

Summary/report of the WAGE workshop in Arras, Friday, 11th March 2016

WAGE

Wage Analysis in a Globalising Environment

(New possible signification of the acronym)

Initial meeting (Kick off)

Arras 11th March 2016

Université d'Artois

Maison de la Recherche

9.30-16.30

Present (17): Leonid Borodkin (Russia), Stéphane Callens (Fr.), Maria Camou (Uruguay), Michel-Pierre Chélini (Fr.), Linda Clarke (UK), Remi Devémy (Fr.), Aomar Ibourk (Morocco), Karl Lauschke (Germany), Nicolas Maître (Switzerland, ILO), Jimmyn Parc (S-Korea), Muriel Perisse (Fr.), Georges Prat (Fr.), Clément Sehier (Fr.), Christophe Starzec (Fr.), Bas Van Leeuwen (Netherlands), Laurent Warloutzet (Fr.)

The meeting resulted in a slightly different definition of the acronym: *Wage Analysis in a Globalising Environment*

Introduction

Summary of the past year and of the current WAGE situation

. April 2015. Conference in Arras: *Wages and Global Development since 1950/60 (diversity and convergence between advanced/emerging countries)*

. August 2015. Workshop in Kyoto (World Economic History Congress) about the same topic/problematic

Contributions to both events are included in a book to be published by Peter Lang (Bern) for this spring or fall 2016

Call for project: submissions

- July 9, 2015. Project WAGE was submitted at the (French) National Research Agency in MRSEI Program ("Building of European and International Scientific Network")
- End October 2015: ANR qualification 30.000 € + First updating of the documents. December, 17: meeting in Paris of the 36 leaders of qualified projects for this call
- February 2016: COMUE Qualification to a grant application (call for project "Bonus for International Research Quality" BQRI) at the Community of the Universities of Nord-Pas-de-Calais: 4,000 €

Current constraints

- The budget of **ANR-funding** is administratively open from 11 October 2015 to 11 April 2017, but the funds were not actually available until February 15, 2016 (!). + The national ANR meeting to explain the methodology of the European programs for the heads of the qualified projects took place on December, 17 in Paris.
- That explains the date of our meeting as only March 11th. We can meet together after 11 April 2017 with the support of the ANR budget, but we have to order the spending before that day
- The budget (4000 €) of **COMUE-funding** is administratively defined as between early September 2015 and the end of June 2016 and we got the result on 15 February 2016!

- We can meet together after the end of June 2016 with support from this COMUE-budget, but we have to commit the spending before that date
- Neither funding finances PhD or purchase of equipment (only <€ 700): only working meetings, symposia, publications, website, communication

Our administrative (and financial) support: MESHS Lille

- Maison Européenne des Sciences de l'Homme et de la Société (ANR/CNRS)

1. Choice of research themes:

- The general objective of the WAGE-Network is to better understand the role of the wage in the European and global economy and the general conditions for improvement of the wage-system
- Salaries account for 50% of GDP and 70% of household income in advanced countries and already 40-45% of GDP and 50% of household incomes in emerging countries
- A significant part of the economic growth comes from wages or is transmitted through them to households

The wage system is too vast to explore and we must make choices. We made **5 propositions**. All present felt that the five themes were interesting and deserved to be treated in parallel.

The common topic remains: impact of globalisation on wage (s)

1.1. Salaries of youth could be one of our prime targets because it captures many elements.

- This is a major European concern and also for emerging countries' leaders. Salaries of young = induces the issue of youth employability = also involves training (pay scales > professional profile) and therefore education / University = leads to the issue of decent work, in accordance with the work of the ILO

1.2. The global convergence of the average wage

- Trend towards the international equalization of the price of work through trade and economic globalisation
- Heckscher-Ohlin-Samuelson theorems on the processes and the exchange structure and on the remuneration of factors. International trade will cause the equalization of relative and absolute revenues of homogeneous factors between nations: wage equalization of engineers between themselves, workers between themselves etc. equalization in the income of homogeneous capital (with the same capital productivity and same risk) for all countries that trade.

