

# European Economic governance, wages and collective bargaining

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# What's at stake for trade unions ?

- A clear answer from a recent report from DG ECFIN (Labour Market Trends in Europe 2012' European Economy 5/2012)
- DG ECFIN's database on labour market reforms
- Evaluation system on 'employment friendly' labour reforms
- Amongst many others:
  - « An 'employment friendly' reform is a reform that 'reduces the wage setting power of trade unions' »

# Not just a technical «whoops »!

## It is already taking place

- Troika countries plus Spain (plus to a lesser degree Italy)
  - Shift to decentralised bargaining through the reversal of the hierarchy of bargaining
  - No automatic renewal when the collective agreement expires
  - Undermining wage standards by doubtful ‘trade unions’, even « individual agreements »
- In France, Belgium, Netherlands: similar discussions are ongoing (ending ‘erga omnes’, opening clauses)
- Germany: Exists since 2004 (Pforzheim agreement), but with ‘checks and balances’ (but for how long?)

# The real objective of Economic Governance for wages

- To transfer competence and power over national economic policies to the level of the Commission and the European Council....
- ... so as to « cement » the policy of disciplining wages into European law or enforceable rules
- The Silent Revolution or the Silent Take Over

# European Economic Governance: A monster with many heads.....

- A building still under construction
- Europe is launching one new policy process after the other (with one red thread: controlling wages)
  - Financial bail outs , ongoing ECB pressure
  - EU 2020 country recommendations
  - Regulations on Economic Governance (6 pack): Excessive Macro Economic Imbalances
  - Regulations on Economic Governance (2 pack): Member states in or in danger of financial distress
  - A 'genuine' Monetary Union: A new Treaty or new Commission regulations (A « blueprint » for the Euro area) .

# EU 2020 Country recommendations on wages

- Commission proposal from the 30th of May
  - 17 out of 27 MS get recommendation
  - General line: Put downwards pressure on wages and bargaining
  - Wage indexation ,everywhere where it still exists (BE, CY,LU,MT plus SP), is being questioned
  - ‘Magical formulae’: Align wages with productivity
    - Macro dimension to influence general dynamics of wages ( opt out clauses for BE; continue with wage moderation for FI; improve wage setting at sector level in IT; continue with labour market reform for SP;)
    - Micro dimension: More wage differentiation to take differences in worker productivity into account (SW: encourage wage flexibility, notably at the lower end of the wage scale)
  - Even minimum wages feel the heat (France, Slovenia,Hungary: any development in MW to support jobs and competitiveness/’contain the increase of the MW)
  - Troika countries mentioned (RO,PT,IRL,GR).
  - Exception is Germany, but very careful wording (‘create the conditions for wages to grow in line with productivity’)

# Macro Economic Imbalances: First year

- Of the 11 countries under investigation, no single country declared as experiencing an imbalance that is 'excessive'
- We do have 11 in depth country reports, with recommendations

# Resulting in the well known recommendations

- Limit minimum wage increase in France
- Internalise low productivity in Italian national/sectoral bargaining
- Rapid and vast downwards wage adjustment in Spain through implementation of decentral and opening clauses/end indexation
- Finland: Continue with moderate wage agreement to repair the 2008/2009 wage cost excess



# « Blueprint » for the single currency

- Aim: to extend Troika countries' programs to the whole of Euro Area by having member states enter 'contracts' with the Commission ('Convergence and competitiveness programmes')

# European Economic Governance: A monster with « real teeth »

- Recommendations being linked up with financial sanctions and/or (non) access to structural funds
- Introduction of «reversed qualified majority voting »
- « Blueprint »: Make EU 2020 recommendations binding

