

Wage developments, collective bargaining and minimum wages in Europe

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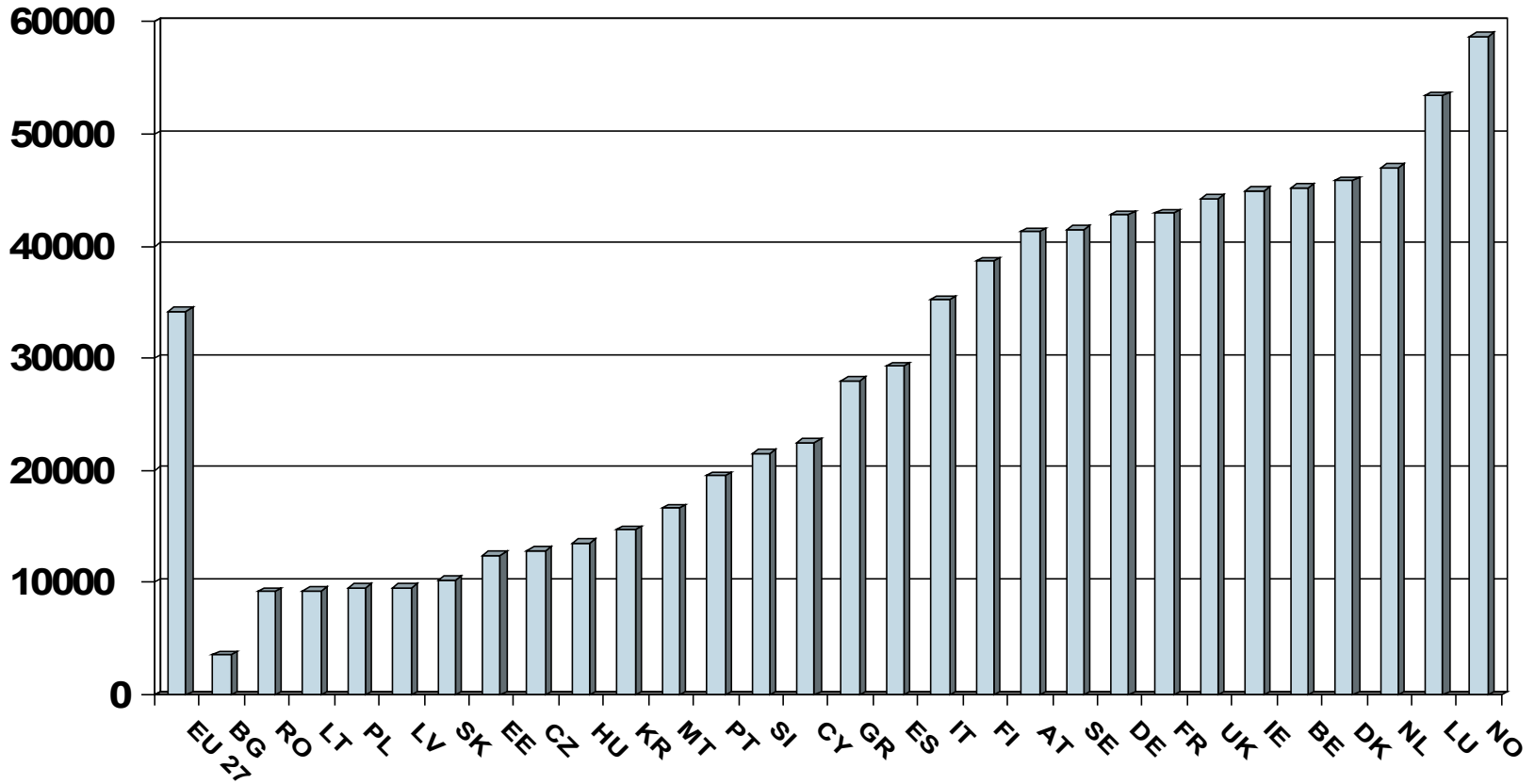
Context of wage developments in Europe

