

Collective bargaining in the EU

Is there really a need for “internal devaluation” or wage moderation?



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Content

Wage bargaining and the Euro crisis

6-Pack EU laws on economic governance:

- High wage increases aren't the problem
- But let's drive wages down anyway

Trade union responses

Origins of the Euro crisis

Since 1992:
Wage moderation

... but where is
demand coming from?

58

European Unions

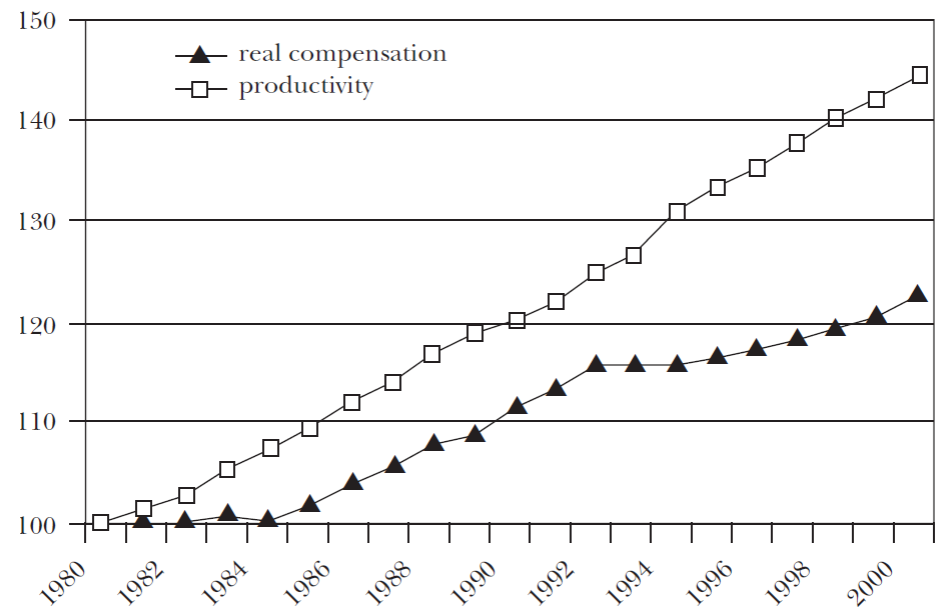
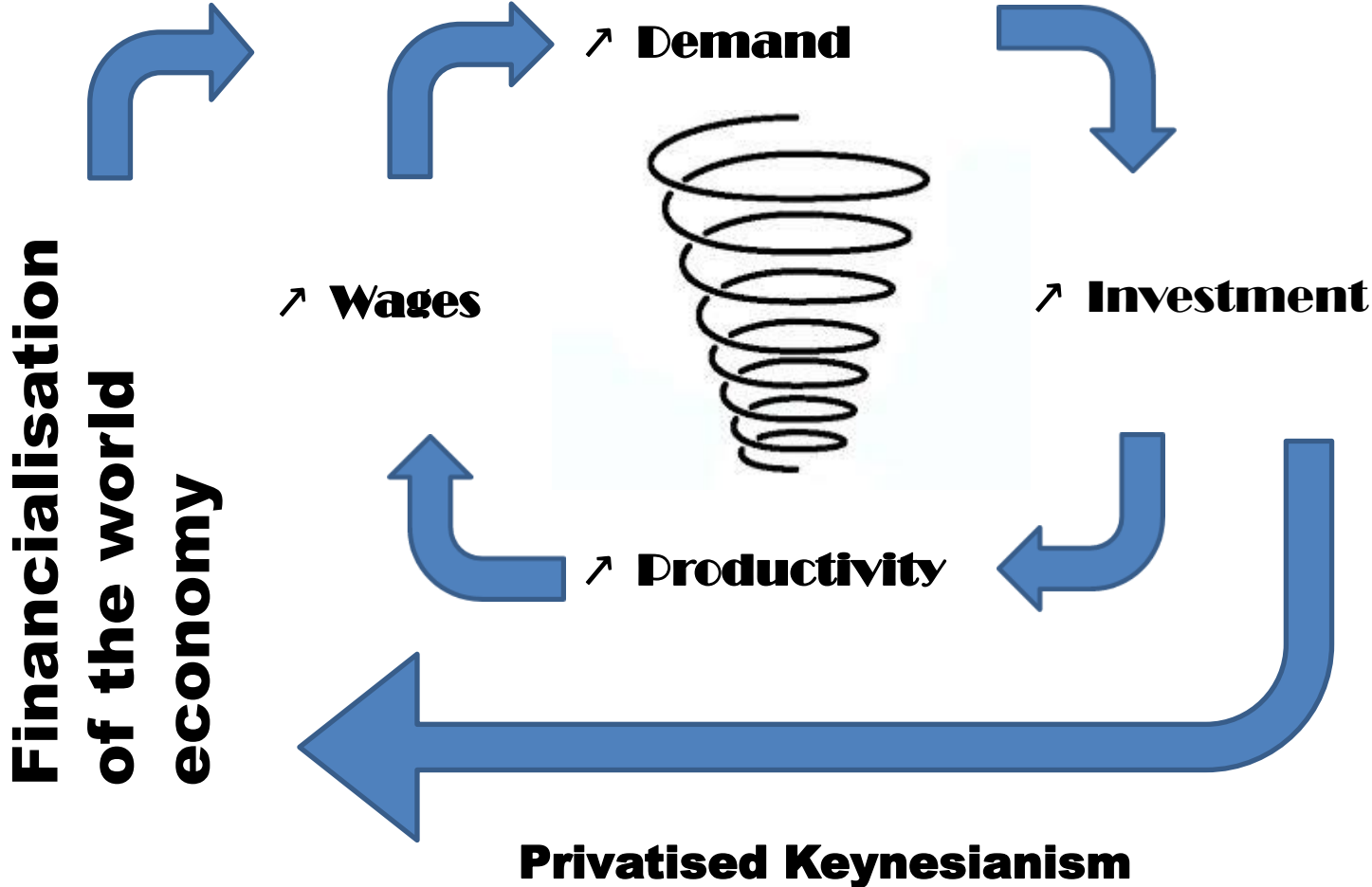


