IndustriAll European Trade Union Wage Coordination Rule

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1) The concept of the Wage Coordination Rule

The wage and collective bargaining policy of the European industrial trade union federation is a part of a European-wide distribution and economic policy geared to the workers' needs as well as to social welfare and stability.

The intention of trade union coordinated wage and collective bargaining policy is to grant all workers the development of employment, fair revenues and the improvement of work and living conditions. While respecting the diversity of national negotiation models, this coordination should aim at introducing minimum standards and progressively harmonising (upwards) not only wage increases and the reduction of working time but also all standards relating to working conditions.

The wage coordination rule, which defines the negotiation margin, is highly significant for the collectively agreed development of workers' incomes. If this margin is identified and exploited by collective bargaining policy according to the same principles in all European countries (especially in the Eurozone) then competition over wages and wage dumping will be avoided. These principles setting the value of collective agreements must take into account both inflation and increases in productivity. The concrete elements forming the value – e.g. increase of purchasing power via wage increases, reduction of working time, part-time retirement models, agreements about training and qualification – are a matter for the national trade unions.

2) Current Challenges

The current economic and financial market crisis is a particular challenge for the wage coordination of European trade unions. Massive imbalances in foreign trade between strong and weak economies in the Eurozone have aggravated this crisis.

The EU Commission and several national governments in EU countries - led by the Merkel Government - have obliged the deficit countries to adopt a crude austerity policy to face the crisis. This implies erosion of social systems, intervention in collective bargaining systems and a massive decrease in workers' incomes. This is a serious threat for free collective bargaining and not only in the deficit countries.

Nor do wage cuts make any sense from an economic point of view. This strategy is no solution but a tightening of the structural problems of these counties. Furthermore, recession will spill over to other countries of the Eurozone.

Wage policy would be over-challenged if it were alone responsible for re-adjusting the imbalances. But wage policy - coordinated al European level by trade unions – can be one element to help create a Social Europe. The condition is that wage coordination must forcefully reject each wage competition, deflationary wage policy and wage cuts. Therefore the wage coordination rule instrument must be used more actively, otherwise the EU Commission will continue with its policy of wage cuts – as a part of the austerity packages - motivated by the decreasing productivity in deficit countries.

European wage development is not the reason for the economic imbalances. The Euro-zone States joined the common currency with completely different economic requirements and structures. Imbalances are also promoted by the lower level of industrialisation and the less efficient industrial structure of the deficit countries. This is another reason why the productivity and unit labour costs of these countries are evolving less favorably than those of the surplus countries. But it is also clear that political corruption and especially tax evasion both by companies and individuals are important reasons for a less efficient economy in the deficit countries.

It is therefore absolutely essential for a trade union coordinated European wage policy to be accompanied by social, industrial and economic policy.

3) The Wage Coordination Rule

Wage Coordination is definitely a necessary instrument to defend workers' interests in Europe and also takes into account its effects on the macro-economy. In the face of current challenges, however, it should be developed further. As a result of the industriAll European Trade Union's discussion process – in continuation of the debate of the former three industrial trade union federations EMF/EMCEF/ETUF-TCL - the Wage Coordination Rule should be stipulated as follows:

> **The key point of reference and criterion for trade union wage policy in all countries must be to offset the rate of inflation and to ensure that workers' incomes retain <u>their</u> participation in productivity gains.**

But it is also clear, that the Wage Coordination Rule refers to the minimum level of wage increases and not an upper limit.

In addition to this conversion of the references and criteria, the following issues should also be taken into account:

- The EUCOBAN evaluation should be supplemented with figures on distribution in order to show the outcome of wage policy on the distribution of wealth in a longer period. Data should be published on the wage and profit share of the different European countries. The general trend since the crises broke out is a further degradation of wage share in productivity gains as companies and markets are only seeking to restore ratios of profit shares to their former levels. Wage deflation is thus further increased with the added effects of price inflation and unemployment deepening the recessive tendencies over Europe.

- Until now compliance with the Wage Coordination Rule has been analysed retrospectively. The EU Commission also makes recommendations for wage policy via the European Semester instrument every six months. Free collective bargaining must not be replaced by guidelines from the EU Commission. For that reason, industriAll European Trade Union should publish forecasts on productivity and inflation tendencies for the following year for each EU state as information for collective bargaining purposes.

- An important factor is that negative wage drift has a dampening effect on collectively agreed wage increases. An important element of negative wage drift is the increasing number of precarious jobs in Europe, as well as the decreasing coverage rate of collective agreements and, especially when not correctly applied, opening clauses. Wage coordination has to be seen in combination with industriAll European Trade Union's Common Demand on precarious work in order to reduce the low-cost sector in Europe, to fight for equal pay or equal treatment for equal work. Low incomes must be also a focus of collective bargaining and/or legal regulation - for instance on minimum wages – in accordance with the practice and/or regulation in the individual countries.

- The EUCOBAN evaluation should be improved. The reasons for not fulfilling the Wage coordination Rule must be analysed and common strategies must be developed to counter these.

Still on the agenda is the Wage Coordination Rule's aim to support the continual and progressive improvement and adjustment of wage and working conditions in European industry sectors in accordance with the level of the advanced countries. The need for a balanced development of all regions is of great importance.

Consistently the target is a Social Europe. Indeed such integration has not yet taken place within the European Union as the congenital defect of the EU is that it has primarily been the integration of the common market that has been focused upon.