1.3. Gender wage gap

- Currently, the monthly gender wage gap would be about 45% in Azerbaijan, 42% in Georgia, 40% in Tajikistan, 39% in Russia, 34% in Israel,
- But 25% in Canada, around 20 % in Germany, about 18% in the USA and 15% in Poland.
- In India, in the formal sector, the gap is currently 25%, but it was 45% in the 1990s; it varies considerably from one Indian state to another, and according to age and qualification. But it is the formal sector: women are still working heavily in the informal sector and in rural areas, where wage differentials of 30 to 50% with men are possible
- In emerging and developing countries, the gap men / women is higher, between 40 and 50%, because women are less qualified, occupy most rural employment and in the informal economy. With economic and social acceleration, the job structure moves to industry, cities, services and technologies; the gap may increase if the qualification of

women has changed little or conversely decrease if the qualification of women follows the general development. The narrowing of the gap can function as a social development index for the country

1.4. Immigration, migrations and wage

- A very important topic for the EU.
- Our problematic of salaries crosses the salary issue in the Mediterranean and Arab countries (little studied).
- The Mediterranean is the contact area of the world, where wages contrasts are the highest (1 to 8 Nominal between Maghreb and France, 1 to 4 PPP for example).
- A more differentiated calculation of gaps between countries, gender, sectors etc. can be carried out. We have, for example, studies in Morocco on the motivations of emigrants, their aspiring financial strategy, their minimizing of social risks induced by migration (migrant decommissioning effect in the country of arrival)

1.5. Decent living wage (empirical analysis)

- Akerlof and efficiency wage theory could be a starting point
- Employees are usually paid at the market wage (generally: collectively agreed wages). But some companies pay their employees a little above, in order to deploy the potential that exists in the person, because this potential still remains poorly developed with a simple market wage. This is intended to develop improved work, a higher will and commitment to the company. Win-win strategy
- Can the gap between the market wage and efficiency wage be defined as “decent wage”? Which companies practice these wages? Does it work? Terms of transferability of these good practices etc.

Additional remarks:

- Part of the work will be to define salaries and to establish typologies: direct salary / indirect, formal / informal, social, fringe benefits, remuneration composites for very senior managers, part-time employees etc.>
- We have to think about the social environment, very important in advanced countries: education, infrastructure, institutional stability, political democracy, social policies and health systems. Direct wages are affected: in the USA e. g. with less welfare State, direct wages are higher
- The concept of “living wage”: takes into account the economic reality (GDP and added value) and social reality (life of the employee family).
- Qualifications and salaries - importance of skills in the wage system: at least we have to pay special attention to the distinction between skilled and unskilled workers.
- Salaries of young people: the data will be difficult to establish for several countries or periods. In contrast, in Russia: the archives of large state enterprises are very detailed, including for young employees
- Women and the gender wage gap: the recent data become quite good, see *Global Gender Report 2014* (online). In the past the data seem to be more dispersed.
- Salaries and multinationals. Multinational companies must manage two categories of staff: local staff with significant differences in average wages according to the GDP / h (developed countries/emerging countries/LDCs), international personnel to more similar salaries across the planet (+ benefits to maintain international staff in less attractive areas).
- Wages are not a “per se”, but a stock of data relating to work. Wages form a system linked to the labour market.
- Individuals have an interest in their salary, not really for gross payroll; show the link between “my” individual wage and the salary system

2. Choice of call for project (steps and strategy)

2.1. Initial choice of a H2020 Eur. Program in 2015 application

- For H2020 programs in 2016, the deadline for application (February 2, 2016) was too short.
- The 2017 calls concern us very little (even by watching the "gender" programs). Only two identified projects: 1. European commercial policy, 2. Statistical investigation of concept "beyond GDP" well being etc. Because to compete, our proposition must cover the entire call (the EU that accredits a single team for programs from 1 to 5 million); this would divert us too far from our target. Our work WAGE is too at the margin of these calls.
- We could consider for example a project H2020 for February 2018 (the list will be known from the summer of 2016 for 2018-19) or February 2019

