



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

## **ETUC Resolution Guidelines for the coordination of collective bargaining in 2010**

*Adopted by the ETUC Executive Committee of 1-2 December 2009*  
*EC.186*

---

## NO TO WAGE FREEZES AND WAGE CUTS!

### Collective bargaining and wage dynamics in 2009

1. The year 2009 is the first year of the severe jobs crisis Europe is facing. Despite the fact that the economy was hit by the worst recession since the European Union was founded, collective bargaining on wages in Europe kept its ground in 2009. With outcomes between 2 and 3%, and with inflation going down to a low of 0.5%, collective bargaining in the majority of European countries succeeded in increasing the purchasing power of wages in 2009.
2. Two factors can explain this resilience of collective bargaining over 2009. On the one hand, trade unions prepared the 2009 collective bargaining rounds with the aim of recovering some of the purchasing power lost due to hike in oil prices and inflation in 2008. On the other hand, full awareness of the seriousness of the crisis and its impact on jobs was only established after most agreements had been signed.
3. This, however, does not mean that the recession left collective bargaining and wage dynamics in 2009 untouched. Collectively bargained wage growth did already slow down, from a range between 3 and 4% or more in 2008 to a range between 2 and 3% in 2009. Moreover, opening clauses on company level as well as the suppression of flexible components of wages (profit sharing schemes for example) imply that actual wage growth is weaker than the growth in the collectively agreed wage. In particular worrying is the fact that nominal wage cuts have become significant and widespread in the Baltic countries as well as in Ireland. In many cases, public sector wages have become a prime target for governments to cut the overall public deficit as well as to provide an 'example' to wage negotiations in the private sector.
4. Finally, the improvement in real wages in 2009 should be seen together with the fact that major jobs restructuring started to take place while many other jobs have been maintained by cutting working hours. The latter explains the collapse in the dynamics of wages *per worker (or per head)*, which were actually halved from 3.3% in 2008 to 1.7% in 2009 for Europe as a whole. Summing up, the mass of real wage income of European workers earners fell by 0.5% in 2009(Commission's Autumn forecast).

### Collective bargaining in 2010 and beyond: Difficult times are ahead of us

5. The recovery that is supposedly taking place is much too weak to neutralise the ongoing job losses resulting from the 2009 collapse in economic activity. Unemployment is expected to rise to 10 % (EU 27) or even 11% (Euro area) by 2011, with not much prospect of a substantial decline in unemployment numbers afterwards. High and persistent unemployment and the fear of losing

one's job will inevitably weaken the bargaining position of trade unions and workers throughout Europe.

6. As the report on the 2009 ETUC collective bargaining questionnaire clearly shows, the employers' offensive to bring down wage growth is already there. The ETUC report also shows that employers, in several member states including larger countries, are not simply looking for a somewhat more moderate wage growth. Instead, they are pushing for a generalisation of wage freezes and even cuts in nominal wage levels, with renegotiation of wages at company level as the main instrument to achieve this.
7. Adding to this pressure from private sector employers is the fact that the crisis has also pushed up public deficits. Pressure from financial markets, the Stability Pact, central banks as well as concerns about the longer term sustainability of public finances will bring governments to try and cut the wage bill for public sector and associated sectors (health, education).
8. Moreover, the offensive will not be limited to wages only. Working conditions in general (working time, flexibility; job protection, unemployment benefits...) are also in danger of becoming the subject of a downwards competitive spiral. Pressure will be put on collective bargaining to deviate from more favourable levels of workers' rights stipulated in labour law or to agree to the downgrading of labour law as such. High and rising unemployment rates for particular groups on the labour market such as youngsters, lower skilled, female workers and migrants will be used as an alibi to divide workers into 'insiders' and 'outsiders' and to push for a general downgrading of working conditions of all workers.

#### Key principles from the ETUC for the coordination of collective bargaining in 2010.

9. Workers in Europe will not pay the cost of a crisis which they did not cause. Not inflationary wage growth or too strong workers' rights caused this crisis. Instead, it is the deregulation of workers' rights together with a deregulation of financial markets, both of which have been going on for decades, have constituted a 'toxic cocktail' of high and rising income inequalities together with asset price and debt bubbles. It is this 'toxic cocktail' which explode into the deepest recession since decades. Preparing a new and similar 'cocktail' by letting labour pay for the jobs crisis is not only highly cynical, it will simply lead to the next speculative bubble and bust and to the next recession.
10. "No to wage freezes and wage cuts". Trade unions in Europe refuse to be divided. The pressure to undercut each other has to be strongly resisted. From an individual or local point of view, it is understandable that workers, under pressure from their employers, are tempted to give up on wages or working time rights to save their jobs. However, a general 'begging thy neighbour' policy will simply make matters worse: Wage freezes and wage cuts spreading throughout Europe will undermine the demand dynamics of the internal market, will kill an already fragile and weak recovery, will push the economy

into deflation and will turn out to be a total disaster for those economies in which households are facing excessive debt loads.

