BUSINESSEUROPE

SPEAKING NOTES

15 September 2011

CONFERENCE ON WAGE TRENDS IN EUROPE

- Keeping the growth of real wages in line with labour productivity is a necessary condition for long-term macroeconomic stability.

- At the same time, wage flexibility is an essential element of European private companies' competitiveness to win markets at global level and create employment in Europe.

- Before the crisis, there are countries in which wages have been maintained in line with productivity and others in which wages have increased more rapidly than productivity gains.

- It is not by coincidence that those who have followed a wage moderation path are those recording today the best results in terms of growth and jobs.

- Wages beyond productivity in some countries have by contrast contributed to macroeconomic imbalances; now shaking the Eurozone.

- In order to ensure that wages reflect productivity:

1. Importance of decentralisation of collective bargaining: It is essential to allow companies to adapt wages to their performance;

2. By contrast, indexation is counterproductive: It creates self-perpetuating inflationary spirals, which prevents job creation but leads to unemployment;

- In addition, we have observed in some Member States a diversification of forms of compensation of employees, e.g. in-work benefits, financial participation.

- Wage bargaining is the main responsibility of social partners.

- There is a big diversity of collective bargaining systems in European countries. According to the Commission's 2010 Industrial Relations report:

  - <u>Company-level bargaining</u> is dominant (i.e. covers above 50 % of the total of employees covered by any type of agreement) in the UK and 11 of the 12 new Member States (the exception being Slovenia).

  - <u>Higher-level bargaining</u>, including two-tier bargaining and higher-level agreements with derogation clauses, is dominant in the EU-15 (except for the UK) and Slovenia.

AV. DE CORTENBERGH 168
BE-1000 BRUSSELS
BELGIUM
VAT BE 863 418 279

BUSINESSEUROPE a.i.s.b.l.

WWW.BUSINESSEUROPE.EU

TEL +32(0)2 237 65 11
FAX +32(0)2 231 14 45
E-MAIL: MAIN@BUSINESSEUROPE.EU
EU Transparency register 3978240953-79

- This diversity of systems and the role of social partners therein must be respected.

- In this sense, the discussion we are having today is in the context of article 153.5 of the Treaty which excludes wages of the matters for which the EU can support and complement national policy-making as part of the EU social policy.

- By contrast, article 121 of the Treaty allows the Council to adopt recommendations setting broad economic policy guidelines to be implemented in the Member States.

- Likewise, as part of the Europe 2020 strategy, the European Commission has the means and the duty to set strategic objectives and monitor the policies that are put in place to achieve these objectives in the Member States.

- The same spirit of multilateral surveillance prevails in the spring 2011 Euro Plus Pact adopted by the European Council whose goal is to foster the competitiveness of European economies, including by inviting the signatory Member States "*to review the wage setting arrangements, and, where necessary, the degree of centralisation in the bargaining process, and the indexation mechanisms, while maintaining the autonomy of the social partners in the collective bargaining process".*

- BUSINESSEUROPE supports the Euro Plust Pact, which:

  - Recognises rightly the importance of avoiding macro-economic imbalances, including those which are due to wages;

  - Respects the autonomy of national social partners and EU competences;

*****