2.2. As intermediate solution: a COST call for project

- The 2017-18 funding could be provided by a COST project (if we are qualified by EU): European Cooperation in Science and Technology (even possible with this first wave of ANR-Network Program)
- Deadline every six months: September 2016 or February 2017.
[Advantages of] COST application
- No thematic scope: open field/topic (humanities)
- Grant: a lump sum up to € 130,000 for a network under a light steering.
- Duration: 3 years
- Interdisciplinary research program are welcome.
- At least 5 peers interested from at least 5 COST countries. Countries outside UE: possible members
- Light application document: 15 pages maximum
- Funding only for networking also (no equipment, no recruitment of PhD or post-doc candidate)

Additional remarks:

- COST projects: Linda Clarke had three bad experiences; EU gives marks by criteria and at each attempt, the group felt that the project could still be improved (but the selection criteria sometimes increased between two applications with the pressure of competition). Maria Camou testified to the success of a European COST on inequality in Europe and Bas Van Leeuwen also on another theme (but he was not present at University of Amsterdam / Utrecht at that time).
- We have also to consider the duration of the COST: it lasts three years from the fall of 2017; so we arrive in autumn 2020. In these conditions, is it not a risk for blocking for an H2020 application in 2018 and 2019? We have to check this last point

2.3. Next aim: a H2020 call for project. Some additional remarks

- At the European level (EU, Brussels Commission) we have to present, not a good or very good project, but an excellent project. One cannot expect to get between 1 and 5 million € for a project simply "good" in the hyper-competitive framework of 28 EU states. Striving for excellence is anyway good for our project WAGE, whatever the result
- A candidature for a European H2020 project is required to cover the entire call field because the EU will not to qualify several complementary projects in the same call.

Some ideas to improve our potential success in application

- Put information about our existence on the European NCP network (EU National Contact Points H2020).
- Propose to the EU Commission, DG for scientific research, the idea of a call around remuneration / wages as a problem that may generate from the call in H2020 in social sciences for 2018 or 2019 on the challenge “integrative societies”.
- Apply to become expert to the EU, allowing better understanding of the European schemes
- In every case an effort in investigating or lobbying in Brussels seems to be necessary. For example, in Arras University, colleagues in electric engineering have got from the Region Nord-Pas-de-Calais a 24 months funding for a master degree student in economics for information, networking, soft lobbying in Brussels about the scientific policy of the EU (Job is defined as: “International Volunteer in Business”)

3. Work organisation

3.1. Timetable and budget:

See documents as an attachment

3.2. Network organisation: Governance and organization of the network:

- Structure: 1. Core team 2. Main contributors/collaborators 3. Specific or external partners (experts, consulting). 4. External bodies (stakeholders). International network with subnets by continent (Asia, Latin America, Africa etc.) and/or subset studied (China, Malaysia, India, Indonesia, Vietnam) where transformations are at work
- *Consortium agreement* to sign among us, with a charter form for the solution of human or strategic problems, and solution procedures in case of abandonment of a partner, failure of working of another partner etc. Then probably another *consortium agreement* between our Universities/Research Centers to continue the work between institutions in the event of failure of an individual partner
- Scientific Project Charter: redrafted document of July 2015 (application to ANR call for project)
- Internal communication modalities (MEHSH platform)
- Extension of the network or cooperation possibilities. Rules and guidelines. E.g. think of one or two big names like Herman Van der Wee, whose signature could be a positive signal for the future evaluator (as said Leonid Borodkin)

3.3. Scientific strategy, methodology and communication

- Mission statement. Be able to explain the WAGE project in a few words. Project, problem, methodology and proposed solutions concentrated in one sentence. In terms of marketing: what is it, why and for whom? E.g.:
What decent living wage for young Europeans?
Better wage for better growth.
Decent wage for better productivity etc.
- Communication with/through ILO: We could announce the project in the *Global Wage Report* of December 2016 and bring results in that of December 2018
- Impact assessment: it accounts for 1/3 of the note in European projects. In foreign policy, for example, in the current issue (since 2014) of Ukraine, the EU expects shaped recommendations for public policy, their recipients, some policy-briefs, a database of usable networks like agencies developing parliamentary friendship groups, in short, an estimate of the time needed for diplomatic work and the number of people to

recruit or use for this. In some cases, this will involve recommendations to companies or, for example, trade unions, public authorities.

