Europe and Italy:

Expansionary Austerity, Expansionary Precariousness and the Italian *Jobs Act*[1]

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Abstract

Since 2008 the economic crisis has reduced income and drastically brought down employment levels, and the recovery promised in 2014 will not reabsorb unemployment, particularly in Europe. The ILO and IMF have forecast a *jobless recovery*. Nevertheless, economic policy in Europe will remain in line with the past, based on two mainstays: fiscal austerity and labour flexibility. Wage policy for European countries aims to align wages to real productivity at firm level, and leaves little room for national-level bargaining. The effect of this strategy is to increase the short-run cost competitiveness of European firms in external markets, at the cost of decreasing the size of European internal markets which rely on domestic demand. A consequence of this policy during the crisis is the reduced share of labour income in the economy. The Italian *Jobs Act* will not help to improve the situation in Italy or the rest of Europe because a labour policy based on nominal wage stagnation and real wage deflation does not change things; there is no sign of industrial policy and innovation policy where relevant economic public resources should be invested. Only the latter policy would open a way out of the *expansionary austerity trap*, but the Jobs Act will mark a further step towards the *stagnation trap* of the Italian economy.

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"Forgive the candour of these remarks. They come from an enthusiastic well-wisher of you and your policies. I accept the view that durable investment must come increasingly under state direction. [...] I regard the growth of collective bargaining as essential. I approve minimum wage and hours regulation. I was altogether on your side the other day, when you deprecated a policy of general wage reductions as useless in present circumstances. But I am terrified lest progressive causes in all the democratic countries should suffer injury, because you have taken too lightly the risk to their prestige which would result from a failure measured in terms of immediate prosperity. There need be no failure. But the maintenance of prosperity in the modern world is extremely difficult; and it is so easy to lose precious time.
I am, Mr President
Yours with great respect and faithfulness,
J.M. Keynes

from John Maynard Keynes (1938), "Letter of February 1 to Franklin Delano Roosevelt," in *Collected Works,* vol.XXI: Activities 1931-1939 (London: Macmillan).

1. GDP Growth, Employment and Labour Income Share

1.1 Assessing the scenario: the trend of selected OECD macro-indicators

The OECD forecasts (May 2014)[4] do not show a favorable trend for European GDP growth (Table 1 in Appendix). The OECD countries are supposed to grow by 2.5% in 2014-2015, while Eurozone growth is forecast to be about 1.4%, with Italy and Greece bringing up the rear. Even worse is the forecast employment trend, with a feeble 1% growth per year for OECD countries and 0.4% for the Eurozone, with Italy in the last group (the only country with negative growth). Thus, the OECD forecast for Europe is marked by a weak recovery without job increases. On the unemployment side things are not better. As for the OECD countries the unemployment rate is forecast at 7.4% (Table 2 in Appendix) and the Eurozone rate is forecast to reach 11.5%. It is worth showing four further indicators. If we look at inflation as an indicator of the pressure of aggregate demand we notice that in the Eurozone the *PIIGS* (Portugal, Ireland, Italy, Greece and Spain) show an average annual inflation rate of under 1% in the two-year period 2014-2015, with marked deflation in Greece (Table 3 in Appendix)[5].

[4] In the latest version, September 2014, forecasts are even worse. As the database is not available today, we make use of the May forecasts.

[5] We know that in the first semester 2014 many European countries suffered deflation. According to Eurostat (http://epp.eurostat.ec.europa.eu), in July 2014, the countries in deflation or with zero inflation are Bulgaria, Greece, Portugal, Spain, Slovakia, Estonia, Italy and Poland. Inflation decreased in 14 out of 27 European countries, and in the Eurozone inflation was 0,4% in July (year on year). (Eurostat, 2014)

Public debt as a ratio of GDP is increasing alarmingly in some Eurozone countries: Italy, Greece and Portugal. As for Italy, public debt in 2014-2015 is expected to increase to up to 177% of GDP. (Table 4 in Appendix)

The gross fixed capital formation growth is expected to recover slightly above the pre-crisis rate (Table 5 in Appendix). During the crisis, the Eurozone annual investment growth was negative (-3, 2%), greater than the annual positive increase before the crisis (2,68%), with Germany as a low performance country, slightly better than Portugal. The investment/GDP ratio is negative throughout the Eurozone, and Germany had one of the lowest ratios in Europe (17,9%) in the period 2000-2013. In terms of GDP growth/investment ratio, the Eurozone (and Germany) show a very poor performance (Graph 1 in Appendix).

Finally, the data on the trade balance account for the Eurozone explicitly show the growth strategy developed in recent years by central and north European countries: export-led growth strategy. The value of the trade balance for Germany is still around 7% of GDP for the biennium 2014-2015 and the same goes for the Netherlands, Denmark, Norway and Sweden (Table 6 in Appendix). The figures mentioned above have been calculated for the pre-crisis period 2000-2007 and for the crisis period 2008-2013.

The evidence confirms that some countries in the Eurozone - the *PIIGS* - seem to have suffered most from the austerity policies. In particular, the most serious scenario for these countries is the effect on the labour market, which will continue to suffer, with the unemployment rate that will worsen in the biennium 2014-2015 even compared to the 2008-2013 period, with the exception of Ireland. Moreover, in all these countries productivity remains low (Table 1 in Appendix), at around a 0.5% increase per annum. The two-tiered Eurozone system is dramatically evident: the divergence between the two Eurozones is increasing and there is no evidence of the miraculous effect of the 'expansionary austerity' policies, indeed the opposite holds as usual: austerity lowers GDP growth and worsens other macro indicators, public debt / GDP ratio, and investment, especially that related to the labour market. This detrimental effect of austerity policies is evident in the comparison of the indicators in Tables 1 to 6 in Appendix between the Eurozone and the United States, where austerity policies have been avoided since the 2008 crisis. The United States GDP growth rate is expected to be more than double that of the Eurozone, employment growth four times that in the Eurozone and the unemployment rate is half that in the Eurozone. At the same time, inflation is expected to be higher in the United States as well as investments in capital formation, with respect to the Eurozone, and the United States economy seems to rely more on its internal demand as the negative trade balance figure indicates. The US is recovering better also in terms of labour productivity.

The evidence from simple descriptive data is clear. Countries in which fiscal consolidation is in effect are seeing their economies progressively worsen as well as the wellbeing of their population. As stated by the ILO (2014, p. 32), we are in the presence of a "lackluster nature of the recovery [...] Caused, in part, by the continued pursuit of fiscal consolidation policy in the region". In addition, the deteriorating conditions in the labor market have increased the risk of poverty and social exclusion, particularly in the European countries mostly affected by the crisis, but it was the policies that have led to a deterioration of social conditions: "[…] in the second phase of the crisis the majority of governments in the European Union countries embarked on fiscal consolidation, with significant cuts to their welfare systems and provision of public services, which disproportionately affected jobless persons and their families as well as those groups of the population that are not covered or poorly covered by social protection systems, such as first-time jobseekers, informal workers, ethnic and migrant groups, single-parent families and pensioners, with negative consequences for social cohesion and social justice. These policy choices have led to an increase in the risk of social unrest, especially in the European Union. […] In addition, the crisis has had a negative impact on the quality of employment in most countries as the incidence of involuntary temporary and part-time employment, in-work poverty, informal work, job and wage polarization and income inequality have further increased" (ILO 2014, pp.39-40).

1.2 A close focus on Wages and the Labour Income Share

As stated by several European leaders and institutions, one of the main policies to be implemented in order to exit the economic slowdown concerns the labour market, with particular reference to wage competitiveness. These policies have as their central pillar flexibility of labour, contracts and salaries. Also in this case, as in the case of the fallacious idea that austerity leads to growth, the labour policy has been based on an erroneous idea: an increase in employment could be achieved only if labour protection and rights were transferred from those who have them to those who have none. Where these policies were applied, the major result has been to reduce the number of protected workers without adding protection for non-protected workers. But not only protection and rights have been adversely affected; wages themselves have suffered, both for *insiders* and *outsiders*. Nominal wages have been squeezed and real wages decreased (Janssen, 2014). The latter have not even kept pace with the weak productivity growth, resulting in a further decrease in the share of labor income (see detailed Graphs from A1a to A2e in Appendix). The two graphs below in the text (Graphs 3a and 3b in Appendix) show the change in the labour income share distribution since the year 2000 in two distinct periods: the years before the crisis and the years during the crisis, with a projection to 2015 based on the latest OECD forecast for 2014 and 2015. As is evident, in many countries the labour income share has deteriorated substantially during the crisis and particularly in the European countries that have had to adopt the heaviest internal rulings on competitive devaluation on wages: Greece, Spain, Ireland and Portugal. Out of the *PIIGS* only Italy has reduced its fall in the labour income share, which showed a slight recovery in the pre-crisis years (+3 percentage points), compared to the disastrous fall during the 90s (- 10 percentage points of loss in one decade) (Pini, 2013); but this pre-crisis recovery was more than lost with the crisis. For G20 countries the gap between real wage and productivity has increased since 1999 and shows an upswing after 2008-2009 given the stagnation of real wages (see Graph 4 in Appendix).

The lesson is clear. The reduction in employment and the parallel reduction or very low increase of real wages both contribute to reducing the labour income share and this, in turn, reduces internal consumption and internal aggregate demand, worsening, through short-sighted policies, the effect of the ongoing economic crisis.

