



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

ETUC Resolution on the salary campaign and guidelines for collective bargaining coordination in 2009

Adopted by the ETUC Executive Committee of 3–4 December 2008

Salary campaign

1. As from February 2008, the European Trade Union Confederation (ETUC) decided to start a salary campaign. On 5 April, we staged a major demonstration in Ljubljana with over 35,000 workers attending. On 1 and 2 October, we organised a conference on salaries which attracted a record turnout, with the presence of top-level representatives of the European Commission (Mr Almunia), the European Central Bank (ECB) (Mr Trichet), BusinessEurope (Mr De Buck) and many academics and experts on salary issues.
2. At this conference, the ECB in particular confirmed its traditional position, to the effect that faced with the current economic crisis, curbs on salary policy need to be maintained, even going further than the concept of moderation, towards a deflationary salary policy capable in that way of not triggering inflationary trends due to the repercussion of the financial crisis and the wavering of raw material prices. We do not share this approach.
3. Over the past five years, we have seen, in the Eurozone countries in particular, a fall of 1.4% in purchasing power, which has led to a perverse redistribution of wealth in Europe. Eurostat certifies that during the period 2002–2007, salaries accounted for a dwindling share of European GDP (a reduction in the share of salaries across the EU27 of 4.18% and 6.36% in the Eurozone countries).
4. Nevertheless, this genuine shift in wealth from salaries towards profits has not been used by companies to increase the rate of investments in the industrial sector, given that

over the same period, investments fell by 1.3% in Europe and 0.9% across the Eurozone countries.

5. On the contrary, European investments in the financial sector rose steeply (+2.7%), thus contributing to the current global financial crisis. In addition, the entire salary policy across Europe was lower than the productivity margins achieved in the meantime, and therefore, by definition, this could not possibly have been the cause of inflation.
6. The truth is that salaries have been used as a globalisation adjustment variable, to drive down the cost of production, and efforts have been made in that way to claw back the competitive edges lost in terms of innovation and capital productivity.
7. However, the result of all this has been that there has been a boomerang effect on the European economy, which still makes 85% of GDP on the internal market. The slump in salaries has led to a drop in internal demand, contributing to the economic slowdown.
8. But this policy will become even more risky and negative in the months ahead. The point is that the financial crisis has developed into a recession in the real economy.
9. The third-quarter figures which confirm those in the second quarter show the persistence of negative growth: Europe is in recession.
10. We are convinced that on the contrary, a salary policy capable of defending purchasing power and increasing it through the redistribution of productivity gains represents a positive anti-cyclical policy.
11. Furthermore, we never again want to live through the situation of the last financial crisis, back in 1929, when workers paid the price with the catastrophic slump in salaries and widespread job losses. On the basis of these considerations, we want to pursue our salary policy.
12. The current economic trend is set to get worse over the coming year, coupled with a more precarious labour market, producing a negative impact on salaries and in particular on low salaries and poverty salaries. Salary discrimination which already affects women (there is still a 15% gap within the same professional sector), involves migrant workers and

young people at the same time. Even the ECJ judgements are moving in that direction. That is why we seek to use the campaign to fight ever harder against dumping and salary discrimination, and to reassert the principle of 'Equal pay for equal work' as the guiding principle which should apply all across Europe.

Collective bargaining in Europe in the context of an economic depression

13. **It is likely that a prolonged depression lies ahead.** The economic forecasts for the years ahead are not brilliant. With the financial crisis, credits to finance businesses, investments and purchases of consumer durables are no longer as widely available as they should be. The fear is that economic activity will continue to slow in 2009, with serious uncertainties around economic recovery in 2010.
14. **Pressure for even greater moderation.** This economic depression is liable to weaken the trade unions' bargaining position. Unions will be systematically faced with the blackmail of salary moderation to save part of the existing employment.
15. The consequence of this pressure might lead to very low nominal salary increases. So far, there has been a certain limit on this: for the Eurozone on average, salary rises have never fallen below 2% growth. This might change in the current crisis. The severity of the crisis and the fact that all the countries in the Eurozone and Europe are now being hard hit are new factors. Coupled with the trend towards barely-controlled decentralisation of collective bargaining, the weakening or absence of minimum wages or minimum incomes in certain member countries, pressure from the Stability Pact on the formation of salaries in the public sector, all this might ultimately result in a salary dynamic far short of 2% growth across large swathes of Europe. Salary formation will then function as a deflationary force, as has been the case in Japan, where the scrapping of bonuses for regular workers and the increasing precariousness of the workforce have contributed towards the construction of a deflationary trap over a long period of time.
16. **To avoid this danger, we will need to beef up the coordination of collective bargaining in Europe.** Faced with the challenges raised for collective bargaining by the depression, the ETUC urges its members to remain loyal to

ETUC's traditional thrust on salary formation. To avoid making the mistake of trying to escape the crisis by competitive moderation, salary increases and collective bargaining should be focusing on the sum of inflation and the upward trend in productivity.

17. Nevertheless, it is quite possible that this thrust will not be enough. Where inflation reaches a very low level and falls well below the threshold defined as 'price stability' (2% in the Eurozone), the 'inflation plus productivity' thrust is at risk of automatically repeating the deflationary trends, thereby jeopardising the objective of price stability downwards. Should inflation really fall very low, the ETUC would call on its members to guarantee themselves against the deflationary trends by ensuring a floor for salary growth in collective bargaining which must be in any case above the threshold of the stability of the prices and increase the purchasing power of the workers.
18. **The crisis urgently demands a policy to address the problem of poverty salaries.** Not only do economic crises weaken the bargaining position of the trade unions in general, but there is also a risk of an even more pronounced effect on the workers on the lowest rungs of the labour market ladder, who tend to have a bargaining position that is structurally weak. This perverse competition on the lowest salaries must be stopped. The ETUC calls on its members to take urgent action on the problem of low salaries and to mobilise the appropriate instruments and policies to ensure that every European country imposes a decent minimum floor on salaries. This implies either a legal minimum salary, or the beefing up of collective bargaining, or a legal extension of the collective bargaining agreements, or a minimum social security income, or else a combination of these various instruments.