- At the time of increased capital mobility and globalisation, when cca. 1 billion workers got integrated in the world economy (China, India, eastern Europe) – the previous balance between labour and capital has shifted
- Wage moderation is characteristic for most EU15 countries for the last 10 years
- Wage shares in GDP are falling
- Wage differentials are growing
- The danger of a downward spiral is real
- Crucial role of the MW in crisis – in safeguarding purchasing power and to avoid social exclusion

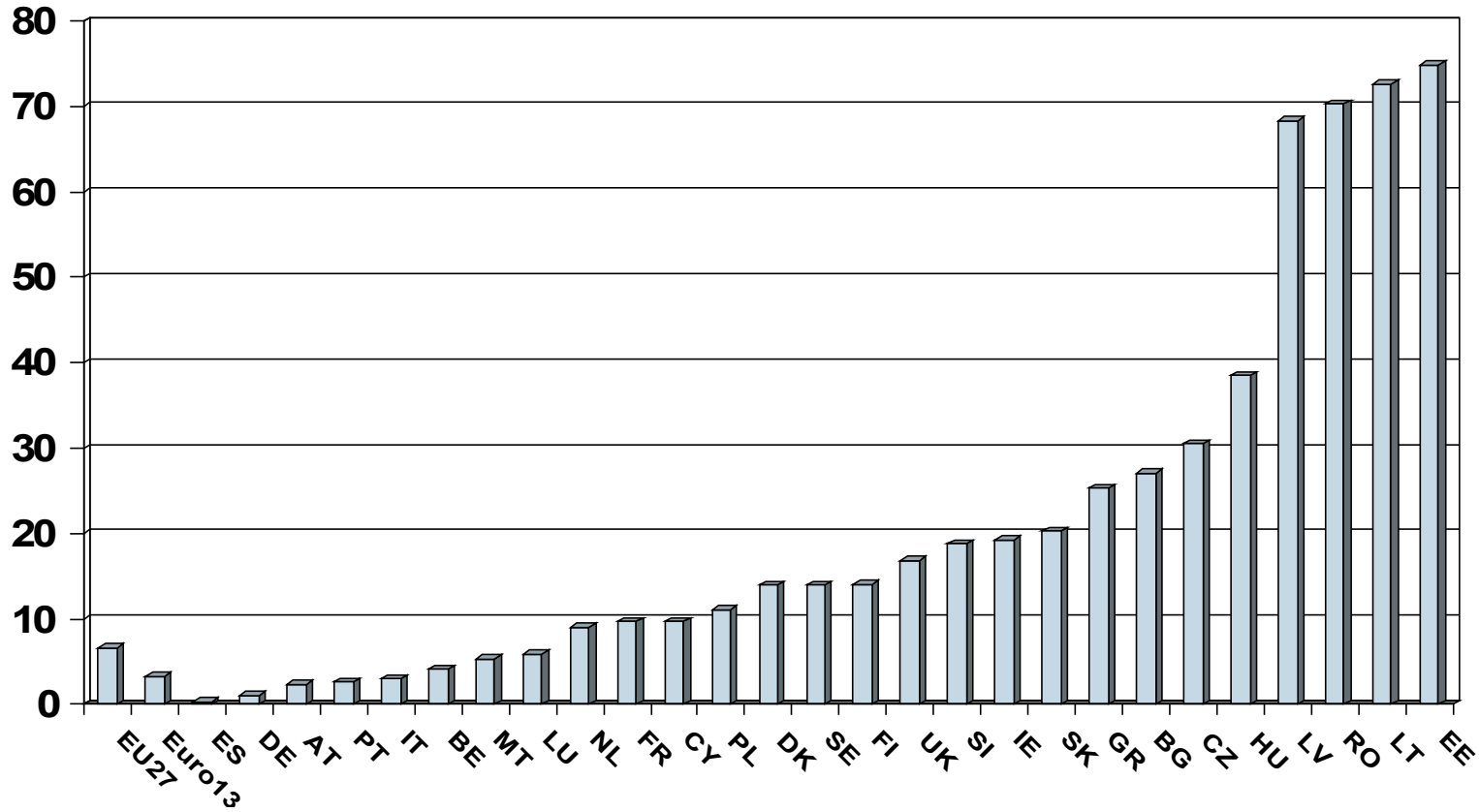
Basic principles – the background

- Decent pay – as basic principle – make work pay – a basic function of the European Social Model
- Wages should reflect productivity > wage increase = inflation + productivity increase
- Reduce wage differentials
- Background: large low pay sector in Europe (20 million employees on low pay in Europe), precarious jobs
- lack of proper bargaining coverage in several sectors/countries
- Labour migration – migrant workers' wages and labour conditions
- Freedom of services (Vaxholm case)

Yearly compensation per employee 2007 (Euro)



Growth real compensation per employee 2000-2007 (%)



Labour costs in the automobile sector in Europe

Table 1: Labour costs in the European automotive industry (€ per hour, incl. non-wage labour costs) 2006 vs 1997

Countries	1997	%	2006	%	1997 to 2006%
Germany	34.08	100	42.29	100	+ 24.09
Belgium	26.49	77.73	36.61	86.56	+ 38.20
Austria	25.09	73.62	31.46	74.39	+ 25.38
Sweden	24.79	72.74	34.51	81.60	+ 39.20
France	23.61	69.28	35.52	83.99	+ 50.40
UK	19.95	58.54	30.71	72.61	+ 53.93
Italy	19.89	58.36	24.68	58.35	+ 24.08
Spain	17.18	50.41	21.99	51.99	+ 27.99
Portugal	8.79	25.79	12.06	28.51	+ 37.20
Slovenia	6.81	19.98	14.01	33.12	+105.72
Hungary	3.53	10.36	7.76	18.34	+119.83
Czech Rep.	3.49	10.24	8.10	19.15	+132.09
Poland	3.15	9.24	6.00	14.18	+ 90.47
Slovakia	2.15	6.31	4.80	11.35	+123.25
Romania	1.55 (2000)	4.55	3.23	7.63	+108.38 (2000)

