working class.

Although the welfare state was also developed in liberal countries after the Second World War, its expansion was never consolidated. In addition, labour rights and the right to union representation were not at the same level as in corporatist countries. In the post-war years, economic growth and full employment reduced inequality in liberal



Spanish Prime Minister Mariano Rajoy and Ignacio Fernández Toxo, President of the European Trade Union Confederation (Credit: Spanish government, CC-BY-SA-3.0)

countries and their situation was very similar to that in corporatist states. However, this did not last long.

The second factor that influences the differences in inequality between liberal and corporatist countries are the changes that occurred from the economic recession of the 1970s and the emergence of neoliberalism and globalisation. Inequality increased more in liberal countries at that time due to the appearance of unemployment and limited labour practices, such as collective bargaining, and the lack of social and labour rights. Conversely, those factors combined with strong trade unions and prolonged periods of rule by left-wing governments, helped corporatist countries in maintaining more equal societies.

Then why has salary disparity also increased in corporatist countries in recent years? The reason for this stems from the fact that the functions of trade unions have changed in recent decades. Whereas after WWII labour organisations had a crucial role in regulating the relationship between salaries and employment with redistributive objectives, this changed in the middle of the 1980s and the beginning of the 1990s in corporatist countries.

A new tool emerged during the economic crisis of the 1980s and the entrance of European states to the Common Market: Social pacts. This tool of tripartite negotiation between governments, trade unions and employers had the purpose of achieving more competitive economies through salary moderation. Trade unions agreed to moderate salaries in exchange for institutionalisation and its ostensible benefits.

This strategy of salary containment has also been maintained in collective bargaining agreements. Trade unions have compromised the increase of salaries and have agreed to more flexibility in workplaces in order to guarantee jobs. In this sense, we can talk about a loss of the redistributive character of collective bargaining. The crisis in the relationship between trade unions and equality begins when collective bargaining and social pacts lose their redistributive character, legitimising the unions' institutional character instead. In other words, trade unions participate in negotiations in order to legitimise their institutional role, but not to achieve equality. This phenomenon is commonly known as the '[displacement of goals](#)', based on the work of the German sociologist Robert Michels. Although corporatist countries continue to show high union density and solid labour institutions, their goals have been modified.

The relationship between unions and equality seems to be safeguarded, despite the increase in unemployment and salary differences, thanks to the welfare state. There is a difference in levels of salary inequality once state welfare payments, such as unemployment protection and pensions, are taken into account. Countries that have generous welfare services, usually countries that have solid corporatist institutions and strong trade unions, score better results in relation to equality.

This does not mean that welfare states are not redistributive in liberal countries. In fact, looking at the examples of the UK and Denmark, redistribution through taxes and transfers were similar in the two countries at the end of the 1990s. However, the total redistribution rates were higher in the Danish case because market inequality was lower. Liberal countries come from a situation of more pronounced inequality and the redistributive effects of the welfare state cannot reach that of corporatist countries.

In conclusion, while trade unions can continue to maintain a strategy of defending the welfare state, they can also play a greater role in the achievement of more equal societies. The key issue is to observe the responses of trade unions vis-à-vis the ongoing welfare retrenchment in many European countries. Labour organisations can only maintain a fundamental role in achieving social justice if they find alternative tools for collective bargaining and fight against welfare retrenchment.



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