Excessively high salaries and bonuses of Business chiefs

19. It is time for a fairer income distribution within the European Union as well as within companies. Professionals and business entrepreneurs can earn more than ordinary workers, but the difference in earnings should be kept at a reasonable ratio. The ETUC places excessive remunerations high on the agenda and demands results from the Council to prevent risk-taking by individuals that can harm the real economy and to restore

a balanced income distribution between executives and the workforce as a whole.

20. It is not the ordinary workers on unlimited-term contracts who are profiteering: the real 'insiders' are those high-up managers who, after bringing their company or their bank to the brink of bankruptcy, still get paid 'golden parachutes' or continue to be paid excessive bonuses and salaries. This second perversity equally needs to be attacked. For the ETUC the Council must cover the following points:

- Member states must review the effectiveness of their regulatory framework tackling excessive remunerations;
- Member states must coordinate their fiscal system in order to create a level playing field. They also must align their fiscal measures to counter excessive remuneration schemes. Action on European fiscal coordination is necessary.
- Top remunerations and bonuses must be capped. In line with the general income distribution per country member states must review the possibility of a maximum cap on bonuses and executive pay;
- Executive pay needs to be aligned with the interests of other stakeholders and long-term continuity and employment;
- Merit pay therefore should depend on indicators (such as customer satisfaction, employee satisfaction, corporate social responsibility) and should be equally applicable to the whole workforce, not just at the top of the company. The indicators that are often used, like volume of trade, profitability, share value, rarely show a correlation with the personal efforts or performance of individuals;
- A conflict of interest principle must be formulated: board room members should have no personal interests in mergers and take-overs;
- Total transparency concerning every part of the remuneration scheme or individual agreements is necessary. Workers' representatives and/or representative bodies should have the right to be informed on the remuneration schemes and be allotted speaking time at the shareholders' meeting;
- Company management should regularly issue detailed information on the proportions of the wages and remuneration for the different groups of the workforce in the company, including the management and, where existent, the supervisory board.

Transnational cooperation

21. The Court judgements accentuate the problem of the tools available to us in the management of transnational mobility of businesses. In objective terms, there is a mismatch between the new challenge posed by the dimension of global trade and trade unions' rights and powers.
22. Without these new rights, it is harder and harder to anticipate and manage the multinationals' restructuring, relocation and outsourcing process. The point is that the production chain extends beyond borders, whereas the chain of workers' rights is growing weaker or even collapsing. The economic crisis we are experiencing is liable to accentuate this contradiction even further, and to exacerbate our difficulties.
23. That is why we will need to be more capable, for our part, of making still further improvements to boost even further the ability to reinforce transnational cooperation and initiative. In recent years, some positive initiatives have already been crystallised. Several industrial federations have taken decisions and conducted experiments on bargaining and/or management of businesses' transnational mobility, and have set up precise procedures with regard to the problems of internal coordination, based on the role of the national trade unions and the EWCs.
24. For our part, we have made an effort to encourage and make available cross-border cooperation between trade unions, for the sake of easing exchanges of information, mutual understanding of the businesses' strategy and the condition of the labour market; bargaining policies necessary to better defend workers' rights.
25. On this basis, recently, a European project framed and proposed by the IRTUC Committee was approved by the Commission, which will enable us in the coming months to step up inter-union cooperation within seven IRTUCs, namely:
 1. Friuli-Venezia-Giulia/Slovenia,
 2. Andalucia/Algarve,
 3. Lombardie/Tessin/Piemonte,
 4. Viadrina(Berlin-Berlin-Brandenbourg/Lubskie),
 5. Friuli-Venezia-Giulia/Veneto/Croazia Sudoccidentale,
 6. Elbe-Neisse (Germany-Poland-Czech Republic),
 7. Galicia/Norte de Portugal.

26. As to the development of the social dialogue in businesses at the transnational level, the Commission has presented a Document in the framework of the social package launched on 2 July.
27. The aim of the Document is to summarise all the activity conducted after the decision taken under the previous Social Agenda, namely to assess the possibility of giving optional legal value, at the disposal of the social partners, to agreements signed at transnational level.
28. The Document sets out a detailed roadmap of the texts signed at this level, confirming the trend towards continuing growth in these agreements. The Document confirms that from 2000 to 2008, the agreements proliferated, increasing from 32 in 2001 to 243 by 2007. Our opinion is that the crisis will accentuate this trend.
29. But in terms of the proposals, the document remains inadequate, the only proposals put forward being the creation of an Expert Panel and the building of an internet site.
30. We know that Business Europe opposes this initiative and thus the influence exercised over this Document. In any case, the Commission does not propose to open a phase of consultation of the social partners, because at this stage it has no intention of providing for a legislative initiative on this issue.
31. That being so, the collective bargaining coordination committee has called on us to continue our initiative on this issue, involving the EP, the Economic and Social Committee and the Conference of the Regions; to encourage the initiatives by the industrial federations and to explore the legal aspects raised in any case by the development of the agreements, as shown with the ECJ judgements, so as to bring forward some proposals which will be able to drive the existing situation forward as far as possible.