Source: Own calculation based on VDA data (VDA 2007, 68).

Bargaining structures

- Legal Framework across countries
 - ➡ Parties entitled to conclude Agreements
 - ➡ Parties covered by Agreements/Extension Mechanisms
 - ➡ Levels of Bargaining
 - ➡ Bargaining Coverage
 - ➡ Influence of Tripartite Concertation
 - ➡ Relationship of different Bargaining Levels
- In CEE: low CB coverage, weak extension mechanism, weak branch level bargaining
- Focus: tripartite negotiations, strong legally anchored minimum levels

Parties covered by Collective Agreements

	Employees		Employers		Employees		Employers
	Only Trade Union Members	All Employees	Extension Procedure		Only Trade Union Members	All Employees	Extension Procedures
Austria		X	Yes	Italy		X	Yes
Belgium		X	Yes	Latvia	X		Yes
Bulgaria	X		Yes	Lithuania	X	(X)	No
Cyprus		X	No	Malta		X	No
Czech Rep.		X	(Yes)	Netherlands		X	Yes
Denmark		X	No	Norway	X		No
Estonia	X		Yes	Poland		X	Yes
Finland	X	(X)	Yes	Romania		X	No
France		X	Yes	Slovakia		X	Yes
Germany	X		Yes	Slovenia		X	Yes
Greece		X	Yes	Spain		X	Yes
Hungary		X	Yes	Sweden	X		No
Ireland	X		Yes	UK	X		No

Minimum wages in Europe – the background

- Decent pay – as basic principle – make work pay – a basic function of the European Social Model
- Reduce wage differentials
- Background: large low pay sector in Europe (20 million employees on low pay in Europe), precarious jobs
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Function of the minimum wage

- Function of MW also depends on the institutional setting of industrial relations in the given country
- Might be playing a substitute role in countries where collective bargaining coverage is low (or particular sectors are not covered)
- Might also be a way of stimulating wage growth – a tool for wage policy
- In several countries important reference value for certain welfare provisions
- Level of minimum wage can have an impact on undeclared economy and on tax and social security contributions revenues of the state