11. 'No to wage instability caused by automatic rules'. The crisis has caused labour productivity to shrink by 2% in 2009. This will be abused to argue that wages, in line with falling productivity, should fall as well.

The ETUC does not agree with this view. The fall in labour productivity is not a structural but a purely cyclical phenomenon. It is caused in the first place by a demand contraction. This means that cutting wages will not solve anything but worsen the problem instead.

Falling productivity is also a temporary phenomenon, caused by employer strategies to keep qualified workers on board for the time being. Labour, however, is not a commodity. Wages do not simply reflect the price for a service rendered. Instead, they are the basis for a decent living for workers and households. Wages should therefore not react as a 'spot' price for short term changes in the economy but reflect instead trends in productivity and inflation over the medium term.

Finally, with wages systematically lagging behind inflation and productivity for the past ten years, companies dispose of enough profit margins to withstand the temporary productivity shock, provided of course this wage moderation effort has not been squandered on super bonuses for management and super dividends or capital buy for shareholders.

12. 'Yes to collective bargaining supporting wages, economic recovery and good jobs'. Trade unions throughout the whole of Europe need to respect to the letter the 'golden rule' of refusing to bargain arrangements which have the effect of poaching jobs from other countries, regions and companies. This implies:
  - a. Ensuring wage dynamics which are positive, both in nominal as well as in real terms to prevent the economy from sliding into deflation and/or a prolonged slump.
  - b. Overall wage cost developments based on and reflecting the sum of trend productivity developments and medium term inflation.
13. 'Upgrade the role of collective bargaining'. To withstand the downwards pressure from the crisis, collective bargaining institutions need to be strengthened. Particular attention is to be paid to these workers who already find themselves in a weak bargaining position vis - à- vis their employers and are at the bottom of the labour market.

The ETUC calls upon its affiliates to develop policy initiatives, proposals and campaigns with the aim of promoting and extending to as many workers as possible the 'going' wage rate and wage increases as agreed to in collective

bargaining agreements<sup>1</sup>. In addition, and to make sure wage undercutting on the basis of 'misery wages' is prevented, the ETUC also urges affiliates to implement collective bargaining practices and/or promote policies aimed at enhancing the initiative on low wages.

14. We are convinced in any case that the wage initiative is not incompatible with the negotiation of employment in companies and sectors during a crisis situation. The defence of jobs at such times represents a priority that can be implemented through agreements on the reduction of working time or public support for wage compensation.
15. More generally, collective bargaining during the crisis must be capable of increasing the participation of workers and their representatives by using all existing legislative instruments at European and national level. Enhancement of the right of participation becomes the essential condition for anticipating and managing processes of industrial restructuring and redevelopment.

#### ETUC initiatives to support trade unions.

16. From its side, the ETUC will seek to strengthen the exchange of information amongst collective bargainers. The aim is to prevent employers and governments from artificially boosting their bargaining position by misrepresenting collective bargaining outcomes from other countries
17. Moreover, the ETUC will try to contribute to strengthening trade unions' bargaining positions by regularly positioning itself in public opinion and making clear that all trade unions in Europe stick together and defend similar bargaining principles. Also, good 'case' collective agreements which have been bargained in one country will be used as a public 'benchmark' for other countries.
18. Lastly, the ETUC proposes to explore the possibility of creating, within the Collective Bargaining Coordination Committee, a steering group whose members will be appointed by the committee members. This steering group will have the aim of exchanging views on and helping the Secretariat ensure better monitoring of the evolution of collective bargaining, in order to support the guidelines approved by the Executive Committee. The steering group will meet on the day before the meeting of the Collective Bargaining Coordination Committee.

---

<sup>1</sup>Several instruments to do so exist and can be used according to the national industrial relations tradition: Legal extension of collective bargaining, de facto high coverage rates through high trade union membership, 'Ghent' - type systems of unemployment benefits administered by trade unions...

\*\*\*