When we look at the nominal unit labour cost as a measure of cost competitiveness, we notice that notwithstanding the compression of nominal wages in many countries, after 2005 and particularly during the crisis, competitiveness does not improve at all. Only in Greece, Ireland and Spain has the dramatic decline in wages produced a strong control of unit labour cost, while in other countries except Japan (with negative change) the index even increases during the crisis. In east European countries the index is expected to increase from 1 to 1.1-1.35 (except Estonia which is a case apart). The most industrialized countries show a similar trend (from 1 to expected 1.1-

1.25) with Canada and UK outperforming (over 1.25), and France, the US and Germany (1.15) just below Italy (1.2). Japan, where a strong wage decline has been associated with productivity stagnation for a long time, is a case apart. (See Table 7 and Graphs 2-2c in Appendix). This performance is the result of low productivity growth after 2005 and in particular during the crisis period (see Table 1 in Appendix).

This policy of wage deflation does not seem to help competitiveness or growth. Instead, it produces two effects. On one hand, it restrains the internal demand originating from labour income, worsening the recessive effects of fiscal expansionary austerity. On the other, it does not encourage competitiveness given that because of scale effects (reduced production) and substitution effects (cheaper and less productive labour) productivity is stagnant throughout Europe[6].

Despite this, the European Commission's country-specific recommendations prescribe flexibility policy on contracts and wages in the labour market, to increase wage competitiveness[7]. Growth is entrusted to foreign demand, even if in Europe it counts for no more than 20% of total demand, whereas the remaining 80% is internal demand, family consumption, private and public investment and public services. In order to sustain the first, the EC demands greater coordination in symmetrical fiscal policy, even if this restrains the second, with depressive effects on income and employment, and a deterioration of the debt/GDP ratio for all European countries.

Wage competitiveness is thought to be the pillar to reach this goal, via unit labour cost reductions to support firms in global markets. Interventions are focused on reductions of collective bargaining, national and sectoral, on nominal wages, which instead should be aligned to firm productivity, even to single worker effort. For real wages, every mechanism such as indexation to preserve workers' purchasing power must be dismantled, because they must respond only to market conditions, where hiring and firing should accommodate the production needs of companies, without interference due to institutions and legal constraints which slow down managerial reactions to asymmetric shocks, and create barriers between protected workers, insiders, and non-standard labour force, or outsiders. In other words, following this vision, precarious work and unemployment are the other side of the coin hampered by collective institutions: when these are dismantled, even precariousness and unemployment will magically disappear. This is very well known story-telling, increasingly appealing to economic techniques explaining that the largest and increasing share of unemployment is structural-voluntary unemployment, with very little space left for cyclical-involuntary unemployment, in order to prove that aggregate demand is not a problem at all. Only the supply side counts, so that the need for

[6] Keynes in the *General Theory*, chapter 19 on money mages, wrote: "In the light of these considerations I am now of the opinion that the maintenance of a stable general level of money-wages is, on a balance of considerations, the most advisable policy for a closed system; whilst the same conclusion will hold good for an open system, provided that equilibrium with the rest of the world can be secured by means of fluctuating exchanges. There are advantages in some degree of flexibility in the wages of particular industries so as to expedite transfers from those which are relatively declining to those which are relatively expanding. But the money-wage level as a whole should be maintained as stable as possible, at any rate in the short period. […] In the long period, on the other hand, we are still left with the choice between a policy of allowing prices to fall slowly with the progress of technique and equipment whilst keeping wages stable, or of allowing wages to rise slowly whilst keeping prices stable. On the whole my preference is for the latter alternative, on account of the fact that it is easier with an expectation of higher wages in future to keep the actual level of employment within a given range of full employment than with an expectation of lower wages in future, and on account also of the social advantages of gradually diminishing the burden of debt, the greater ease of adjustment from decaying to growing industries, and the psychological encouragement likely to be felt from a moderate tendency for money-wages to increase." (Keynes, 1936).

[7] On the *mantra* on "structural reforms" and their effects, see Zenezini (2014).

structural reforms of the labour market is the only refrain in political debate. An old tale renewed with new technicalities that takes us straight back to the *ancient regime*.

2. Errare humanum est, perseverare autem diabolicum[8]: Unchanging recommendations and plans in Europe and Italy

2.1 Expansionary austerity and the work of the last three Italian Governments

Although the European Union has called for fiscal consolidation since 2009, it was after the Greek crisis in 2011 that the mantra of expansionary austerity started to circulate. The Treaty on Stability, Coordination and Governance, whose fiscal part is referred to as the *Fiscal Compact*, was signed at the beginning of 2012 and came into effect on January 1st 2013. As is well known, the Fiscal Compact implies that stringent budgetary parameters should be met and automatic sanctions applied in case they are not. Compliance to the Fiscal Compact implies the implementation of recessive policies for most European countries: cuts in welfare spending, state salary freeze and pay cuts, investment project reduction, and so on. The implementation of such expenditure cuts, which were preferred against tax revenue increase, started well before the Fiscal Compact came into effect and helped to worsen the negative effects of the economic crisis.

The aberrant cycle generated by maintaining fiscal consolidation measures through expenditure cuts in a recession goes as follows: a decline in the growth rate of GDP increases the government budget deficit, which in turn puts pressure on the government to avoid an increase in the deficit (to comply to the Fiscal Compact), which in turn results in even further stricter fiscal policies, which in turn push down the GDP growth rate and then the cycle starts again. The result is a permanently recessive/stagnating economy, as is apparent in several Eurozone economies: Italy is one example.

The Italian government's actions during the last three legislatures fall into this framework. All the last three Italian governments - Monti (2011-2013), Letta (2013-2014) and Renzi (2014) - have followed the EU recommendations (EC, 2014d), in terms of economic policy, leaving hardly any room for growth strategy, but instead implementing recessive interventions in a recession period.

The Monti government followed the last Berlusconi one not only in chronological terms but also in terms of economic policy: in 2011-2012 Monti endorsed the financial measures of Berlusconi's government in order to reduce the deficit of 50 billion euros, mainly through cuts on pensions, wages and public services and he also implemented additional financial measures amounting to 24 billion euros. Rigour in public accounts, but virtually no measures to sustain growth. Monti's actions closely followed the BCE recommendations of the famous letter of August 2011 in which structural reforms and fiscal sustainability were demanded of Italy in order to increase potential growth and restore confidence of investors respectively.

With Monti's government a systematic approach for controlling and revising public finances, modelled on the British "spending review", was adopted.

[8] The aphorism attributed to St. Augustine means that making mistakes is part of being human, but continuing to make the same mistakes is diabolical or evil.

After the spring 2013 political elections, during his short mandate as Prime Minister, Enrico Letta proceeded in the same vein: reduction of the public expenditure, regressive taxation, scanty and feeble action for growth. Soon after his assignment his main claim was less austerity and more growth. However, his actions were limited also because of the troubled political existence of the government, which subtracted substantial energy and attention from the economic crisis: his government of eleven months was marked by political paralysis.

And what has Renzi's government been doing since its start in February 2014? With no surprise, substantially nothing new compared to its predecessors. The line of austerity is accompanied by that of labour flexibility and precariousness. Moreover, on the labour market there is no sign of a changing policy: it is still based on nominal wage stagnation and real wage deflation.

To tell the truth, hardly anything has been done up to now, contrary to several declarations, despite the fact that Italy's economy is in long-lasting recession/stagnation, deflation is starting to be apparent, the labour market indicators perform worse year after year and a considerable part (25%) of the manufacturing system has been lost since the deep recession of 2009.

2.2 The Italian Jobs Act: expansionary precariousness

Renzi has pledged to enact reforms that tackle Italy's growth and productivity crisis. But his "flexible" labour reforms – which will allow employers to fire workers on the payroll for three years without justification – will do nothing to reverse the backwardness of Italy's economy.

The decline in Italian productivity is dire. Several indicators have shown a negative dynamic, not only since 2008, but also since the late 90s: labour productivity, the investments made by companies, and the capital / labour ratio, which led to a stagnation in total factor productivity – the factor of technological advancement par excellence – which fell from a modest 1 % per annum in the late 90s, to close to zero in the early years of 2000, and has gone into negative territory since the crisis of 2008.

What is it that happened at the turn of the nineties and later to the present day to induce companies to stop investing in the quality of work and technology? Among the many things that happened, the two most important are wage moderation and flexibility of the labour market.

2.2.1 Deregulating wage bargaining

In 1993 an important agreement was signed by trade unions and the government that reformed collective bargaining – at the national and the sub-national or company level. While the first had to ensure that wages were consistent with the reduction of inflation (inflation adjusted), the second would initiate a virtuous cycle, committing employees to increase productivity and real wages at the same pace, innovating in technology, the organization of work and new products. The government was to support this change with macroeconomic and microeconomic policies, policies for innovation and industrial strategy.

We know how the story ended. Wages were held down, inflation was reduced, Italy achieved the Maastricht inflation criteria and this enabled us to become a part of the Eurozone, although with an "unpleasant" side effect – a loss of 10 percentage points in the labour income share, to the benefit of profits and financial returns.

As for the virtuous path and participatory approach that should have raised productivity and real wages along with technological and organizational innovation, there was no sign of this. Indeed, companies have stopped investing in the organization of work ("best practice" is unknown!) and technology.

2.2.2 Job insecurity

Indeed, what happened in the nineties, from the Treu Law of 1997, which kicked off the deregulation of Italy's labour market, to the Biagi Law of 2003 (infamous for its *supermarket contracts*) and most recently the contradictory Fornero Law, of 2012, was a progressive deregulation to promote the flexibility of the labour market[9]. Reforms started with lowering hiring costs and facilitating hiring policy for the firm, and finished by facilitating also firing policy in the period of economic crisis, decreasing the cost and timing of individual and collective firing.