Minimum wage: at the centre of policy debate in Europe and in certain MS-s (Germany)

Poul Nyrup Rasmussen and Jacques Delors presented a report to the 7th PES Congress, where they call for “*decent minimum wages in Europe*”

- and demand the introduction of a “*EU target for the minimum wage in terms of GNP per capita*” (Rasmussen and Delors 2006)
- the goal of guaranteeing every employed person a decent minimum wage represents a concrete political project of “social Europe”.
- To oppose to the spread of precarious conditions of employment.
- Today more than 15% of all employees in the EU 15 – i.e. more than 20 million wage earners – work in the low-paid sector (that is earn an hourly wage less than 2/3 of the national median wage)

Minimum wages in Europe: an overview

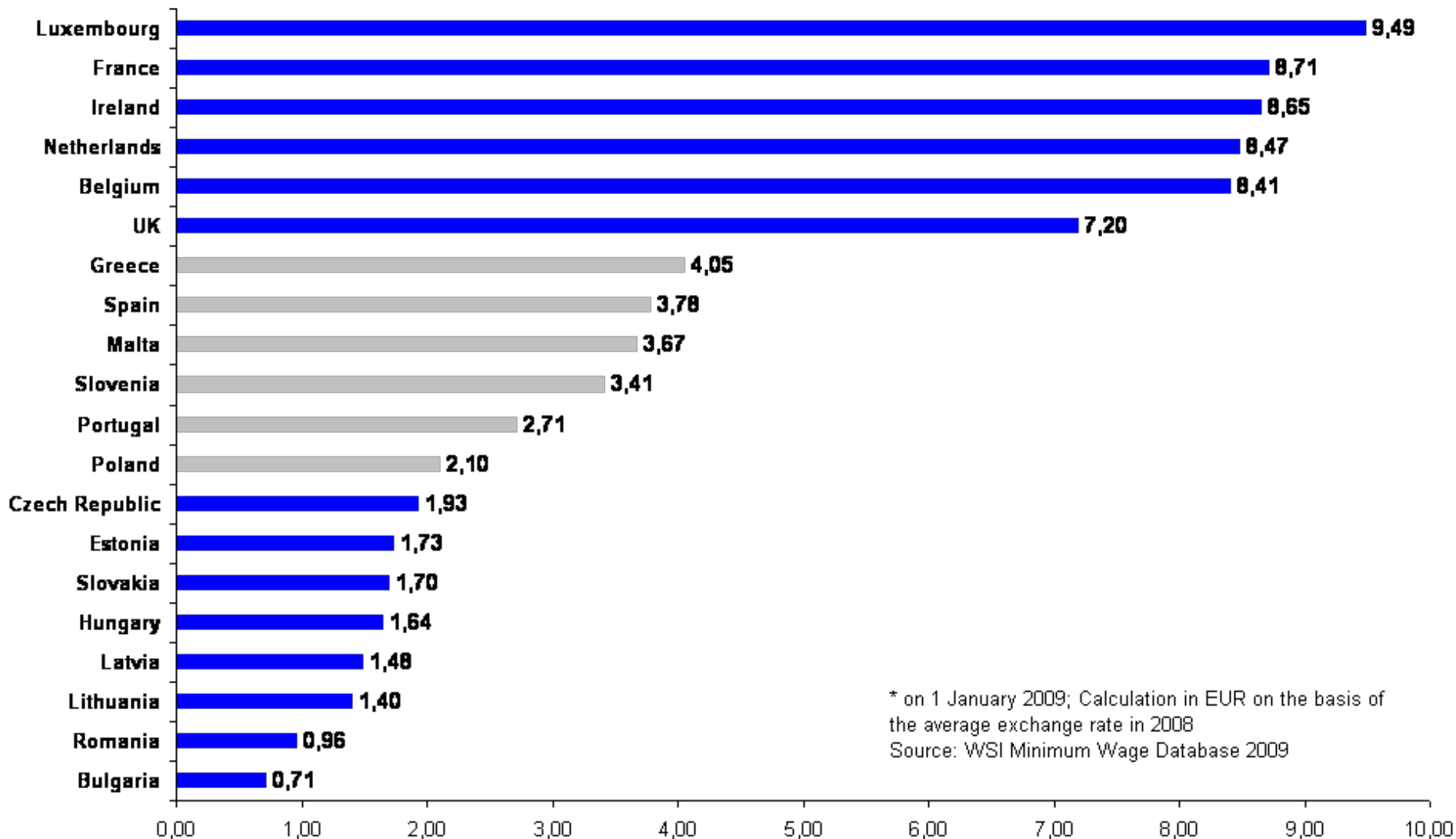
- In Europe minimum wages are regulated either by law or by collective agreement
- 20 out of 27 EU member states have a general statutory minimum wage laid down by the government, usually a say in the process by trade unions and employers.
- Seven EU member states have no national statutory minimum wage: Denmark, Sweden and Finland – as well as Germany, Austria, Italy and Cyprus rely on collective agreements alone
- most of these countries have functional equivalents (high coverage of collective agreements and a functioning system of collectively agreed minimum wage protection)
- in Italy, the constitution contains a clause on fair wages, interpreted by labour courts – only Germany is not having a functional equivalent – hot debates currently

