Statement of the ETUC Collective Bargaining Committee on Country Specific Recommendations 2014 concerning wages and collective bargaining systems

Brussels, 4 June 2014

On the 2nd of June the European Commission published its Proposals for Council Recommendations addressed to the Member States (CSRs) on their National Reform Programmes and convergence/stability programmes.

The European Commission has not refrained from demanding downward adjustments of wages (as in France and Belgium). It urges member states to implement labour reforms, often implying changes in collective bargaining structures and wage formation schemes, downgrading the role of social partners to mere consultation.

The emphasis remains on austerity measures, especially in the Eurozone, while measures for economic growth are far from envisaging the investment plan as demanded by the ETUC.

CSRs have been strategically issued after the elections to renew the European Parliament. The EU Commission seems to be deaf to the warning sent by the EU citizens: European citizens are fed up with unemployment, austerity and falling living standards. Few exceptions (the Commission seems to regret the slowing down of real wage growth in Germany) do not change the substance of the EU approach: wages are seen as a factor of competitive adjustment or as a threat to employment for 11 to 13 Member States.

Moreover, there is absolute silence on the findings of the recent ETUC analysis showing that real wages have been lagging behind productivity in several Member States and that for some of them (Poland for example) this gap has now reached spectacular levels.

Instead , the Commission insists on the fact that too high wages can undermine job creation, but all figures show that there is no basis supporting this “old-fashion” neo-liberal theory and that lower wages show up in higher profits ,not higher employment.

The commission also suffers from a clear bias against multi employer bargaining and wants to decenteralise bargaining to the level of individual companies. This however risks to trigger perverse compitition on wages high and rising inequalities and a down grading of productivity and inovation.

According to the Commission , statutory minimum wages should not increase too much in comparison to average wages, they should be flexible and differentiated according to different sectors or categories of workers (e.g. lower minimum wages for low-skilled workers), and some sectors or categories of workers should even be excluded from minimum wage coverage.The Commission does not realise yet that its strategy of internal wage devaluation has gone beyond its limits and that squeezing and cutting nominal wages simply worsens the burden of already high debt loads and debt service payments. The new CSRs look like a missed opportunity. In failing to address the problem of debt deflation, they fail to stop the wage race to the bottom that is now spreading across more and more countries.

In a report presented to Employment Ministers, who met informally in Athens, the ETUC made its point saying that Europe needs to see wages instead as an engine for demand, growth and jobs and as an important circuit breaker in the process of deflation and depression" (see the attached word document with edited extracts of report **- LINK**)

In this respect, the ETUC insists that real wages should grow at least in line with productivity in all countries in order to protect purchasing power, but also to contribute to reduce inequalities, address gender pay gaps, fight against increasing poverty, and prevent social dumping and unfair competition.

For the ETUC both average wages and minimum wages have to increase according to such a principle. Net minimum wages should ensure at least minimum living standards, they should not be differentiated and no exceptions to their coverage should be allowed.

The ETUC insists that EU institutions have to strictly adhere to the principles of the Treaty, by respecting autonomy of social partners and diversity of national industrial relations. Collective bargaining, minimum wage systems and wage setting mechanisms should remain national competences. Reforms to strengthen wage formation and bargaining systems can be undertaken only through social dialogue and negotiations with social partners at national level.

The ETUC has now written to Commission President Barroso, Council President Van Rompuy and Commissioners Andor and Rehn stating that "The upcoming country specific recommendations need to shift direction and seek ways to strengthen wage formation systems and the respect for the autonomy of collective bargaining".

For the ETUC, wages are not simply a price to "clear the market". Stable and robust wages that cannot be cut overnight at the pure discretion of the employer provide essential security for workers and their families. Wages, by strengthening general demand dynamics, are also an engine of growth and job creation. Last but not least, stable wages also function as a circuit breaker against the three vicious D's: Deflation, Debt and Depression.

The ETUC therefore calls upon the Commission, the Council and Member States to recognise this fundamentally different role of wages. The upcoming country specific recommendations need to shift direction and seek ways to strengthen wage formation systems and the respect for the autonomy of collective bargaining.

The letter contains some alternative recommendations including:

 In **Greece**, to restore the competence of social partners to negotiate and set the general minimum wage and to end the power of employer organised 'associations of workers' to undercut collective bargaining.

In **Portugal**, to implement existing social agreements between social partners to raise the minimum wage and to have less strict criteria for the legal extension of sector collective bargaining agreements.

In **Spain**, to turn back the 2012 labour market reform and rebalance the unilateral power that employers now have in setting wages.

In **Romania**, to restore the possibility for trade unions to engage in sector level collective bargaining.

In **Poland**, to end the scandal of precarious work practice, to raise the minimum wage to the standard set by the Council of Europe and to strengthen collective bargaining so as to start the process of closing the historic gap between soaring productivity and relatively moderate real wage increases.

