



**5<sup>TH</sup> EMF COLLECTIVE BARGAINING CONFERENCE**  
*“A common demand for a common future”*  
**Rome 11<sup>th</sup> & 12<sup>th</sup> October 2005**

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## **CURRENT TENDENCIES IN COLLECTIVE BARGAINING**

### **1. Collective bargaining policy in the context of economic downturn and globalised corporate policy**

Collective bargaining policy in EU countries has been carried out in times of rapid change in the economic environment. This was already visible in the Nineties. The drastic slump in economic activities in 1992/93 led to high job losses in the metalworking industry which have lasted for many years and at the same time started accelerated technological and organisational restructuring in the metal industries.

The economic situation was consolidated only at the end of the Nineties. This was mainly due to exports, which helped to increase production and employment, also in the metalworking industry, up until 2002. During this time the electronics, information and communication industries expanded rapidly due to the “new economy bubble”. These industries were then hit hardest by the crisis which began in 2001 and lasted until 2004 in the EU. Industrial production in the EU (excluding the construction industry) fell in 2001 (-0.2), 2002 (-1.2) and stagnated in 2003 (0.2).<sup>1</sup> Even if the production decline in some branches of the metalworking industry was not so drastic due to export demand, the crisis left its mark in every branch.

This has something to do with the changes which began to emerge in the Nineties and took full effect during the short boom of 2000 and 2001 and the ensuing crash. Firstly, the distribution conflict is intensifying due to the aggressive performance of the financial markets. Financial markets formulate their distribution aims on a global level and enforce their distribution demands through benchmarking regarding the rate of return. In this way even companies with positive returns can now come under pressure. This pressure is being passed down to employees as there are higher demands for productivity, as production cost reductions are being extorted as part of the competition for industrial locations, wages are put under pressure (also via efforts

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<sup>1</sup> (Source: European Commission, European Economy, No. 4/2004 - The 2004 update of the broad economic policy guidelines).

to extend working time without pay), and the situation with regard to social protection is getting worse and worse.

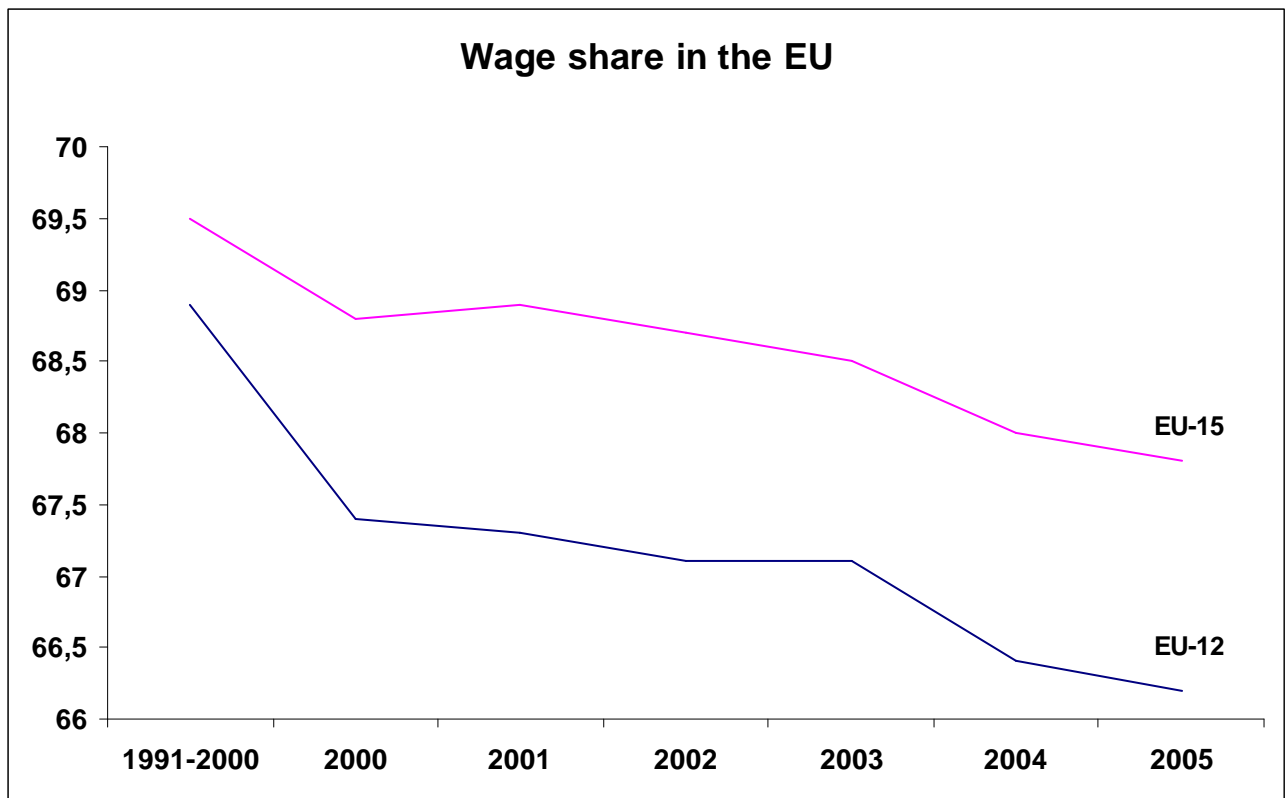
The process of deregulation, liberalisation of markets and opening of world regions which were not easily accessible until now (China, Central and Eastern Europe) has continued. On the one hand this increased the export chances of EU countries, but on the other hand led to a more aggressive comparison of costs (benchmarking) between different production locations. The increased trade competition, as well as competition between individual production locations, has led to more pressure especially on standardised and labour-intensive production and employees in these branches. A new cross-border network of production locations was created through relocation; this is the result of a corporate policy which is becoming increasingly global.