# Illustration: MEP question

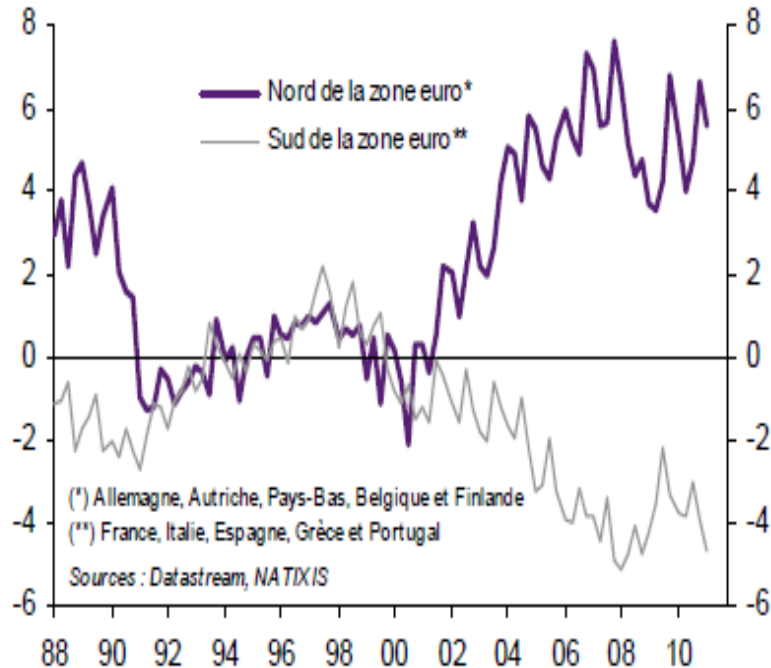
- Issue: Commission recommendation (in EU 2020 process) on reforming indexation system in Belgium ('move to an all in indexation')
- Questions: Is there sufficient legal basis?/ Is this enforceable ?
- Answer from Andor:
  - Legal basis of such recommendations is correct and compatible with Social chapter of Treaty and Charter of Fundamental Rights
  - Enforceable under regulation excessive imbalances and regulations on excessive deficits

# Where does this view come from ?

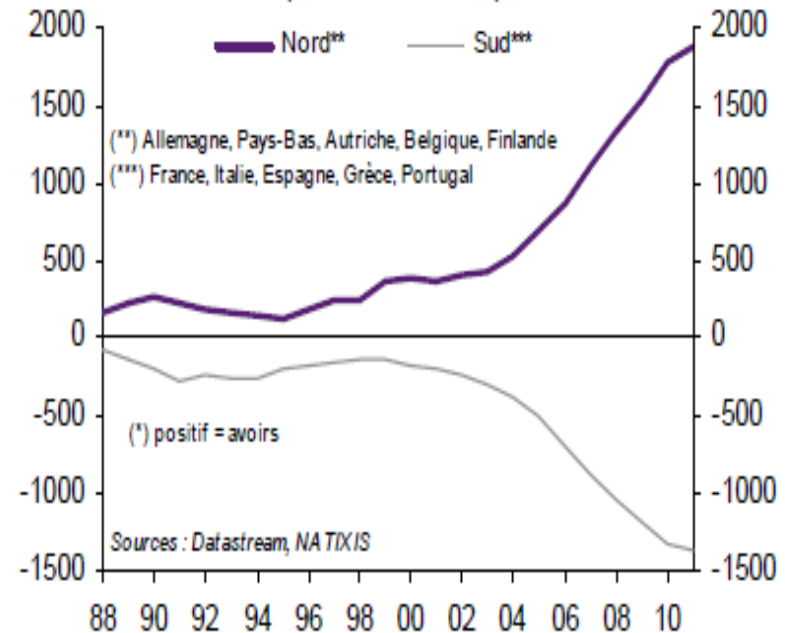
- A re interpretation of the financial crisis in the Euro Area
- Not banks organising irrational capital flows between « core » and « periphery » are responsible
- .....but excessive wages (along with excessive public expenditure) are to blame
- Financial crisis become a crisis of (intra Euro) « competitiveness »

