ECONOMIC AND SOCIAL COUNCIL OF GREECE

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THE EUROPEAN UNION AND THE EURO : A COMMON CRISIS – WHERE IS THE EXIT?

DEBAT CRISIS, CRISIS OF THE SOCIAL MODEL: WHAT ARE THE ROLE AND THE RESPONSABILITY OF SOCIAL ACTORS ?

SESSION 2: EUROPEAN WAGE NEGOTIATIONS, COMPETITION OR CONVERGENCE

Summary

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Trade unions' initiatives to coordinate collective bargaining in the Eurozone

The transnational coordination of collective bargaining can be envisaged from various perspectives but it clearly belongs within the process of Europeanisation and of the (uneven) development of a multi-level system of industrial relations. While European institutions for deliberation and negotiation such as European Works Councils and European Social Dialogues are often depending on the goodwill and readiness of the employers' side to enter into talks, approaches to coordinate collective bargaining policies transnationally are driven exclusively by national and European trade unions.

The deepening of economic integration of the European Union, which gained further momentum with the introduction of European Monetary Union and the 'eastern' enlargement of the EU, has been a major driving force for European trade unions to intensify their efforts to coordinate collective bargaining policies across borders. The rationale for unions to embark on such a 'coordinated' cross-border approach to collective bargaining was the fact that in the EMU member states are deprived of exchange rate adjustments as a mechanism to balance inequalities in international competitiveness, with the burden of adjustment having shifted to wages. Unions' main concern was to avoid this leading to downward pressures on wages, against the background of a monetary regime primarily aiming at price stability. In response, European trade unions adopted instruments for the Europe-wide coordination of wage bargaining, mostly in the form of 'wage formulas'. A common feature of these wage guidelines is their reference to the annual rate of inflation and the annual growth rate in labour productivity. The European Trade Union Confederation and European trade union organisations in several sectors adopted such wage policy guidelines.

In order to secure these goals, various forms of transnational co-ordination were established. At cross-industry level, the ETUC created a working group on wage co-ordination based on the mandate of its 1999 Congress in Helsinki and adopted a resolution on this topic in December 2000. At sectoral level, the European Metalworkers' Federation (EMF) and the Textiles, Clothing and Leather European Trade Union Federation (ETUF-TCL) both adopted guidelines for their national bargainers in the late 1990s. At transnational level the Doorn group, which consists of German, Belgian, Dutch, Luxembourg and French trade unions, began to hold annual meetings to assess the results of national wage bargaining via the formula agreed, i.e. inflation plus productivity.

Unions are facing several difficulties when trying to coordinate wage bargaining across borders. Some problems stem from developments in national industrial relations and labour markets, such as the following:

- The growth of the low-pay sector in which workers are to a large extent subject to minimum wage regulation in a number of countries restricts unions' power over the process of wage determination.

- In some countries, in particular in Germany, the erosion of sectoral collective bargaining, indicated by a decrease of collective bargaining coverage, and – related to this – negative wage drift are inhibiting the coordination of wage policy on the transnational level.
- Weak and decentralised structures for collective bargaining limit the control of unions over the process of wage formation. In the majority of the central and eastern European EU countries wage-setting takes place almost exclusively at company-level, where union representation and workers participation rights are often weak. Higher-level bargaining structures and institutions are largely lacking (such as for instance employers' associations), and collective bargaining often depends on state interference. Tripartite institutions for wage bargaining are existing in almost all of the EU member states but the social partners' influence in shaping policy outcomes is weak, in particular in the central and eastern European countries.

- The voluntary nature of wage policy goals set by European unions and the fact that they tend to be perceived by national union bargainers merely as 'political' declarations that do not constrain national bargaining practices limit the effectiveness of cross-border wage coordination.

Even more important, the recent economic recession is calling wage policy instruments based on criteria such as inflation and productivity growth into question in times when industrial output is steeply declining. Although wage growth remained largely stable throughout 2009 due to wage increases that had already been settled in collective agreements *before* the onset of the crisis, wages in a growing number of EU countries wages have been cut or frozen, particularly in the public sector. Furthermore, the recent 'deficit crisis' in several countries of the euro area, which has shaken the EU to the core, is closely linked to divergent competitiveness trends – and the resulting trade and current account imbalances – in which national wage-setting plays a crucial role. Trade unions' instruments for the transnational coordination of wage bargaining are problematic. Empirical evidence indicates that in practice the implementation of wage policy guidelines is burdened with difficulties; wage-setting is rather determined by price increases than by productivity growth. This has two important implications. First, the orientation towards price developments at *national* levels rather aggravates trends of diverging inflationary tendencies, resulting in losses in price competitiveness in booming countries. Secondly, the insufficient consideration of productivity gains in wage-setting and, even more so, the striking extent of nominal wage moderation in some countries of the Eurozone, above all in Germany, further spurred diverging unit labour cost developments.

In order to ensure balanced, stable and socially equitable growth trade unions are playing a key role in the Eurozone and beyond. For unions it is essential to ensure that nominal wages grow the same rate as medium-term productivity plus a sustainable rate of inflation. Trade unions should therefore intensify their transnational coordination activities and possibly reconsider existing tools for cross-border wage coordination.