Figure 5.1. Real compensation and productivity in the EU 15 (the fifteen old EU member states).

Source: European Commission, *European Economy*, cited in Mermet (1999).

Vicious spiral of neo-liberal capitalism



Origins of the Euro crisis

**The solution to the lack of demand
(privatised Keynesianism) led to the ...**

2008 crisis & polarisation of EU economy

**2011: Need of European Coordination -
European Economic Governance**

Political consequences of the crisis

2000 ETUC Inflation & productivity wage bargaining benchmark against a race to the bottom

2011 EU's new Economic Governance against "economic imbalances"



The 6-pack on economic governance

as published on 23 November 2011

Revised Regulations

- 1) On surveillance of ... states budgetary & economic policies
- 2) On excessive deficit procedure

New Regulations

- 3) On the enforcement of budgetary surveillance in the euro area
- 4) On the prevention & correction of macroeconomic imbalances
- 5) On enforcement measures to correct excessive macroeconomic imbalances in the euro area
- 6) **Directive** on requirements for ... states' budgetary frameworks

What are “macroeconomic imbalances” ?

Article 2 of the Regulation “on the prevention and correction of macroeconomic imbalances”

“imbalances” mean any trend giving rise to macroeconomic developments

which are adversely affecting, or have the potential adversely to affect,

the proper functioning of the economy of a Member State or of economic and monetary union, or of the Union as a whole;

“excessive imbalances” mean severe imbalances ...

European economic governance

Major points

Based on Article 121.6 TFEU fiscal & macroeconomic policies shall be subject “multilateral surveillance procedures”

New stability & growth pact (3% & 60% debt target)

New “excessive imbalance position” procedures

New sanctions (fine: 0.2 or 0.1 % of GDP p.a.)

Sanctions apply semi-automatically (Veto rights of the council subject to “reversed QMV” within 10 days)

How to avoid imbalances?