In **Germany**, to introduce the 8, 5 Euro minimum wage decided by German government in a general way and without any exceptions since these exceptions would immediately become the general rule again. To ensure effective controls on the respect of the payment of this minimum wage. To make full use of the renewed possibility to legally extend collective bargained agreements.

In **Italy**, to leave the organisation of collective bargaining to social partners and respect the social dialogue in particular in these matters instead of unilateral interventions by government.

In **Hungary**, to see wage developments increasing purchasing power and supporting demand as a motor of growth and job creation.

In **Estonia**, to promote social dialogue and collective bargaining during the collective bargaining law reform. This implies strongly rejecting measures that are currently being proposed and which:

O Exclude the right of employees to defend their socio-economic interests more broadly, including the right to organize strikes to influence the Government's socio-economic policy;

O Restrict the scope a collective agreement for any reason other than strictly regulating working conditions;

O Take away the right to collective bargaining from civil servants;

O Limit the freedom of social partners to conclude extended collective agreements on matters that elsewhere in Europe are governed by soft law ;

O Constrain worker's right to strike and allow the use of strike-breakers by the employer.

In **Denmark** and **Sweden**, to abstain from making recommendations on wages since neither the Commission, nor the government can be allowed to interfere with the process of collective bargaining.

SYNDICAT EUROPEÆN TRADE UNION CONFEDERATION

 In the **public sectors** across Europe, to restore normal collective bargaining practice and to turn back the cuts in wages of public sector workers.

The full letter is attached (attached pdf **- LINK**)

ETUC Toolkit for Coordination of Collective Bargaining in the framework of the EU Economic Governance

REPORT ON NATIONAL REFORM PROGRAMMES 2014.

This document reflects the positions expressed by the European trade unions affiliated to the ETUC engaged in an enhanced coordination of collective bargaining and wage policies, in the framework of the ETUC Toolkit for Coordination of Collective Bargaining in the framework of the EU Economic Governance.

Such a coordination and the ETUC Toolkit are based on:

- Specific inputs submitted at the main stages of the European Semester (publication of the Annual Growth Survey, National Reform Programmes and Country Specific Recommendations)
- Monitoring role of social partners in the EU Semester
- A barometer of respect of trade union rights concerning collective bargaining and wage formation.

1. ***Proposals for country specific recommendations in year 2014 have matured in a situation of poor dialogue with trade unions.***

In the most EU Countries, social dialogue is disconnected from the designing of reform or convergence programmes. It deepens the gap between the policies designed in the EU Semester and the expectations of workers and enterprises. The Joint Declaration of the European Social Partners (quote the full title and topic) remains poorly applied.

In term of trade union involvement, the ETUC Toolkit has already registered difficulties from national confederations. In several countries, trade unions are not heard at all (**SLO, SP, BG, IRL, CY**). Where involved, the dialogue is informal (**IT**), or formal but ineffective/insufficient (**NL, PL, HU**). Only a few countries have a structured dialogue (**DE, DK, SW, FR, BE**). In 2014, some trade unions have contributed to the government positions with unilateral positions (**BE, DK**) or together with the employers (**NL, SW**).

However in **Denmark**, chapter 2 of the National Reform Programme regarding the overall economic framework for Denmark had been left out. LO and FTF therefore have not had the opportunity to submit consultation on it. In **France**, consultation with the social actors happened after the vote in the National Assembly and therefore union comments were not considered.

Recommendation: a clear commitment for involving trade unions in proper consultation during the European Semester is needed. Procedures and rights of trade unions should be built in a European Framework that, learning from best practice, ensures, in all Member States, equal opportunities for trade unions to be involved at the different stages of the Semester.

2. ***The EU economic governance is not credible until violations of fundamental rights of collective bargaining are still perpetrated in Europe.***

The ETUC Barometer shows a situation of violation of fundamental rights which can be attributed either to upcoming reforms or to the lasting effects of the labour reforms imposed in the last 5 years.

In 2014, the situation has been deteriorating in countries like **Italy,** where the government announced measures that are potentially able to undermine the trade union power and autonomy.

Similarly in **France**, the attempt to restore competitiveness of enterprises threatens the current architecture of collective bargaining.

In **Ireland** the main focus is on the strengthening of collective bargaining and the reintroduction of erga omnes wage setting. It should be noted that while difficulties in these areas coincided with the troika process, the difficulties emanated from the Irish Supreme Court.

Deterioration of tripartite relationships, which were at the core of the **Cyprus** social model, has been denounced by the Cypriot trade unions. It comes along with attacks to collective agreements.

Attacks to the autonomy of trade unions and right to collective bargaining are denounced in **Estonia** as well.

Recommendation: The ETUC calls for a sudden stop to any attack on fundamental rights of workers concerning collective bargaining and urges for restoring full respect of trade unions' right to engage in negotiations for setting proper wages and working conditions for the benefit of all workers.