Emphasis on minimum wage all over Europe

- The existence of statutory or collectively agreed minimum wages in so many European countries,
- former critics of MW such as the OECD (2006) say now that appropriately set minimum wages are not harmful for employment.
- on the contrary, they encourage labour supply and can form an important element in broader 'make work pay' strategies.
- UK - when the national minimum wage was introduced in 1999 predictions said, jobs would go and people would be worse off.
- This did not happen – employment grew, unemployment fell

Hourly minimum wages in Europe 2009

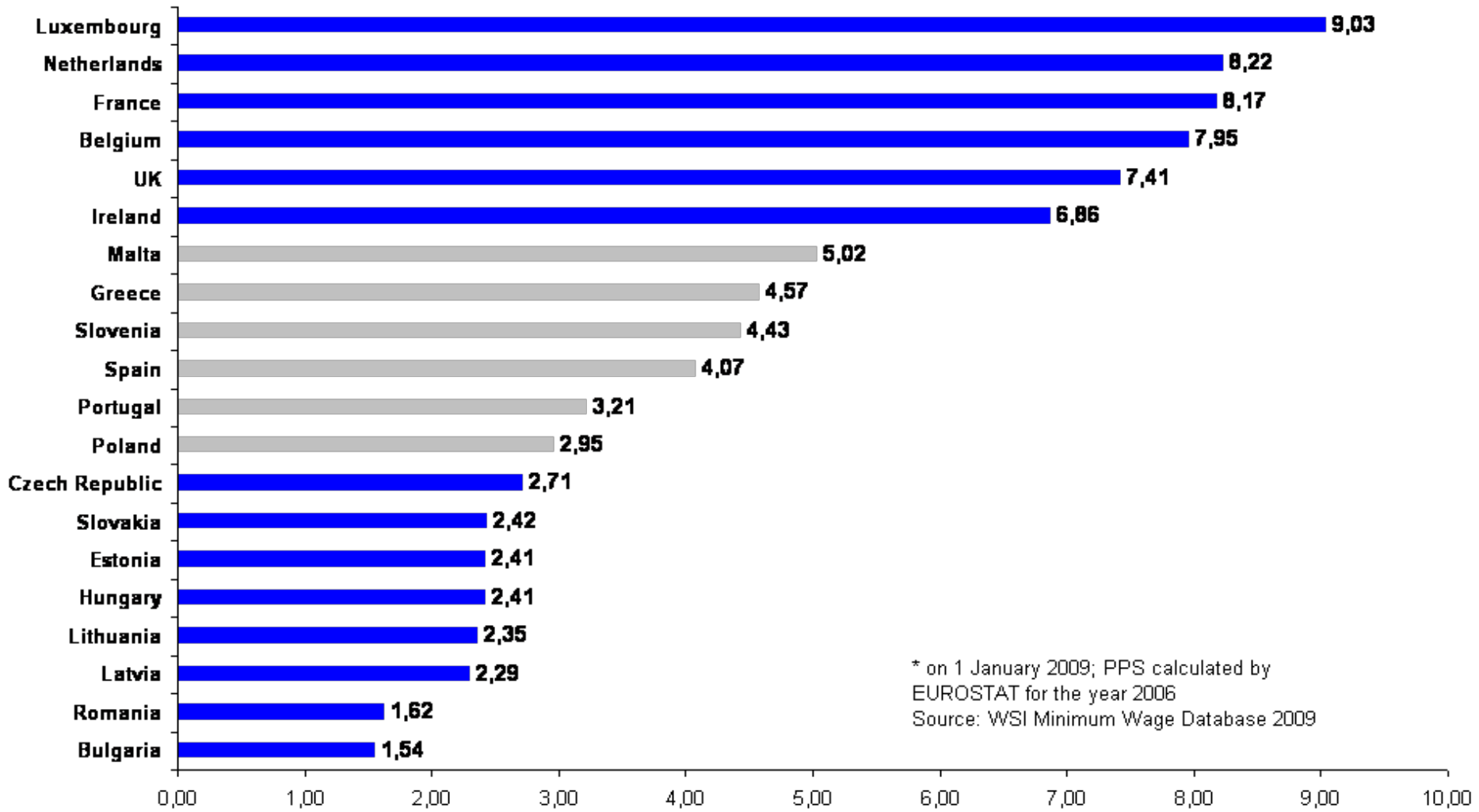
Statutory minimum wages per hour, 2009 in EUR*