Scoreboard of quantitative indicators

In-depth-review

Country Specific Recommendations

Corrective action plan

Fines for non-compliance

Macroeconomic Imbalance Procedure

MIP Scoreboard

High wage increase aren't the problem

**MIP Scoreboard includes a
EU wage development benchmark**

% change (3 years) in nominal unit labour cost
(ratio of nominal compensation per employee to real GDP per employee)

Thresholds Eurozone +9 % Non-Eurozone +12 %

MIP Scoreboard 2012

Table A2. MIP scoreboard 2012

		External Imbalances and Competitiveness								Internal Imbalances						
Current Account Balance as % of GDP		Net International Investment Position as % of GDP	Real Effective Exchange Rate (42 IC - HICP deflators)		Export Market Shares		Nominal ULC		% y-o-y change in Deflated House Prices	Private Sector Credit Flow as % of GDP, consolidated	Private Sector Debt as % of GDP, consolidated	General Government Sector Debt as % of GDP	Unemployment Rate		% y-o-y change in Total Financial Sector Liabilities	
Year 2012	3 year average		p.m.: level year 2012	% change (3 years)	p.m.: % y-o-y change	% change (5 years)	p.m.: % y-o-y change	% change (3 years)					p.m.: % y-o-y change	3 year average		p.m.: level year 2012
Thresholds	-4/+6%	-	-35%	±5% & ±11%	-	-6%	-	+9% & +12%	-	+6%	14%	133%	60%	10%	-	16.5%
BE	-0.4	-2.0	48	-4.3	-2.3	-14.9	-5.2	6.6	4.1	-0.2	-1.5	146	100	7.7	7.6	-3.9
BG	-0.9	-1.3	-80	-4.0	-2.0	4.8	-5.5	7.4	-0.5	-5.3 (p)	2.5	132	19	11.3	12.3	10.1
CZ	-3.0	-2.4	-50	0.4	-2.8	-4.2	-4.6	3.9	3.8	-3.9	0.6	72	46	7.0	7.0	5.4
DK	5.9	6.0	38	-7.7	-2.8	-18.6	-4.8	1.0	1.6	-5.1	6.1	239	45	7.5	7.5	5.0
DE	6.5	7.0	42	-8.9	-3.2	-13.1	-4.6	3.0	3.1	1.8	1.5	107	81	6.2	5.5	4.4
EE	0.9	-1.8	-54	-3.4	-0.6	6.5	-4.1	-2.8	4.2	3.5	4.7	129	10	13.2	10.2	12.9
IE	2.3	4.4	-112	-12.2	-4.3	-16.3	-3.3	-10.4	0.0	-11.7	-1.6	306	117	14.4	14.7	-0.7
EL	-7.5	-2.4	-109	-4.5	-3.9	-26.7	-7.3	-8.1	-6.2	-12.4 (1)	-6.8	129	157	18.2	24.3	-3.4
ES	-3.1	-1.1	-93	-5.2	-2.3	-14.6	-4.9	-5.6	-3.0	-16.9	-10.5	194	86	22.3	25.0	3.3
FR	-1.8	-2.2	-21	-7.8	-3.2	-14.0	-6.8	4.1	2.1	-2.3	3.5	141	90	9.9	10.2	-0.1

Eurozone wage increase limit +9% ULC over 3yrs
No country is over the limit
Irish figure is far below it (2009-12): -10.4%