This has brought about new challenges, which should have been met by an appropriate economic and industrial policy in the first place. But this is just where economic and industrial policy failed. Economic and industrial policy, as well as the European Central Bank, has failed to strengthen employment perspectives with a pro-growth policy oriented towards future markets.

The economic development and the inadequate economic policy response have given rise to difficulties for trade union collective bargaining policy. This can be seen in various developments. Let us name the most important ones.

## **2. The employees' share of the distribution has diminished and the profitability of companies has risen again**

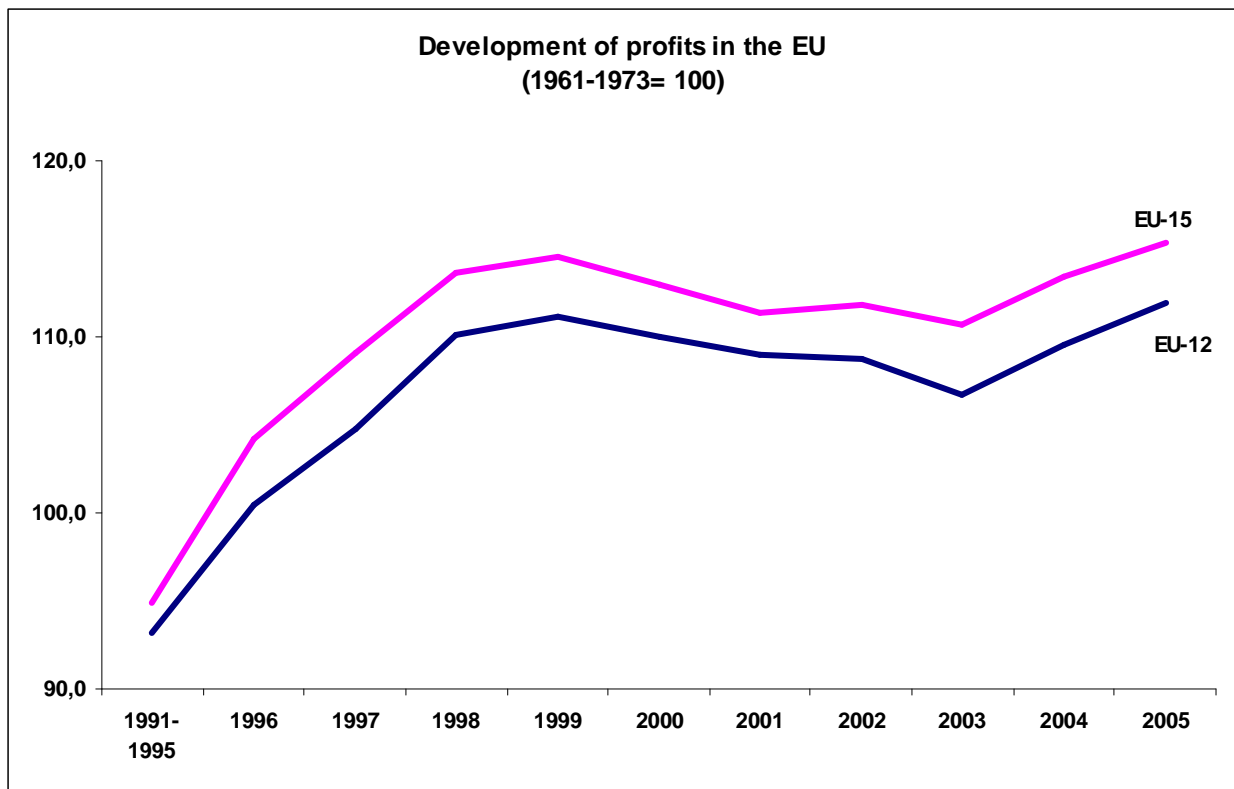
One of the aims of trade union collective bargaining policy in the European Union is to guarantee the employees' share of the generated product. We call this the wage share (wage ratio) of the gross national product. It shows how the macroeconomic distribution rate between capital and labour has developed. The employees' share of national product in the EU has declined again from 2000 to 2005: In the euro zone (EU-12) it declined from 67.4% to 66.2%; in the EU-15 from 68.8% to 67.8%; and in the EU-25 from 69.2% to 67.9%. The declining wage share shows that overall, in the period from 2000 to 2005, European trade unions have not succeeded in increasing wages to keep pace with the increase of productivity and inflation.