* on 1 January 2009; Calculation in EUR on the basis of the average exchange rate in 2008
Source: WSI Minimum Wage Database 2009

Hourly minimum wages in Europe 2009, PPS

Statutory minimum wages per hour, 2009 in Purchasing Power Standards (PPS)*



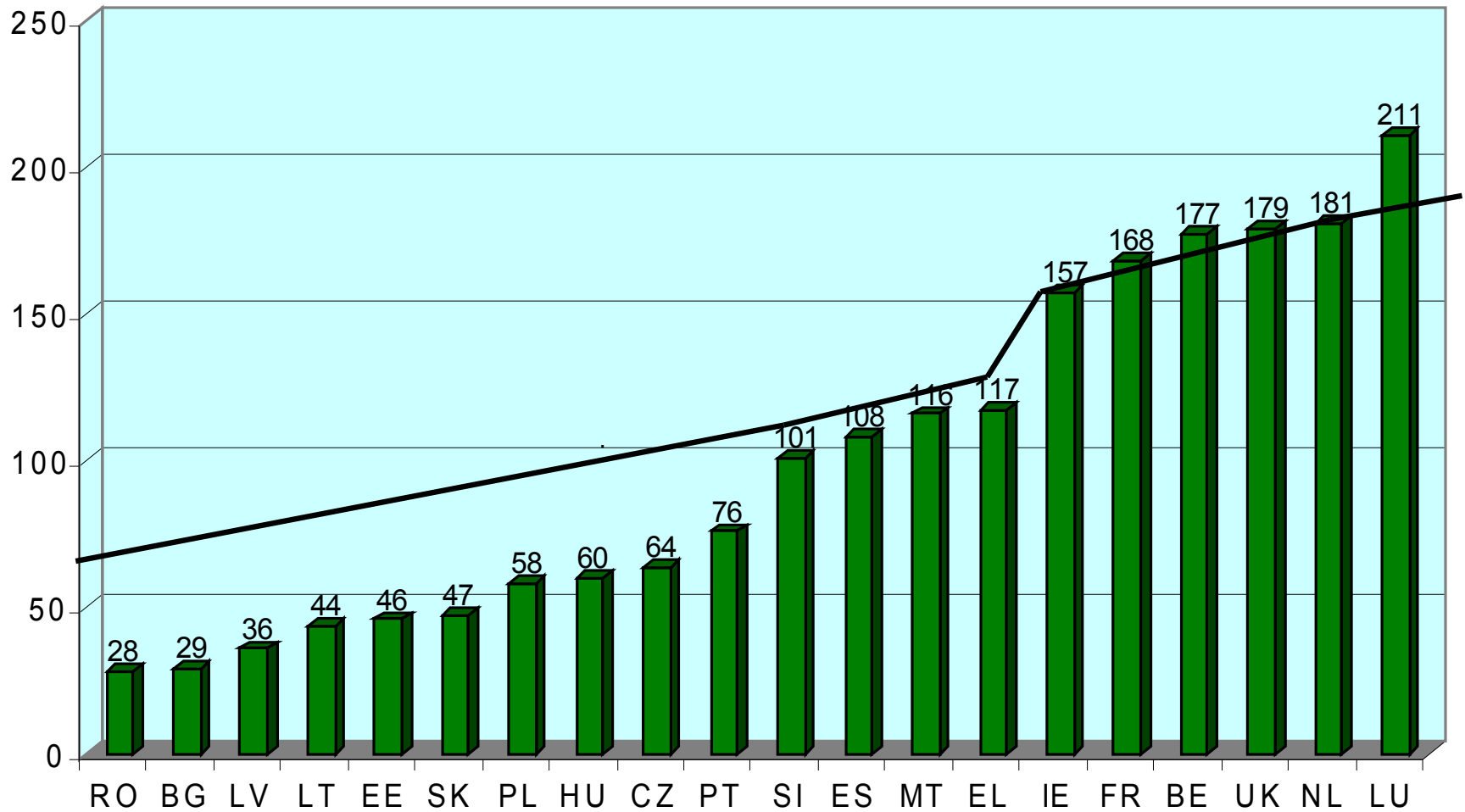
* on 1 January 2009; PPS calculated by EUROSTAT for the year 2006
Source: WSI Minimum Wage Database 2009

MW in relative terms

Minimum wage as a proportion of national average (2008)

30–35%	35–40%	41–46%
Romania Latvia Lithuania	Poland Hungary Czech Republic Croatia	Bulgaria Estonia Slovakia Slovenia

Relationship of minimum wage levels to EU median (= 100, in PPS, 2008)



High increases in countries with low MW

In 2008 MW increases with 2008 forecast for 2009 (not valid anymore due to the crisis):

- Latvia + 32.8% (2009: +12.4%)
- Romania + 28.2% (2009: +20.0%)
- Bulgaria + 22.2% (2009: +9.7%)
- Estonia + 20.8% (2009: 0.0%)
- Poland + 20.2% (2009: +13.0%)
- Lithuania + 16.7% (2009: +4.5%)

Comments to latest minimum wage trends

- Minimum wages do not seem to enjoy a `positive discrimination` or special attention
- They follow the general wage trends in most countries
- Minimum wages range between 32,5% (Latvia) to 46,6% (Portugal) of the average wage
- There are no significant differences in share between old and new member states
- For all countries it is true, the share of min wage is under 50%
- 60% of the average wage
- It must be added that in some countries minimum wages enjoy tax preferences (in Hungary they are tax free), thus their share in net wages is higher than in the gross wages

Conclusions

- The importance of the minimum wage is clearly increasing across Europe, even in countries, where it was not a priority before
- Experiences in the UK, Ireland and Portugal are positive, not negative effect on employment had been observed
- Germany has a crucial debate on the issue and a certain kind of a national MW will most probably be introduced soon
- Minimum wage targets – as measures in % of average wage or GNP/capita – are also discussed
- It is a difficult debate even trade unions have diverse views (Denmark, Italy have serious reservations) – fears that TU influence would be undermined or that a low European target level could be used to get national standards under pressure