MIP Scoreboard 2016

Year 2016	External imbalances and competitiveness					Internal imbalances						Employment indicators		
	Current account balance - % of GDP (3 year average)	Net international investment position (% of GDP)	Real effective exchange rate - 42 trading partners, HICP deflator (3 year % change)	Export market share - % of world exports (5 year % change)	Nominal unit labour cost index (2010=100) (3 year % change)	House price index (2015=100), deflated (1 year % change)	Private sector credit flow, consolidated (% of GDP)	Private sector debt, consolidated (% of GDP)	General government gross debt (% of GDP)	Unemployment rate (3 year average)	Total financial sector liabilities, non-consolidated (1 year % change)	Activity rate - % of total population aged 15-64 (3 year change in pp)	Long-term unemployment rate - % of active population aged 15-74 (3 year change in pp)	Youth unemployment rate - % of active population aged 15-24 (3 year change in pp)
Thresholds	-4/6%	-35%	±5% (EA) ±11% (Non-EA)	-6%	9% (EA) 12% (Non-EA)	6%	14%	133%	60%	10%	16.5%	-0.2 pp	0.5 pp	2 pp
BE	-0.3	51.2	-0.4	-2.3	-0.6	1.0p	13.3	190.1	105.7	8.3	1.2	0.1	0.1	-3.6
BG	1.8	-47.0	-4.7	8.2	9.5p	7.1p	4.0	104.9	29.0	9.4	11.1	0.3	-2.9	-11.2
CZ	0.5	-24.6	-3.7	2.9	2.9	6.7p	4.4	68.7	36.8	5.1	14.5	2.1	-1.3	-8.4
DK	8.4	54.8	-1.5	-4.2	3.4	4.2	-10.4	210.7	37.7	6.3	3.3	1.9b	-0.4b	-1.0
DE	8.1	54.4	-2.6	2.8	5.2	5.4	3.8	99.3	68.1	4.6	5.2	0.3	-0.6	-0.7
EE	1.4	-37.1	4.5	-0.7	13.4	3.8	5.9	115.4	9.4	6.8	7.2	2.4	-1.7	-5.3
IE	5.5	-176.2	-6.6	59.8	-20.5	6.6p	-19.0	278.1	72.8	9.5	2.5	0.7	-3.6	-9.6
EL	-1.0	-139.4	-3.9	-19.0	-3.3p	-2.0e	-1.7p	124.7p	180.8	25.0	-16.6	0.7	-1.5	-11.0
ES	1.4	-83.9	-4.3	2.2	0.4p	4.7	-1.0p	146.7p	99.0	22.1	0.9	-0.1	-3.5	-11.1
FR	-0.7	-15.7	-3.1	-2.4	1.4p	1.0	6.2p	146.9p	96.5	10.3	4.3	0.7	0.2	-0.3
HR	2.9	-70.1	0.1	8.1	-5.9d	2.1	-0.1e	106.1e	82.9	15.6	2.5	1.9	-4.4	-18.1
IT	2.1	-9.8	-3.4	-2.8	1.9	-0.8p	0.6	113.6	132.0	12.1	3.2	1.5	-0.2	-2.2
CY	-3.6	-127.8	-6.5	-3.0	-6.2p	1.6	10.2p	344.6p	107.1	14.7	0.7	-0.2	-0.3	-9.8
LV	-0.3	-58.9	4.9	9.3	16.5	7.4	0.3	88.3	40.6	10.1	5.8	2.3	-1.7	-5.9
LT	-0.3	-43.2	5.4	5.4	14.7	4.5	4.3	56.2	40.1	9.2	16.3	3.1	-2.1	-7.4
LU	5.0	24.7	1.5	26.2	2.5	5.0	1.5	242.6	20.8	6.2	7.5	0.1	0.4	2.2

Eurozone wage increase limit +9% ULC over 3yrs
No EU 15 country is above it
Irish figure is far below it (2014-16) -20.5%

Macroeconomic Imbalance Procedure

Country Specific Recommendations:

Coll. bargaining & labour law is a problem

European Commission country specific recommendations 2011-2012 (social field only)

	AT	BE	BG	CY	CZ	DE	DK	EE	ES	FI	FR	HU	IT	LT	LU	MT	NL	PL	SE	SI	SK	UK	
reviewing wage indexation		●		●					●						●	●							
reviewing wage-setting system - align with productivity developments		●	●	●					●		●		●		●	●							
adjusting employment protection legislation					●		●				●		●	●							●		

EU Economic Governance and Collective Wage Bargaining

Trade Union Reactions



The EU's new governance regime a threat to collective wage bargaining?

Formally No:

“The application of this [Macro Economic Imbalance] Regulation shall fully observe Article 152 TFEU, and the recommendations issued under this Regulation shall respect national practices and institutions for wage formation. ...”

Art. 2

EU's new governance regime a threat to collective bargaining?

However “policy-makers can affect wage setting processes via a number of ways, including the provision of information or wage rules, changes to wage-indexation rules and the signalling role played by public sector wages. In addition, reforms of labour markets should also contribute to make wage setting processes more efficient (European Commission 2010, 15).” see <http://researchrepository.ucd.ie/handle/10197/4164>

Trade Union Responses

National Reactions

Accepting “competitive devaluation” vs. national general strikes

Campaigning for political change? At what level?

Regaining grounds (IG Metall, Verdi, CB 2018 rounds)

Transnational Reactions

ETUC European Strike: 15 November 2012.

European Citizens' Initiative (www.right2water.eu)

ETUC «Europe needs a pay rise» <https://payrise.eu/>

Conclusion



**EUROPE NEEDS A
PAY RISE**

and unions that coordinate bargaining policies

EU ULC benchmark of +9% over 3 yrs. A target?

