

Wage setting under the new economic governance

Newin – Negotiating Wage (In)equality
Final Conference
Brussels, 29 November 2016

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Structure of presentation

1. European economic governance and **interventions into collective bargaining**
2. **Implications** for national collective bargaining systems
3. **Hidden forms** of influencing national developments
4. **Alternatives** for the strengthening of CB systems in Europe

EU crisis management

Basic assumptions:

1. Crisis is primarily a crisis of **cost competitiveness**
2. Imbalances are the result of divergent developments of **unit labour costs**



Policy of internal devaluation:

- Direct intervention into wage developments by **cutting** and **freezing** public sector and minimum wages
- Structural reforms of wage setting institutions to increase **downward flexibility** of wages

Intervention into national collective bargaining

DG ECFIN 2012: “Employment friendly reforms”

- Decreasing bargaining coverage
- Decreasing extension of collective agreements
- Decentralizing bargaining systems
- Removing or limiting the favourability principle
- Introducing/extending possibilities to derogate from higher level agreements
- Overall reduction of wage-setting power of trade unions



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Tools to intervene into national collective bargaining

New forms of **more binding macro-economic coordination** within EU:

European Semester

➤ annual cycle leading to “country-specific recommendations” for member states

Troika programmes

➤ Implementation of “structural reforms” as preconditions for financial support



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Country-specific recommendations (2011-2016)

	Europ. Semester	Troika / IMF
Moderate wage developments	BG, FI (2012), IT, SL	
Moderate minimum wage developments	FR, PT, SL	
Freezes/cuts of minimum wage		EL, IE, LV, PT, RO
Freezes/cuts of public sector wages		EL, IE, HU, LV, PT, RO
Freezes of private sector wages		EL
Higher wage dispersion at the lower end of the wage scale	SE	
Wage development in line with productivity	BE, DE, ES, FI, FR, HR, LU, PT	
Decentralisation of collective bargaining	BE, ES, IT	EL, PT, RO
Stricter rules for extension of coll. agreements		EL, PT, RO
Reform/abolition of wage indexation	BE, CY, LU, MT	CY (since 2013)

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Measures in countries under international surveillance

<p>Termination/abolition of national collective bargaining</p>	
<p>More possibilities for companies to derogate from sectoral agreements</p>	
<p>Priority for company agreements abolition of the favourability principle</p>	
<p>Stricter rules for extension of collective agreements</p>	
<p>Reduction of the after-effect of collective agreements</p>	
<p>Company agreements signed by non-union representatives</p>	