Year after year, with a two-tier reform approach, the effect was to create a dual labour market, with precarious jobs flanking steady jobs. This "drift" has prompted more companies to rely on precarious work, low pay, and unproductive labour, replacing steady jobs, instead of innovating in the workplace and investing resources in research, training and human capital.

The state's role was, on the one hand, to deregulate labour and, on the other, to avoid any responsibility for industrial policy to adapt our productive system towards sectors with higher technological content and economic and environmental sustainability. Not only that, it has also helped to close down companies that would have been able or willing to innovate, thanks to competition from companies with workforces of poorly protected workers, facilitated by the flexibility of the labour market.

The *drift of flexibility and wage moderation* has thus led us into the *trap of zero productivity growth*, which is where we are now, in the years of the Euro.

2.2.3 More of the same: a closer look at the Jobs Act

In this context of neo-liberal restrictive policies in the European Union and stagnation of Italy's economy, the Jobs Act announced by the new course of the Italian centre-left in January 2014 was based on four pillars: 1) reduction of the tax wedge; 2) industrial policy to sustain Italy's manufacturing and the Made in Italy system; 3) restructuring of the labour market through the introduction of contracts with progressive protection; 4) simplification/deregulation of labour law.

What is left of the pillars after 150 days of Renzi government?

The **first pillar** is still marked by "work in progress". The 80-euro bonus in the pay check is nothing but a bonus: it is not a structural reform and, in addition, its financial coverage is uncertain. It should become structural with the next autumn budget law (Stability Law). Anyway, notwithstanding the summer declarations, social categories with basic needs are and will remain excluded, such as autonomous workers who are the ones who suffer most precariousness, pensioners, the unemployed and people at risk of poverty or social exclusion. In addition, a cut of 10% in the Regional Tax on Productive Activities has also been announced, but its financial coverage is also uncertain. Although not negligible, these steps are not going to have significant economic effects in the short term.

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[9] The OECD finds that Italy has the most flexible labour market among industrial countries, and has reduced job protection without any increase in productivity, with the reduction in protection for workers leading to ever worse productivity. See Pini (2013b) and in Keynes Blog: http://keynesblog.com/2013/03/20/produttivita-e-regimi-di-protezione-del-lavoro/.

The **second pillar** seems to have been abandoned, unless we assume that *industrial policy* is synonymous with *privatization and liberalization*. Italy does not need the latter, but for sure it needs a public industrial policy for strategic sectors, mature, traditional and innovative ones, in order to realise changes in processes and products, in the organisation and quality of work, in green technologies, ICT and knowledge. These are all central factors that would help in combatting Italy's productivity stagnation that hampers both firm competitiveness and slows down the increase in workers' wages. A strategy for industrial policy should create the opportunity to choose how and where to place Italian manufactured goods in the global market, in terms of technologies, production and products, foreign demand and value chains, and all this implies structural change of the economic systems. The reduction of the *wage wedge* should have reformed the tax system on wages and firm revenue to transfer the tax burden on finance and rent, to support firms investing in innovations, to reform fiscal deductions and marginal tax rates on labour income, and to introduce a more progressive taxation system.

The **third pillar** has been weakened and its application has been postponed, possibly to 2015. It would have been desirable that the introduction of a contract with progressive protection had marked a break with the past, moving towards the elimination of the "supermarket" of contractual forms in order to encourage companies to invest in the workforce, cognitive capital and organisational innovation. On the contrary, the hypothesis is that of introducing at a first stage the new labour contract based on progressive protection alongside the multitude of other contractual forms nowadays present on Italy's labour market and in experimental form. No intervention is expected in the area of trade union representativeness, minimum wages or universal social protection systems. Instead, the wish is to reform again - after the change in 2012 (the Fornero reform) - the legislation on individual and collective firing to decrease rights and protection for workers, and to change the "chart of labour rights" which could become not enforceable for every contract in the first three years plus another three-year contract as apprenticeship, so that for 6 years out of 15 (the average duration of a seniority contract for an Italian worker) the working status will be precarious[10].

Until now the main effort of the government has been addressed toward the **fourth pillar**: simplification of labour law. In particular, some interventions, which can be considered liberalisation policies instead of rule simplification, have been made on short-term contracts and apprenticeship contracts, rendering both a free market option.

The first risk for this further deregulation is to increase the legal controversy at national but specifically at European level, because the new law revising the motivations for temporary hiring could differ with European legislation on subordinate labour contracts, interpreted as mainly permanent and not temporary. In addition, the law weakens the worker in his contractual relation with the firm, allowing even more intimidating behaviour.

The second area of objections to the new law is found in economics. We stress three main objections. Firstly, the idea that more flexibility will increase employment and decrease unemployment is not supported by consistent empirical evidence. Not only the OECD (*Employment Outlook*, various years) has contested this thesis, but even Blanchard (2006a). Blanchard in 2006 during a conference speech concluded with these words: "High social

[10] For Confindustria (2014), the main national association of employers, this new contract is no longer necessary, after the changes introduced in spring 2014 on temporary contracts. Confindustria rejects the introduction of a contract with progressive protections, as it prefers no protection at all.

protection is not inconsistent with low unemployment. It must however be provided efficiently" (Blanchard, 2006b). The idea is a false belief. Flexibility, instead of increasing employment, seems to support a substitution effect of standard with non-standard work. Secondly, the contractual flexibility in temporary contracts tends to favour the repetitiveness of these contracts more than their transformation into standard contracts, without significant effects on the duration of employment status; in addition the pay tends to decrease, as has happened in Spain[11]. This is the second false belief. Thirdly, higher flexibility in hiring and firing is not positively correlated to productivity and its growth. If a relation exists, it is contrary to the common belief: reduced labour protection is associated with lower, not higher productivity (Pini, 2013b, 2013c; Comito, Paci, Travaglini, 2014). Flexible contracts can sustain the mobility of the labour force from less dynamic firms and companies to more dynamic ones, but at the same time there is a decrease in the propensity to innovate and invest in the quality of work, whereas firms try to obtain advantages from minor labour costs instead of aiming at higher productivity. This seems the case for Italy, as with other countries. So that we have here the third false belief.

All in all, we can sadly say that it seems that those who govern us do not learn anything. Parliamentary majorities, prime ministers, ministers of welfare and labour policies.

The only recipe they can think of is labour flexibility. Now it is the turn of the duo Renzi–Poletti (Labour Minister for Welfare), who tell the tall tale of "expansive precariousness," and sell us their recipe like ticket touts, making us believe that with just a little more flexibility and the simplification of the rules companies will again begin to hire, will regain competitiveness, and will maybe increase productivity because workers will have more certainty in finding a *permanent* job, even if the *permanent* is made by many consecutive *temporary* contracts, or so says Giuliano Poletti[12].

The risk is rather that after the decline, these gentlemen will lead us straight into the abyss. We are at the threshold of a decade of "zero" productivity growth; another step and we'll have to inaugurate the phase of "below zero" in productivity. The productivity 'ice age', we'll have to call it.

[11] The recent debate would suggest Spain as the example, with Ireland, of the success of structural reforms applied in accordance to European recommendations. Krugman's comment on this recipe sounds as follows: "One other senior eurozone official attending the Italian forum which gathers together policy makers, business people and academics said: "Structural reforms are key. Those countries that have made these efforts are performing better: Ireland, Spain and Portugal. Italy and France should think a little bit about this.
«Structural reforms are key. Those countries that have made these efforts are performing better: Ireland, Spain and Portugal. Italy and France should think a little bit about this.»
For those of us not part of the structural reform cult, the story of Spain is this: the country experienced a full-scale depression when its housing bubble burst; this depression has led to a gradual, painful "internal devaluation" as labor costs come down, making Spain more competitive within Europe; and as a result, Spain is finally starting a slight recovery, with its growth rate in recent quarters (but only in recent quarters) higher than France. To see this as a triumph of structural reform requires preconceptions so strong it's hard to see why you would even bother looking at data" (Krugman, 2014).

[12] "It is clear that, if over a period of 36 months there are 6 different people who do a job in succession, I think it is better that for those 36 months the same person may have his contract extended. At the end of the 36 months it is more reasonable to assume that a person who has been there 36 months, rather than one out of those six, is hired. Anyone who argues that this increases precariousness is, in my opinion at odds with the facts" (Giuliano Poletti, *Rainews*, March 27, 2014).

3. Policy Actions for Italy

We here report three strictly connected integrated lines of policy intervention related to the labour market and to the industrial system. The three layers of intervention regard industrial policy, innovation policy and labour market policies mainly linked to wage setting. The interventions are described in consequential order, but they are complementary and the policy actions are inter-related through the engendered effects on the specific area of application and on the related markets.

3.1 Industrial policy

First of all, Italy, and Europe, need a public **industrial policy** for strategic sectors, both traditional and mature, both new and innovative (Pianta, 2014). This policy must be complementary to public macro policies aimed at sustaining the aggregate internal demand whose lack is perceived by the firms (Mazzucato, 2013). However, the internal aggregate demand can now be increased only by increasing public expenditure, a strategy that seems to belong to a "dream world" given the binding rules of the Fiscal Compact. The problem is not public expenditure, but the Fiscal Compact, which should be rejected (Pini, 2013d).