3. *European workers are caught in the grips of austerity measures and a prolonged fall of real wages.*

The EU Semester continues to monitor wage trends even if wages falls outside the scope of the EU polices. It interferes with the genuine deployment of collective bargaining activities in too many countries.

In **Slovenia**, the government stated that “the wage trends, including the minimum wage, should support the competitiveness and job creation”. In the last two years, wages decreased (in both nominal and real terms). Trade unions have not been consulted. However they stress that further wage reductions are not possible, because the majority of employees are already concentrated at the bottom of wage distribution.

In **Ireland**, while the trade unions claim for higher salaries to boost internal demand and compensate workers for the losses suffered during the last years, the Government drafted a reform of the collective bargaining system that seeks to lower bargaining powers of unions.

In **Germany**, the DGB welcomed the fact that the NRP acknowledges the importance of strengthening domestic demand in Germany. The new government’s intentions can lead to a strengthening of purchasing power of wages and thus contribute to the domestic demand. DGB also warns that the statutory minimum wage must cover all employees without exceptions and be effectively enforced and monitored. DGB also asks for further interventions to remove inequalities, for instance on mini-jobs or to revise measures aimed at boosting investments.

In **France**, labour costs will be reduced in order to increase the competitiveness of companies. It will imply lower social contributions. It will result in a loss of earnings for social protection policies on health, pensions, employment, family, housing, etc. CGT criticises the measures announced by the French government. This is because they will result in lower benefits, in the reduction of the service rendered in public services and in the decline in employees’ living standards.

This is because of the situation of the public finances and the loss of competitiveness of the economy. The announced measures, all aimed at unleashing the constraints blocking the SMEs, will likely result in harsh moments for the French workers. The minimum wage (SMIC) is considered too high, employment protection (especially individual dismissals) too strict and collective bargaining system too rigid. Tax reliefs will only concern SMEs. Liberalisation of the service market was announced as well. CGT complains that social partners are reduce to merely implementing government policies.

In **Italy**, the government announced lowering of tax pressure for labour incomes. Deductions of 1.000euro per year will be applied to incomes of less than 25.000euro. Savings stemming from the spending review will be used to further alleviate the tax burden on labour incomes. At the same time, the Italian government announced the introduction of a minimum hourly salary. It is strongly opposed by the trade unions. The reason is that collective agreements cover 80% of the workforce. It ensures that all workers remuneration levels are well above a minimum statutory wage imposed by law. This measure is alleged to be aimed at impoverishing the bargaining power of trade unions.

In **Cyprus**, workers are going through a difficult situation which can be worsened by the measures announced in the convergence programme 2014. The Troika agreement with Cyprus freezes wage indexation until 2016 with the perspective, in 2017, to grant 50% of the automatic indexation under certain conditions. This agreement has also encouraged private employers who now seek the total elimination of the automatic indexation mechanism. The announced measures aimed at mitigating social unrest, as the introduction of a minimum income and general health system, can result in further a worsening of the situtaion of Cypriot workers. For the time being the request of Cypriot unions to be involved in the designing of such measures remains unanswered.

4. ***When involved, social partners enrich the NRPs with measures for growth, and NRPs go beyond « fiscal consolidation » and look at the EU2020 strategy.***

In **Belgium,** trade unions have proposed to use the NRP to plan more specific measures on the Youth Guarantee, the Industrial policies and the Pension system. They expect that the CSRs for Belgium will ask the Belgian Government to do more on the Youth Guarantee and Fight Against Poverty.

In **Denmark**, LO and FTF agree that the reform of the vocational education and training system (section 3.2.2.) contains mainly positive aspects. LO and FTF would have preferred that the 2.2 bn cost reduction due to the reform had been kept in the education system to strengthen the quality of the training and education programmes. Unfortunately, this did not happen. Further measures have been proposed by the Danish unions in the field of integration of migrants, adult education and efficiency of the public sector.

In **Germany**, DGB denounces the ineffectiveness of the tax policies that in the past year were supposed to fuel private investments. They are also concerned by the request, coming from the EU, to go for further liberalisation of the service market.

In the **Netherlands**, in preparation of the consultation with Social Economic Council Minister of Economic Affairs (responsible for EU 2020 reports), the Dutch social partners drafted a common declaration establishing the need for the EU social economy , with adherence to the EU Human Right Treaties, and ILO treaties, a common call for better enforcement of PWD in order to combat exclusion and displacement of work in the labour market.

In **Sweden**, the social partners have compiled a number of activities that have been carried out during the year and that have contributed towards reaching the goals in Europe 2020. This compilation has been annexed to the Swedish National Reform Program. As additional contribution, the Swedish government has, for the first time, accepted to attach comments of the Swedish social partners to the National Reform Program. LO, TCO and Saco put forward comments on sustainable public finances, on private debt and on a smoother transition into the labour market.