On average, employees' **real gross income** (gross income minus the inflation rate) in the EU climbed during the period 2000 to 2005 (2005 - predicted increase):

- in the euro zone (EU-12) by almost 0.5% p.a.;
- in the „old“ EU countries (EU-15) by almost 1% p.a. (a higher increase compared with EU-12 due to higher increases in the United Kingdom, Denmark and Sweden);
- in the EU countries (EU-25) by approximately 1.3%.

The decrease in the wage share was inversely proportional to the rise in the profit share. If you set 100 for the average profit in the years 1961 to 1973, then the profit share for EU-12 was 110 in 2000 and 111.9 in 2005; for EU-15 it was 113 in 2000 and 115.3 in 2005.



What are the consequences? In its macro-economic recommendations, the EU Commission calls time and again for larger profits and presents them as a precondition for a successful fight against unemployment. This is not convincing when you see the long-term positive development presented above. What is in fact necessary is for economic and industrial policy to give an impetus for more employment. This would also improve basic conditions for collective bargaining policy.

### **3. Co-ordination rule for collective agreements - medium-term development**

The EMF has pointed out several times how important it is not to restrict the co-ordination approach to a “rule” or “formula”, but to insist on a political approach. This can be described as follows: all EMF affiliates realise that their national collective bargaining policy always influences the unitary common economic area in the EU as well. That is why embracing these reactions in national collective bargaining policy became one of the basic elements of practical collective bargaining activities. It is particularly in the self-interests of each affiliate to avoid measures which would lead to a deliberate dumping of working standards. In economically and politically difficult times, in particular, the EMF has to play an even more important role as a coordinator and an information hub (see below). This proved especially urgent in the context of the recent developments in Germany (extension of working time, reduction of production costs in some companies).

Although the political embedding of the coordination rule is the key point, it is also an important task of the EMF (EUCOB@) to prepare a quantitative analysis and comparison of collective agreements and the distribution ceiling consisting of the inflation rate and productivity increase. That is carried out in detail via the annual EUCOB@ Reports:

The main focus of the EMF affiliates' collective bargaining policy was clearly the wage demands, although other demands such as working time, working conditions, pensions etc. were also made. It can be seen from the EMF analysis that it was possible for most of its affiliates to preserve purchasing power in their countries (Austria, Belgium, Czech Republic, Denmark, Finland, Germany, Ireland, Norway and Switzerland). Some countries have had difficulties in constantly reaching this aim (Greece, Italy, Netherlands, Poland, Sweden). In countries with a highly decentralised bargaining system, controlling the amount of pay increases finally achieved - and hence controlling the co-ordination rule - becomes difficult.

As far as a balanced share in the productivity increase is concerned, the picture is much less clear. In the period from 2000 to 2004 Germany was regularly above the limit "inflation plus productivity". On the other hand there is only one country (Poland) where this limit has not been reached at all in this period. In other countries the development varied from year to year.