Setting up an industrial policy means choosing how and where to place national manufacturing in the global market in terms of technology, production and demand, and this implies structural changes in the economic system, not only quantitative growth in demand, but changes in its composition and direction. But we must not forget that since the activation of strong investment depends on the removal of budgetary constraints imposed on the Eurozone countries, the game is to play in Europe, if the idea of industrial policy is not to remain at a purely rhetorical phase. Indeed, Europe is also where several experts call for an industrial renaissance as the new Industrial Compact, which would set the goal of bringing manufacturing to 20% of GDP in 2020 (EC, 2014a, b). Also the new European Competitiveness Report 2014 states that one of the priories is to set up the conditions to help company growth. Several key actions are singled out in the report, which also sheds light on the impact of innovation on jobs. The role of innovation is remarked as a potential source of job creation and not only of increasing value added and productivity, which is well documented in economics literature. The report shows that product innovation has a large positive effect on employment: a 1% increase in the sale of innovative products leads to a 1% increase in employment. The same does not hold for process and organizational innovations. However, we should stress the fact that process and organizational innovations usually have a positive impact on a firm's economic performance and on product innovation as well, as also pointed out in the report (EC, 2014c) "these types of innovations are very important for productivity growth, firm competitiveness and even for product innovation. In this context, our results suggest that policy support for these innovations should not be affected by fears of possible negative employment effects" (EC, 2014c, pp.177). As is clear, the second line of policy intervention, innovation policies, should go hand-in-hand with industrial policies. Configuring an industrial policy entails understanding which key sectors and key research areas the public actors should invest in, but that is closely linked to innovation policies that aim to spur innovation in the private sector.

3.2 Innovation policy

As for **innovation policies**, we believe that it is time to set them up in order to foster both technological and organizational innovation, centred on labour organisation changes and based also on models of direct and indirect worker participation, in manufacturing and services. To this end various tools can be designed. First of all, reactivating the tax credit for the R&D expenditure invested by the firms. Secondly, specific policies could be designed in order to sustain organizational innovations aimed at increasing employee participation in firms' decision-making, improving their responsibility and autonomy and reducing the hierarchical levels. Italy shows less organisational innovation than other European countries (Eurofund, 2011). So, to increase organizational innovation, we can conceive for Italian firms the adoption of a shared protocol stating the minimum organisational standard to be met, with the help of economic incentives, and a cut in the tax wedge linked to labour organizational innovations. This intervention aims to increase productivity setting precise targets of productivity growth (see Antonioli and Pini, 2013, and Pini, 2013d, for a detailed discussion).

In fact, it has long been recognized that organizational innovation has a positive impact on firms' economic performance, particularly when measured as labour productivity[13]. Despite vast empirical evidence showing a positive relation between organizational innovations and economic performance, especially when organizational changes are adopted in bundles exploiting their complementarities, Italian firms lag behind many European countries. To tackle this problem of insufficient innovation, we must think of implementing innovation policies that not only spur R&D or technological development, but also subsidize firms introducing complementary organizational innovations. This intervention aims to increase productivity, whose growth targets are fixed at national bargaining level (see Antonioli and Pini, 2013, for a detailed discussion).

3.3 Wage policy

In configuring this scenario of integrated industrial and innovation policy, the role of **wage determination** is crucial and is part of the other two actions. The rationale of wage fixing should escape the old maxim *greater effort and greater flexibility* and should point to a new dynamic to favour growth. This can be achieved by combining innovation and participation. Starting from a situation characterised by the existence of a two-layer bargaining system, central (national level) and decentralised (e.g. firm level or territorial level) levels, we recognize the importance of renewing the role of national level bargaining: at this level, wage increases are bargained to preserve purchasing power, but at this contractual level the objective of increasing competitiveness and productivity must also be established. Higher wages should be part of national bargaining and not residually left just to the firm level. Then the social parties, and the government must adopt specific measures in order to reach the targeted productivity growth: technological and organizational innovation, investment in physical and intangible capital, use of public resources to spur R&D, public and private investment to increase the human capital, reduction of labour taxation (e.g. reduction of the tax wedge), reduction of tax evasion and so on. The second level bargaining, that at a decentralised level, has the function of employing specific measures to reach the productivity goals, since the wage increases accordingly, besides the

[13] See among others Antonioli, Antonietti, Pini (2014), Antonioli, Mazzanti, Pini (2010), Antonioli, Mancinelli, Mazzanti (2013), Addison (2005), Arvanitis (2005).

systemic and connective interventions mentioned above. At this level the adoption of a *pay for participation* model (Cainelli, Fabbri, Pini, 2002) would imply that increases in wages are linked to organizational changes and to the commitment of managers and workers (and the union representatives) to concentrate on technological innovation, product and process innovation, ICT development, human capital empowering, environmental innovations, and so on. A model of *pay for participation* is strictly linked to organizational changes as noted above and it relates to innovation policies, both because it is spurred by employee-empowering organizational innovations and because it can generate the incentives to innovate in several spheres. This proposal of linking wages and productivity, also through appropriate innovation policies, has the considerable advantage of reducing the aberrant separation between productivity and real wages that several European economies have experienced in the last decade and that contribute to reducing the labour income share, depressing the aggregate demand through the compression of consumption (Janssen, 2014a, 2014b). The way to follow would be that of a "golden rule for wages "in which real wages increase at the same pace of productivity. On this point we think that a part of a labour policy coordination among Eurozone countries would be agreement on the wage movement in each country in accordance to its internal and external imbalances. In particular, those countries showing large and positive surplus in the trade balance and a fast productivity growth should increase real wages at a faster pace than productivity; the joint internal consumption and unit labour cost increases both contribute to reducing the surplus in the trade balance. At the same time, countries with slow productivity growth and a trade balance with trade deficit should use the real wage dynamic as an instrument to increase productivity and to gain competitiveness on foreign markets. The latter two must be achieved through innovation rather than with a mere wage reduction, setting the real wage dynamic on the basis of productivity goals, which are in turn fixed at the national level of bargaining, with the involvement and "concertation" of the social parties and the government, as reminded above (Watt, 2007, 2010, 2012; Brancaccio, 2012, Pini, 2013d).

None of the structural reforms imposed on several European peripheral countries go in this direction and a policy is needed to sustain growth and counterbalance the current unsustainable imbalances in the Eurozone. On the contrary, as repeatedly said by many economists, they are going in the wrong direction because fiscal consolidation does nothing more than depress aggregate demand, increase unemployment, slowing down the wage dynamic and so on and so forth in a vicious circle.

4. Conclusion

Needless to say, policies in Italy are far from those here envisaged although the public role in the deployment of the described interventions would be crucial. In fact, the measures taken to pursue fiscal consolidation have so far prevented the adoption of proper growth-enhancing policies. In the absence of these policies aimed at increasing the aggregate demand through an increase in public expenditure the three complementary policies described above are not likely to succeed. On the contrary they could have an opposite effect with respect to the desired one. We could witness reduced employment instead of its expansion; firms could take advantage of the second level bargaining against an even weaker counterpart (the unions): higher flexibility and wage squeezing could be the bargaining output, with a further depressing effect on consumption and then on aggregated demand.

The public role cannot be neglected then, but it is fundamental. However at national level we are forced to act within binding rules agreed at EU level. It is at the European level that we need the major change. As De Grauwe (2014) recently stated "Stop Structural Reforms and Start Public Investment In Europe": "In Brussels, Frankfurt and Berlin it is popular to say that this low growth performance of the Eurozone is due to structural rigidities. In other words, the low growth of the Eurozone is a supply side problem. Make the supply more flexible (e.g. lower minimum wages, less unemployment benefits, easier firing of workers) and growth will accelerate. This diagnosis of the Eurozone growth problem does not make sense. There is a better explanation for the Eurozone growth puzzle. This is that demand management in the Eurozone has been dramatically wrong since the start of the sovereign debt crisis. The latter led the Eurozone policymakers to impose severe austerity on the peripheral Eurozone countries and budgetary restrictions on all the others. This approach was based on a failure to recognize that the Eurozone was still in the grips of a deleveraging dynamic. All this leads to the question of what to do today? […] a public investment program would do two things. It would stimulate aggregate demand in the short run and help to pull the Eurozone out of its lethargic state. In the long run it would help to lift the long-term growth potential in the Eurozone." Thus the coordination of policies at EU level becomes as important as public intervention at a national level. We should move in a context in which the Fiscal Compact should not be taken for granted, because we strongly believe major revisions are needed, and we here stress the importance of coordinated labour market policies among Eurozone countries: the Eurozone countries should agree in following the "golden rule for wages" and they should also agree in developing coordinated labour market policies and institutions which are as homogeneous as possible.

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Appendix

Tab.1 – Economic performances (elaboration on OECD, May 2014)

Countries	2000-2007	2008-2013	2014-2015*
GDP (yearly average rate of growth)			
Canada	2,81	1,35	2,59
France	2,07	0,13	1,23
Germany	1,67	0,74	2,00
Italy	1,57	-1,44	0,82
Greece	4,22	-4,37	0,77
Ireland	5,70	-1,28	2,01
Japan	1,52	0,10	1,21
Portugal	1,49	-1,14	1,28
Spain	3,61	-0,99	1,27
United Kingdom	3,17	-0,20	2,91
United States	2,65	0,99	3,05
Euro area (15)	2,21	-0,27	1,43
OECD - Total	2,66	0,75	2,48
Employment (yearly average rate of growth)			
Canada	1,94	0,91	1,11
France	1,13	0,14	0,39
Germany	0,53	1,04	0,50
Italy	1,11	-0,58	-0,17
Greece	1,41	-3,58	0,30
Ireland	3,47	-1,91	1,94
Japan	-0,06	-0,30	0,00
Portugal	0,65	-2,23	1,10
Spain	4,07	-3,18	0,55
United Kingdom	0,92	0,38	1,52
United States	1,13	-0,23	1,64
Euro area (15)	1,34	-0,40	0,39
OECD - Total	1,11	0,31	1,15
Labour productivity (yearly average rate of growth)			
Canada	0,87	0,44	1,48
France	0,95	-0,01	0,85
Germany	1,14	-0,30	1,50
Italy	0,47	-0,87	0,99
Greece	2,80	-0,80	0,47
Ireland	2,23	0,63	0,07
Japan	1,58	0,41	1,21
Portugal	0,84	1,09	0,18
Spain	-0,46	2,18	0,71
United Kingdom	2,25	-0,59	1,40
United States	1,52	1,21	1,40
Euro area (15)	0,87	0,13	1,04
OECD - Total	1,55	0,44	1,33

