European Trade Union Confederation (ETUC)
Confédération européenne des syndicats (CES)

UNDERMINING THE BARGAINING POSITION OF EUROPEAN LABOUR

ETUC Austerity Watch nr 3

Austerity is not limited to public deficit cuts, austerity is also about 'disciplining' wages to boost business' profits. To do so, wage austerity policies try to weaken collective bargaining systems that empower workers in their relationship with employers:

Collective bargaining tends to be stronger at sector level where the traditional employers' technique of threatening to move company production and jobs elsewhere unless wage sacrifices are made is much less effective. This is why business is keen to refocus collective bargaining at company level. If labour law and wage bargaining systems then allow for company level bargaining to undercut wage levels bargained at national sector level, then the strategy of pressing workers into wage cuts to keep their jobs can be fully exploited.

Germany is a clear example. Back in 2003, metal sector employers were trying to turn the 35 hour week into a longer and unpaid working week. Faced with massive resistance from IG Metall, they did not succeed at sector level. German metal sector employers then decided to take the fight to the level of individual companies, using the opening clauses that were provided for in the so called Pforzheim agreement. Enterprise councils and trade unions were forced into 'concession bargaining' and to undercut the national sector agreement in company after company. The end result was years of real wage stagnation for workers in Germany.

An identical technique is now being used in several countries (see table I for a complete overview):

- In Greece, under pressure from the IMF and the European Commission (DG ECFIN), the labour law principle that collective agreements at company level cannot be less favourable than the national sector agreement is abolished. This, together with restricting trade unions from appealing to arbitration in case of a collective dispute, implies that the bargaining position of individual businesses will be much improved.
- In Spain, individual companies now have the possibility not to apply the sector agreement in case the economic situation or perspectives of the company make this necessary. Again, this strengthens the power position of individual company management.
- In Estonia, the new labour law act (a so called 'flexicurity' reform) provides for a few minimum standards on working conditions while the rest is to be negotiated in the individual labour contract. The result was that companies started to cut wages massively while shortening working time, and all of this on an individual basis. If workers did not accept, they were fired (at lower cost, see further below).

- In other countries (Czech Republic, Bulgaria), minimum wages are frozen so that there's no pushing up effect on the rest of the wage building. France is weakening minimum wage dynamics with the same intention.

Weakening collective bargaining systems

Spain	Increased possibilities for companies not to apply the sector agreement (reference to 'situation and perspectives of the company'). Power position of company management is increased by this
Greece	• New entrants in the labour market under age of 25 receive only 84% of the (minimum) wage set by the collective agreements in the sector. • Favourability principle abolished: Labour contracts may now provide a lower wage than the sector or national agreement. • Unilateral recourse (from trade union side) to mediation and arbritration would be abolished (under discussion)
Estonia	New labour law act ('flexicurity' reform)now provides for a few minimum standards, rest is to be negotiated in the individual labour contract. Result was that companies cut wages and shortened working time…all on an individual basis. If workers did not accept, they were fired (at lower cost). It was impossible for trade unions to seize the opportunity of concluding collective contracts instead of individual ones because of the financial crisis.
France	– No extra push when increasing the minimum wage – Delay of minimum wage increase to leave more time with sector/company bargaining – Crisis has decreased number of sector conventions (from 549 to 421)… – …while the share of bonuses is increasing (individual and unequal character).
Bulgaria	- Stagnation of minimum wage in 2010 and 2009. - In two thirds of sector agreements there exisst an opening clause with wages not to fall below 60 or 70% and with intrest to be paid on the wage amount that is due.
Czech Republic	Last indexation of minimum wage was in 2006

Poland	The obligation to negotiate each year is suspended. Tripartite agreement on guidelines for wage bargaining at lower levels is abolished. In return, business committed itself to reduce the recourse to fixed term workers. This, however, was not implemented.

Source: ETUC 2010 annual collective bargaining questionnaire.

These 'reforms' will distribute income from labour to profits and will cause a renewed increase in inequalities. This will weaken aggregate demand and economic recovery while increased profit margins, because of lack of demand dynamics, will not be translated in higher business investment but in higher dividends and capital buy backs.