- To be realistic: do not write *policy papers* with 50 pages and make contact (if necessary) with a communications agency for this. The “impact evaluation” can strongly differentiate between several projects in competition. The national cell-support (UE-NCP-SHS) can help in this part; it has access to surveys etc.
- *Risk analysis*: Take into account the risk analysis (which is not a prediction but a hypothetical programming). The project is starting on an assumption of a functioning: alternative solution. List the types of risks: cost (failure of an actor or SMEs), human risk (departure of a partner), time-risk (not enough time). Use e.g. the SWOT analysis (strategic analysis matrix summarizing synthetically strengths (Strengths), weaknesses (Weaknesses) and threats (Threats) and opportunities (Opportunities) of a proposition). From the analysis of the risk itself solutions can be found. Provide an output protocol of the problem, for example, in the case of a defaulting partner
- Define and think / plan *the post-project*. From the start, who will the project serve? What other actors are there? How will the project work? Steps between the end of the project and its marketing or use? We have to involve the different types of users and imagine a plan of operations, described in the impact section of the proposition

3.4. Partners, stakeholders, interlocutors

- Check that the project meets a real need for society or the economy (not what we imagine).
- Identify end users (and the expected solutions), consult them, meet them and include them in the partnership: e.g. the patients as part of a medical project, the farmers in an agricultural project, and the researchers, policy makers etc. In our case, we have to meet the employers, unions, “basic” employees themselves (social samples), Administrations of Labour, of Statistics etc.

Looking for partner companies

- Target the “social responsibility of business”. Companies are interested in “social management control” of their operations and their strategy and their image in their “social audit”. Currently, it is a growing market, especially occupied by the consulting groups
- Our expertise would be much appreciated: we must examine the issue with bosses (to view and probe their needs). Go to the bosses with an idea of shared gains as “win-win”, not as seekers of funds or advice: “we bring you something”.
- To identify the partners, there is a network of the European Commission, with an interlocutor in every region: *Enterprise Europe Network*, 600 partners. This research group with a completely European card can find all types of partners in the EU

3.5. Deliverables/output [possibilities]

- Website WAGE (work in progress, soon online available). CV and (4 or 5) top publications of each member to be provided on the front page of our website
- Bibliographic and archival inventory
- Publications. Research papers on line (open source).
First step: *Wages and globalisation since 1950: convergence and disparities*, Bern, Peter Lang, to be published fall 2016
- Propositions and recommendations (policy papers) for EU, Governments, Ministry of Labour, companies, unions (business and workers unions), local administrations
- Monographs/profiles by country or by theme: youth wages, women's wages, wage dispersion etc.

- Digitizing testimonies of actors: some employers, union leaders and characteristic employees
- **Database**, compatible with existing ILO database:

We can think of groups of indicators:

First three linked indicators:

- a *global average wage* in constant dollars since 1950 or 1960 can make *overall wage index* office
- a *wage dispersion index* (for example by taking the comparison IDR D9 / D1) which may be defined by country, continent and then globally
- an *overall indicator of wage convergence* (Σ convergence "referring to a reduction in the dispersion of levels of income across economies, β convergence" when poor economies grow faster than rich ones; absolute / relative convergence or "club convergence" as groups of countries with similar growth trajectories. In every case: multifactorial convergence).

If we cannot define data year by year, it remains possible to take levels every 5 years or 10 years

Then provide a plurality of other indexes by country to enrich the available data and to match them together. This plurality allows a better understanding of the *wage* phenomenon. We have to vary the data: (too) macro data hide individual differences or subgroups, (too) micro data disperse too much information according to their level of disaggregation (G. Prat)

- Minimum wage, average wage, youth wages, gross payroll, male/female average wage, GDP / capita, poverty line etc
- Breakdown by branch and basic occupational groups (workers, managers, executives, employees, farmers), by urban / rural, by regions or states of the considered country
- Promote a census/survey of existing databases (which could be the subject of a communication in June in Geneva): Utrecht database (Van Zanden in the 20 Century), ILO database, Williamson big international database, Luxemburg international database - highly disaggregated since 1990 (work, migration, employment) etc. We have to contact them if necessary