Note: * Oecd forecasting, May 2014

Tab.2 – Unemployment (elaboration on OECD, May 2014)

Countries	2000-2007	2008-2013	2014-2015*
Unemployment rate (average)			
Canada	6,95	7,37	6,73
France	8,05	8,80	9,86
Germany	9,37	6,52	4,96
Italy	8,07	9,06	12,65
Greece	9,96	16,46	26,91
Ireland	4,41	12,37	10,91
Japan	4,69	4,50	3,74
Portugal	6,15	12,09	14,98
Spain	9,94	20,41	24,90
United Kingdom	5,15	7,47	6,70
United States	5,04	8,18	6,29
Euro area (15)	8,40	9,99	11,55
OECD - Total	6,40	7,70	7,37

Note: * Oecd forecasting, May 2014

Tab.3 – Headline inflation (elaboration on OECD, May 2014)

Countries	2000-2007	2008-2013	2014-2015*
Headline inflation (yearly average)			
Canada	2,31	1,64	1,72
France	1,93	1,75	1,02
Germany	1,68	1,73	1,45
Italy	2,38	2,23	0,72
Greece	3,34	2,26	-1,09
Ireland	3,50	0,58	0,53
Japan	-0,35	-0,11	2,26
Portugal	3,03	1,65	0,04
Spain	3,23	2,16	0,33
United Kingdom	1,59	3,15	2,01
United States	2,78	1,97	1,62
Euro area (15)	2,21	1,96	0,91
OECD - Total	2,87	2,19	1,86

Note: * Oecd forecasting, May 2014

Tab.4 – Public debt on GDP - % (elaboration on OECD, May 2014)

Countries	2000-2007	2008-2013	2014-2015*
Debt on GDP - % (yearly average)			
Canada	62,05	83,41	96,38
France	64,05	77,27	74,28
Germany	105,66	120,38	134,39
Italy	102,65	148,91	177,47
Greece	30,03	90,83	121,48
Portugal	61,01	101,78	131,29
Spain	47,72	67,69	99,85
United Kingdom	40,25	76,90	92,30
Euro area (15)	68,74	85,43	95,62
Austria	64,44	71,33	80,91
Belgium	96,74	97,38	100,99
Czech Republic	26,36	39,21	48,79
Denmark	42,59	42,18	47,22
Estonia	4,87	7,37	9,80
Finland	41,67	47,72	60,29
Hungary	59,47	79,12	79,60
Luxembourg	6,35	18,85	25,35
Netherlands	50,46	65,48	74,80
Norway	40,49	37,03	32,76
Poland	43,63	53,64	50,97
Slovak Republic	40,09	42,69	55,70
Slovenia	26,43	44,84	79,05
Sweden	49,88	39,73	41,86

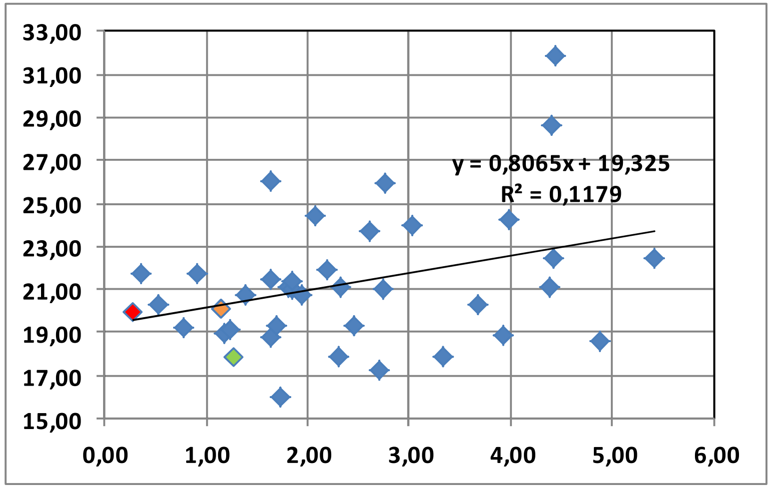
Note: * Oecd forecasting, May 2014

Tab.5 – Gross fixed capital formation - growth (elaboration on OECD, May 2014)

Countries	2000-2007	2008-2013	2014-2015*
Gross fixed capital formation (yearly average rate of growth)			
Canada	5,38	1,69	2,28
France	3,44	-1,57	1,73
Germany	0,83	-0,10	5,23
Italy	2,51	-4,89	1,80
Greece	8,24	-15,78	0,84
Ireland	5,87	-10,85	11,04
Japan	-0,39	-1,26	2,08
Portugal	-0,61	-7,26	3,04
Spain	5,52	-7,61	1,14
United Kingdom	3,58	-3,82	7,82
United States	2,53	-0,82	6,39
Euro area (15)	2,68	-3,28	2,88
OECD - Total	2,86	-1,00	4,35

Note: * Oecd forecasting, May 2014

Graph.1 – Annual growth in real GDP and I/GDP ratio, 2000-2013
(source: our calculation on Oecd, Statistics 2014)
(Italy red point, Germany green point, Eurozone orange point)



Tab.5.1 – Annual real GDP growth and investment to GDP ratio - 2000-2013 (elaboration on OECD, May 2014)

Countries	GDP growth	I/GDP ratio
Australia	3,04	23,97
Austria	1,64	21,49
Belgium	1,40	20,74
Brazil	3,34	17,90
Canada	2,18	21,95
Chile	4,38	21,14
Czech Republic	2,76	25,92
Denmark	0,77	19,23
Estonia	4,41	28,62
Euro area (15)	1,15	20,10
Finland	1,70	19,28
France	1,24	19,12
Germany	1,27	17,86
Greece	0,54	20,31
Hungary	1,81	21,12
Iceland	2,46	19,35
Indonesia	5,42	22,42
Ireland	2,71	17,24
Israel	3,93	18,88
Italy	0,28	19,95
Japan	0,91	21,75
Korea	4,44	31,83
Luxembourg	2,75	20,98
Mexico	2,32	21,14
Netherlands	1,18	18,98
New Zealand	2,60	23,69
Norway	1,64	18,74
OECD - Total	1,84	21,05
Poland	3,67	20,32
Portugal	0,36	21,77
Russian Federation	4,88	18,60
Slovak Republic	3,98	24,25
Slovenia	2,07	24,41
Spain	1,64	26,08
Sweden	2,30	17,89
Switzerland	1,84	21,34
Turkey	4,41	22,44
United Kingdom	1,73	15,98
United States	1,94	20,76

Tab.6 – Current account balance on GDP - % (elaboration on OECD, May 2014)

Countries	2000-2007	2008-2013	2014-2015*
Current account balance on GDP - % (yearly average)			
Canada	1,72	-2,62	-3,05
France	0,46	-1,67	-1,50
Germany	3,16	6,72	7,62
Italy	-1,28	-1,89	1,27
Greece	-8,44	-7,97	0,47
Ireland	-1,91	0,91	7,10
Japan	3,35	2,28	0,46
Portugal	-9,35	-7,11	0,94
Spain	-5,78	-3,86	1,80
United Kingdom	-2,22	-2,46	-3,40
United States	-4,74	-3,03	-2,72
Euro area (15)	0,34	0,99	3,15
OECD - Total	-1,18	-0,59	-0,03
Austria	1,68	2,96	2,94
Belgium	3,77	-0,80	-0,51
Czech Republic	-4,19	-2,29	-0,43
Denmark	2,69	5,22	7,25
Estonia	-10,63	-0,65	-2,99
Finland	5,93	0,32	-0,83
Luxembourg	10,57	6,33	6,73
Hungary	-7,54	-0,52	3,76
Netherlands	5,52	7,62	9,36
Norway	14,20	13,10	11,18
Poland	-4,02	-4,26	-1,06
Slovak Republic	-6,86	-1,94	1,89
Slovenia	-1,62	0,68	6,85
Sweden	6,53	6,64	6,07

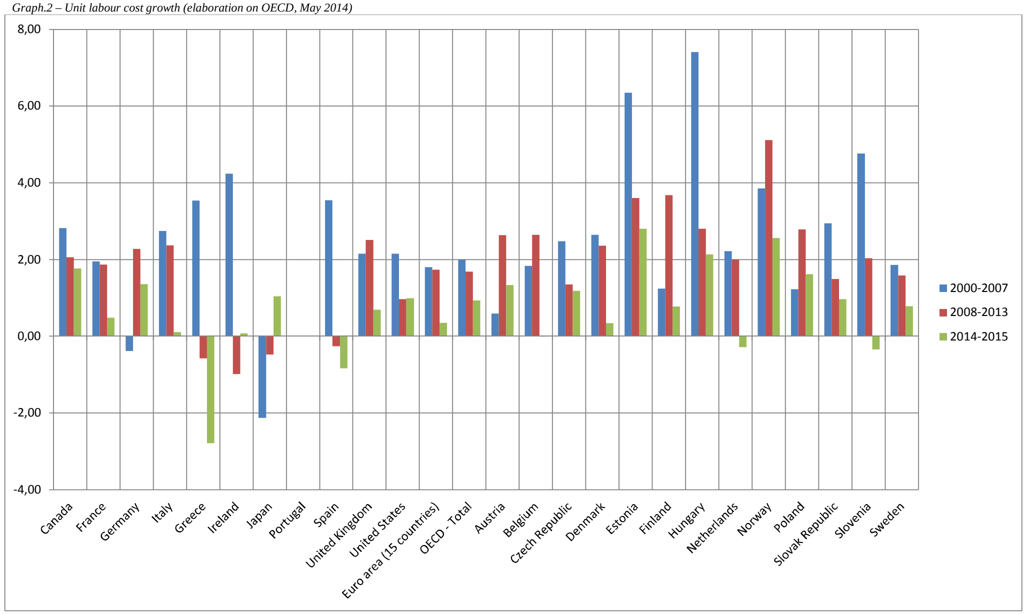
Note: * Oecd forecasting, May 2014

Tab.7 – Unit labour cost index (elaboration on OECD, May 2014)