Intervention into national minimum wages



22 % cut (32% cut for young workers under 25) in 2012

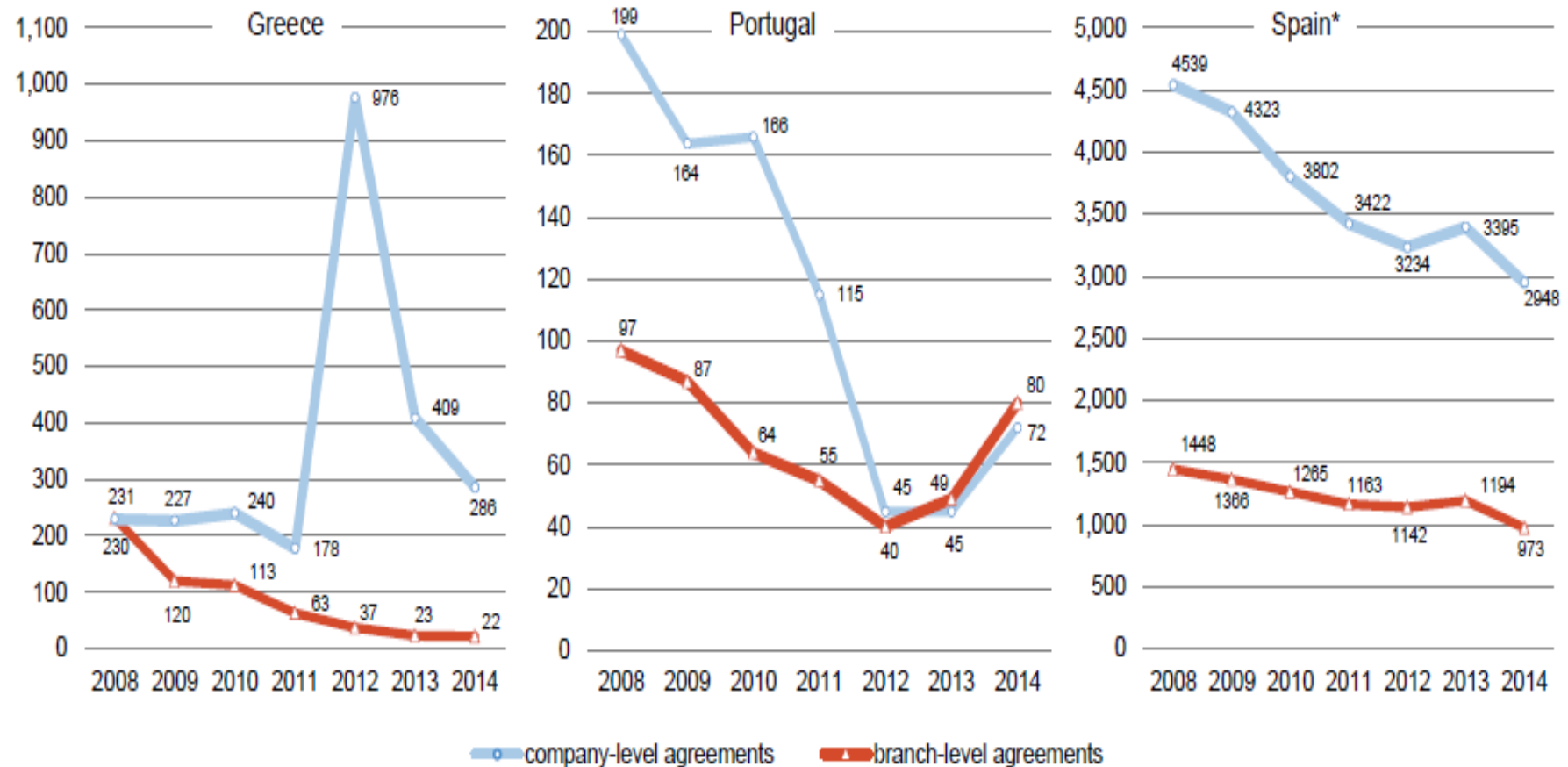
Freeze until the end of the assistance programme