According to the EUCOB@ information there are no indications for conscious social dumping in cases where the collective bargaining agreements were lower than the co-ordination rule. There are chiefly cases when trade unions have not succeeded in enforcing their demands due to the economic and political situation. In most cases there were also only short-term deviations, which were essentially the result of difficult economic conditions. However, recent developments also reveal that trade unions are increasingly returning to dealing with purely national problems.

#### **4. New EU Member States: higher deals by higher growth – Co-ordination rule vital for long-term harmonisation**

The economic growth, productivity increase and inflation rates in the new Member States were on average higher than in the old EU Member States; accordingly there were higher wage increases in these countries.

It proves that the political logic of the co-ordination rule in European collective bargaining policy - namely to prevent conscious wage dumping - became even more important due to EU enlargement. In the old EU member countries EU enlargement is used as a threat in order to extort concessions regarding wages and working time. Companies in the accession countries, on the other hand, present the lower wages as an advantage for location against the trade union demands for wage increases.

This objectively difficult situation does not make it any easier for trade unions to direct their wage policy in line with the co-ordination rule. But it is more important than ever that wage increases keep pace with productivity and price increases in the different countries. If this orientation rule had been properly implemented it would be possible to arrive at a long-term harmonisation of productivity and wage levels in the course of the catching-up and adjustment process.

## **5. Working time: Growing flexibilisation, pressure on working time extension, hardly any working time reductions**

Recently, there has been more and more pressure from companies, but also political pressure on the regulation of working time (e.g. in France, but also via the European Commission's working time Directive). In Germany, France, Belgium and other countries there were some cases of working time extension. The EMF analysis of working time shows that there is almost a standstill as regards reducing working time, with the exception of the new Member States. In these countries the demand for shorter working time is still valid. On the whole, working time in EMF affiliates' countries followed a similar development in the period 1997 to 2003. The average collectively agreed working time is slightly below the level defined in the EMF Working Time Charter (maximum 1750 hours p.a.), but real working time is far above that limit. Many countries are still far off the EMF's goal of the 35-hour week.

In the meantime, the focus of working time development is on further flexibilisation. There are more and more forms of working time organisation. Individual working time is becoming increasingly independent from the operating and opening time of plants, companies and services. There are concrete micro-economic reasons for this because this approach allows for cost reductions. In many cases this also caters for the different desires and individual interests of employees. But in a case of conflict of interests, business aspects still prevail, as you can see from the current corporate campaign for extending working time in which blackmail is being used. There are many different forms of this stronger flexibilisation of working time. Here you can find just a few.

### **Shift work, weekend and night work**

24% of employees in the EU work outside the normal working time during the week, which means they either work a minimum of two Saturdays or Sundays per month or at least half of their working time in the evening or at night. The working time models vary in different countries. In Italy, the Netherlands and United Kingdom, at least one-third of all employees, of the whole economy, work outside the normal working hours during the week<sup>2</sup>.

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<sup>2</sup> Eurostat, Arbeitszeiten, Thema 3-7/2004, Beschäftigung und soziale Bedingungen, Brüssel 21. 4. 2004

In Germany every sixth employee (15.5%) works standard shifts (alternate shifts), and in manufacturing almost every fourth employee (23.8%) works shifts. There is a definite trend towards more shift work.

### **Working time accounts**

Working time accounts as a tool to make individual working time more flexible are increasingly important. There are working time accounts for 20% of employees on average.<sup>3</sup>

In Germany 41% of all employees have a working time account and the number is growing. Since 1999 the number of working time accounts has grown from 4% to 42% in Western Germany and from 6% to 38% in Eastern Germany.<sup>4</sup>

## **6. Flexibilisation of work contracts leads to a further differentiation of the material situation of employees - differences are growing**

The further differentiation of earned incomes is not primarily a result of deals in collective bargaining in recent years. These have not led on the whole to additional income differences between individual wage groups. On the contrary, in some countries, there was some progress in harmonising the wages of blue and white-collar workers in collective agreements. However, the effective incomes in many EU countries have become more differentiated.