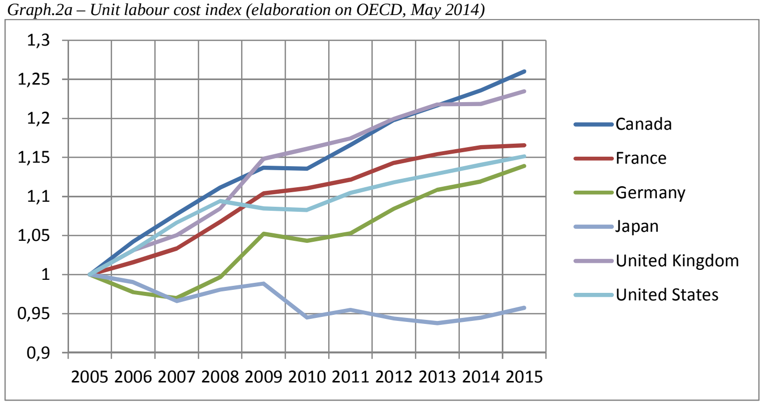
Countries	2000-2007	2008-2013	2014-2015*
Unit labour cost – index 2005=1 (yearly average level)			
Canada	0,97	1,16	1,25
France	0,97	1,12	1,16
Germany	1,00	1,06	1,13
Italy	0,95	1,16	1,20
Greece	0,93	1,10	0,95
Ireland	0,94	1,07	1,02
Japan	1,04	0,96	0,95
Portugal	na	na	na
Spain	0,96	1,12	1,05
United Kingdom	0,98	1,16	1,23
United States	0,99	1,10	1,15
Euro area (15)	0,87	1,00	1,03
OECD - Total	0,98	1,12	1,17
Austria	0,99	1,13	1,22
Belgium	0,99	1,16	1,22
Czech Republic	0,96	1,09	1,13
Denmark	0,97	1,20	1,24
Estonia	0,96	1,45	1,61
Finland	0,98	1,17	1,26
Hungary	0,92	1,21	1,33
Luxembourg	0,98	1,11	1,15
Netherlands	0,98	1,40	1,62
Norway	1,01	1,18	1,26
Poland	0,96	1,09	1,12
Slovak Republic	0,94	1,17	1,16
Slovenia	0,99	1,10	1,15
Sweden	0,97	1,16	1,25
Unit labour cost growth (yearly average growth)			
Canada	2,82	2,06	1,77
France	1,95	1,87	0,48
Germany	-0,39	2,27	1,36
Italy	2,74	2,37	0,11
Greece	3,54	-0,58	-2,79
Ireland	4,23	-0,98	0,08
Japan	-2,13	-0,48	1,04
Portugal	na	na	na
Spain	3,54	-0,26	-0,84
United Kingdom	2,15	2,51	0,69
United States	2,15	0,96	0,99
Euro area (15)	1,80	1,74	0,35
OECD - Total	2,00	1,68	0,93
Austria	0,59	2,63	1,33
Belgium	1,83	2,64	-0,01
Czech Republic	2,48	1,35	1,18
Denmark	2,64	2,36	0,34
Estonia	6,35	3,60	2,80
Finland	1,24	3,68	0,77
Hungary	7,41	2,80	2,13
Luxembourg	2,22	2,00	-0,29
Netherlands	3,86	5,12	2,56
Norway	1,23	2,78	1,61
Poland	2,95	1,49	0,96
Slovak Republic	4,76	2,03	-0,34
Slovenia	1,86	1,59	0,78
Sweden	2,82	2,06	1,77

Note: * Oecd forecasting, May 2014

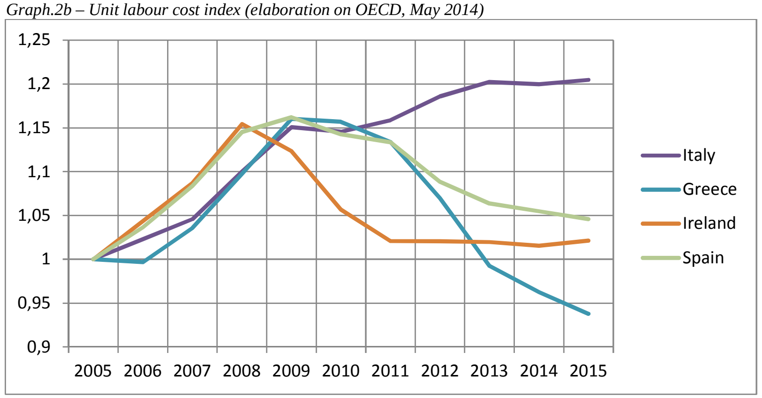
Graph.2 – Unit labour cost growth (elaboration on OECD, May 2014)



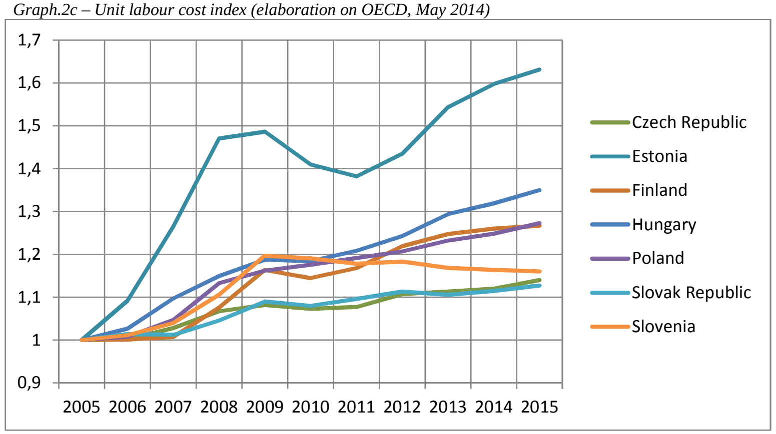
Graph.2a – Unit labour cost index (elaboration on OECD, May 2014)



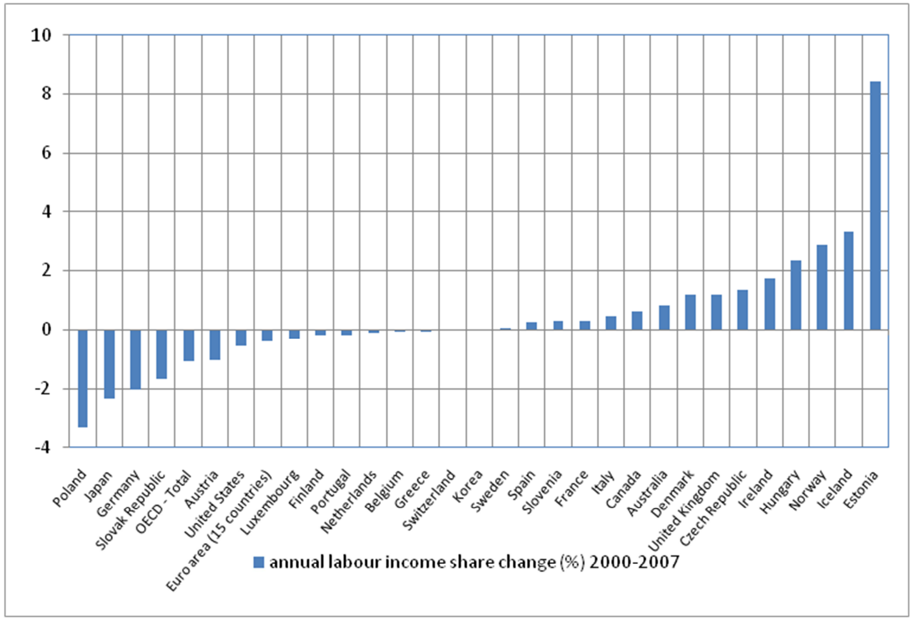
Graph.2b – Unit labour cost index (elaboration on OECD, May 2014)



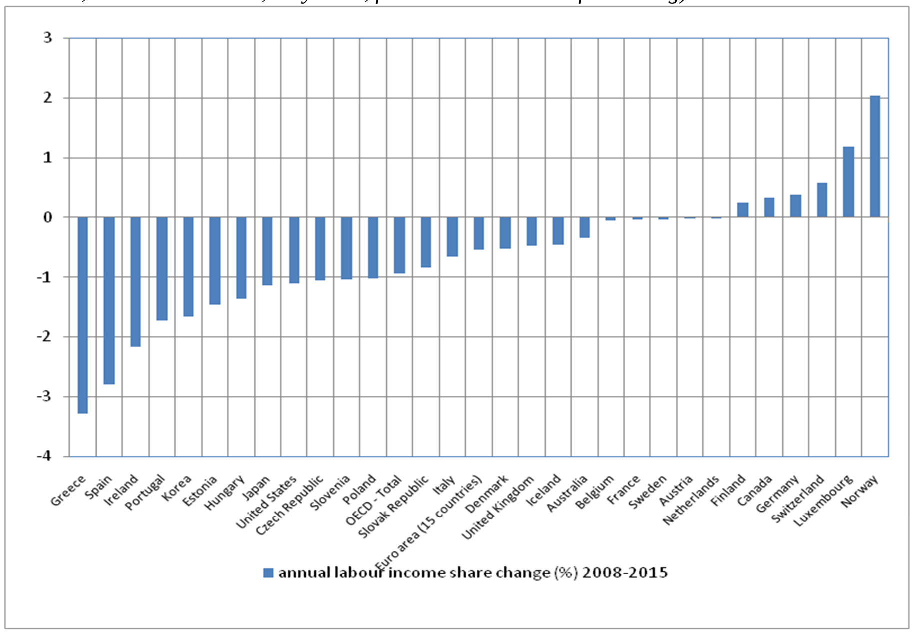
Graph.2c – Unit labour cost index (elaboration on OECD, May 2014)