Freeze 2011-2014
No MW rise without approval of Troika

1 € cut in 02/2011
rescinded in 07/2011
Freeze since 1997

Suspension of automatic Indexation
No MW rise without approval of Troika

Number of newly concluded / renewed collective agreements

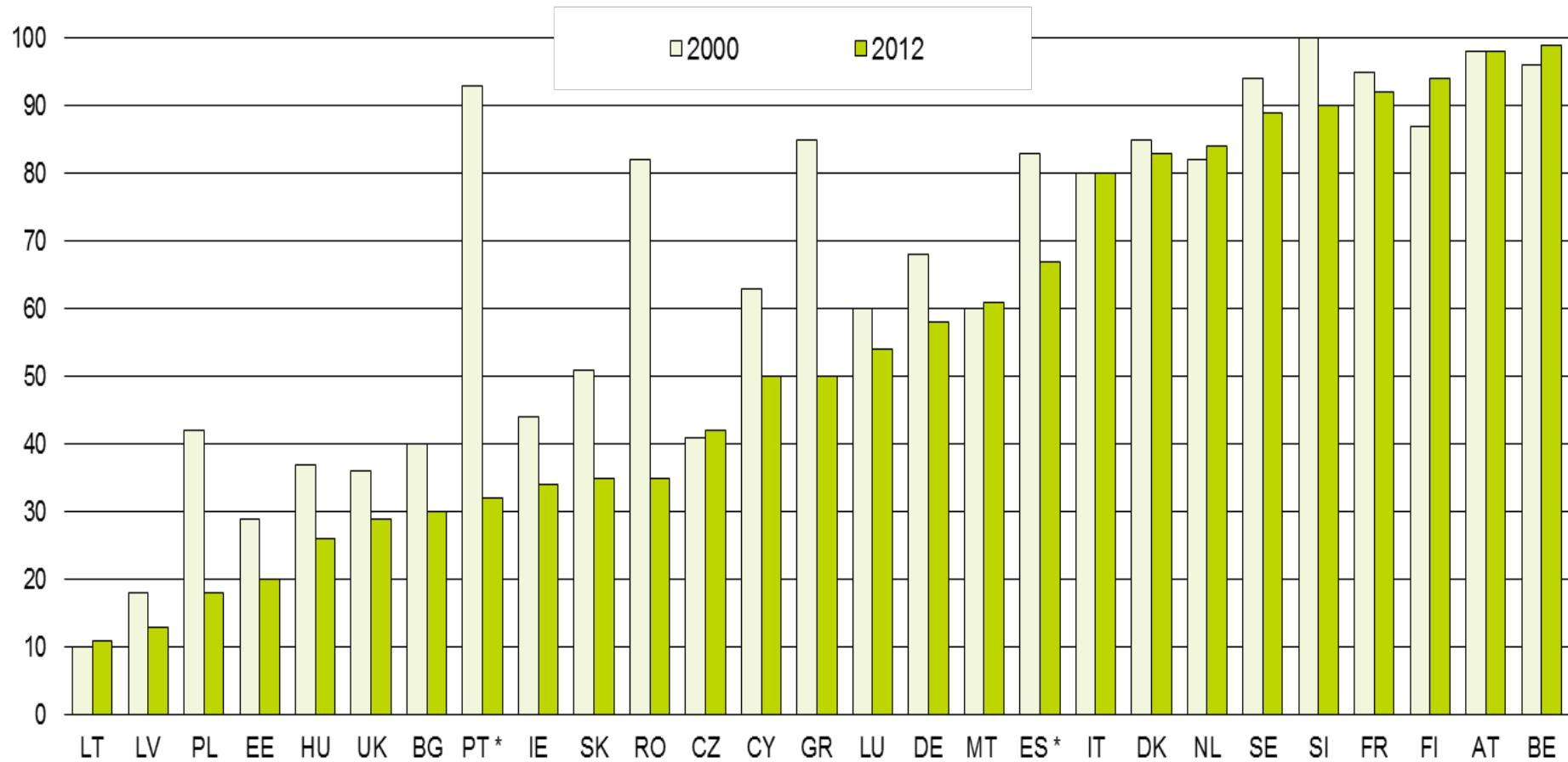


Decollectivisation of collective bargaining

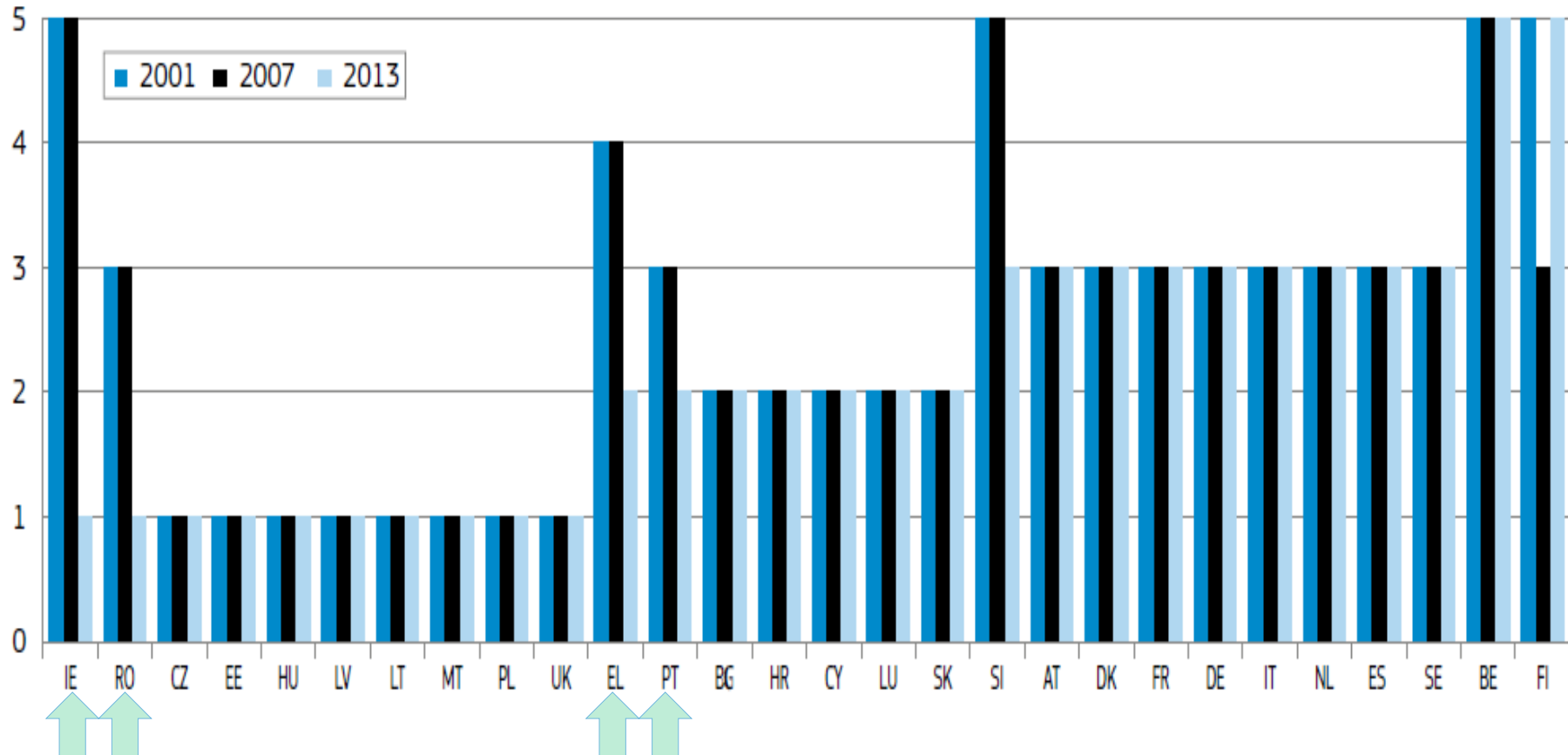


	Portugal		Spain	
	2008	2014	2008	2014
New agreements	296	152	5987	3921
Company agreements	97	80	4539	2948
Extended agreements	137	13		
Workers covered by coll. agreem.	1.8 mio	214,000	12 mio	8.5 mio

Collective Bargaining Coverage



Dominant level of negotiations



Source: European Commission 2015: Industrial Relations in Europe 2014

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Implications of interventionist approach

1. Systematic **undermining** of (cross-)sectoral systems of **multi-employer collective bargaining**



2. Dramatic **decrease of collective bargaining coverage** leading in parts to a decollectivisation of industrial relations

3. **Pressure on wages**: deflationary tendencies and downward wage competition with negative consequences for internal demand.

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Recent initiative in Finland: “Social Contract” / “Competitiveness Pact”

Proposed labour market reforms (autumn 2015):



- **annual working time** should increase by **100 hours** without compensation
- Employees and employers should agree on **cost cuts in the export industries**
- Government published its own **social contract** with major cuts in benefits and wages

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Recent initiatives in Finland: “Social Contract”

Key elements of social contract:

- **two bank holidays** turned into unpaid days off