The percentage of low-income workers, i.e. workers with gross wages of more than 25% below the country average, is 24% in the EU, 18% men and 32% women. This percentage is the highest in Ireland, the United Kingdom, Germany and the Netherlands and is especially high for unskilled workers in Germany, Austria, Denmark, Ireland and the United Kingdom.<sup>5</sup>

The progressing differentiation of the material conditions of employees results on the one hand from a very differentiated development of payments above the collectively-agreed scale. Due to the crisis which started in 2001 the margin for payments above the collectively agreed scale was smaller. In some countries, as well as in Germany, these pay elements were reduced on a large scale.

On the other hand, a further differentiation results from the increasing flexibilisation of employment contracts, for instance: involuntary part-time jobs, fixed-term employment, temporary work or generally insecure employment.

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<sup>3</sup> Idem

<sup>4</sup> Results of the survey of the Institute for Exploration of social chances (Institut zur Erforschung sozialer Chancen (iso), Köln 2004, S. 117 ff.

<sup>5</sup> Source: EU Commission, DG Employment and Social Affairs, Employment in Europe 2003, Brussels, July 2003).

### **High increase of part-time work**

The percentage of part-time employees in the EU has increased from 14.2% (1992) to 18.2% in 2002. Many part-time employees would rather work full-time. In the statistics we speak about "involuntary part-time employment" when the interviewed persons say that the reason for their part-time employment is that they have not found a full-time job. In the EU, every sixth part-time employee (15.9%) says that he/she works involuntarily part-time.

### **Fixed-term employment: a significant increase with regard to young employees**

Within the last five years the percentage of employees with fixed-term contracts in the EU has slightly increased. 12.8% of employed persons in the EU have a fixed-term employment contract.

This slight increase covers the fact that there is a significant increase in fixed-term jobs among young employees. 37% of employees in the EU aged between 15 and 24 and 10.5% of employees aged from 25 to 49 have a temporary employment contract.

### **Temporary work agencies**

Temporary work represents a three-way relationship in contrast to all other forms of employment: the employee has a regular employment contract with a temporary employment agency (the 'hirer'), but works for a limited time for another company (the 'borrower') and is under its authority. The role of temporary work in company personnel policy has significantly changed. Temporary workers are not only employed in cases of temporary increased demand for personnel any more, but are deployed to workplaces where permanent employment is necessary. This leads partially to replacement of employees with open-ended employment contracts by temporary workers. In the automobile industry in particular, big companies employ a growing number of temporary workers. There is a similar trend in the electrical industry and mechanical engineering.

### **Illegal work**

In many EU Member States there is also a growing number of illegally employed persons. The entrepreneurs exploit the hopeless situation of the unemployed and partially illegal immigration by offering extremely low pay and bad working conditions.

### **Conclusions:**

Flexible employment contracts are expanding in the EU partly in a totally uncontrolled way. Trade unions are opposed to that and claim that those who want flexible employment contracts and working times have to conclude legal employment contracts and guarantee social security; they have to meet the equal pay requirements and also the employees' need for widely self-determined free time - this is the position of the EMF affiliates, but here there is still a significant deficit.

**7. Social policy issues and collective bargaining:  
Improvements and/or a shift from legally based public social security systems towards collective agreements?**

Issues to do with social policy (like early retirement, pensions, sickness pay, maternity leave, etc.) played an increasingly important role for European collective bargaining policy during the period we are reporting on.

Some of these issues were raised as a means of improving the labour market tools to alleviate mass unemployment, particularly unemployment among young people. So, in many countries, the unions wanted to enable older employees to take early retirement in order to create jobs for young people. To mention just a few cases: In Austria new rules for part-time and older workers were implemented. In France a new national agreement was reached, based on the first national agreement of July 1999, on voluntary early retirement plans for workers aged over 55, especially shift workers. In Germany, IG Metall reached a so-called “employment bridge between young and old” by concluding a collective agreement, on part-time early retirement. In Norway, an additional tripartite agreement between trade unions, government and the employers was concluded on early retirement paid partly by the government and the employers (for employees aged 62 and above).

Some of the social issues were put on the collective bargaining agenda in order to improve already existing social rules and regulations: In Denmark existing state payments in case of sickness and pregnancy were improved via collective agreements (from partial to full pay during periods of sickness or maternity leave for instance). Pensions were another very prominent topic for trade unions throughout Europe. Some countries pushed ahead with regulations in order to finance pensions partly by the capital market. In Germany, a supplementary private pension scheme was implemented. As a consequence the metal industry trade union and the employer’s federation undertook to found their own supplementary Pension Fund. Company-based pension schemes became more important and different measures were undertaken by trade unions to find new ways of financing, i.e. capitalisation of accumulated working time, etc. In Denmark, a supplementary pension system stipulates that 1/3 of the contribution is paid by the employee and 2/3 by the employer

But from 2000 to 2004 social issues were also raised by trade unions in order to offset reductions in legal entitlements or to create an alternative security system which can fill gaps caused by changes in the existing social security system (the latter was recently the case with pensions). For instance: In the Netherlands, unions were able to at least soften the negative impact of a government act which changed the conditions for sickness pay.