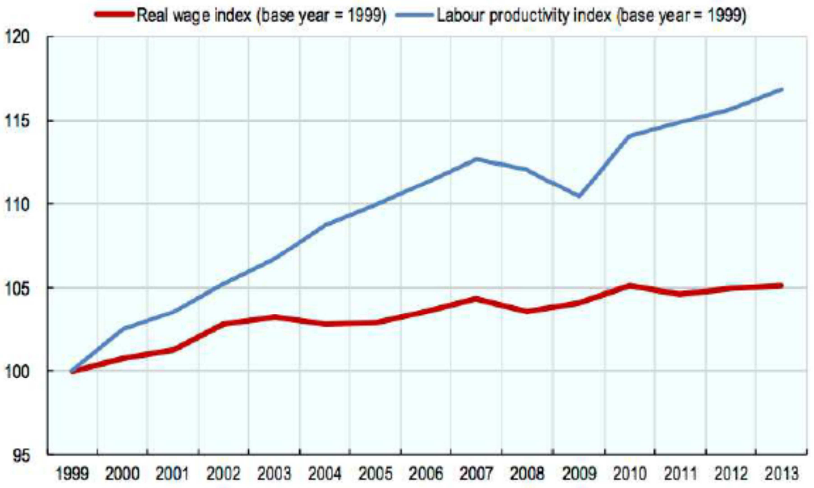
Graph.3a – Annual change in labour income share 2000-2007 (source: elaboration on Oecd statistics, Economic Outlook, May 2014)



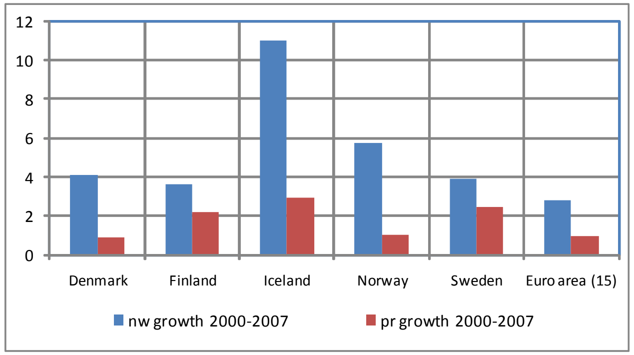
Graph.3b – Annual change in labour income share 2008-2015 (source: elaboration on Oecd statistics, Economic Outlook, May 2014, for 2014 e 2015 Oecd forecasting)

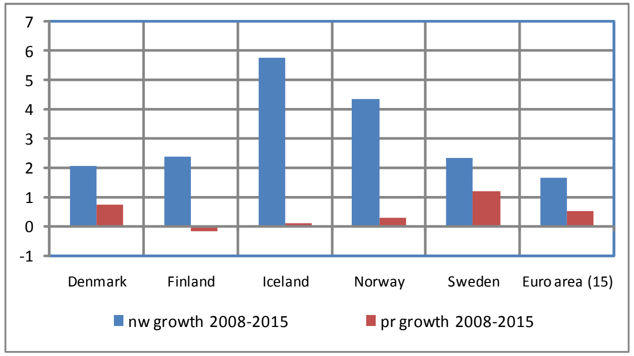


Graph 4 – Real wage and productivity gap in G20 countries (source: Oecd, Ilo, World Bank, 2014)

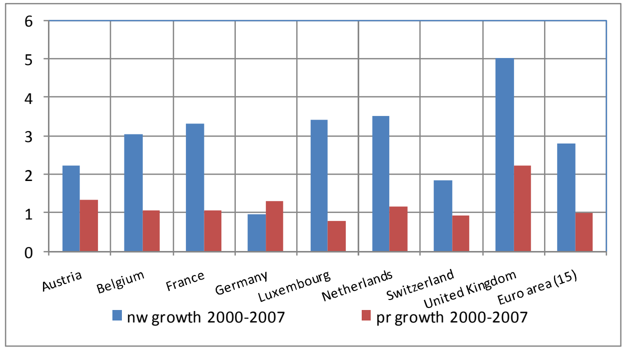


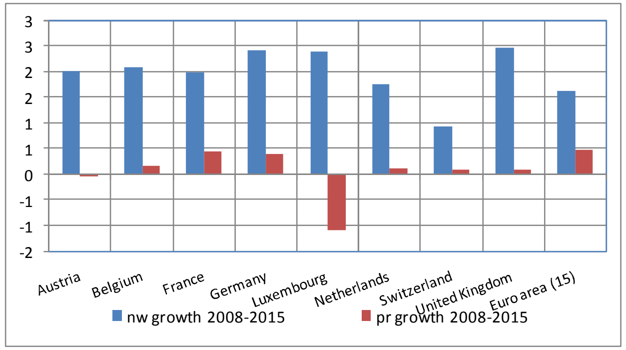
Graph.A.1a – Annual nominal wage and productivity growth (elaboration on OECD, May 2014)



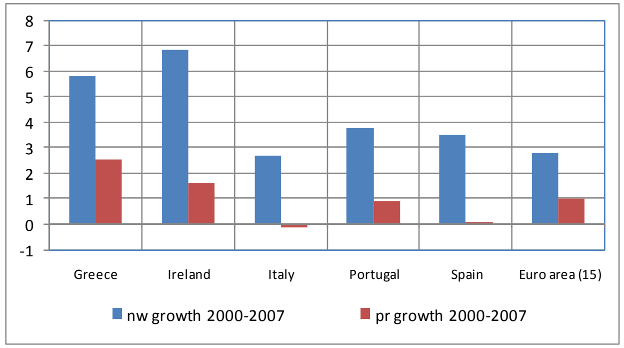


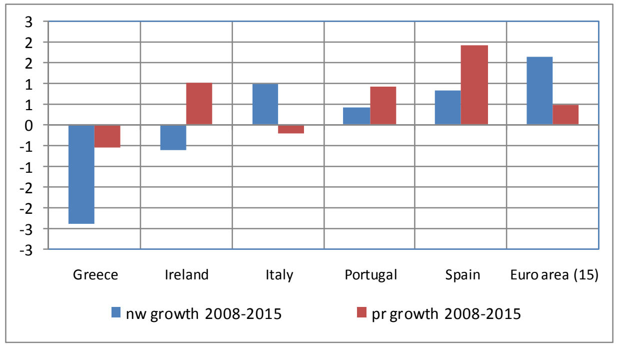
Graph.A.1b – Annual nominal wage and productivity growth (elaboration on OECD, May 2014)



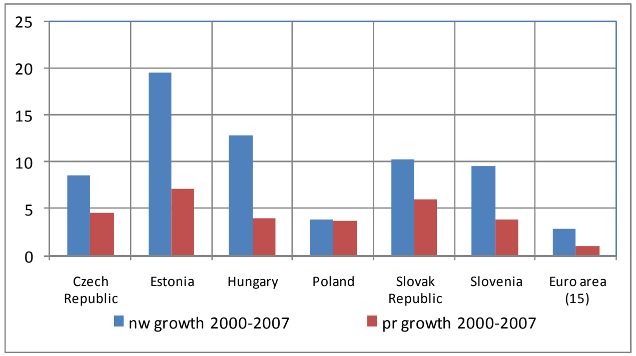


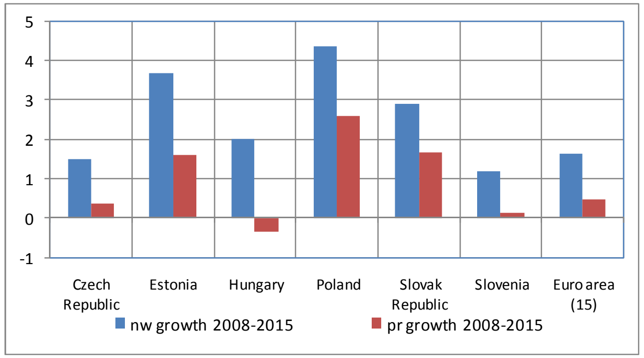
Graph.A.1c – Annual nominal wage and productivity growth (elaboration on OECD, May 2014)