# Causality running from wages to external deficits to debt ?

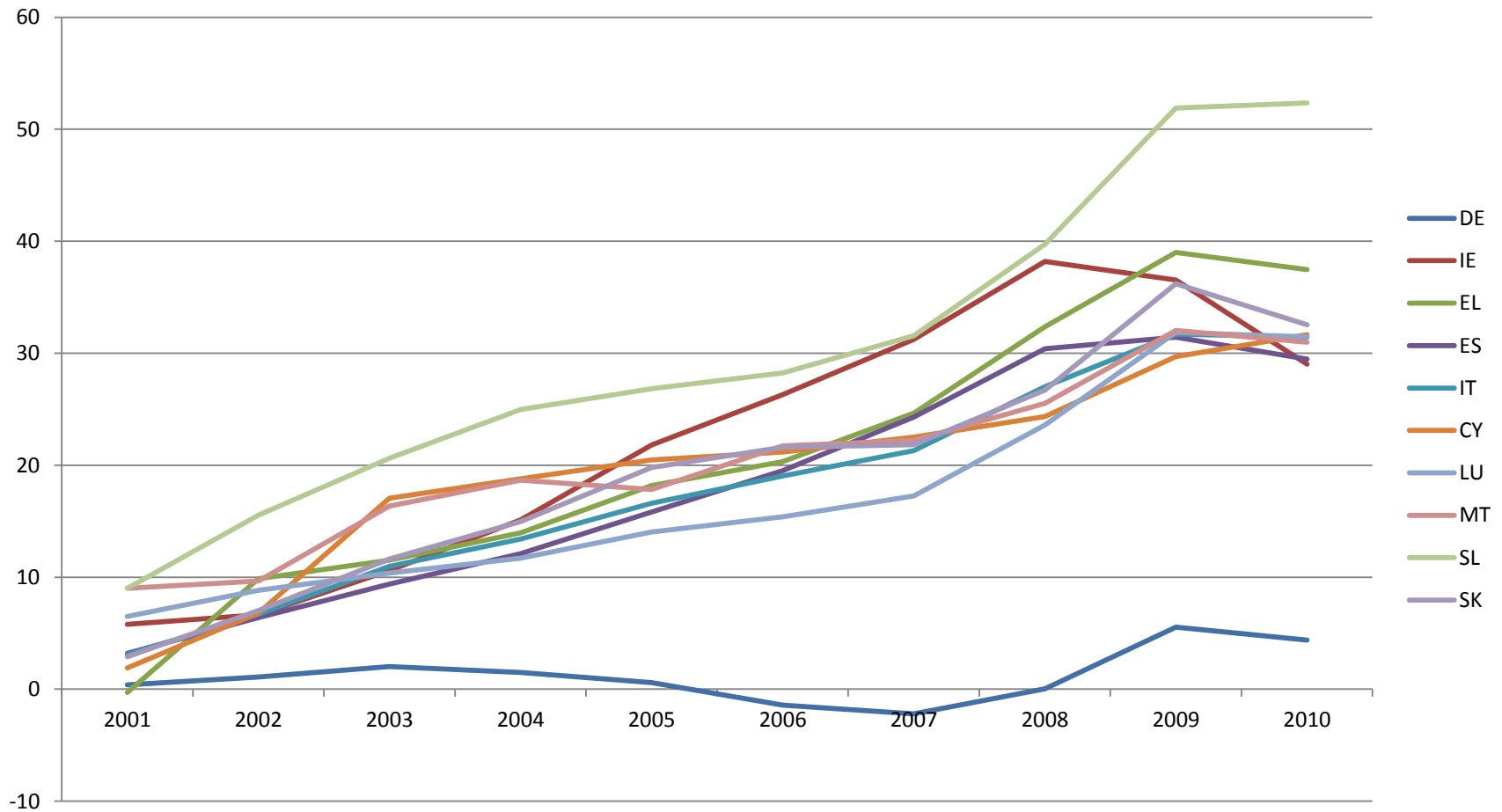
Graphique 7a  
Balance courante (en % du PIB)



Graphique 7b  
Zone euro : avoirs ou dettes\* extérieurs  
(en Mds d'euros)



# Unit wage cost 2000 = 100



# The dilemma for EU trade unionism

- A common currency needs common rules for economic policy
- If each member state goes its own way, chaos will be the result
- To have or not to have common wage guidelines ... is NOT the question

# The right questions

- What type of common European guidelines ?  
What are the right principles to set wages in a monetary union ?
- Who exactly decides on these European principles? European economic and financial elite ?



# How are we grappling with this problem thus far ?

- One reaction is to claim the area of defining and implementing European guidelines for wage setting OURSELVES....
- ... by strenghtening the ETUC strategy of European wide coordination of collective bargaining strategies
- In other words, European policy makers have no business with wage bargaining, we will ensure the compatability of bargaining with the single currency ourselves

# Legal back up

- Here, we are basing ourselves on the fact that the Treaty is protecting wages and bargaining
  - Article 153-3: No competence on wages
  - Article 152: EU to respect (and promote!) autonomy of national social dialogue, the diversity of national systems of industrial relations and wage settings

# The 'Long March' through the institutions

- Another reaction is to try to make sure that trade unions are involved in the European level institutions that are defining the common wage rules and organising the pressures on national wage settings
- A road to this seems to be available: Andor's proposal to set up a so called « wage monitoring group»

# Wage Monitoring Group: State of affairs

- A one day meeting scheduled for 1st of February 2013 (ahead of the Spring Summit; in the middle of the European Policy Semester)
- Gathering representatives from all 27 member states (1 employer, 1 trade unionist, 1 EMCO member and 1 EPC member)
- On the basis of an analytical paper from DG Employment
- Summary report to be attached to Joint Employment report and/or EPSCO minister conclusions

# Wage Monitoring Group

- Is this the way forward ? (Is there another way?)
- Over to you (and the ETUC Executive of course) to discuss and answer this