## **8. Bargaining level: increasing importance of company level - “controlled decentralisation”**

Although there have been no fundamental changes in the structure of collective bargaining in the Member States recently, the regional and company levels have generally become more important. This has been mostly due to tougher economic pressure and the resulting political push on the part of the employers. It has led to more opening clauses in some countries, including Germany. However, deviations from regional collective agreements have been bound to clearly-defined conditions (employment security, investments, product development and qualifications) and to a limited period of time (“controlled decentralisation”).

Many collective agreements are agreements concluded at national level for different industries, for one or several years (Austria, Belgium, the Netherlands, Poland, Slovak Republic, Slovenia, Italy, Denmark, Sweden) and they cover in most instances a wide span (wages, working time and other issues). In many countries the sectoral bargaining level is part of a differentiated bargaining system which has a higher inter-sectoral level as well as a lower local or company level.

Cross-sectoral agreements have been concluded at national level in Belgium, Finland, Norway, Poland, Slovak Republic and Slovenia, which are a basis for sectoral collective bargaining.

At the same time the company level seems to be gaining in importance. There are countries where bargaining at this level is an inherent part of employer-employee relations, for instance in Croatia, Denmark, France, the United Kingdom, Italy, Norway, Poland, Slovenia and Switzerland.

In some countries there have recently been discussions about the future form of the relationship between the central (regional) and decentralised (company - plant) level. This is the case in Italy and Germany.

Italy agreed in 1993 on a two-tiered bargaining system. Compensation for inflation is bargained for at the national level and compensation for productivity increases is mainly negotiated at company level. Recently, the Italian trade unions have been unhappy with both levels. At national level the problem is that it is not the real inflation rate that is the basis of the negotiations, but the government’s prognosis of the inflation rate. Productivity growth can be compensated at company level only partially because in many companies there is no bargaining at all. Therefore the Italian trade unions decided that they would demand compensation not only for the inflation rate but also for a part of productivity growth in the 2005 bargaining round. Trade unions are currently discussing a general reform of the system.

In Germany, companies now have more possibilities for agreeing on temporary deviations or different differentiated solutions, for instance with working time accounts, on the basis of the regional collective agreement. Therefore there is a growing need to strengthen the trade unions' presence at company level. As a result of these changes there is an intense discussion within trade unions about the re-adjustment of the relationship between the central (regional) and decentralised (company/plant) level.

These changes in the relationship between the central/decentralised levels have repercussions on collective bargaining policy in other EU countries. If there are some special regulations at company level (particularly in a big company) in one EU country, this affects the whole European level. Such regulations generally give a signal for the collective bargaining parties in other countries and they also directly affect other companies in the same branch which are active in the European economic area and which then demand the same regulations for themselves.

#### **9. A uniform EU economic area, but national collective bargaining policy: Requirements for co-ordination and information are growing**

The uniform European economic area has led to a very transparent collective bargaining area. The experiences with recent regulations concerning working time and labour cost reductions at company level show that European works councils and their coordinators at national level have to be involved in an efficient system of European co-ordination of collective bargaining policy.

The EMF sees therefore the necessity to expand its strategy. The EMF will:

- Defend and strengthen the co-ordination rule in order to prevent wage dumping and cuts in social welfare
  - Further develop and strengthen the Working Time Charter and protest against a general extension of working time
  - Strengthen its structures defined in the EMF Work Programme 2004-2007 and increase its presence in national collective bargaining bodies
  - Fully use the possibilities offered by the Eucob@ network in order to pro-actively support collective bargaining
  - Implement its co-ordination strategy with the proposal that a common demand be put forward which should be integrated in all collective bargaining rounds in Europe
  - Actively take up the proposal made by the EU Commission on "providing an optional framework for transnational collective bargaining at either enterprise level or sectoral level" and put forward its position in the upcoming consultation procedure.
-