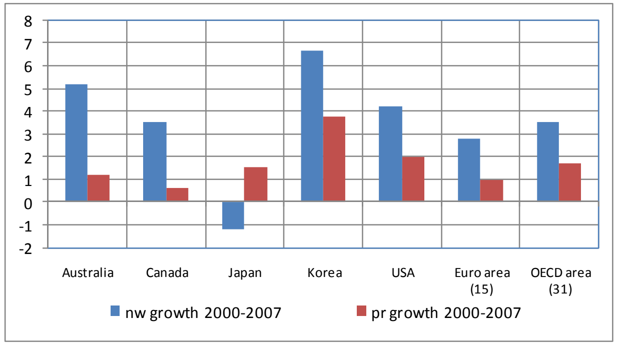


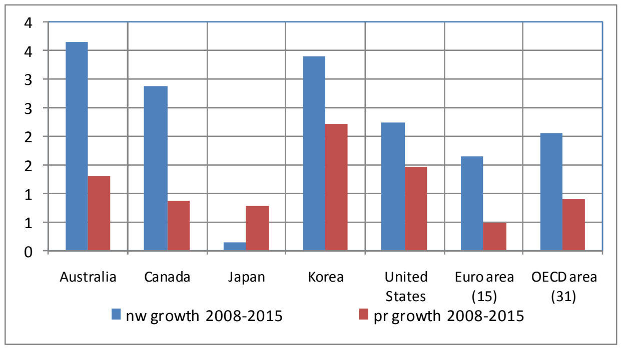
Graph.A.1d – Annual nominal wage and productivity growth (elaboration on OECD, May 2014)



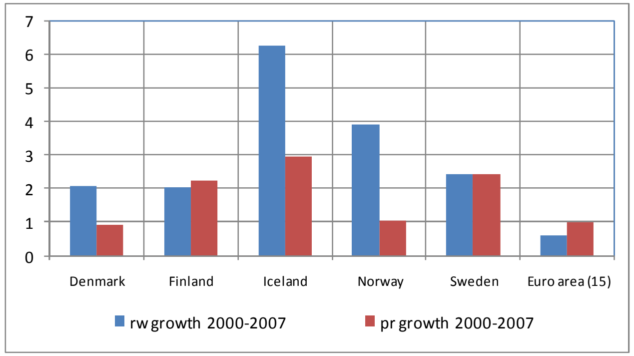


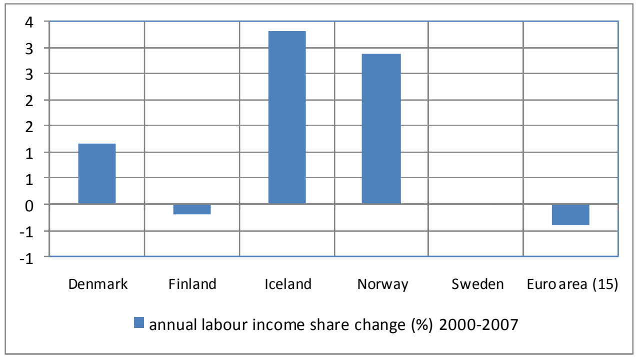
Graph.A.1e – Annual nominal wage and productivity growth (elaboration on OECD, May 2014)

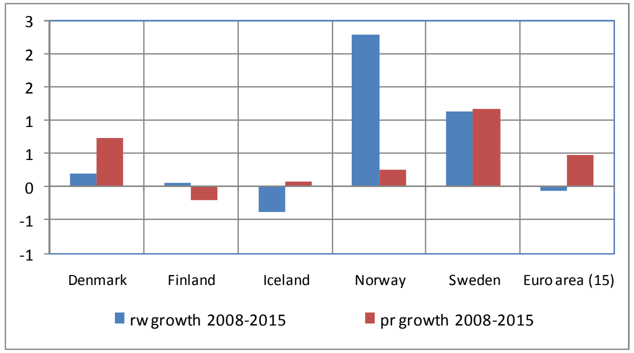


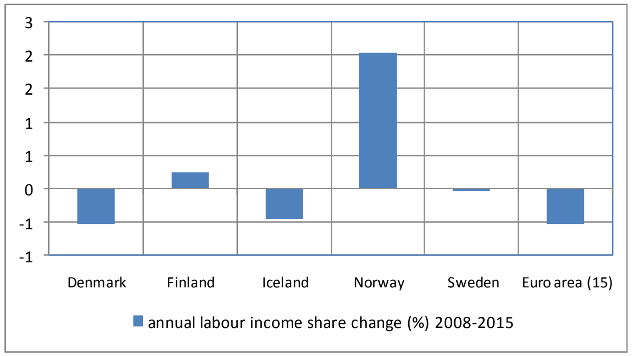


Graph.A.2a – Annual real wage and productivity growth, and annual change labour income share (elaboration on OECD, May 2014)

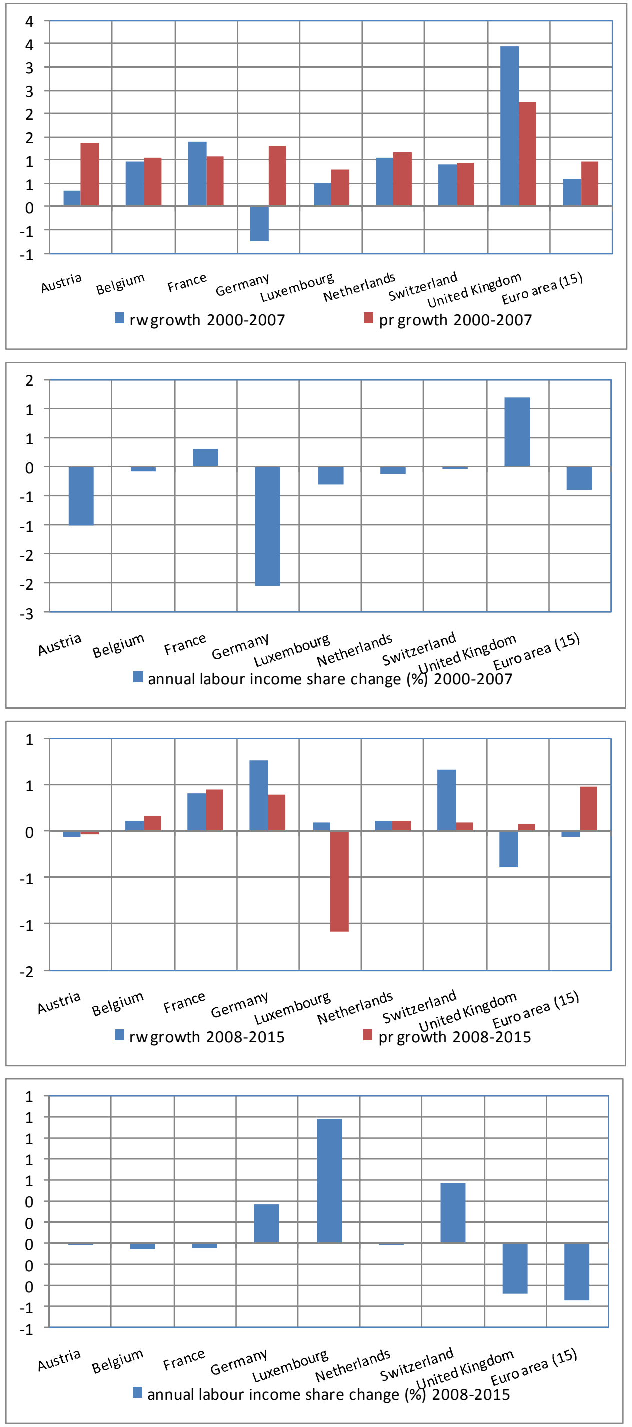






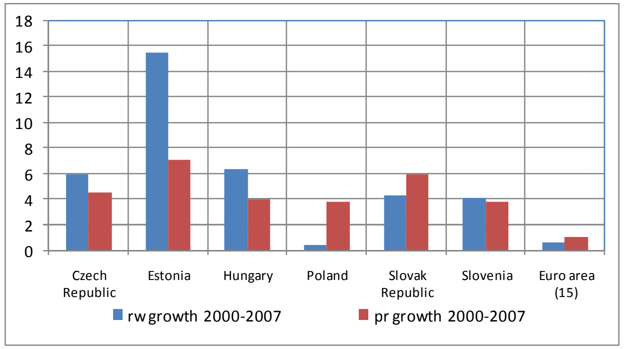


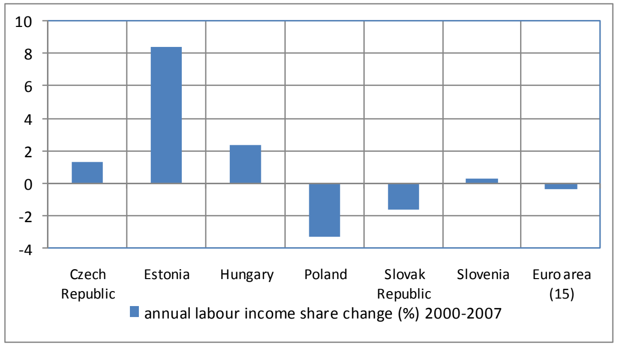
Graph.A.2b – Annual real wage and productivity growth, and annual change labour income share (elaboration on OECD, May 2014)

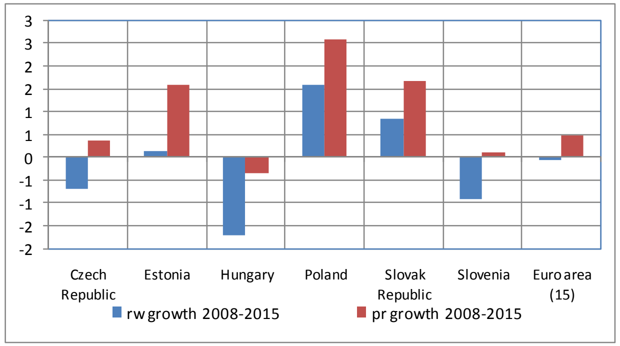


Graph.A.2c – Annual real wage and productivity growth, and annual change labour income share (elaboration on OECD, May 2014)

Graph.A.2d – Annual real wage and productivity growth, and annual change labour income share (elaboration on OECD, May 2014)







Graph.A.2e – Annual real wage and productivity growth, and annual change labour income share (elaboration on OECD, May 2014)