- **First sick leave day** unpaid and 2-9 day with 80% of salary
- **Overtime compensation** halved
- **Sunday work bonus** reduced to 75%
- **“Long holidays”** cut to 30 day maximum
- **Private employers social security contributions** reduced by 1.72%



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Recent initiatives in Finland

Outcome in Competitiveness Pact:

- **wage freeze** until 2017
- Increase in **annual working time** by 24 hours
- Decrease of **holiday bonus in public sector** by 30%
- Increase in **employee pension and unemployment contributions** while lowering employers' contributions
- Certain degree of **decentralization of bargaining system**



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Trust in EU and national government

	Spring 2007		Spring 2010		Autumn 2013	
	EU	Nat. Gov.	EU	Nat. Gov.	EU	Nat. Gov.
GR	63	41	42	25	21	10
PT	65	46	45	20	25	15
ES	65	52	43	20	21	9
DE	56	49	37	32	29	38
FI	61	75	50	49	47	50
SE	56	55	43	57	40	57
EU	57	41	42	29	31	23

Wages and collective bargaining under deflation: alternative approach

- **Stabilising and enforcing wage developments:**
 - counter deflationary price developments
 - stabilise and increase private demand
 - counter income inequality
- **Requires ...**
 - stop of wage cuts and wage freezes
 - wages increase at least in line with productivity and target inflation
 - more expansive wage developments in the surplus countries
- **Requires ...**
 - strengthening of wage setting institutions



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Further reading...

ETUI Website: <http://www.etui.org/Publications2/Books>



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EU impact on collective bargaining systems

Thank you very much for your attention!!!

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